Canada Border Services Agency | Agence des services frontaliers du Canada

OTTAWA, September 7, 2012

4258-102

STATEMENT OF REASONS

Concerning a determination under paragraph 76.03(7)(a) of the
Special Import Measures Act regarding

CERTAIN HOT-ROLLED STEEL PLATE ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

DECISION

On August 23, 2012, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act,* the President of the Canada Border Services Agency determined that the expiry of the order made by the Canadian International Trade Tribunal on January 9, 2008, in Expiry Review No. RR-2007-001, concerning the dumping of certain hot-rolled steel plate originating in or exported from the People's Republic of China was likely to result in the continuation or resumption of dumping of these goods into Canada.

Cet *Énoncé des motifs* est également disponible en français.
This *Statement of Reasons* is also available in French.

Canada

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SUMMARY

[1] On April 25, 2012, the Canadian International Trade Tribunal (Tribunal), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its order issued on January 9, 2008, in Expiry Review No. RR-2007-001, continuing its order made, with amendment on January 10, 2003, in Expiry Review No. RR-2001-006, continuing its finding made on October 27, 1997, in Inquiry No. NQ-97-001, concerning the dumping of hot-rolled carbon steel plate and high-strength low-alloy plate not further manufactured than hot-rolled, heat-treated or not, in cut lengths, in widths from 24 inches (+/- 610 mm) to 152 inches (+/- 3,860 mm) inclusive, and thicknesses from 0.187 inches (+/ - 4.75 mm) to 4.0 inches (+/- 101.6 mm) inclusive, originating in or exported from the People's Republic of China, but excluding plate for use in the manufacture of pipe and tube (also known as skelp); plate in coil form; plate having a rolled, raised figure at regular intervals on the surface (also known as floor plate); and plate produced to ASTM specifications A515 and A516M/A516, grade 70, in thicknesses greater than 3.125 inches (+/- 79.3 mm), originating in or exported from the People's Republic of China (China).

[2] For the purposes of this *Statement of Reasons*, the subject goods shall be referred to as "hot-rolled steel plate".

[3] As a result of the Tribunal's notice, on April 26, 2012, the Canada Border Services Agency (CBSA) commenced an investigation to determine whether the expiry of the order is likely to result in the continuation or resumption of dumping. The decision by the President of the CBSA (the President) was to be made no later than August 23, 2012.

[4] The Canadian producers of certain hot-rolled steel plate, namely Essar Steel Algoma Inc. (formerly Algoma Steel Inc.), and Evraz Inc. NA Canada (formerly IPSCO Inc.) provided responses to the Expiry Review Questionnaire (ERQ) and submitted case arguments. No reply submissions were received from either party.

[5] The Canadian producers also provided information in support of their position that the continuation or resumption of dumping of certain hot-rolled steel plate from China is likely if the Tribunal's order is rescinded.

[6] The CBSA did not receive any responses from exporters of subject goods.

[7] The CBSA received responses to the ERQ from five importers. No case arguments or reply briefs were received from these importers.

[8] Analysis of information on the record shows that: there is excess capacity and over-supply of hot-rolled steel plate in global markets; global steel plate producers are expected to increase production despite weakness in demand; global steel producers are experiencing reduced profitability caused by excess capacity and rising raw material costs; global steel producers are unable to increase prices to match increased costs due to declining demand and existing inventory levels; financial uncertainty and volatility in world markets continues to negatively impact global steel demand; Chinese export prices for steel plate are declining; Chinese export volumes for steel plate to global markets are increasing; current and planned additional hot-rolled steel plate capacity in China exceeds domestic demand; the existing over-supply of hot-rolled steel plate in China is expected to continue; demand for hot-rolled steel plate is weakening in China's largest export markets; hot-rolled steel plate from China was dumped into Canada throughout the period of review (POR); there are indications that China has dumped steel into other markets during the POR; anti-dumping measures are in place concerning hot-rolled steel plate in other countries; and China continues to have a commercial interest in the Canadian market, all of which taken together indicate a propensity to dump.

