DOF: 13/12/2019

Final **RESOLUTION** of the examination of the validity of the compensatory quota imposed on imports of seamless steel pipes originating in the People's Republic of China, regardless of the country of origin.

On the margin a seal with the National Shield, which says: United Mexican States.- Ministry of Economy.

FINAL RESOLUTION OF THE VALIDITY EXAMINATION OF THE COMPENSATORY FEE TAXED TO THE IMPORTS OF SEAMLESS STEEL PIPE ORIGINATING FROM THE PEOPLE'S REPUBLIC OF CHINA, INDEPENDENTLY FROM THE COUNTRY OF ORIGIN

Seen to resolve in the final stage the administrative file E.C. 15/18 based in the International Commercial Practices Unit of the Ministry of Economy (the "Secretariat"), this Resolution is issued in accordance with the following

RESULTS

A. **Final resolution of the anti-dumping investigation**

1. On January 7, 2014, the Final Resolution of the anti-dumping investigation on imports of seamless steel pipes originating in the People's Republic of China ("China") was published in the Official Gazette of the Federation, regardless of the country of origin. Through said Resolution, the Secretariat determined a definitive compensatory quota of $ 1,568.92 (one thousand five hundred and sixty-eight point ninety-two) dollars per metric ton to imports of seamless steel pipe, of external nominal diameter equal to or greater than 2 "(60.3 mm) and less than or equal to 4 "(114.3 mm).

B. Notice on the validity of compensatory quotas

2. On September 11, 2018, the Notice on the validity of compensatory quotas was published in the DOF. By this means it was communicated to the national producers and to any person that had a legal interest, that the definitive compensatory quotas imposed on the products listed in said Notice would be eliminated as of the expiration date indicated therein for each one, except that a national producer express in writing his interest in initiating an examination procedure. The list included seamless steel pipe originating in China, the subject of this review.

C. Interest manifestation

3. On October 10, 2018 Tubos de Acero de México, S.A. (TAMSA), expressed interest in the Secretariat initiating the validity examination of the definitive compensatory quota imposed on imports of seamless steel pipes originating in China.

D. Resolution of commencement of the first validity examination of the compensatory quota

4. On November 21, 2018, the Secretariat published in the DOF the Resolution declaring the beginning of the validity examination of the compensatory quota imposed on imports of seamless steel pipes originating in China (the "Resolution Start"). The period from October 1, 2017 to

September 30, 2018 was set as the examination period and the period from October 1, 2013 to September 30, 2018, as the analysis period.

E. Product under review

1. Product description

5. The product under review is seamless steel pipe, with the exception of mechanical or stainless pipe, of external nominal diameter equal to or greater than 2 "(60.3 mm) and less than or equal to 4" (114.3 mm), regardless of wall thickness, coating or grade of steel with which it is manufactured. It includes the so-called conduit pipe or standard pipe, pressure pipe, line pipe and structural pipe. In the United States it is known as "seamless standard pipe", "seamless pressure pipe", "seamless line pipe" and "seamless structural pipe", respectively.

2. Characteristics

6. The pipe under examination is commonly manufactured with steel grades, chemical composition and in the dimensions indicated below:

a. The steel grade most used to make the pipe is X42 and B, according to API 5L or A53 / A 53M-07, A106 / A 106M-06a and A501-99 of ASTM. Pipes that meet two or three standards (which is the way in which the merchandise under analysis is commonly traded) are identified as B / X42;

b. Nominal outside diameter in a range of 2 "to 4", which are equivalent to 60.3 and 114.3 mm of actual outside diameter;

c. Wall thicknesses in a range of 1.65 to 25 mm, although pipe with a wall thickness outside this range is usually produced because it is also manufactured according to the specifications required by the customer, and

d. Maximum content of carbon, silicon, manganese, phosphorus, sulfur, vanadium, niobium and titanium, in percentages of 0.30, 0.40, 1.06, 0.035, 0.045, 0.08, 0.05 and 0.04%, respectively.

3. Tariff treatment

7. The product under review enters the domestic market by tariff sections **7304.19.01, 7304.19.04, 7304.19.99, 7304.31.01, 7304.31.10, 7304.31.99, 7304.39.01, 7304.39.05** and **7304.39.99** of the Tariff of the Law on General Import and Export Taxes (TIGIE), whose description is as follows:

Tariff coding	Description
Chapter 73	Articles of foundry, iron or steel.
Item 7304	Tubes and hollow profiles, seamless (without welding), of iron or steel.
	- Pipes of the types used in pipelines or gas pipelines:

Subheading 7304.19	-- Others.
Fraction 7304.19.01	Hot rolled tubes, uncoated or other surface work, including varnished or lacquered hot rolled pipes: outside diameter less than or equal to 114.3 mm and wall thickness equal to or greater than 4 mm without exceeding 19.5 mm.
Fraction 7304.19.04	Cold rolled tubes, uncoated or other surface work, including cold rolled varnished or lacquered tubes: outside diameter less than or equal to 114.3 mm and wall thickness equal to or greater than 1.27 mm without exceeding 9.5 mm.
Fraction 7304.19.99	Others.
	- Others, of circular section, of iron or non-alloy steel:
Subheading 7304.31	-- Stretched or cold rolled.
Fraction 7304.31.01	Tubes called "mechanical" or "structural", without coatings or other surface work, of outside diameter less than or equal to 114.3 mm and wall thickness equal to or greater than 1.27 mm without exceeding 9.5 mm.
Fraction 7304.31.10	Tubes called "thermal" or "conduction", without coatings or other surface work, of outside diameter less than or equal to 114.3 mm and wall thickness equal to or greater than 1.27 mm without exceeding 9.5 mm.
Fraction 7304.31.99	Others.
	- Others, of circular section, of iron or non-alloy steel:
Subheading 7304.39	- Others.
Fraction 7304.39.01	Tubes called "mechanical" or "structural", hot rolled, uncoated or surface work, including tubes called "mechanical" or "structural" hot rolled, lacquered or varnished: outside diameter less than or equal to 114.3 mm, and wall thickness equal to or greater than 4 mm without exceeding 19.5 mm.
Fraction 7304.39.05	Tubes called "thermal" or "conduction", without coating or surface work, including tubes called "thermal" or "conduction" lacquered or varnished:

	outside diameter less than or equal to 114.3 mm and wall thickness equal to or greater to 4 mm, not exceeding 19.5 mm.
Fraction 7304.39.99	Others.

Source: Tariff Information System Via Internet (SIAVI).

8. The unit of measure used by the TIGIE is the kilogram, while commercial operations can be carried out in kilograms, metric or short tons, meters, feet or pieces.

9. In accordance with the SIAVI and the "Decree by which the Tariff of the Law of the General Import and Export Taxes is modified, and the Decree by which various sectoral promotion programs are established", published in the DOF on 9 On February 2010, imports that enter through tariff item 7304.31.99 were duty free; on the other hand, the imports that enter through the tariff fractions 7304.19.04, 7304.31.01, 7304.31.10 and 7304.39.01 are subject to an ad valorem tariff of 5%, as of January 1, 2012; in accordance with the "Decree by which the Tariff of the Law of the General Import and Export Taxes and the Decree by which various Sector Promotion Programs are established", published in the DOF on March 25, 2019, currently Imports that enter through tariff items 7304.19.01, 7304.19.99, 7304.39.05 and 7304.39.99 are subject to an ad valorem tariff of 15%. However, in accordance with the Comprehensive and Progressive Transpacific Partnership Treaty, imports originating in Australia, Canada, Japan, New Zealand and Singapore that enter through tariff items 7304.19.01, 7304.19.04, 7304.31.01, 7304.31.10 , 7304.39.01 and 7304.39.05, have an ad valorem tariff of 3%, while those originating in Vietnam are subject to an ad valorem tariff of 4%; meanwhile, imports originating in those countries that enter through tariff items 7304.19.99, 7304.31.99 and 7304.39.99 are duty free.

10. On December 5, 2013, the "Agreement amending the modification of diverse chapters through which the Ministry of Economy issues general rules and criteria in foreign trade matters" was published in the DOF, whereby they are subject to the presentation of a Automatic Notice for merchandise that enters through the tariff fractions 7208.51.01, 7208.51.02, 7208.51.03, 7208.52.01, 7225.40.01 and 7225.40.02 of the TIGIE, for commercial statistical monitoring purposes when destined to the Customs Import Office regime.

4. The production process

11. The production process of the seamless steel pipe starts with obtaining the liquid steel. This material is obtained through two different processes: one of them is blast furnace casting (BF) and oxygen acceleration in oxygen converting furnaces (BOF) by Basic Oxygen Furnace); the other is the melting in electric arc furnaces (EAF, for its acronym in English Electric Arc Furnace).

12. In the first of these processes, liquid steel is obtained in the following manner: coke, fluxes and iron ore are melted in the BF to obtain the pig iron or iron of first fusion; After transporting this material in thermos carriots, then loaded to BOF oven, which consists of a pot called a converter (previously loaded with scrap metal) and high pressure oxygen is injected to accelerate the chemical reaction that allows reducing the carbon content in the liquid pig iron to the levels

required by the steel that was scheduled to be produced, as well as to separate impurities such as gases and slag. Once refined, the liquid steel is emptied into a pot and the ferroalloys are added, separating it from the slag. In the second process, in the EAF, scrap, briquettes and ferroalloys are mixed; These materials are melted by the heat supplied by arc-shaped electrical energy from graphite electrodes.

13. The liquid steel that is obtained by any of these smelting processes is passed through a continuous casting machine, through which a steel bar (ingot or billet) is produced with a diameter that will depend on the pipe required to be manufactured; then it cuts and cools.

14. The process for manufacturing seamless steel pipe is carried out by rolling the steel bar or ingot, which is carried out through the following stages:

a. the bar or ingot is heated in a rotating oven (preheating);

b. the hot bars pass through the "laminator with retained mandrel", where they are drilled and adjusted to the diameter and thickness of the tube that is required to be manufactured (from 2 "to 4" in diameter);

c. the tube is cut in the required dimension, cooled and inspected for possible defects;

d. in accordance with the standards that must be met, the tube can be subjected to a heat treatment in order to improve the chemical properties of the steel, or a hydrostatic test to eliminate the likelihood of leaks caused by cracks, by subjecting the tube to high pressures, and

e. finally, grease and protectors are placed at both ends of the tube to prevent corrosion and damage during transport of said product.

15. In addition to the raw material to obtain liquid steel, other inputs used in the production of seamless steel pipe are electrodes (if the process for obtaining steel is by EAF), ferroalloys, refractories, electrical energy, natural gas , rolling equipment, bevel protectors, paints and varnishes.

5. Norms

16. The pipe under examination is manufactured with specifications of the following standards: the pipe for conduction, in accordance with standards A53 / A 53M-07 of the “Sociedad Americana para Pruebas y Materiales” (ASTM), original name (American Society for Testing and Materials) and Specification 5L of the American Petroleum Institute (API), hereinafter API 5L; the pressure line, under ASTM A106 / A 106M-06a; line pipe, in accordance with API 5L, and structural pipe, in accordance with ASTM standard A501-99. Likewise, the pipe under examination can be manufactured using "proprietary standards", which are created specifically for a particular customer, so that they could even be more restrictive than the standards mentioned.

17. Seamless steel pipe is normally produced according to specifications of two, three or even four standards, so that a pipe can meet A53 / A 53M-07 standards and A106 / A 106M-06a and, therefore, be called "binorma", which could be considered "trinorma" if, in addition, it complies with the requirements of API 5L. A "trinorma" pipe can be classified as a conduit pipe, either a

pressure or a line pipe. A "trinorma" pipe is commonly used as a structural pipe, when it is used for oil installations or in the construction of bridges and complex architectural structures.

6. Uses and functions

18. The main function of the pipeline under review is the conduction of water, steam, gas, air, hydrocarbons, chemical fluids, as well as support in tubular structures in the construction industry, such as stadiums, bridges, airports and industrial units.

F. Call and notifications

19. Through the publication of the Start Resolution, the Secretariat summoned the national producers, importers, exporters and any person they considered to have a legal interest in the result of this review, to appear to present the arguments and evidence they deemed relevant.

20. The Secretariat notified the beginning of this procedure to the parties that it had knowledge of and to the government of China.

G. Appearing interested parties

21. Only the national producer appeared in due time and form to the process, as follows:

1. National producer

Tubos de Acero de México, S.A.

Campos Elíseos No. 400, piso 17

Col. Chapultepec Polanco

C.P. 11560, Ciudad de México

H. First trial offering period

22. At the request of TAMSA, the Secretariat granted an extension of 15 business days to submit its response to the official form, as well as the arguments and evidence corresponding to the first period of offering evidence. TAMSA submitted on February 7, 2019, the response to the form, as well as the arguments and evidence that it agreed to in its right, which are recorded in the administrative reference file, which were considered for the issuance of this Resolution.

I. Replicas

23. Because there were no counterparts to the national production, no replies were filed.

J. Information requirements

1. National producer

24. On March 13, 2019, the Secretariat requested TAMSA to, among other issues, explain the methodology it used to obtain the export price from China to Korea and provide the documentation that supported its response, ensuring that the information corresponded to the object product of examination and not at subheading level; in relation to the projections in the

scenario of elimination of compensatory quotas, break down the items considered to obtain the expected import price of imports from China and provide the supporting evidence that supports the magnitude of each item; explain the reasons for projecting the expected national price from the expected inflation expectations for Mexico and not from the price at which Chinese imports would concur and, in the event, consider considering projecting the expected national price from the price to which China's imports would concur, will make the adjustments to Annexes 5, 5A and 6 of the official form regarding the projections of the economic indicators and the figures of the state of costs, sales and profits of the national industry, considering the projected years, with and without the continuation of the current compensatory quota; present the financial statements as of September 30, 2017 and 2018 internally in national currency, and correct various aspects of form. He submitted an answer on March 28, 2019.

