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South Korean 'not specified' line pipe imports more than double

By Michael Cowden Published: Mar 20 2009 2:8PM

New York --South Korea dodged a steel pipe trade bullet last year.

(OK, please don't ask us to draw that . . .)

And now the country is coming back into some parts of the U.S. line pipe market more than twice as strong.

We know, no one likes loads of stats or government-speak. But there is no way to tell this story without them. So, brace yourself, gentle reader . . . off we go!

South Korea imported 47,629 tons of "not specified" line pipe to the United States in January 2009, according to McKees Rocks, Pa.-based SteelFacts and final import data from the U.S. Census Bureau. That figure is more than double the 20,872 tons South Korea brought into the United States in December 2008 and nearly four times as much as the country brought in as recently as June 2008.

In short, South Korea brought more "not specified" line pipe—HTS code 7306191050, for you trade wonks out there—into the United States in January than the entire world did the month before. And the country's imports largely explain why total not-specified line pipe imports more than doubled from 44,315 tons in December, 2008 to 90,184 tons in January, 2009.

That last figure is all the more striking when you consider that imports for many other pipe and tube products were down significantly or up only slightly both month-over-month and year-over-year in January.

There are some exceptions, of course. Take, for example, oil country tubular goods (OCTG). And the culprit? Hold you breath...China!

But we've written plenty about the glut of OCTG imports from China. So, let's drill down into those "not specified" numbers from South Korea and figure out what's going on.

South Korean "not specified" line pipe imports have increased dramatically since about September or October of last year, around the same time Chinese imports of the same material all but fell off the map.

The reason?

If you're a faithful reader of AMM's daily publication, you might recall the answer.

Back in November last year, Commerce set subsidy rates in a countervailing duty investigation into certain circular-welded carbon quality steel pipe shipped from China (AMM, Dec. 19, 2008). Commerce set rates of 35.63 percent for Huludao Steel Pipe Industrial Co. Ltd., 40.05 percent for Liaoning Northern Steel Pipe Co., and 37.84 percent for all other Chinese exporters.

Initially, the trade case also included steel pipe from South Korea. But petitioners Maverick Tube Corp., U.S. Steel Corp., Tex-Tube Co. and the United Steelworkers union dropped Korean exporters from the suit. And Commerce terminated its investigation against Korean producers on Dec. 1.

The petitioners withdrew the line pipe case against Korea and focused on China after the Koreans got a negative preliminary finding from the Dept. of Commerce in October, according to Roger Schagrin, general counsel the Committee on Pipe and Tube Imports. "It looks like they took advantage of that and decided to take up all the slack of the Chinese, who got knocked out of the market," he said.

The HTS code in question refers to carbon, welded line pipe more than 4.5 inches in outside diameter

(OD) and up to 16 inches in OD, Schagrín said. It's the major size for connector lines that take oil or natural gas from well heads to the larger feeder line, he noted.

The big question may be where the material is going. "Have the Koreans managed to sell it all, or are they just bringing it in and holding onto it here themselves?" he asked. "I have no idea whether this stuff was pre-sold or the Koreans said, 'Oh, we hadn't been shipping for a while because of the trade case, and now the trade case is off, so let's bring a bunch in.'"

Korean, Japanese and many European producers tend to be their own importers to the United States in contrast to the Chinese, who tend to not have U.S. import operations and sell through trading companies, Schagrín said.

The problem is, with perhaps as many as half of the U.S. line pipe mills that make the sizes in question shut down, "we can only eat so much of this stuff here," he added.

"We have very small demand here now, so it doesn't make sense for the Koreans to be plowing in a huge amount of product. But those are the dislocations you get in a worldwide economy," Schagrín said. "We certainly have plenty of them because we are the market of last resort for everyone in the world."

Export-based economies are taking a big hit under the current economic downturn, he said. But if the United States wants to revive domestic demand, it will find recovery and increased employment harder to come by if much of what is consumed in the United States is imported.

"If 40 to 50 percent of what we buy is imported, the impact on U.S. GDP growth of additional consumer spending is a lot less than in an economy where you make most of what you consume," he reasoned. And with U.S. automakers on the brink, the U.S. could be within a decade of making only 10 percent or 20 percent of what it consumes, he argued.

Of course, there is the very real possibility that there is a mistake in the government's numbers, even in the final stats, he allowed.

"Somebody at one point keys in an extra number, an extra zero, and it can take them six months to figure it out," Schagrín quipped.

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