[9] For the foregoing reasons, the President, having considered the relevant information on the record, determined on August 23, 2012, under paragraph 76.03(7)*(a)* of SIMA that the expiry of the order made by the Tribunal in respect of the dumping of certain hot-rolled steel plate, originating in or exported from China is likely to result in the continuation or resumption of dumping of the goods into Canada.

BACKGROUND

[10] On February 13, 1997, following a complaint filed by Canadian industry, the original anti-dumping investigation was initiated concerning certain hot-rolled steel plate originating in or exported from Mexico, the People's Republic of China (China), the Republic of Poland (Poland), the Republic of South Africa (South Africa), and the Russian Federation (Russia).

[11] The complaint was made by Stelco Inc. (subsequently United States Steel Canada Inc.) of Hamilton, Ontario, and was supported by the other Canadian manufacturers of the product at that time. This company ceased operation in June 2004.

[12] On June 27, 1997, the Deputy Minister of National Revenue (now the President of the CBSA) terminated the investigation with respect to the goods from Poland.
On September 25, 1997, the Deputy Minister of National Revenue (now the President of the CBSA) made a final determination of dumping in respect of certain hot-rolled steel plate originating in or exported from Mexico, China, South Africa, and Russia.

[13] On October 27, 1997, the Tribunal found that the dumping of certain hot-rolled steel plate from Mexico, China, South Africa, and Russia threatened to cause injury to the domestic industry.

[14] On June 11, 2002, following the initiation of an expiry review of the Tribunal's finding of injury, the Commissioner of the Canada Customs and Revenue Agency (now the President of the CBSA) determined that the expiry of the finding was likely to result in the continuation or resumption of dumping of certain hot-rolled steel plate from Mexico, China, South Africa, and Russia.

[15] On January 10, 2003, in Expiry Review No. RR-2001-006, the Tribunal continued its finding concerning certain hot-rolled steel plate from China, Russia and South Africa, but rescinded its finding with respect to the goods from Mexico.

[16] On April 26, 2007, the CBSA initiated an expiry review investigation pursuant to subsection 76.03(3) of SIMA, concerning certain hot-rolled steel plate, originating in or exported from China, South Africa and Russia. On August 23, 2007, pursuant to paragraph 76.03(7)(a) of SIMA, the President of the CBSA determined that the expiry of the order was likely to result in the continuation or resumption of dumping of the goods from China, South Africa and Russia.

[17] On January 9, 2008, in Expiry Review No. RR-2007-001, the Tribunal continued its order in respect of certain hot-rolled steel plate originating in or exported from China. The Tribunal, pursuant to subparagraph 76.03(12)(a)(i) of SIMA, rescinded its order in respect of certain hot-rolled steel plate originating in or exported from South Africa and Russia.

[18] On March 6, 2012, the Tribunal issued a notice concerning the upcoming expiry of its order. The order was scheduled to expire on January 8, 2013. Based on the available information and the information submitted by the interested parties, on April 25, 2012, the Tribunal decided that a review of the order was warranted.

PRODUCT DESCRIPTION

Definition

[19] The goods subject to the order are defined as:

> Hot-rolled carbon steel plate and high-strength low-alloy plate not further manufactured than hot-rolled, heat-treated or not, in cut lengths, in widths from 24 inches (+/- 610 mm) to 152 inches (+/- 3,860 mm) inclusive, and thicknesses from 0.187 inches (+/ 4.75 mm) to 4.0 inches (+/- 101.6 mm) inclusive, originating in or exported from the People's Republic of China, but excluding plate for use in the manufacture of pipe and tube (also known as skelp); plate in coil form; plate having a rolled, raised figure at regular intervals on the surface (also known as floor plate); and plate produced to ASTM specifications A515 and A516M/A516, grade 70, in thicknesses greater than 3.125 inches (+/- 79.3 mm).