25. On June 17, 2019, the Secretariat requested TAMSA to, among other issues, explain the reasons why certain products do not correspond to the seamless steel pipe under review; It will include in Annexes 5 and 5A of the official form the direct wages for the total production of the similar product and the total installed capacity for the production of similar seamless steel pipe, for the period analyzed and the projected periods, and present a copy of a sample of the pediments of the import operations performed during the analyzed period, as well as the attached documentation Has submitted an answer on July 1, 2019.

2. No parts

26. On March 13, 2019, the Secretariat requested the National Chamber of the Iron and Steel Industry (CANACERO) to explain the procedure and the criteria that allowed it to link the information contained in the automatic notification bases and in the import operations, and will provide the complete data of the source from which it obtained the automatic notification base. Has submitted an answer on March 28, 2019.

27. On April 22, May 20 and 21, 2019, The Secretariat required a number of customs agents to submit import requests, as well as the attached documentation. The deadlines expired on May 7, June 3 and 4, 2019.

K. Second period of offering evidence

28. On April 16, 2019, the Secretariat notified TAMSA of the opening of the second period for offering evidence, in order to present the arguments and complementary evidence it deems pertinent.

29. On May 27, 2019, TAMSA presented additional arguments and evidence, which are in the administrative file of reference, which were considered for the issuance of this Resolution.

L. Other appearances

30. On January 21, 2019, the CANACERO presented a study to determine the export price of the product under review, as well as the methodology and calculations made, based on the statistical information on imports provided by the Tax Administration Service (SAT)

M. Essential facts

31. On July 29, 2019, the Secretariat notified TAMSA of the essential facts of this procedure, which served as the basis for issuing this Resolution, in accordance with Articles 6.9 and 11.4 of the Agreement on the Application of Article VI of the General Agreement on Customs and Trade Tariffs of 1994 (the "Anti-Dumping Agreement"). TAMSA did not present statements to the essential facts.

N. Public audience

32. On August 5, 2019, the public hearing of this procedure was held, only with the participation of TAMSA, which had the opportunity to present its arguments, as recorded in the minutes that were raised for that reason, which constitutes a public document of full probative efficacy, in accordance with article 46 section I of the Federal Law on Administrative Contentious Procedure (LFPCA).

O. Allegations

33. On August 9, 2019, TAMSA presented its allegations, which were considered to issue this Resolution.

P. Opinion of the Foreign Trade Commission

34. Based on articles 89 F section III of the Foreign Trade Law (LCE) and 19 section XI of the Internal Regulations of the Ministry of Economy (RISE), the draft of this Resolution was submitted to the opinion of the Committee on Trade Exterior, which considered it at its session on November 7, 2019. The project was reviewed favorably by a majority.

CONSIDERED

A. Competition

35. The Secretariat is competent to issue this Resolution, in accordance with articles 16 and 34 sections V and XXXIII of the Organic Law of the Federal Public Administration; 1, 2, section A, section II number 7, and 19 sections I and IV of the RISE; 11.1, 11.3, 11.4, 12.2 and 12.3 of the Anti-Dumping Agreement, and 5 section VII, 67, 70 section II and 89 F of the LCE.

B. Applicable legislation

36. For the purposes of this procedure, the Anti-Dumping Agreement, the LCE, the Regulations of the Foreign Trade Law (RLCE), the Fiscal Code of the Federation, the LFPCA and the Federal Code of Civil Procedures, the latter three of supplementary application are applicable.

C. Protection of confidential information

37. The Secretariat may not publicly disclose the confidential information that the interested parties submitted, or the confidential information that they themselves obtained, in accordance with the provisions of Articles 6.5 of the Anti-Dumping Agreement, 80 of the LCE, and 152 and 158 of the RLCE.

D. Right of defense and due process

38. Interested parties had ample opportunity to present all kinds of arguments, exceptions and defenses, as well as evidence to support them, in accordance with the Anti-Dumping Agreement, the LCE and the RLCE. The Secretariat assessed them subject to the essential formalities of the administrative procedure.

E. Analysis on the continuation or recurrence of dumping

39. The Secretariat carried out the analysis of the review on the recurrence or continuation of dumping based on the facts that it was aware of, in terms of the provisions of Articles 6.8 and Annex II of the Anti-Dumping Agreement, and 54 second paragraph and 64 last paragraph of the LCE. These facts correspond to the information and evidence presented by TAMSA and CANACERO, as well as to the information from which the Secretariat approached.

1. Export price

40. For the calculation of the export price, the CANACERO presented the seamless steel pipe imports that entered through tariff sections 7304.19.01, 7304.19.04, 7304.19.99, 7304.31.01, 7304.31.10, 7304.31.99, 7304, 39.01, 7304.39.05 and 7304.39.99 of the TIGIE, during the review period, which it obtained from the statistical import information provided by the SAT.

41. Due to the fact that due to the tariff fractions indicated, products other than the object of the CANACERO examination were entered, it provided a debugging methodology. With information on pediments and automatic notices, he verified dimensions, uses and standards and identified imports of the product under review that paid compensatory fee.

42. TAMSA said that, during the review period, the imports originating in China that CANACERO identified as a probable product under review, were marginal and are not suitable to represent the volumes that importers and customers who purchase imported merchandise usually handle in their commercial operations Therefore, CANACERO's analysis does not show the true discriminatory behavior that Chinese companies maintain in the product under review.

43. Derived from the above, TAMSA proposed the export price from China to Korea, as it is the main destination of Chinese exports of seamless steel pipe during the period under review, according to China's export data obtained from the Global Trade Atlas of IHS Markit ("Global Trade Atlas").

44. In order to verify that China's exports did not have errors in the figures, TAMSA presented imports of seamless steel pipe in Korea of Chinese origin, based on information from the website of the International Trade Association of Korea (KITA, for its acronym in English from Korea International Trade Association) http://global.kita.net, a database services-trade statistics company in Korea. From the comparison of both sources, TAMSA said that the volume covered by operations is very similar.

45. It should be noted that TAMSA also proposed to obtain the export price from China to Mexico, based on a January 2018 quotation of the product under review.

46. The Secretariat approached the list of imports reported by the Commercial Information System of Mexico (SIC-M). Also, in order to have more elements regarding the identification of the product under review, it required various customs agents to provide copies of import requests and attached documentation of merchandise that paid compensatory fee during the period of examination.

47. With the documentation obtained and its comparison with the SIC-M database, the Secretariat confirmed that China's exports to Mexico were non-existent and analyzed TAMSA's proposals to calculate the export price.

48. The Secretariat reviewed China's export statistics and confirmed that Korea is indeed the main export destination. He considered this information since it deals with actual operations carried out during the review period. Additionally, the Secretariat carried out an exercise in which it calculated the export price from China to the world and observed that it exceeds the one proposed by TAMSA by less than 2%.

49. TAMSA noted that the price of the Global Trade Atlas is at the free level on board (FOB), so no adjustments were necessary.

50. Based on Article 40 of the RLCE, the Secretariat calculated an average export price weighted in dollars per kilogram for seamless steel pipes of Chinese origin.

2. Normal value

a. China as a non-market economy

51. TAMSA argued that subsection a) of paragraph 15 of the Protocol of Accession of China to the World Trade Organization (WTO) establishes the possibility of using prices or costs in China or a different methodology for the purposes of price comparability in dumping investigations. The assumption foreseen in subsection a) Romani ii) expired on December 11, 2016, however, the assumption of subsection a) Romani i) remains in force, so, according to that section, it is the producers under investigation who they must clearly demonstrate the existence of market conditions so that it is possible to use internal prices and costs. In this sense, the expiration of section a) ii) does not prevent the authority from using a different methodology in cases where it is not demonstrated that the respective sector operates in market conditions.

52. Has added that, in the case of China, the Secretariat has outlined the applicable administrative practice in which it states that, even though some clauses of the Protocol of Accession of China to the WTO are no longer applicable; The possibility of China being considered a non-market economy has not disappeared; and that this determination depends on the arguments and evidence for the sector and industry of the product under review submitted by the parties to the procedure.

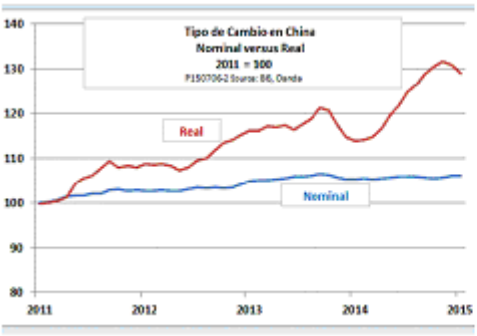
53. Therefore, TAMSA provided documents related to China's economic and market conditions in which it shows some forms of trade stimulus, government support, subsidies, exchange rate manipulation, capital market and labor behavior in specific regions of China. . Likewise, it presented evidence to demonstrate that, in the seamless steel pipe sector, cost structures prevail

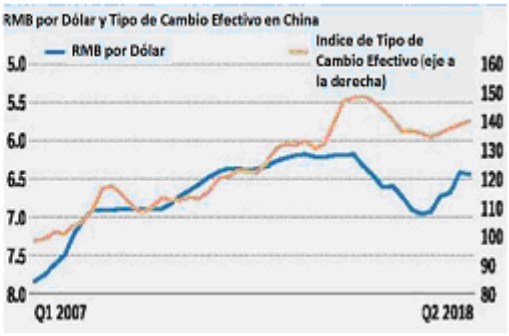
that are not determined according to market principles, therefore, in the absence of a clear demonstration by the producers under investigation On the contrary, the use of domestic prices in China is inadmissible.

54. To support the above, TAMSA presented the following arguments and evidence at the macroeconomic level, industrial sector and the product under review, in accordance with the criteria contained in Article 48 of the RLCE:

a. The exchange rate is under state control:

i. TAMSA noted that the intervention of the Chinese authority in the foreign exchange market is still considerable. It provided graphs with the historical evolution of the real and nominal exchange rate, according to the Oanda exchange portal, as well as The Hindu Business Line magazine;





ii. Stated that, in the graph on the left, he compares the historical evolution of the real and nominal exchange rate from 2011 to 2015. He indicated that from that it is observed how in the long term the Chinese authorities establish a foreign exchange rate that tends to be rigid compared to fluctuations derived from the real evolution of the purchasing power of currencies. In the graph on the right, published in The Hindu Business Line magazine for the period 2007 to 2018, it can be seen that there is a clear gap between the real versus the nominal exchange rate. In particular, it is observed that, in the short term, the authorities have appreciated their local currency, but in such a way, that the nominal exchange rate is still considerably separated from the real exchange rate. In summary, it indicates that the graphs show an exchange market management that does not reflect consistency with market signals;

iii. Has argued that the role of the Chinese government is not reduced to determining the exchange rate, but covers severe control, through a rigorous dual control mechanism, since, although nominally there is only one currency, it is managed in two separate markets: onshore (CNY) and offshore (CNH), as can be seen from the document "The dual exchange rate system (CNY vs. CNH)", published by Mizuho Bank, Ltd. in June 2018;

iv. According to the document "CNH vs. CNY: What are the main differences between the two yuan", published in DAILYFX magazine, on September 12, 2018, the CNH refers to the Chinese yuan in the foreign market, which is outside From Mainland China, this includes the traditional centers of Hong Kong, Singapore, London and newly developed centers such as Luxembourg. The

CNY is managed in the Chinese domestic market. The exchange of foreign currency and the yuan can only be carried out in certain banks that are owned by the State, in strictly limited quantities and in accordance with the exchange rate established by the Chinese government;

v. Although companies can exchange currencies for CNH, they must prove that they require it for international trade or financial transactions, since the participation of entities in the CNH market is restricted to companies qualified for it, as indicated in the Report of CME Group "Offshore Market of Chinese Renminbi (CNH)" of March 4, 2014;

vi. Since 2016 the International Monetary Fund (IMF) incorporated the yuan as part of the basket of international currencies that make up the financial instrument called Special Drawing Rights (SDR), however, the IMF itself has pointed out that China's monetary reforms have been insufficient According to the document "MFI Country Report", No. 18/240, the Renminbi remained, in general, stable against the basket published by the Chinese Exchange Trading System in 2017, but with a greater fluctuation compared with the dollar and has been appreciated in about 2% in real effective terms in the first half of 2018. Notes that it is necessary to implement continuous structural reforms; in particular, stresses that the central parity mechanism for the daily flotation band must be transparent and mechanical, with the exchange rate influenced by the intervention of the external exchange market and by public communication when necessary, rather than by administrative measures;

vii. The inclusion of the yuan in the SDR basket has not made this currency convertible on a regular basis in the currency markets, as already indicated, Chinese banks, owned by the government, control the flow of the yuan and set the exchange rate. Outside of China, few institutions exchange yuan for any freely available currency and restrictions on the handling of the yuan do not allow it to be a currency of general use, so that, despite its inclusion in the SDR basket, its real insertion in the international foreign exchange market it is still marginal and is below, even in local currencies subject to high exchange volatility, and

viii. Article 48 of the RLCE does not require an analysis of this criterion at the industry level, but clarified that the centralized determination of the exchange rate and the restriction in the convertibility of the currency certainly affects the steel sector and, in particular, the industry object of examination If the local currency is undervalued, this will result in a competitive advantage, since the prices of the merchandise, when converted to dollars, will be artificially low in the export market, while the prices of its competitors when converted to yuan will be artificially high in its domestic market. Conversely, an overvalued currency would also grant competitive advantages to the seamless pipe industry by acquiring imported basic inputs (such as raw materials such as iron, scrap, or production inputs such as oil or natural gas), as I would buy them at artificially low prices. That is, a currency manipulation policy grants discretionary advantages.