Product Information

[20] Certain hot-rolled steel plate can be used in a number of applications, the most common being in the production of rail cars, oil and gas storage tanks, heavy construction machinery, agricultural equipment, bridges, industrial buildings, high rise office towers, automobiles and truck parts, shipbuilding, ship repairs, and pressure vessels.

[21] Certain hot-rolled steel plate is manufactured to meet certain Canadian Standards Association (CSA) and/or American Society for Testing and Materials (ASTM) specifications or equivalent specifications.

[22] The CSA specification G40.21 covers steel for general construction purposes. In the ASTM, for example, specification A36M/A36 comprises structural plate; specifications A572M/A572 comprises high strength low alloy steel plate; and specification A516M/A516 comprises pressure vessel quality plate.

[23] ASTM standards, such as A6/A6M and A20/A20M, recognize permissible variations for dimensions.

[24] It should be noted that the metric equivalent dimensions in the definition of the goods are rounded numbers as indicated by the "+/-" symbols.

CLASSIFICATION OF IMPORTS

[25] Imports into Canada of the subject goods described above are normally, but not exclusively, classified under the following tariff classification numbers for importations that occurred **prior** to January 1, 2012:

7208.51.10.00	7208.51.99.10	7208.52.19.00
7208.51.91.10	7208.51.99.91	7208.52.90.10
7208.51.91.91	7208.51.99.92	7208.52.90.91
7208.51.91.92	7208.51.99.93	7208.52.90.92
7208.51.91.93	7208.51.99.94	7208.52.90.93
7208.51.91.94	7208.51.99.95	7208.52.90.94
7208.51.91.95	7208.52.11.00	7208.52.90.95

[26] As a result of the amendments made to the 2012 Customs Tariff, imports into Canada of the subject goods **on or after** January 1, 2012 should normally, but not exclusively, be classified under the following tariff classification numbers:

7208.51.00.10	7208.51.00.94	7208.52.00.92
7208.51.00.91	7208.51.00.95	7208.52.00.93
7208.51.00.92	7208.52.00.10	7208.52.00.94
7208.51.00.93	7208.52.00.91	7208.52.00.95

PERIOD OF REVIEW

[27] The period of review (POR) for the CBSA's expiry review investigation is January 1, 2009 to March 31, 2012. The President also considered additional information placed on the administrative record, up to the closing of the record date, which was June 14, 2012.

CANADIAN INDUSTRY

[28] The Canadian industry for hot-rolled steel plate production is comprised of the following two companies:

- Essar Steel Algoma Inc. of Sault Ste. Marie, Ontario
- Evraz Inc. NA Canada of Regina, Saskatchewan

[29] SSAB Central Inc. and Alliance Steel Corporation also provided responses to the ERQ. Both these companies are steel service centres. They do not heat or roll plate in Canada, however, they operate cut-to-length facilities.

Essar Steel Algoma Inc.

[30] Incorporated on June 1, 1992, under the *Ontario Business Corporations Act*, Algoma Steel Inc. acquired all of the assets and some of the liabilities of the old Algoma Steel Corporation, Limited. On January 29, 2002, the company was further reorganized under a plan of Arrangement and Reorganization pursuant to the *Companies' Creditors Arrangement Act.*

[31] In June 2007, Algoma Steel Inc. was acquired by Essar Steel Holdings Ltd., a division of the multi-national conglomerate, Essar Global. On May 8, 2008, the company was renamed Essar Steel Algoma Inc.[1]

[32] Essar Steel Algoma Inc., with its subsidiaries, is a vertically integrated primary iron and steel producer having a present capacity to produce approximately 3.7 million metric tonnes (mmt) of raw steel annually. Expressed in terms of finished steel products, the annual capacity is approximately 3.4 mmt consisting of carbon and alloy steel plate, hot-rolled steel sheet, cold-rolled sheet, floor plate and welded wide flange beams and unfinished parts. The company's production facilities are located in Sault Ste. Marie, Ontario.[2]

Evraz Inc. NA Canada

[33] Evraz Inc. NA Canada (the Western Canadian operations of the former IPSCO Inc.) was originally incorporated as the Prairie Pipe Manufacturing Co., Ltd. in 1956. The company commenced production of its own flat-rolled steel, including hot-rolled steel sheet in 1960. Evraz Inc. NA Canada continues to produce hot-rolled carbon and alloy steel plate in addition to other flat-rolled steel, including hot-rolled steel sheet products, oil country tubular goods, standard pipe and piling pipe.

[34] On July 17, 2007, SSAB, a subsidiary of SSAB Svenkst Stahl of Sweden, acquired IPSCO Inc. and its subsidiaries. A further reorganization led to IPSCO Inc. owning only the Canadian operations, excluding the coil processing facility in Scarborough, Ontario.

[35] On June 12, 2008, Evraz Group S.A. acquired from SSAB all of its IPSCO Inc. shares and all of its subsidiaries. SSAB retained a number of U.S. facilities and the coil processing facility in Scarborough, Ontario.

[36] On October 15, 2008, the name IPSCO Inc. was changed to Evraz Inc. NA Canada and the name of its wholly owned subsidiary IPSCO Canada Inc. was changed to Evraz Inc. NA Canada West.

[1] Exhibit 51 (NC) - Essar Steel Algoma Inc. response to Producer ERQ, Question A2.
[2] Exhibit 51 (NC) - Essar Steel Algoma Inc. response to Producer ERQ, Question A2.

[37] On January 1, 2009, Evraz Inc. NA Canada West was amalgamated into Evraz Inc. NA Canada. [3]

[38] The company's Regina, Saskatchewan facility is the largest steel industrial complex in Western Canada, producing carbon steel sheet and plate. The company also operates tubular manufacturing facilities in Calgary, Camrose and Red Deer, Alberta as well as a coil processing facility in Surrey, British Columbia.

CANADIAN MARKET

[39] Detailed information regarding the overall Canadian apparent market cannot be divulged for confidentiality reasons. The Canadian market for hot-rolled steel plate grew during 2011 over 2010; however steel demand in Canada fell to abnormally low levels in 2009 and still remains below 2008 levels. Demand in the first quarter of 2012 is up over the previous quarter; however the Canadian producers expect only relatively marginal growth for the full year compared to 2011. [4]

[40] In terms of overall market, the Canadian producers saw their share of the apparent Canadian market for hot-rolled steel plate decrease in both value and volume from 2009 through the first three months of 2012. For China, its share changed little during the POR, consistently representing more than 1% of the Canadian market on both a value and volume basis.[5]

ENFORCEMENT

[41] During the POR, subject goods continued to be exported from China to Canada. [6]

[42] In the enforcement of the Tribunal order during the POR, the amount of anti-dumping duty collected on subject imports was just over CAN$1.1 million.[7] The CBSA's enforcement statistics show that the value of hot-rolled steel plate imported from China between 2009 and 2011 decreased by more than 50%.

[43] Since the enforcement data for the first quarter of 2012 was not finalized at the time of the close of record date, little weight was placed on the data for imports into Canada occurring in the first quarter of 2012 for purposes of the analysis. However, subject goods continued to be exported to Canada into the first quarter of 2012, demonstrating continued commercial interest in the Canadian market throughout the POR.

PARTIES TO THE PROCEEDING

[44] On April 25, 2012, the Tribunal's notice concerning the expiry review of its order and the ERQs were sent to the known Canadian producers, importers, exporters and other interested parties.