b. Salaries and labor flow are under the control of the State:

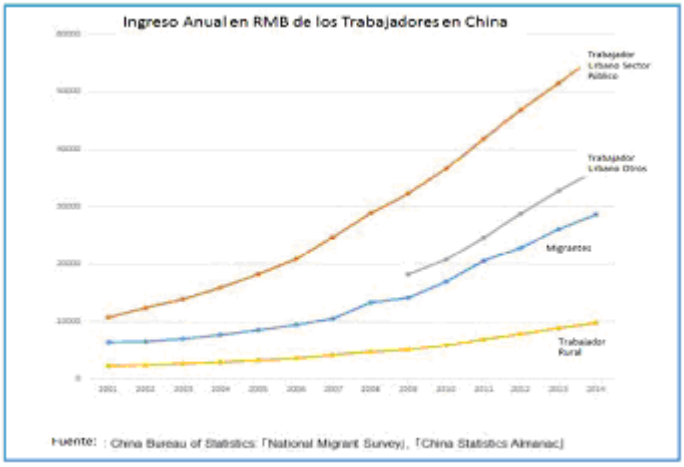
i. TAMSA said that salaries are another of the economic variables that are subject to strict state control. According to information published on the website of the International Labor Organization (https://www.ilo.org), China still does not ratify international conventions related

to freedom of association, as well as fundamental instruments related to the abolition of forced labor, labor inspection and others;

ii. The most recent information on the status of the relationship between unions, government and the single party remains the same, that is, the union organization in theory is allowed, but must be integrated into a single union body, controlled in turn by the Communist Party (CCP);

iii. According to the article "Obsolete urban passports still govern the lives of China's rural citizens," published on the website https://www.independent.co.uk, on January 13, 2017, the hukou system it is an internal migration control mechanism that centrally regulates the flow of labor, which was imposed during the industrialization policy since the 1950s by the CCP led by Mao and that persists to date;

iv. In the document "A Simple Model of the Hukou Chinese System and Some Reforms in Progress", published by the Institute of Economics and Business Administration of the University of Kobe, Japan, in 2017, a graph is shown that illustrates the fact of that the migrant workers sector has lagged behind and its gap with respect to urban workers has widened, so it can be considered as an anchor with respect to the average cost of labor in China, which is reproduced below:



v. In that same document it is pointed out that the reform of hukou is one of the most complex issues in the Chinese transition, and is closely related to the urbanization of millions of peasants, the migration of urban residents through cities, the ownership of the land and equity of the education system;

vi. Presented the article "The Chinese system of Hukou at 60 years: continuity and reform" of Kam Wing Chan, published on February 2, 2018, which states that despite the dramatic social and economic changes in the last four decades, the Hukou system remains an institution that endures. Its continued importance indicates how far or even how little, China has strayed from its socialist path. Beyond the migration control, the hukou system was the mechanism to organize the workforce for rapid industrialization in the first three decades of the People's Republic. The immobilization of the peasantry allowed the state to organize farmers' crops to support the first primary objective of industrialization. In the era of reform, the hukou system has been remodeled

to serve the state's new imperative for export-oriented industrialization, contrary to the previous immobilization strategy the peasantry was released to create a huge class of extremely cheap labor and mobile, and

vii. Has concluded that it is clear that wages are not established through free negotiation between workers and employers, and even though labor plays a limited role in production costs, in the end, it is an integral part of them. That is, although the steel sector has the most significant capital costs, labor is an integral part of its operations. Under these conditions, if wages are not determined according to market conditions, this will result, in conjunction with the rest of the factors examined, an artificial competitive advantage, since the costs of the merchandise will necessarily be lower. It should be noted that the control of labor is a mechanism that extends to all sectors of the Chinese economy, including steel. Thus, centralized control of labor costs affects the input supplier sectors and industrial consumers of the product, who also incur labor costs in different proportions. In sum, the distortion of the labor market has direct and indirect effects on the industry under review.

c. Prices, costs and supply are under state control:

i. TAMSA argued that in China the State continues to control in a centralized and planned way the macroeconomic variables that determine prices and costs, particularly, in the steel sector. According to the China Trade Policy Review Report, WT / TPR / S / 342, published by the WTO, on June 15, 2016 ("2016 Trade Policy Review"), in China a Basic economic model in which public ownership continues to be the central pillar of the economy, even when parallel evolution of various forms of ownership is allowed, sectors of strategic importance (e.g. energy, public services, and services transport, financial, telecommunications, education and health care) remain only partially open to private investment;

ii. The 2016 Trade Policy Review also states that Chinese authorities can apply price controls to goods and services considered of direct importance to the national economy and livelihoods of the population, and that these price controls are established by the National Development and Reform Commission at the central level, and by the provincial development and reform commissions and the Office of Product Prices in each province;

iii. According to the China Trade Policy Review Report, WT / TPR / S / 375, published by the WTO on June 6, 2018 ("Trade Policy Review of 2018"), this situation continues because Although the government reports direct control only over a limited number of products and services, in reality Article 18 of the China Price Law allows pricing by the government to products that have a significant influence on the national economy and the livelihoods of the population, as well as services and products that the government determines are key to its economy;

iv. At the sector and industrial level, TAMSA argued that the European Commission (EC), in the Working Paper "On significant distortions in the economy of the People's Republic of China for trade defense investigations", of December 20, 2017, ("Document of work of the EC "), confirmed that in the steel sector state enterprises play a central role. State-owned companies are used as vehicles to pursue government economic policies and the EC estimated that about half of the

companies in the sector are direct state-owned (51% private and 49% state-owned) when measuring production, and 56% private and 44% state when measuring capacity;

v. The CE work paper also notes that there is a significant presence of state-owned companies in the mining industry, supplier of raw material for steel production; For example, large steel production companies such as Anshan Iron & Steel Corporation, Panzhihua Iron & Steel Corporation and Benxi Steel are companies in the steel sector and also have iron mines. TAMSA added that the government exercises control of the sector through state-owned companies;

vi. The supply of basic inputs for the steel sector is made through state-owned companies that handle prices determined by the authorities. In addition to oil and gas, electricity is another of the basic inputs of the steel sector and is also controlled by the State. The authorities have implemented reforms to liberalize electricity prices (especially industrial ones), but transmission and distribution rates are officially established in accordance with the principle of reasonable costs + benefits at different voltages, with the government calculating that cost and determines the reasonableness of those benefits;

vii. Being presented electricity and gas prices that he obtained from the website www.statista.com and the World Bank, respectively. TAMSA mentioned that, when comparing international electricity and gas prices with Chinese prices, it is observed that the latter reports artificially low prices. The foregoing demonstrates that by departing from international prices, the price of the final product is also not comparable to those of the global market;

viii. Additionally, has noted that the EC observed that coke, together with iron ore, were subject to an export tax of 40%, as well as the imposition of quantitative restrictions; According to the EC, these mechanisms have led to a situation in which the price of the raw material continues to be the result of State intervention and it can be concluded that the Chinese steel market is distorted due to this interference;

ix. Explained that from the list of the main steel producing countries published by the World Steel Association (WSA), he identified two companies that manufacture the product under review, Hunan Valin Group and Baotou Iron and Steel (Group) Co. Ltd. ("Baotou Steel"), which are state-owned;

x. Has added that, when studying the operation of subsidies in anti-subsidy cases issued by the United States Department of Commerce (USDOC), TAMSA found that companies producing this industry in China receives round steel billets, electricity and land use at distorted prices; support through the transfer of funds for technological projects of the industry, regional subsidies, tax benefits with accelerated depreciation programs, exemptions on the importation of equipment and reduced regional taxes, as well as tax credits on the acquisition of domestic equipment;

xi. Exhibited USDOC subsidy determinations, in standard, line and seamless pressure pipes from China, in which compensatory measures were imposed; and

xii. Added that the subsidies given in the sector, although, directly affect the inputs, raw material and final prices of the sector under review, and the amount of such subsidies has been valued as significant by international authorities; All this means that input prices, as well as the costs and

supply of the sector and industry under review, are not adopted in response to market signals, but are set through significant State interference, which is the aspect which requires analyzing article 48 of the RLCE.

d. Foreign investment is under state control:

i. At the macroeconomic level, TAMSA indicated that, in the 2016 Trade Policy Review, it is noted that in China there is a document called the Foreign Investment Catalog ("Investment Catalog"), which is the main instrument to guide foreign direct investment (FDI). The 2017 version of the Investment Catalog classifies them in the recommended category, or in a negative list that contains a list of industries where FDI is restricted or prohibited;

ii. Projects that are outside the negative list require submission of applications for registration or are not allowed. For their part, projects in the recommended category are eligible for preferential treatment, for example, they have exemptions from customs duties for the importation of equipment;

iii. In the 2018 Trade Policy Review, the WTO noted that China continued to promote FDI in the central and western regions, where projects can benefit from favorable policies, in addition to the application of administrative approval and registration processes;;

iv. The Organization for Economic Cooperation and Development (OECD), periodically publishes the FDI Restriction Index, which quantifies four types of measures of a country in 22 different sectors: i) restrictions on foreign capital; ii) requirements for selection and prior approval; iii) rules for key personnel, and iv) other restrictions related to the operation of foreign companies. The higher the score, in a range of zero to one, but the OECD considers the measures in force; that is, if the score is 1, the OECD considers that foreign investment is completely restricted, and if it is zero, there are no regulatory impediments. TAMSA noted that, for the purposes of the steel sector, it can be seen that OECD countries in that sector have an index close to zero, with an average index of 0.018, while, in the case of China, an average of 0.095 is observed ;

v. TAMSA added that the steel sector is not explicitly indicated in the Investment Catalog of the Chinese authorities, which means that, although it is not a prohibited sector, it is not considered encouraged, so it is subject to control mechanisms via the registration and examination of the authorities;

vi. However, according to information on the website https://www.scmp.com, foreign companies that wish to invest in China's steel sector must own intellectual property rights, have a general steel production capacity annual of more than 10 million tons, or at least 1 million tons of special alloy steel; in addition to having capital strength and relatively high credibility, verifiable with supporting documentation from banks and accounting firms;

vii. the website referred to above also states that foreign companies must comply with government restrictions designed to limit new capacity, so that they can only invest in old plants, renovate projects or invest in new plants while closing equivalent capacity in facilities obsolete; consequently, despite China's strategic place as the world's largest consumer and producer of

steel, foreign companies have only limited investment in a Chinese steel sector dominated by state-backed companies;

viii. TAMSA added that the foreign investment management policy also affects the steel sector via its impact on companies that provide raw materials, supplies and services. According to the 2018 Trade Policy Review, there is state control over gas and electricity, inputs required by the steel industry, as well as in the mining sector, which is a supplier of inputs in steel production. The distribution of natural gas is mainly controlled by state-owned enterprises China National Petroleum Corporation and China Petrochemical Corporation, while private companies play a more important role only in retail gas sectors;

ix. The foreign investment regime in the electricity sector is regulated by the 2017 Investment Catalog, which stipulates that the construction and operation of the networks (which includes transmission and distribution of electricity) is within the restricted category and must be controlled by the Chinese government. Foreign investors can participate in the construction and operation of networks through partnerships with Chinese companies, but the networks must be controlled by the government. It is the authorities who define the transmission and distribution rates officially, which naturally helps to restrict the flow of investment to this energy sector;

x. the Trade Policy Review of 2018 indicates that the mining sector is included in the prohibited category in the Investment Catalog and remained unchanged between 2015 and 2017; This includes the exploration and exploitation of tungsten, molybdenum, tin, estibium, fluorite, rare earths and other minerals that can be used by the steel sector. Some changes have been made to the recommended and restricted categories related to mining, but the exploration and exploitation of special and rare types of coal and graphite, as well as the foundry and separation of rare earths and the tungsten foundry fall into the category restricted, and

xi. Investment regulation also affects industrial consumers of seamless pipes. According to the aforementioned document, most of the pipeline networks (used to transport oil and natural gas) belong to three state-owned companies, which are listed on the Hong Kong stock exchange and minority participation of Foreign investors; but it is subject to a national security review.

e. Accounting does not follow international standards:

i. According to the 2018 Trade Policy Review, the practice of accounting services in China is allowed only in the form of limited liability companies or companies, established and managed by Certified Public Accountants licensed by the Chinese authorities. Foreigners can take China's national accounting exam and foreign accounting firms can join Chinese firms and enter into contractual agreements;

ii. According to the document "Management of your accounting and bookkeeping in China", by the international accounting services firm Dezan Shira & Associates, the presence of foreign accounting firms is in the category of encouraged in the Investment Catalog, but subject to the main partner being a local Chinese company. This source notes that the "China Accounting Standards" system continues to be the mandatory system of use in China, and notes that rules have been issued that are generally Accepted Accounting Practices in China, which seek greater

convergence with international accounting; however, these are published by the Ministry of Finance of China, which decides whether a standard issued by an international body is incorporated into the Chinese accounting system, which implies a regulation by the government, and

iii. TAMSA added that, in the 2017 Hunan Valin Group Annual Report that integrates seamless pipeline producing companies, it is indicated that the 2017 annual financial report has been audited by Tianjian Certified Public Accountants, but adds that, during the reporting period , the accounting firm issued an unqualified standard audit report to the company and clarifies that, in said report, the Accounting Standards for Commercial Companies No. 42 formulated by the Ministry of Finance have been implemented since May 28, 2017. TAMSA concludes that, even though it is a leading company in the industry that is listed on the local stock exchange, the accountants certified by the authority that made the report do not apply the standard accounting standards and, rather, those formulated Centrally the financial authority of that country.

f. Distortions in costs and financial situation:

i. At the macroeconomic level, TAMSA noted that the 2018 Trade Policy Review indicates that financial control in China continues without major changes, where the main monetary policy decisions on loans and deposit rates need to be approved by the State Council , and are established directly by the Central Bank of China;

ii. The banking sector is still characterized by the existence of predominant categories of state property. According to the EC Working Document, there is government control in the banking sector. Such control is observed in large commercial banks, commercial stock banks and state policy banks. Government banking, under one of these modalities, accounts for almost 70% of total bank assets in China. The rest corresponds mainly to smaller rural or urban commercial banks, mostly owned by local or provincial governments. Banks with foreign investment remain insignificant in China;

iii. In the same CE work document it is explained that the Chinese legal framework establishes that banks are mechanisms to implement China's economic policy, since Article 1 of the Banking Law stipulates that banks must promote the development of the economy of Socialist market and article 34 establish that commercial banks must conduct their business in accordance with the needs of national economic and social development, and under the guidance of the State's industrial policies;

iv. The CE work paper concludes that, in the financial aspect, there is a distorted situation that is not de facto comparable with what happens with other market-based economies. The current Chinese financial system is characterized by: 1) a strong presence of state banks, and 2) a widespread influence of the State that imposes a large number of political objectives on the financial system, in particular, for the implementation of its sophisticated planning system economical;

v. At the sector and industrial level, TAMSA said that Chinese companies are obliged to obey the guidelines of the State, the supply of raw materials is regulated by the government, the use

of geographical areas is encouraged through subsidies, export taxes are applied and Prices do not reflect international market signals, they receive financial support from the State and preferential loans despite their low profitability. From the USDOC data it can be seen that producers of seamless steel pipes (Wixu, Jiangsu, Tianjin and others) receive financial support from the State in the form of loans at preferential rates, as well as debt forgiveness, among others, and

vi. In order to show the impact on distortion prices with which seamless pipe producers operate in China, TAMSA estimated a reconstructed value. Has pointed out that, according to his data, the raw material corresponds to 67% of the manufacturing cost, so for this item he considered the unit prices in dollars per ton reported by Southeast Asian exporters (without China) in the annual period plus recent reporting Trade Map. To calculate the selling, administrative and financial expenses and the profit margin, he considered the financial information of the Chinese company Baotou Steel, who manufactures the product under review. Has presented some references of seamless pipe prices that he obtained from the website www.alibaba.com and noted that, if this reconstructed value is compared against those prices handled by Chinese distributors and manufacturer, it is concluded that Chinese prices are consistently located below the rebuilt value.

55. TAMSA concluded that from the detailed review of the criteria established by current legislation, it follows that, both in China's economy in general, as in its steel sector in particular and, especially in its seamless steel pipe production industry, cost and price structures prevail that do not respond to market principles. State-owned companies predominate, where the private sector plays a subordinate role, and some work according to a guide centralized by the government, there are important distortions in the factor market, which significantly impacts the allocation of resources in the production of the merchandise under examination, as well as in the determination of its costs, both in relation to the prices of the productive factors in which this industry is intensive (steel and energy inputs), as in the rest of its components (labor and capital).

b. Determination

56. The Secretariat carried out a comprehensive analysis of the arguments and information provided in the present review that appear in the administrative file. In principle, the Secretariat observes that, in accordance with subparagraph d) of paragraph 15 of the Protocol of Accession of China to the WTO, only subparagraph a) Roma ii) expired in December 2016. However, as current text the subsection a) and Roma i) of paragraph 15 of the Protocol of Accession of China to the WTO. The aforementioned subparagraph a) establishes the possibility of applying a methodology based on prices or costs in China of Chinese producers, or a methodology that is not based on those prices or costs. Thus, the Secretariat considers that the mere expiration of the validity of subsection a) Romani ii) of paragraph 15 of the Protocol of Accession of China to the WTO does not mean that the possibility of using a methodology that is not based on A strict comparison with domestic prices or costs in China.

57. Indeed, the methodological basis for determining price comparability in anti-dumping proceedings in which products of Chinese origin are investigated are expressly contained, in principle, in subparagraph a) of paragraph 15 of the Protocol of Accession of China to the WTO ,

same as, like Romanesque i), it has not expired. In accordance with subparagraph a), there is a legal possibility to use the prices or costs of the Chinese producers investigated in China, or to use a methodology that is not based on a strict comparison with the prices or costs in China.

58. In this order of ideas, it is important to note that, in this procedure, no Chinese exporters or any other interested party appeared. Consequently, the support that in China and, specifically, in the industry of seamless steel pipeline, cost and price structures prevail that are not determined according to market principles, is subject to the analysis of the arguments and evidence that provided TAMSA.

59. Consequently, the Secretariat considers that there is a legal basis to evaluate TAMSA's proposal to consider China as a non-market economy in the production and sale of seamless steel pipe, and analyze the appropriateness of applying the substitute country methodology , mainly for the following reasons:

a. The Secretariat identified distortions in the prices and production costs of the merchandise under review due to the strong intervention and participation of the government, as the CE work document warns, confirming that in the steel sector companies state companies play a central role;

b. From the revision of the document indicated in the preceding paragraph, the Secretariat identified that state-owned companies are used as vehicles to pursue government economic policies and that about half of the companies in the sector are directly state-owned. Specifically for seamless steel pipe, there are government companies such as Baotou Steel. Additionally, from the information obtained by the Secretariat, the chairman of the Board of Directors of this company is the Secretary of the CPC Committee;

c. It also noted the significant presence of state-owned companies in the suppliers of the raw material for the product under review, for example, in gas and electricity and iron:

i. In relation to gas, its distribution is mainly controlled by China National Petroleum Corporation and China Petrochemical Corporation, state-owned companies;

ii. As for electricity, transmission and distribution rates are officially established in accordance with the principle of reasonable costs + benefits at different voltages, with the government calculating that cost and determining the reasonableness of those benefits. In addition, it is a sector that falls within the restricted category within the 2017 Investment Catalog, and

iii. On iron, in addition to state participation in companies in the steel sector that manufacture this input, the Secretariat noted that, together with coke, they are subject to an export tax and the imposition of quantitative restrictions, which is a clear example that, the price of the raw material necessary to produce the merchandise under review is affected by the intervention of the State.

d. Likewise, the granting of subsidies to the seamless steel pipe producing industry, evidenced by the USDOC, directs local governments to apply preferential credits, tax exemptions, debt forgiveness, among other benefits; elements that, within the integral analysis carried out by the

Secretariat, allow it to conclude that the prices of the inputs, as well as the costs and supply of the sector and industry under examination, are not adopted in response to market signals, but are fixed through significant state interference;

e. The Secretariat warns that another relevant aspect is the restriction that exists on foreign direct investment, since China ranks as the most restrictive country on the list published by the OECD, a situation that translates into the requirement of meeting difficult requirements to meet for foreign companies that wish to invest in China's steel sector. For the steel sector and the product under review, the Secretariat noted that the mining sector, which provides raw material for steel production, is also in the prohibited category of the 2017 Investment Catalog, which makes it difficult to flourish private companies in the sector producing the merchandise under review, in which private investment is even subject to a national security review;

f. Additionally, the Secretariat confirmed that, at the macroeconomic level, there are also distortions in variables such as foreign direct investment, the exchange rate and wages;

i. The exchange policy established by the Chinese government, which affects all sectors of the economy in general, translates into a containment of the exchange rate allowing it to fluctuate only within a band determined by itself, with the purpose of giving momentum to your exports. This policy results in exports with prices below international prices set by the laws of supply and demand, and

ii. The labor force, being subject to residence controls by the Chinese government, does not allow salaries to be established through free negotiation between employees and employers, which causes them to be contained. Being one of the productive factors in the manufacture of seamless steel pipe, it affects the cost structure and prices of the merchandise examined.

g. This demonstrates that the active intervention by the Chinese government causes distortions that come from government policies, regulatory provisions or direct intervention that selectively discriminate between companies owned or by capital participation, by region or by type of product, which have an impact on the formation of prices and costs of the factors of production in which the manufacture of seamless steel pipe is intensive, whether through the repression of capital and energy costs, and restrictions on labor mobility.

60. Based on the above, the Secretariat considers that the information provided by the national production generates the presumption that, in companies that produce seamless steel pipe in China, cost and price structures prevail that are not determined according to the principles of market, because distortions were identified in the market of the factors that affect the allocation of resources in the production of the product under review and interfere with the determination of the costs and prices of the productive factors in which it is intensive.

61. Based on the above and in accordance with paragraph 15, a) of the Protocol of Accession of China to the WTO, Articles 33 of the LCE and 48 of the RLCE, the Secretariat proceeded to analyze the proposal to use a country substitute for China for purposes of calculating normal value.

c. Substitute Country Selection

62. TAMSA proposed the United States as a substitute country to determine the normal value, which is a country with a market economy, including the seamless steel pipe sector, adding that its internal prices are a reasonable basis, since it is information which he obtained from reliable sources of representative manufacturers, from a specialized consultant.

63. From the producing countries of the product under review with market economy, the similarity was analyzed in terms of supply and demand.

i. Similarity in terms of the offer

64. In terms of the similarity of the offer, TAMSA indicated that the main inputs, which are used in the production of the product under review are steel bars, electricity, natural gas, refractories, bevel protectors, paints and varnishes. Has pointed out that, since there are no steel bar indicators, due to the relationship between the bars and the raw steel, the latter data can be used to approximate the steel bar data. To prove the availability of inputs in the United States, it presented production data on crude steel, iron and energy obtained from the WSA and the World Bank.

65. TAMSA identified that both China and the United States use the same technology, so they use the same inputs in the same quantities, based on information from the publication "Iron and steel plants of the world, Directory 2018", of the Metal Bulletin.

66. Information presented on the installed capacity and production of the United States, where it proves to be the largest after China, based on figures from the Tenaris Information Center and the Steel Statistical Yearbook 2018 and 2017, published by the WSA.

67. Additionally, TAMSA said that, according to the ranking of producing countries of the product under review, the United States is in the number 4 place, after China, India and Japan.

ii. Similarity in terms of demand

68. In terms of the similarity of the demand, TAMSA, with information from the WSA Steel Statistical Yearbook 2018 and 2017 and the International Trade Statistics Database of the United Nations Organization ("UN Comtrade"), developed a Table showing that the United States has the highest level of consumption of the product under review, after China.

iii. Other elements

69. TAMSA obtained data from the notifications to the WTO Committee on Anti-Dumping Practices as of June 30, 2018, concluding that no countervailing duties are applied, nor are investigative proceedings against the product examined originating in the United States.

70. Has been noted that the United States has anti-dumping measures in force against tubular products for oil fields from India, Korea and Turkey, and compensatory quotas for subsidies against certain tubular items for oil fields in India.

d. Determination

71. The third paragraph of Article 48 of the RLCE indicates that a substitute country means a third country with a market economy similar to the exporting country with a centrally planned economy. The similarity between the substitute country and the exporting country will be reasonably defined, so that the normal value in the exporting country can be approximated on the basis of the domestic price in the substitute country, considering economic criteria.

72. To comply with this provision, the Secretariat conducted a comprehensive analysis of the information provided by TAMSA to consider the United States as a substitute country for China. Has been noted that both countries are the main producers and consumers of the product under review, have availability of inputs, also warned that there is similarity in the production processes between China and the United States. In this way, it can be reasonably inferred that the intensity in the use of production factors is similar in both countries.

73. Based on the analysis described in the previous points of this Resolution, and in accordance with Articles 33 of the LCE and 48 of the RLCE, the Secretariat confirmed the selection of the United States as a country with a substitute market economy for China for the purposes of normal value calculation.

e. Internal prices in the United States

74. TAMSA provided prices in the US domestic market, during the review period, based on information from Pipe Logix, LLP. ("Pipe Logix"), for the exam period. He indicated that this source of information is specialized in the seamless steel pipe market in the United States, which reliably and representatively shows the market price levels used by the main pipe producers in that country. He presented a memorandum prepared by White & Case LLP., Dated January 15, 2019, which endorses the reasonableness of said publication as a source of information for domestic prices in the United States.

75. The Secretariat reviewed and replicated the information that TAMSA presented, so it determined the calculation of normal value from the average price of seamless steel pipe in dollars per kilogram, in accordance with Article 40 of the RLCE.

f. Adjustments to normal value

76. The prices reported by Pipe Logix are distributor-to-end user prices and are located at the FOB level Houston, Texas; Therefore, TAMSA proposed to adjust the normal value for land freight and commercialization margin.

i. Land freight

77. To prove land freight, TAMSA considered the route to transport the pipeline from the facilities of the largest manufacturer of the product under review in Lorain, Ohio to Houston, Texas. This adjustment was quantified with a price request to a carrier in the United States.

78. Transportation rates were requested in September 2017, so the necessary adjustments were made to place them in the period under review, based on the Consumer Price Index for all urban

consumers: Transportation, published by the Federal Reserve, Economic Research Division, Bank of St. Louis.