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[3] Exhibit 59 (NC) - Evraz Inc. NA Canada response to Producer ERQ, Question A2.
[4] Exhibit 51 (NC) - Essar Steel Algoma Inc. response to Producer ERQ, Question A22.
[5] Exhibit 65 (PRO) - Apparent Canadian Market for Hot-Rolled Steel Plate.
[6] Exhibit 67 (PRO) - Import and Enforcement statistics.
[7] Exhibit 67 (PRO) - Import and Enforcement statistics

[45] The ERQ requested information relevant to the consideration of the expiry review factors by the President, as listed in subsection 37.2(1) of the *Special Import Measures Regulations* (SIMR). Any persons or governments having an interest in this investigation were also invited to provide a submission regarding the likelihood of continued or resumed dumping of these goods should the order be rescinded.

[46] As previously mentioned, there are presently two Canadian producers of hot-rolled steel plate. In addition to answering the ERQ, the Canadian producers provided case arguments stating that the dumping of the subject goods would likely continue or resume should the Tribunal's order be rescinded.

[47] As noted earlier, responses to the ERQ were also received from two Canadian steel service centres, SSAB Central Inc. and Alliance Steel Corporation. Neither of these parties provided case arguments or reply submissions.

[48] With regard to the participation of importers of the subject goods, five responses to the ERQ were received, namely from Russel Metals Inc.[8], Salzgitter Mannesmann International (Canada) Inc.[9], IMCO International Inc.[10], Marmen Énergie inc.[11] and Samuel, Son & Co. Limited[12]. No importers provided case arguments or reply submissions.

INFORMATION CONSIDERED BY THE PRESIDENT

Administrative Record

[49] The information considered by the President for purposes of this expiry review investigation is contained on the administrative record. The administrative record includes the information on the CBSA's Exhibit Listing, which is comprised of the Tribunal's administrative record at initiation of the expiry review, CBSA exhibits and information submitted by interested persons, including information which they feel is relevant to the decision as to whether dumping is likely to continue or resume, absent the order. This information may consist of expert analysts' reports, excerpts from trade magazines and newspapers, orders and findings issued by authorities of Canada or of any country other than Canada, documents from international trade organizations such as the World Trade Organization and responses to the ERQs submitted by Canadian producers, exporters and importers.

[50] For purposes of an expiry review investigation, the CBSA sets a date after which no new information may be placed on the administrative record. This is referred to as the "closing of the record date." For this investigation, the administrative record closed on June 14, 2012. This allows participants time to prepare their case arguments and reply submissions based on the information that is on the administrative record as of the closing of the record date.

[8] Exhibit 43 (PRO) – Russel Metals Inc. response to Importer ERQ.
[9] Exhibit 38 (PRO) – Salzgitter Mannesmann International (Canada) Inc. response to Importer ERQ.
[10] Exhibit 40 (NC) – IMCO International Inc. response to Importer ERQ.
[11] Exhibit 55 (PRO) – Marmen Énergie Inc. response to Importer ERQ.
[12] Exhibit 60 (PRO) – Samuel, Son & Co. Limited response to Importer ERQ.

Procedural Issues

[51] The President will normally not consider any new information submitted by participants subsequent to the closing of the record date. However, in certain exceptional circumstances, it may be necessary to permit new information to be submitted. The President will consider the following factors in deciding whether to accept new information submitted after the closing of the record date:

(a) the availability of the information prior to the closing of the record date;
(b) the emergence of new or unforeseen issues;
(c) the relevance and materiality of the information;
(d) the opportunity for other participants to respond to the new information; and
(e) whether the new information can reasonably be taken into consideration by the President in making the determination.

[52] Participants wishing to file new information after the closing of the record date, either separately or in case arguments or reply submissions, must identify this information so that the President can decide whether it will be included in the record for purposes of the determination.

[53] With respect to this expiry review investigation, there was no information submitted by the participants after the June 14, 2012 closing of the record date.