79. Once the rates for each period were adjusted, they were divided by the total maximum tons per transport and based on this the price in dollars per tons corresponding to the period under review was obtained.

ii. Marketing margin

80. TAMSA proposed to use the percentage according to which one of the most important pipeline distribution companies in the United States, Oil State Company, operates. For this, TAMSA was based on the 2017 Financial Statements of the aforementioned company; however, it applied the value of 2015 because losses were reported in 2016 and 2017.

g. Determination

81. The Secretariat considered the information and methodology provided by TAMSA for adjustments by internal freight and marketing margin, and applied them based on Articles 2.4 of the Anti-Dumping Agreement, 36 of the LCE, and 53, 54 and 58 of the RLCE.

h. Conclusion

82. In accordance with the information and methodology described above, and based on Articles 6.8, 11.3, 11.4 and Annex II of the Anti-Dumping Agreement, and 54 second paragraph, 64 last paragraph and 89 F of the LCE, the Secretariat analyzed the price information of export and normal value, and determined that there are sufficient elements to support that, if the compensatory quota were eliminated, the practice of dumping in exports to Mexico of seamless steel pipes originating in China would be repeated.

F. Analysis of the continuation or repetition of the damage

83. The Secretariat analyzed the information contained in the administrative file, as well as that which it itself gathered, in order to determine whether there are elements to support that the elimination of the definitive compensatory quota imposed on imports of seamless steel pipes originating from China would result in the continuation or repetition of damage to the domestic industry of the like product.

84. The analysis of the economic and financial indicators includes the information that TAMSA provided, since this company constitutes the national production branch of the product similar to the one being examined, as determined in point 85 of this Resolution. To perform this analysis, the Secretariat considered the information for the period from October 1, 2013 to September 30, 2018 (which includes the review period from October 1, 2017 to September 30, 2018), as well as the regarding estimates for the periods from October 1, 2018 to September 30, 2019 and from October 1, 2019 to September 30, 2020. Unless otherwise indicated, the behavior of the economic and financial indicators in a given year or period is analyzed with respect to the previous immediate equivalent period.

1. National Production Branch

85. TAMSA said it is the only company in Mexico that produces seamless steel pipe. To support it, he presented a letter from the CANACERO of September 24, 2018 confirming it. Accordingly, the Secretariat determined that TAMSA constitutes the national industry, meaning the entire national production of seamless steel pipe similar to the one being examined, in accordance with the provisions of Articles 4.1 and 5.4 of the Anti-Dumping Agreement, 40 and 50 of the LCE and 60 and 61 of the RLCE.

2. International market

86. TAMSA provided seamless steel pipe production data in the world market that it obtained from the WSA Steel Statistical Yearbook 2018. It also provided statistics on world imports and exports of UN Comtrade, corresponding to subheadings 7304.19, 7304.31 and 7304.39, which includes the seamless steel pipe under review.

87. According to this information, the Secretariat observed that world production of seamless steel pipe decreased 15% from 2013 to 2017, from 43.8 million to 37.1 million tons. In this period, the main producing countries of seamless steel pipe were: China, Russia, United States, Japan, Germany and Mexico. In particular, in 2017 China produced 65% of total production, followed by Russia, the United States, Japan and Germany with 10%, 5.5%, 4.6% and 3.2%, respectively; Mexico participated with 3%.

88. TAMSA said that the oil industry is the largest consumer of seamless steel pipe, so, according to the publications "International Energy Statistics 2017" and "Total Oil and Other Liquids Production, 2017", obtained from the page of Internet of International Energy Statistics of the United States (https://www.eia.gov), the main oil producing countries and, therefore, consumers are the United States, Saudi Arabia, Russia, Canada, China, Iran, Iraq and the Arab Emirates.

89. Regarding world trade, the information of UN Comtrade, of the subheadings of the Harmonized System of Designation and Codification of Goods, where the product under review is classified (7304.19, 7304.31 and 7304.39) identifies China, Germany, Romania, Japan and Italy as the main exporting countries of seamless steel pipe, during the period from 2013 to 2017; This same source points to the United States, Italy, Korea, Germany and Indonesia as the largest importing countries:

a. in 2017, China concentrated 40% of total exports, followed by Germany, Romania, Japan and the Czech Republic with 10%, 5%, 4% and 4%, respectively, and

b. in the same year, the United States concentrated 9% of total imports, followed by Germany, Korea, Indonesia and Turkey, with 6%, 5%, 3.9% and 3.7%, respectively.

90. International seamless steel pipe prices, calculated from the values and volumes of world exports of UN Comtrade, grew 10% in 2014 compared to 2013, but decreased 17% in 2015 and 16% in 2016. International prices have recovered in 2017 by growing 8%.

3. National market

91. TAMSA is the only producer of seamless steel pipe in Mexico. He indicated that he is an important bidder in the national market, by participating in the review period with 89% of the

market; The rest of the offer is made up of imports from diverse origins, where the United States stands out.

92. TAMSA indicated that it is located in the port of Veracruz, so it has access to the main consumers of pipeline in the country, which are located in the areas where oil well drilling is carried out, or, next to the main refineries. He noted that the areas with the highest pipe consumption are the northern, central, southern and marine regions; each one has its headquarters in Ciudad Reynosa, Veracruz, Villahermosa and Ciudad del Carmen. He said that other major pipeline consumers are in the most industrialized cities of the country, such as Mexico City, Monterrey, Guadalajara and Puebla, where the main pipeline distributors are located.

93. The Secretariat carried out the analysis of the national seamless steel pipe market based on information on national production and exports that TAMSA provided, as well as the import figures from the list of SIC-M import operations, obtained according to indicated in points 104 to 107 of this Resolution, for the period from October 2013 to September 2018.

94. The Secretariat noted that the national seamless steel pipe market, measured through the National Apparent Consumption (CNA), calculated as national production, plus imports, minus exports, registered a decline during the period analyzed.

95. Indeed, it increased 1% in the period October 2014-September 2015, decreased 21% in the period October 2015-September 2016, increased 30% in the period October 2016-September 2017 and decreased 25% in the examination period, which generated a cumulative decrease of 23% in the analyzed period. The performance of the components of the ANC was as follows:

a. Total imports accumulated a 53% drop in the analyzed period: they increased 24% in the October 2014-September 2015 period, decreased 23% in the October 2015-September 2016 period, they grew 2% in the October period of 2016-September 2017 and reduced 52% in the exam period;

b. During the period analyzed, total imports of seamless steel pipe were imported from 55 countries. In the period October 2017-September 2018 the main supplier was the United States, which represented 23% of total imports, followed by Vietnam, Brazil, Germany and India, with 14%, 13.7, 13% and 9%, respectively;

c. The total national production volume decreased 26% in the period October 2014-September 2015 and 53% in the period October 2015-September 2016, but increased 46% in the period October 2016-September 2017 and 73 % in the examination period, so that it accumulated a 12% decrease in the analyzed period, and

d. Total exports accumulated a decrease of 13% in the analyzed period: they decreased 33% in the period October 2014-September 2015 and 72% in the period October 2015-September 2016, but, like the national production, recorded an increase of 47% in the period October 2016-September 2017 and 215% in the examination period.

96. On the other hand, Domestic Domestic Market-Oriented Production (PNOMI), calculated as total national production minus exports, decreased 9% in the period October 2014-September 2015 and 21% in the period October 2015-September 2016, increased 45% in the period October 2016-September 2017 and decreased 14% in the exam period, which generated a 9% drop in the analyzed period.

4. Actual and potential import analysis

97. TAMSA indicated that due to tariff items 7304.19.01, 7304.19.04, 7304.19.99, 7304.31.01, 7304.31.10, 7304.31.99, 7304.39.01, 7304.39.05 and 7304.39.99 of the TIGIE, other products also enter which are not subject to examination. Has noted the following: i) seamless steel pipe with diameters smaller than 2 or larger than 4 inches; ii) mechanical, boiler, low temperature, threaded, stainless, seam, alloy, galvanized, cut, flanged, semi-finished or semi-finished pipe; iii) tubes cut or segmented, for hydraulic cylinder (honed), preformed, for drilling, and iv) parts for turbine, rifle, inserts, as well as couplings, bars and rolls, among others.

98. Therefore, TAMSA considered the volumes and values of imports of seamless steel pipe under examination, both for China and other sources, which the CANACERO provided. Has also indicated that this agency would provide the Secretariat with a report with the databases and methodology used to calculate the volumes and values of the seamless steel pipe under review.

99. In this regard, CANACERO presented the SAT import base corresponding to the aforementioned tariff fractions, carried out during the period from October 2013 to September 2018 and the methodology used to calculate the volumes and values of the imports of the object product of examination, both from China and other origins.

100. The Secretariat noted that CANACERO excluded from the import base the operations of products that are not subject to examination, described in point 97 of this Resolution. With the rest of the import operations, it formed three groups: those originating in China, TAMSA and other origins, from which it calculated the volumes and values of the imports of the product under review.

101. Regarding the import operations that TAMSA carried out, the CANACERO, based on the information that this company provided, determined that practically the total of the operations that TAMSA carried out correspond to a product other than the object of examination, fundamentally, semi-finished tubes or seamless steel pipe with a diameter of less than 2 inches.

102. To calculate the volumes and values of imports of seamless steel pipe under review, the Secretariat noted that CANACERO proceeded as follows:

a. Has selected the operations that paid compensatory quota, as well as those that, through their description and automatic notification, allowed them to be identified as the product under review;

b. For the operations that could not be identified, it applied the percentage that the product under review represented in the total of the operations reviewed in China, in the period analyzed, and

c. CANACERO indicated that the import operations in which the product under review was identified are representative, since in the period analyzed they accounted for 92% of the total volume imported from China.

103. To calculate the volumes and values of pipe imports similar to the object of examination originating in countries other than China, CANACERO prepared a statistically representative sample and proceeded as follows:

a. Identified the operations corresponding to seamless steel pipe under consideration, considering the description of the imported product in the import base, as well as automatic import notices; Then calculated their participation in the total sample, by tariff fraction for the period analyzed;

b. CANACERO indicated that the import operations in which the product under review was identified are representative, since in the period analyzed they covered 53% of total imports from other sources, and

c. For the import operations whose description does not allow to determine whether it corresponds to the pipeline under review, or, to another product, it calculated the volumes and values of the first, from the proportion that they represented in the total of the sample of operations of import where it was possible to identify it.

104. The Secretariat considered the methodology that CANACERO used to estimate the volumes and values of the seamless steel pipe under consideration reasonable. The foregoing, because this methodology is the result of relevant criteria: i) the information that TAMSA provided about its imports; ii) the description of the import operations, where the seamless steel pipe under review is classified, or that only import operations originating in China that paid compensatory quota cover seamless steel pipe under examination, and iii) a representative sample of import operations from other sources, in which the imported product was identified.

105. For its part, the Secretariat approached the list of import operations reported by the SIC-M, by tariff items 7304.19.01, 7304.19.04, 7304.19.99, 7304.31.01, 7304.31.10, 7304.31.99, 7304.39 .01, 7304.39.05 and 7304.39.99 of the TIGIE. The Secretariat considered the import base of SIC-M, because it corresponds to official information obtained after validation of customs requests between agents and customs agents, on the one hand, and the customs authority on the other, which is reviewed by the Bank of Mexico.

106. In addition, the Secretariat required a number of customs agents to copy requests for import operations and attached documentation, both from China and other sources, made during the period analyzed by the aforementioned tariff fractions. Also, from this information, a sample of the import operations carried out by TAMSA was requested.

107. Based on this information, the methodology that CANACERO provided, which was considered by TAMSA, and the official list of import operations of the SIC-M by tariff sections 7304.19.01, 7304.19.04, 7304.19.99, 7304.31. 01, 7304.31.10, 7304.31.99, 7304.39.01, 7304.39.05 and 7304.39.99 of the TIGIE, the Secretariat calculated the values and volumes of seamless steel pipe originating in China and other origins. For this, it excluded import operations

whose description corresponds to goods that are not subject to examination, indicated in point 97 of this Resolution.

108. The results indicate that total imports of seamless steel pipe decreased 53% in the period October 2013-September 2018: increased 24% in the period October 2014-September 2015, fell 23% in the period October 2015 -September 2016 and grew 2% in the period October 2016-September 2017; in the review period they decreased 52% compared to the previous comparable period.

109. As regards imports originating in China, TAMSA indicated that the compensatory quota contained them. Indeed, during the period October 2013-September 2017 they represented an average of 3% of the total imported; It should be noted that during the review period they were non-existent, as indicated in point 47 of this Resolution. These imports registered the following behavior: they increased 101% in the period October 2014-September 2015 and 91% in the period October 2015-September 2016; to fall 79% in the period October 2016-September 2017.

110. Consequently, imports from sources other than China had a similar behavior to that observed by the totals: they increased 23% in the period October 2014-September 2015, fell 25% in the period October 2015-September 2016, grew 7 % in the period October 2016-September 2017 and in the examination period decreased 52%, so, in an accumulated manner, they recorded a 53% decrease in the analyzed period.

111. The Secretariat estimated the share of imports of seamless steel pipe and the PNOMI in the CNA over the period analyzed and noted that:

a. The share of imports of seamless steel pipes originating in China was insignificant in the ANC, representing less than 1% in the period analyzed; in fact, it went from a contribution of 0.4% in the period October 2013-September 2014 to 0.3% in the period October 2016-September 2017. As mentioned earlier, during the review period they were non-existent;

b. Imports from other sources decreased their participation in the ANC by 11.7 percentage points from the October 2013-September 2014 period to the review period, going from a 30% stake to 18.3% (36.6% in the October 2014 period) September 2015, 34.7% in the October 2015-September 2016 period and 28.7% in the October 2016-September 2017 period), and

c. Consequently, PNOMI increased its participation by 12.2 percentage points in the CNA from the October 2013-September 2014 period to the review period, from a participation of 69.5% to 81.7% (62.6% in the October 2014 period) September 2015, 63.3% in the period October 2015-September 2016 and 71% in the period October 2016-September 2017).

112. Additionally, TAMSA said that, if the compensatory quota were eliminated, imports of seamless steel pipes originating in China would increase in the Mexican market in significant quantities and in conditions of price discrimination, which would lead to the repetition of the damage to the national industry, since Mexico is a real destination for China's exports. To support its claim, TAMSA highlighted the following factors:

a. The high export profile of the Chinese industry manufacturer of the product under review; According to WSA information, in 2017 China was the leading producer and exporter of seamless steel pipe, followed by the United States and Japan;

b. China has a considerable freely available capacity and export potential, sufficient to flood the Mexican market by only allocating a smaller percentage of its production: its export potential (installed capacity minus internal consumption) of seamless line and conduction pipes from 2 to 4 inches totaled 3,455,136 tons, a volume that represents more than 100 times the national production in Mexico and 225 times the size of the ANC, during the review period, and

c. The seamless steel pipe under review faces restrictions in various countries, such as, Argentina, Brazil, Canada, the United States, India, the European Union and Turkey; stresses that, despite the 25% tariff imposed by the United States on steel products under Section 232 of its Commercial Expansion Act of 1962, the production of pipeline under examination in China grew.

113. TAMSA supported these considerations with the publications referred to in points 66 to 69 of this Resolution, as well as in the Update of Section 232 on Steel and Aluminum of the United States Commercial Expansion Act of 1962, consulted on the website from the Office of Customs and Border Protection (ww.cbp.gov), on October 5, 2019.

114. Additionally, TAMSA provided projections for the October 2018-September 2019 and October 2019-September 2020 periods of seamless steel pipe imports originating in China and other origins, considering two scenarios; where the compensatory quota continues and where it is eliminated.

115. For its projections, TAMSA said that the product under review is used primarily for the conduction of oil, natural gas and various petrochemicals; consequently, its demand is determined by the behavior of the economy as a whole and particularly by the behavior of the oil sector.

116. In this way, the CNA projected for the period October 2018-September 2019 from this indicator of the period under review and the growth expectations published by the Bank of Mexico for the Gross Domestic Product (GDP) for the first period indicated. Similarly, the ANC estimated for the period October 2019-September 2020.

117. Also, in the scenario that considers the elimination of the compensatory quota, TAMSA made its estimates based on an economic exercise of comparative static and partial equilibrium, based on the following assumption: if the prices of a commodity become relatively cheaper, It will increase the consumption, compared to that of your substitute products. Had noted that the parameter that measures this change is the elasticity of substitution, which measures the percentage by which the amount of relative product changes, as a result of a percentage change in relative prices.

118. TAMSA argued that this type of model has already been used in other anti-dumping investigations in Mexico, as well as in arbitration proceedings before the WTO, as proposed by the Mexican authority itself. Based on the proposed model, imports originating in China would

go from being insignificant during the review period, to representing an important share in the national market.

119. Based on what was described above, TAMSA projected that in the period October 2018-September 2019, imports originating in China would reach a volume that would allow them to register a participation in the CNA of 22%; while in the period October 2019-September 2020, they would add an amount that would increase their participation in the CNA to 35%. For its estimation, it proceeded as follows:

a. considered the average participation of imports originating in China in the ANC and its undervaluation with respect to the national price recorded during the period analyzed in the original anti-dumping investigation, indicators that were used to calculate the ratio (quotient) of China's participation in the ANC and the average undervaluation;

b. from the results of the previous literal and of the prices that it projected, as well as in the economic exercise of comparative static and partial equilibrium, indicated above, it obtained the participation that would have the imports originating in China in the ANC, and

c. to project the volumes of imports originating in China for the periods October 2018-September 2019 and October 2019-September 2020 applied to the projected CNA the shares considered in the previous paragraph.

120. TAMSA projected the volumes of total imports of seamless steel pipe in a manner analogous to that described in the previous point of this Resolution: to the projected CNA, it applied the shares of total imports in the CNA resulting from the static economic exercise compared and partial equilibrium referred to.

121. The Secretariat analyzed the methodology that TAMSA used to project the imports under review and determined that it is reasonable, since, on the one hand, it is based on the expected increase of the ANC, according to the expectations of GDP growth that the Bank of Mexico estimates and , on the other, in the proposed economic model, which takes into account the interchangeability of the product under review and its similar based on the economic principle of elasticity of substitution, which define the demand for the product and its replacement when facing new conditions in the supply and arrival of imports at a lower price.

122. In addition, the Secretariat considered that it is feasible that the volume of imports of seamless steel pipe originating in China, which TAMSA estimated, can be realized, taking into account its high export profile and the freely available capacity and export potential available to it in relation to the Mexican market, in accordance with what is described in points 196 and 197 of this Resolution.

123. In replicating the calculations that TAMSA provided to project imports originating in China, the Secretariat noted that they would increase significantly if the compensatory quota were eliminated, since after being inexistent in the review period, they would add volumes that would allow them to reach a share of 18% and 34% in the ANC in the periods October 2018-September 2019 and October 2019-September 2020, respectively.

124. Based on the information and the results of the analysis described above, the Secretariat concluded that there are sufficient elements to determine that, if the compensatory quota imposed on imports of seamless steel pipes originating in China were eliminated, they would again go to the domestic market in considerable volumes and in conditions of dumping, which would displace domestic sales and, therefore, would reach a considerable market share, which would negatively impact the performance of relevant economic and financial indicators of the domestic industry.

5. Actual and potential price effects

125. TAMSA calculated the price of imports originating in China and other sources, based on the volumes and values of imports of seamless steel pipe under examination, which the CANACERO provided. It also determined the national price based on its own information.

126. Based on the results obtained, argued that the price of imports from sources other than China went from $ 1,876 per ton in the period October 2013-September 2014 to its lowest level in the period October 2016-September 2017, when it reached $ 1,088 per ton. However, in the period October 2017-September 2018, the price of these imports increased to $ 1,818 per ton, as a result of the application of provisional compensatory quotas that the Secretariat imposed on imports from countries other than China.

127. As a result of what was described in the previous point of this Resolution, TAMSA argued that the national price registered adverse adjustments during most of the period analyzed, but recovered during the review period, when it observed a growth of 14%. However, taking into account the international prices of the Pipe Logix publication, currently, national prices are still in recovery.

128. On the other hand, TAMSA said that, although the compensatory quota imposed on the imports under review contained its entry into the national market significantly, during the period analyzed, they maintained their presence in the domestic market in marginal volumes, but at prices below of the national.

129. To evaluate the arguments presented by TAMSA, the Secretariat calculated the average implicit prices of the imports under review and the rest of the countries, according to the volumes and values obtained as described in points 104 to 107 of this Resolution. Likewise, with the information that TAMSA provided, it calculated the average price of seamless steel pipe for sale to the domestic market. Based on the results it obtained, the Secretariat noted that:

a. the average price of imports originating in China increased 10% in the period October 2014-September 2015, but decreased 13% in the period October 2015-September 2016 and 6% in the period October 2016-September 2017 ; during the review period, these imports were non-existent;

b. the average price of imports from other sources observed a 15% drop in the October 2014-September 2015 period and 31% in the October 2015-September 2016 period, but increased 38% in the October 2016 period -September 2017 and 44% in the exam period, and

c. the average sale price to the domestic market of the domestic industry, measured in dollars, accumulated a decrease of 7% in the analyzed period: decreased 1.5% in the period October 2014-September 2015, 16% in the October period from 2015-September 2016 and 3% in the period October 2016-September 2017; in the exam period it increased 15% over the previous comparable period.

130. In order to assess the existence of undervaluation, the Secretariat considered the price placed on the floor of sales to the domestic market of the domestic industry and compared it with the average price recorded by imports originating in China during the period analyzed, adjusted with the corresponding tariff, customs processing fee and customs agent expenses.

131. In this regard, as indicated above, imports originating in China were non-existent during the review period. Therefore, the Secretariat calculated the price at which Chinese imports had entered the Mexican market during the review period.

132. To do this, it considered the values and volumes of China's exports to its main destination, Korea, which report the world trade bases of the Tenaris Information Center and the Global Trade Atlas, for tariff items 7304193000, 7304319000 and 7304399000, to through which China exported pipe under review. The price of these exports was adjusted with the sea freight that TAMSA provided to bring the product to the national market.

133. Based on the information described above, the Secretariat noted that the average price of imports originating in China was systematically below the national price, in percentages of 20%, 9%, 7% and 10% in the periods of October 2013 -September 2014, October 2014-September 2015, October 2015-September 2016 and October 2016-September 2017, respectively; in the exam period it would have been located at 18% below the national price. In relation to the average price of imports from other sources, the average price of China was below, in the same periods, in percentages of 47%, 30%, 12%, 40% and 57%, respectively.

134. The foregoing shows that, despite the increase that the national price observed during the review period, the undervaluation of the price of imports originating in China continued, a situation that puts the domestic industry in a vulnerable position, given the elimination of the compensatory quota.

135. TAMSA argued that, in the event that the compensatory quota were eliminated, China could export to the Mexican market at lower prices than those registered in its operations for Mexico. To support this, he indicated that during the period analyzed, China's export prices to Mexico have been lower than to Korea and the United States, its main commercial destinations, as well as to the United Arab Emirates and Kuwait.

136. TAMSA projected the price at which the imports of the pipeline under examination could concur in the periods October 2018-September 2019 and October 2019-September 2020, both for the scenario that considers the elimination of the compensatory quota and in which it keeps.

137. For its projection, TAMSA considered the prices of exports from China to Korea, its main destination, and of documented offers, whose source is the information referred to in point 132

of this Resolution and the price of a quotation from an exporter from China of seamless steel pipe, respectively.

138. TAMSA indicated that the prices referred to in the previous point of this Resolution are located at 1,126 and 897.46 dollars per ton, respectively, which are below the national prices observed during the period analyzed. Has also considered that, in the two years following the review period, China's price adjustment would be gradual; that is, it would go from the largest ($ 1,126 per ton) to the smallest ($ 897.46 per ton).

139. TAMSA also projected the national price based on the expected inflation in Mexico in the near future. Argued that, despite this adjustment, the price of imports originating in China would continue to fall below the national level.

140. The Secretariat considered reasonable the methodology that TAMSA used to estimate the national price and imports originating in China, since they are based, on the one hand, on the estimated growth of national prices and, on the other, on the prices at which China It usually exports to its main markets and in real offers.

141. The Secretariat replied to the exercise that TAMSA carried out for its estimates. To do this, it adjusted the prices of imports originating in China that TAMSA projected considering the sea freight, the corresponding tariff, customs processing fee and customs agent expenses and compared them with the national price placed in the plant.

142. The results indicate that in the scenario that considers the elimination of the compensatory quota, the sale price to the domestic market of the domestic industry would increase 4% in the period October 2018, September 2019 and 8% in the period October 2019, September 2020 with respect to the review period; however, the price of imports originating in China would be lower than the national price in percentages of 21% and 39% in the periods indicated, respectively.

143. Based on the information and the results of the analysis described above, the Secretariat concluded that there is a well-founded probability that, in the event that the compensatory quota is eliminated, imports of seamless steel pipes originating in China, will go to the domestic market at levels such prices that would have a negative impact on domestic prices to the domestic market, as they could reach significant levels of undervaluation that would increase the demand for new imports, which would have negative effects on sales to the domestic market and profits from the domestic industry .6. Efectos reales y potenciales sobre la rama de producción nacional

144. TAMSA considered that the compensatory quota contained the damage to the domestic industry, since imports of seamless steel pipes originating in China were significantly reduced.

145. In order to evaluate the behavior of the domestic industry during the period analyzed, the Secretariat considered the economic and financial indicators (the statement of costs, sales and profits to the domestic market) that TAMSA provided, corresponding to seamless steel pipe similar to the one under review, for the period analyzed. Likewise, it took into account its audited financial statements corresponding to the fiscal years from 2013 to 2017, as well as the internal financial statements for the periods January-September 2017 and January-September 2018.

146. The Secretariat updated the financial information in order to make its figures comparable, which it made through the method of changes in the general price level, based on the National Consumer Price Index published by the Bank of Mexico and calculated by the Institute National Statistics and Geography.

147. The information in the administrative file indicates that the national seamless steel pipe market accumulated a 23% drop in the analyzed period, since it increased 1% in the period October 2014-September 2015, decreased 21% In the period October 2015-September 2016, it grew 30% in the period October 2016-September 2017 and recorded a 25% decrease in the exam period. In this context of national market performance, the Secretariat noted that:

a. National production accumulated a decrease of 12% in the analyzed period: it decreased 26% in the period October 2014-September 2015 and 53% in the period October 2015-September 2016, but increased 46% in the October period of 2016-September 2017 and 73% in the exam period, and

b. PNOMI registered a similar performance, since it decreased 9% in the period October 2014-September 2015 and 21% in the period October 2015-September 2016, increased 45% in the period October 2016-September 2017 and recorded a decrease of 14% in the period of examination, so that it accumulated a fall of 9% in the period analyzed.