POSITION OF THE PARTIES

Parties Contending that Continued or Resumed Dumping is Likely

Canadian Producers

[54] The Canadian producers presented case arguments in support of their position that the continued or resumed dumping from China is likely should the present order be rescinded. Accordingly, the Canadian producers contend that the measures should remain in place.

[55] The Canadian producers presented many common arguments which focus largely on the detrimental effects of excess world hot-rolling capacity and export dependency of foreign producers that inevitably lead to dumping when left unrestrained by regulatory measures such as those found in SIMA.

[56] Given the consensus amongst the two Canadian producers as to the core arguments in favour of continuing the Tribunal's order, reference to issues raised by individual producers in their respective case arguments will typically be attributed to 'the Canadian producers' as an entity throughout this analysis.

[57] The Canadian producers' position that in absence of the Tribunal order, dumping is likely to continue or resume from China, is based predominantly on the following global and China specific factors.

Position of the Canadian Producers Regarding Global Hot-Rolled Steel Issues

[58] The Canadian producers collectively identified certain global conditions related largely to the steel production and steelmaking capacity, and specifically for hot-rolled steel plate, as significant in arguing that the absence of the Tribunal order will lead to a continuation or resumption of dumping of subject goods. The main factors identified by the Canadian producers can be summarized as follows:

- excess worldwide capacity for hot-rolled steel plate is considerable and is projected to grow;
- the capital intensive nature of steel production leads to dumping;
- the commodity nature of the subject goods facilitates dumping, as they are very price sensitive;
- the compounding effect of current non-subject export sources selling low-priced hot-rolled steel plate into Canada; and
- trade measures in other jurisdictions lead to the diversion of goods to unrestrained markets.

[59] The Canadian producers made extensive representations concerning the threat of global hot-rolled steel making capacity, in addition to the looming threat of additional capacity which is scheduled to become operational in the near future. The submission included a report by Ernst & Young LLP, which reported in early 2012 that global steelmaking capacity increased by 80 mmt [million metric tonnes] to an estimated 1,890 mmt, while consumption was at 1,398 mmt. This resulted in a global excess steelmaking capacity of 493 mmt.[13]

[60] In addition, the Canadian producers said that "when the massive overcapacity of the Chinese plate industry is examined in the context of the production imperative, it becomes clear that there is a very high likelihood that Chinese plate producers would export significant volumes of Chinese Subject Goods to Canada at pricing at or below the level of the current offshore sources if the Finding is allowed to expire."[14]

[61] The Canadian producers contended that if the order against China is rescinded, the dumping of subject goods will not only continue but also resume in such commercially significant quantities that it will threaten the viability of the Canadian steel industry members who produce hot-rolled steel plate.

[62] The Canadian producers noted that "the economics of steel production make it likely that when there are conditions of over capacity, producers will continue to produce and sell excess production in foreign markets at dumped prices as long as variable costs are covered, even if total costs are not covered. In fact, it may be more costly to shut down and restart a steel mill than it is to continue to produce at a loss, as long as variable costs are being covered".[15] The Canadian producers also cited the high fixed costs associated with steel making as an impetus for dumping.

[13] Exhibit 72 (NC) - Evraz. Case brief, paragraph 16.
[14] Exhibit 70 (PRO) - Essar Steel Algoma Inc. Case brief, paragraph 79.
[15] Exhibit 72 (NC) - Evraz. Case brief, paragraph 7.

[63] One of the Canadian producers identified the subject goods as being largely 'interchangeable' with other steel plate products manufactured around the world. Consequently, purchasers in Canada prioritize their purchasing based largely on price regardless of the source of the goods, knowing that the essential characteristics of most steel plates are the same from producer to producer.

[64] It is alleged that this substitutability amongst suppliers would make the domestic industry in Canada more vulnerable to hot-rolled steel plate imports if the Tribunal order is rescinded.