148. Likewise, in accordance with the results described in point 111 of this Resolution, the Secretariat observed that the PNOMI increased its participation by 12.2 percentage points in the CNA from the October 2013-September 2014 period to the review period, when passing a participation from 69.5% to 81.7% (62.6% in the October 2014-September 2015 period, 63.3% in the October 2015-September 2016 period and 71% in the October 2016-September 2017 period).

149. The behavior of the volume of national production was reflected in the performance of its total sales (to the domestic and external market), which accumulated a 13% drop in the analyzed period: decreased 23% in the October 2014-September period. 2015 and 55% in the October 2015-September 2016 period, although they increased 39% in the October 2016-September 2017 period and 78% in the exam period.

150. The Secretariat noted that the performance recorded by total sales of the domestic industry is explained by the behavior of both domestic and export sales:

a. domestic sales accumulated a 14% drop in the analyzed period: they increased 3% in the period October 2014-September 2015, decreased 27% in the period October 2015-September 2016, increased 34% in the period October 2016-September 2017 and recorded a 14% decrease in the exam period;

b. exports decreased 33% in the October 2014-September 2015 period and 72% in the October 2015-September 2016 period, increased 47% in the October 2016-September 2017 period and 215% in the review period , so that they accumulated a 13% decrease in the analyzed period, and

c. in relative terms, exports accounted for an average of 60% of the national production in the period analyzed, indicating that the domestic industry depends largely on the external market.

151. With respect to the inventories of the domestic industry, they decreased 42% in the period October 2014-September 2015 and 3% in the period October 2015-September 2016, but increased 63% in the period October 2016- September 2017 and 36% in the exam period; behavior that resulted in a cumulative increase of 24% in the analyzed period.

152. On the other hand, the installed capacity of the domestic industry accumulated a decrease of 15% in the analyzed period: it decreased 29% in the period October 2014-September 2015 and 54% in the period October 2015-September 2016, but increased 54% in the October 2016-September 2017 period and 70% in the exam period.

153. As a result of the performance of installed capacity and production, the use of the first indicator increased 3 percentage points in the analyzed period, from 71% to 74% (74% in the period October 2014-September 2015, 76% in the period October 2015-September 2016 and 72% in the period October 2016-September 2017).

154. The negative performance of production and total sales in the analyzed period, was reflected in the behavior of the level of employment of the domestic industry, since this indicator registered a fall of 11% in the same period: decreased 1% in the October 2014-September 2015 period and 52% in the October 2015-September 2016 period, although it increased 32% in the October 2016-September 2017 period and 43% in the exam period.

155. Likewise, as a result of the production and employment behavior of the domestic industry, productivity (measured as the ratio of these indicators) registered a cumulative fall of 1% in the analyzed period: it decreased 25% in the October period of 2014-September 2015 and 2% in the period October 2015-September 2016, but increased 11% in the period October 2016-September 2017 and 21% in the exam period.

156. On the other hand, the salary mass of the domestic industry decreased 19% in the October 2014-September 2015 period and 39% in the October 2015-September 2016 period, but increased 46% in the October 2016 period -September 2017 and 63% in the exam period, so that it accumulated an increase of 18% in the analyzed period.

157. The described performance of domestic sales volumes of the domestic industry and their prices was reflected in the behavior of their income. In this regard, the Secretariat observed that revenues from such sales accumulated a 1.5% drop in the analyzed period: they increased 14.1% in the period October 2014-September 2015, decreased 29.2% in the period October 2015-September 2016, increased 31.4% in the period October 2016-September 2017, to decrease 7.2% in the exam period.

158. On the other hand, the operating costs resulting from sales to the domestic market (sales costs and operating expenses) accumulated a decrease of 12% in the analyzed period: they increased 30.8% in the period October 2014-September 2015, decreased 34.8% in the period October 2015-September 2016, grew 21.3% in the period October 2016-September 2017 and recorded a decrease of 14.9% in the examination period.

159. As a result of the behavior of sales revenue and operating costs in the period analyzed (-1.5% versus -12%), the Secretariat noted that the operating results of the domestic industry showed an upward trend.

160. Indeed, operating profits increased 78.1% in the analyzed period: they decreased 112% in the period October 2014-September 2015, but increased 497.1% in the period October 2015-September 2016, 168.1% in the period October 2016-September 2017 and 40% in the exam period.

161. On the other hand, the operating margin of the domestic industry accumulated an increase of 9.5 percentage points during the analyzed period, from 11.7% in the period October 2013-September 2014 to 21.2% in the period October 2017 -September 2018 (1.2% in the October 2014-September 2015 period, 6.9% in the October 2015-September 2016 period and 14% in the October 2016-September 2017 period). During the exam period it registered a growth of 7.2 percentage points.

162. On the other hand, the Secretariat evaluated the variables Return on Investment in Assets (ROA), cash flow and ability to raise capital, based on the financial statements issued or internal character of TAMSA, taking into account that they consider the most restricted group or range of products that include the similar product, in accordance with the provisions of Articles 3.6 of the Anti-Dumping Agreement and 66 of the RLCE.

163. Regarding the ROA of the domestic industry, calculated at the operational level, the Secretariat observed that it was positive during the period analyzed, although with a downward trend, since it decreased 30.9 percentage points from 2013 to 2017, going from 40% to 9.1% (36.2% in 2014, 14.9% in 2015 and 4.9% in 2016). Also, in the periods January-September 2017 and 2018 it was 6.8% and 11.1%, respectively.

164. From the analysis of the cash flow statement of TAMSA, the Secretariat observed that the operating cash flow accumulated a 73.5% drop from 2013 to 2017: decreased 16.5% in 2014, increased 11% in 2015 and decreased 33% in 2016 and 57.3% in 2017. In the January-September 2018 period with respect to the same period of 2017, it registered a decrease of 24.5%.

165. On the other hand, the Secretariat measures the ability of a producer to obtain the financial resources necessary to carry out the productive activity through solvency and liquidity indices, as well as leverage and debt. As regards solvency levels, in general, a relationship between current assets and short-term assets is considered adequate if it is 1 to 1 or higher; As for the level of leverage, a proportion of the total liability with respect to the accounting capital less than 100% is a manageable relationship. Regarding:

a. the solvency and liquidity of the domestic industry showed unsatisfactory levels:

i. the current ratio (ratio between current assets and short-term liabilities) was 1.19 in 2013, 1.03 in 2014, 0.88 in 2015, 0.94 in 2016 and 1.02 in 2017; in the periods January-September 2017 and 2018 it was 0.92% and 1.10%, respectively, and

ii. the acid test (current assets minus the value of inventories, in relation to the short-term liabilities) or fast-performing assets ratio recorded values of 0.66 in 2013, 0.65 in 2014, 0.48 in 2015, 0.51 in 2016 and 0.54 in 2017; in the periods January-September 2017 and 2018 it was 0.48 and 0.60%, respectively.

b. the leverage of the domestic industry remained at acceptable levels:

i. total liabilities to equity was 72% in 2013, 102% in 2014, 91% in 2015, 79% in 2016 and 81% in 2017, while in the periods January-September 2017 and 2018 it registered levels 85% and 79%, respectively, and

ii. total liabilities to total assets recorded levels of 42% in 2013, 50% in 2014, 48% in 2015, 44% in 2016 and 45% in 2017, as well as 46% in the period January-September 2017 and 44% in the same period of 2018.

166. Based on the analysis of the indicators of the domestic industry, the Secretariat noted that, although the compensatory quota contained the Chinese imports of the product under review, considering the period analyzed some of the economic indicators show negative signs, such as, national price, production, PNOMI, domestic market sales, inventories, exports, installed capacity, employment and productivity. On a financial level, operating profits and operating margin registered an increasing trend during the period analyzed; in relation to solvency and liquidity levels, unsatisfactory levels were observed, while leverage showed acceptable levels. Consequently, the Secretariat considered that the state that the national industry has in the analyzed period is vulnerable to the elimination of the compensatory quota.

167. TAMSA stated that, in accordance with the Anti-Dumping Agreement, a new injury determination does not require a new determination of damages; neither of causal relation between the dumping and probable damage, but a prospective analysis.

168. In support of its assertion, it presented the Reports of the WTO Appellate Body in the following cases: i) United States - Extinction reviews of anti-dumping measures imposed on tubular articles for oil fields from Argentina, and ii) United States - Anti-dumping measures related to oil drilling pipes from Mexico.

169. Based on this, based on the situation that the industry is facing, TAMSA said that the elimination of the compensatory quota imposed on the product under review would lead to the entry into the Mexican market of imports originating in China in considerable volumes and in conditions of price discrimination, which would affect its relevant economic and financial indicators and, consequently, the repetition of the damage, since the economic and market conditions that gave rise to the original investigation, remain in force, for the following:

a. China's export prices to Mexico have been lower than to the United States, one of its main commercial destinations, as well as to Korea, the United Arab Emirates and Kuwait;

b. China has considerable installed capacity and export potential; in fact, this country is the main producer and exporter of the merchandise under review;

c. The national market is of great importance for exporters of seamless pipe under review, since:

i. The energy reform in Mexico has boosted and will continue to boost investment, both in the energy sector and in industries that provide the necessary inputs for the exploration and exploitation of deposits, the construction of distribution networks and pipelines and other necessary infrastructure, such as steel industry; This fact supports that the Mexican market is an important destination of the merchandise under review;

ii. In order to meet domestic demand derived from the energy reform, national industry would face a significant risk if it had to face China's exports in conditions of price discrimination, and

iii. During the review period, imports of seamless pipe were examined, although marginal; however, these are not new exporters that hasn't been considered in the original investigation.

d. The seamless pipeline under review freely enter the Mexican market under conditions of price discrimination;

e. The pipeline under review is subject to various trade defense measures in Argentina, Brazil, Canada, the United States, India, the European Union and Turkey; the United States is one of the main export destinations for its high consumption rate, and

f. Chinese exporters will seek to place their products in countries that do not have trade restrictions, so the elimination of the compensatory quota would make Mexico an even more attractive destination.

170. In order to quantify the magnitude of the impact on the domestic industry, due to the entry of imports of seamless steel pipe in considerable volumes and in conditions of price discrimination, TAMSA presented projections of its economic and financial indicators for the periods October 2018-September 2019 and October 2019-September 2020, under two scenarios; one in which the compensatory quota remains and another in which it is eliminated.

171. In both scenarios, TAMSA projected the CNA of seamless steel pipe based on growth expectations for GDP as a whole. To do this, has explained that the product under review is used primarily for the conduction of oil, natural gas and various petrochemicals; consequently, its demand is determined by the behavior of the economy as a whole and particularly by the behavior of the oil sector.

172. In this way, the CNA projected for the period October 2018-September 2019 from this indicator of the period under review and the growth expectations of the Bank of Mexico for GDP for the first period indicated. Similarly, the CNA estimated for the period October 2019-September 2020.

173. TAMSA also argued that it has three strategies to compete with imports in conditions of price discrimination, which would be the case if the compensatory quota is eliminated:

a. adjust sales volume; in this case, it is assumed that national prices follow their normal trend, so that they increase according to the inflation rate expected by the Bank of Mexico, with the consequent loss of sales;

b. adjust prices, where nationals would match those expected from Chinese exporters, and

c. adjust prices and sales volumes, which are usually applied in practice; Although national prices match those expected from Chinese exporters, they would have achieved market share in the price adjustment scenario.

174. In the scenario that considers the elimination of the compensatory quota, considering the adjustment strategies in volume, or, in prices and volumes, TAMSA projected the volume of imports originating in China and other sources for the periods October 2018-September of 2019 and the following immediately comparable, according to the economic model described in point 121 of this Resolution.

175. Additionally, during these periods, has estimated that the personnel directly employed in the national production of steel pipe, export sales, self-consumption and installed capacity would remain at the same level as observed during the review period.

176. Based on the above, it projected the economic indicators for the period October 2018-September 2019 as follows:

a. the production to the internal market from the CNA projected for the period October 2018, September 2019, due to the participation of the national production in said indicator; the latter was obtained as a result of the participation that China's imports would reach in the ANC projected by national production in the ANC in the review period;

b. national production was estimated from the sum of production volume to the domestic market, plus projected exports;

c. sales to the domestic market were estimated from the ratio of internal sales and production to the domestic market of the review period, by projected domestic market production;

d. inventories based on the ratio of this indicator and the national production of the review period, by the projected national production, and

e. salaries from the level they showed in the review period, for the inflation forecast of the Bank of Mexico for the period October 2018-September 2019.

177. For the period October 2019-September 2020, TAMSA estimated these indicators analogously to that described in the previous point, considering the ANC and the share that imports originating in China would reach in this indicator, projected for the indicated period, thus as the inflation forecast of the Bank of Mexico.

178. The Secretariat analyzed the methodologies of the projections of the indicators that TAMSA presented and determined that they are reasonable, since they are fundamentally based on the substitution model for estimating imports originating in China and other sources, which is based on reasonable assumptions, the expected growth of the CNA of seamless steel pipe in the coming years and in the behavior and participations recorded in the analyzed period.

179. The Secretariat replicated the projections and observed an impact on the relevant indicators of the national industry in the period October 2018-September 2019 with respect to the levels

recorded in the review period. The most important decreases would be recorded in the volume of production (5%), PNOMI (16%), total sales (5%), sales to the domestic market (16%), market share (15 percentage points), use of the installed capacity (4 percentage points) and productivity (5%).

180. With regard to the operating results, in the period October 2018-September 2019 with respect to the review period, the Secretariat noted that:

a. under the strategy of adjusting the volume of sales in the domestic market of national merchandise, the operating results would decrease by 29.3%, as a result of the decrease in both sales revenue and operating costs of 16.5% and 13%, respectively, which would lead to a decrease of 3.3 percentage points in the operating margin to be 17.9%, and

b. when considering the adjustment of national prices and the volume of sales for the domestic market, the operating results would decrease 150.1%, as a result of the decrease in both sales revenue and operating costs of 42.4% and 13.5%, respectively, which would lead to a decrease of 39.6 percentage points in the operating margin to be -18.4%.

181. The Secretariat also appreciated that the impact on the economic indicators would continue in the period October 2019-September 2020 with respect to that observed in the period October 2018-September 2019.

182. On the other hand, the Secretariat replied the projection that TAMSA made under the price adjustment strategy, referred to in section 173 b of this Resolution; and observed that in the scenario that considers the elimination of the compensatory quota, there would be an affectation in the operating results of the domestic industry, since they would decrease by 148.5% in the period October 2018-September 2019 with respect to the period of examination, due to the fall in revenue from sales of 26.5% and an increase in operating costs of 6.2%, which would lead to a decrease of 35.1 percentage points in the operating margin to be -13.9% .

183. Based on the information and the results of the analysis described above, the Secretariat concluded that the volume and price level that would be incurred by imports originating in China constitute objective elements that allow establishing the well-founded probability that before the elimination of the quota compensatory, the national industry of the like product would register negative effects on the relevant economic and financial indicators, which would result in the repetition of damage to the national seamless steel pipe industry.

7. Potential exporter from China

184. TAMSA argued that China has considerable installed capacity and freely available capacity for the manufacture of seamless steel pipe; It is also the main producer and exporter of this merchandise. Has added that said country has significant levels of production and installed capacity of the product under review both in absolute terms and in relation to the ANC and the national production of similar seamless steel pipe.

185. In this regard, TAMSA indicated that in the October 2017-September 2018 period, China's export potential of the pipeline under review (installed capacity minus internal consumption) was

equivalent to national production and 225 times the size of the ANC. In addition, he said that Mexico is a real destination for exports from that country.

186. TAMSA said that considering the export potential of China's industry, it would be enough for this country to allocate an insignificant volume of its exports to Mexico to displace the domestic industry. To support the export potential of China's industry, TAMSA considered the following information:

a. China seamless pipe production data from the WSA Steel Statistical Yearbook 2018;

b. Installed capacity figures, whose source is the investigation of the United States International Trade Commission, on the case of Tubular Articles for Oil Fields (701-TA-463), May 2015 and the Steel Business Briefing of April 10, 2012, as well as the increases in installed capacity of China for the manufacture of seamless steel pipe, consulted on the Internet pages https://blogs.platts.com, https://teamwork.tenaris.net, www.chinapipe .net, www.vallourec.com;

c. China's imports by subheadings 7304.19, 7304.31 and 7304.39, as well as exports from this country under heading 7304, from Tenaris' annual databases; in the case of imports by subheading 7304.31, the information comes from UN Comtrade, and

d. their sales of pipeline and conduction diameter of 2 to 4 inches in the total sales of this product of all diameters.

187. Based on this information, TAMSA estimated China's production and installed capacity of seamless steel pipe, as well as the consumption of this product..

188. To estimate the production of China's seamless steel pipe, he considered the share of China's line and conduit pipe exports in this country's total exports of seamless steel pipe; With the result and the production of seamless pipe of the WSA, it obtained the production of seamless steel pipe line and conduction.

189. To estimate the production of seamless steel pipe under review (diameter 2 to 4 inches), it calculated the share of its sales of pipe diameter from 2 to 4 inches in the total sales of line and conduit pipe. The result was applied to the production he estimated of seamless line and conduit steel pipe from China.

190. To obtain the installed capacity of China, corresponding to seamless steel pipe under review, TAMSA considered the information published by the Steel Business Briefing on the installed capacity of China for 2012 for the manufacture of seamless steel pipe, based on which and the information on the Internet pages, obtained the corresponding one for the period from 2013 to 2015. Has also indicated that there is no information on increases in the installed capacity of China for the period from 2016 to 2018.

191. Based on the results it obtained, TAMSA estimated the installed capacity of China for the manufacture of seamless line and conduit steel pipe; To do this, has calculated the participation

of the production of line and conduit pipes in this country in its installed capacity for the manufacture of seamless pipes

192. Finally, it obtained the installed capacity of China for the manufacture of seamless steel pipe under examination (diameter 2 to 4 inches); To this end, it calculated the participation of its pipeline and pipeline sales of 2 to 4 inches in the total sales of this product of all diameters, in the October-September 2018 period. The result applied to the installed capacity of line and conduit pipe, calculated as described in the previous point.

193. As regards China's consumption of the seamless steel pipe under review, TAMSA estimated it; for which he added production plus imports and subtracted exports.

194. The Secretariat considered that the methodologies that TAMSA used to estimate the production, installed capacity and consumption of China are reasonable, since they are based on information on these indicators available in reliable publications and sources of information with international recognition and refer to steel pipe without sewing; Likewise, they take into account information from said national producer, an important company worldwide in the manufacture of seamless steel pipe, so that its performance may reflect the corresponding of other countries that manufacture this product, China among them.

195. Based on the information that TAMSA provided and according to the results obtained, the Secretariat observed that the installed capacity of the pipeline under review increased 18% from the period October 2013-September 2014 to the period of examination, from 5.1 to 6.1 million tons. In the same period, production decreased 9%, from 3.4 to 3.1 million tons, while consumption also decreased 10%, from 2.9 to 2.6 million tons.

196. Based on these results, the Secretariat calculated the freely available capacity and export potential of China's industry and assessed them with respect to national production and the size of the Mexican market:

a. As a result of the increase in capacity and the fall in production, the freely available capacity of China (installed capacity minus production) registered an increase of 71% in the analyzed period, going from 1.7 to 2.9 million tons; this volume was equivalent to more than 200 times the size of the Mexican market and more than 80 times the national production of the period under review, and

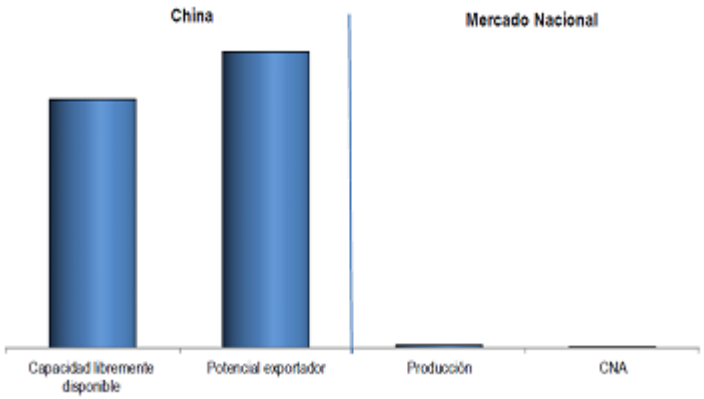
b. the export potential (installed capacity minus consumption) increased 54% in the analyzed period, going from 2.3 to 3.5 million tons; This last volume was extremely larger than the size of the Mexican market and of the national production of the period under review, more than 250 and 100 times, respectively..

197. With respect to China's export profile, UN Comtrade's export statistics for subheadings 7304.19, 7304.31 and 7304.39, which includes the seamless pipe under review, indicate that during the period from 2013 to 2017, China's exports represented on average 39% of total worldwide, ranking as the main exporter of seamless steel pipe.

198. Likewise, despite the fall observed by China's exports from 2013 to 2017 on the order of 5%, the volume they recorded in this last year is equivalent to more than 190 and 70 times the size of the Mexican market and national production of the period under review, respectively.

199. The results described in the previous points of this Resolution, support that China has freely available capacity and export potential considerably greater than the market and national production. The asymmetries between these indicators provide sufficient elements that allow to determine that the use of a marginal part of the freely available capacity that China has, or, of its export potential, could be significant for the Mexican production and market.

Domestic market vs. freely available capacity and potential exporter from China (millions of tons)



Fuente: TAMSA and own estimations.

Note: Freely available capacity and potential exporter from China for the period October 2017-September 2018.

National market October 2017-September 2018.

200. On the other hand, in addition to the freely available capacity and potential exporter of China, the restrictions of various countries for trade remedy measures on the pipeline under review by China, argue that the Mexican market is a real destination for pipeline exports of seamless steel from China, given its importance for exporters of this product, taking into account that the energy reform that Mexico has promoted and will continue to boost investment, both in the energy sector and in industries that provide the necessary inputs for exploration and exploitation of deposits, the construction of distribution networks and pipelines and other necessary infrastructure, such as the steel industry.

201. The results described in the preceding points confirm that the Chinese industry, manufacturer of seamless steel pipe under examination, has a freely available capacity and an export potential considerably greater than the national production and the size of the Mexican market of similar merchandise . This fact and the low prices to which they would concur for the dumping conditions in which they would enter the national market, constitute elements to

consider that, in case of eliminating the compensatory quota, significant volumes could enter at prices that would lead to the repetition of the damage to the domestic branch of the like product.

G. Conclusion

202. Based on the analysis and results described in this Resolution, the Secretariat concluded that there are sufficient elements to determine that the elimination of the compensatory quota for imports of seamless steel pipes originating in China, would result in the recurrence of dumping and the damage to the domestic industry. Among the elements that led to this conclusion, without being limiting aspects that were pointed out throughout this Resolution, are the following:

a. There are sufficient elements to support that if the compensatory quota were eliminated, dumping would be repeated in exports to Mexico of seamless steel pipes originating in China.

b. Although in the analyzed period the application of the compensatory quota discouraged the volume of imports of seamless steel pipe originating in China, the projections of these imports before the possible elimination of the compensatory quota, confirm the well-founded probability that they would concur again to the national market in considerable volumes, which would displace national production and reach a considerable market share.

c. The price of potential exports of seamless steel pipe under review, originating in China, placed on the domestic market, could reach significant undervaluation margins with respect to the national price of 39%, with the consequent impact on its profits, between other economic and financial indicators.

d. China has a freely available capacity and a potential for export of seamless steel pipe under review considerably larger than the domestic market. In particular, the freely available capacity of the review period was equivalent to more than 200 times the size of the Mexican market and more than 80 times the national production of the same period.

e. The freely available capacity and the potential exporter that China has, as well as the price level at which the subject imports would concur, are objective elements that allow establishing the well-founded probability that, in the event of the elimination of the compensatory quota, the branch of national production would register effects on its economic and financial indicators.

f. Among the most important effects on the branch of national production that would cause the elimination of the compensatory quota, in the projected period October 2018-September 2019 with respect to the levels that registered the examination period, there are decreases in the volume of production (5%), PNOMI (16%), total sales (5%), sales to the domestic market (16%), market share (15 percentage points), utilization of installed capacity (4 percentage points), productivity (5 %), income from sales to the domestic market (between 16.5% and 42.4%), operating income (between 29.3% and 150.1%) and operating margin (between 3.3 and 39.6 percentage points). The impact on the relevant economic indicators of the domestic industry would continue in the period October 2019-September 2020.

g. China ranks as the leading exporter of seamless steel pipe, since during the period from 2013 to 2017 its exports accounted for an average of 39% of totals worldwide.

h. China's seamless steel pipe exports are subject to restrictions in various countries by trade remedy measures, by Argentina, Brazil, Canada, the United States, India, the European Union and Turkey, which presumes that China redirects Seamless steel pipe shipments under review towards more open markets such as Mexico.

203. For the foregoing, based on Articles 11.1 and 11.3 of the Anti-Dumping Agreement and 67, 70 section II and 89 F section IV, literal a, of the LCE, the following is issued

RESOLUTION

204. The review of the validity of the compensatory quota imposed on imports of seamless steel pipes originating in China, regardless of the country of origin, entering through tariff sections 7304.19.01, 7304.19.04, 7304.19.99, is declared concluded, 7304.31.01, 7304.31.10, 7304.31.99, 7304.39.01, 7304.39.05 and 7304.39.99, of the TIGIE, or by any other.

205. The term of the definitive compensatory quota of $ 1,568.92 per metric ton is extended, referred to in point 1 of this Resolution, for five more years, counted from January 8, 2019.

206. It is the responsibility of the Ministry of Finance and Public Credit to apply the definitive compensatory quota referred to in point 1 of this Resolution throughout the national territory.

207. In accordance with the provisions of Article 66 of the LCE, importers whom under this Resolution must pay the compensatory fee, will not be obliged to pay the same if they prove that the country of origin of the merchandise is different from China. The verification of the origin of the merchandise will be done in accordance with the provisions of the Agreement establishing the rules for the determination of the country of origin of the imported merchandise and the provisions for its certification, for non-preferential purposes (previously Agreement by the that the norms for the determination of the country of origin of the imported goods and the provisions for their certification, in the matter of compensatory quotas) are published in the DOF on August 30, 1994, and their modifications published in the same dissemination body November 11, 1996, October 12, 1998, July 30, 1999, June 30, 2000, March 1 and 23, 2001, June 29, 2001, September 6, 2002, May 30, 2003 , July 14, 2004, May 19, 2005, July 17, 2008 and October 16, 2008.

208. Notify this Resolution to interested parties appearing.

209. Communicate this Resolution to the SAT, for the corresponding legal effects.

210. This Resolution will enter into force the day after its publication in the DOF.

211. File as a total case and definitely concluded.

Mexico City, November 28, 2019.- The Secretary of Economy, **Graciela Márquez Colín**.- Rubric.

http://dof.gob.mx/nota_detalle.php?codigo=5581851&fecha=13/12/2019