[65] The Canadian producers contended that if the current Tribunal order concerning the dumping of hot-rolled steel plate from China is rescinded, China would have to sell to Canada at dumped prices in order to compete with the current import prices of hot-rolled steel plate imported into Canada from other sources.[16]

[66] Recent statements from the Organisation for Economic Co-operation and Development (OECD) Steel Committee were further cited to support concerns over current market changes in the steel industry worldwide including the concerns expressed by OECD Steel Committee Chairman, Risaburo Nezu that the outlook for global steel consumption was deteriorating as a result of slowing demand in the construction and manufacturing industries, arising from the economic crisis in North America and Europe.

> "Since May 2011, economic prospects of the developed world have deteriorated, especially because of the recent financial and fiscal problems in the euro area and the United States. These events could weaken the current slow recovery of the construction sector in developed countries [...].
>
> [...] This slowing trend is occurring especially in advanced economies but also in emerging markets [...]." [17]

[67] A similar citation concerning the market changes stated:

> " World steel exports have returned to levels not far below those seen before the crisis. The combined tonnage volume of steel exports from the ten largest exporting economies in 2011 reached 257.1 million metric tonnes (mmt), representing an increase of 6.1% relative to 2010. In 2011, China became the world's largest steel exporter again for the first time since 2008. [...]
>
> There are continued concerns about unfair trade in steel, including dumping and subsidisation, but also other forms of unfair trade that can create trade frictions amongst countries. [...] The number of new trade remedy investigations has increased somewhat during the past few years, with emerging economies continuing to account for many of the new trade remedy cases in 2011-12." [18]

[16] Exhibit 70 (PRO) - Essar Steel Algoma Inc. Case brief, paragraph 94.
[17] Exhibit 72 (NC) - Evraz. Case brief, paragraph 13.
[18] Exhibit 72 (NC) - Evraz. Case brief, paragraph 15.

[68] The Canadian producers asserted the likelihood that hot-rolled steel plate will be diverted from other export destinations to Canada in the absence of the Tribunal order, due in part to the relatively higher prices in Canada.[19] They also cited restrictive trade measures in other countries against hot-rolled steel plate products which limit the export options for goods from China as a likely cause for diversion of hot-rolled steel plate to Canada in the absence of the Tribunal order.[20]

Position of the Canadian Producers regarding China

[69] The main factors identified by the Canadian producers can be summarized as follows:

- demonstrated interest in the Canadian market;
- current production and excess capacity in China;
- evidence of a propensity to dump and inability to compete at undumped prices;
- China's dependence on exports;
- Government of China's influences on the domestic and export market;
- weakening demand in the domestic Chinese market.

[70] The Canadian producers cited the attractiveness of the Canadian market for China due to higher prices in the Canadian market. To support their position, previous decisions by the Tribunal were cited for their comments regarding the attractiveness of the Canadian market[21]:

> "China is one of the lowest-priced markets in the world for hot-rolled steel products and that the price differentials between the North American market for steel and the Chinese market make Canada an attractive market for subject country producers" [22].

[71] The Canadian producers stated that "notwithstanding the absence of normal values (for Chinese hot-rolled plate exporters), Statistics Canada data demonstrates significant volumes of Chinese plate imports into Canada, with over 20,000 MT [metric tonnes] in 2011. This activity demonstrates a recent and active interest on the part of Chinese plate exporters in the Canadian market. These exporters clearly have current Canadian customers and distribution arrangements."[23]

[72] The producers alleged that the higher North American (and therefore Canadian) prices, which for 2012 and 2013 are forecast to be approximately $200/tonne higher than the prices in China, combined with China's massive excess capacity, virtually guarantee that Chinese plate exporters will export substantial volumes of subject goods to the Canadian market if the order was permitted to expire.[24]

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[19] Exhibit 71 (NC) - Essar Steel Algoma Inc. Case brief, paragraph 60-61.
[20] Exhibit 72 (NC) - Evraz. Case brief, paragraph 6.
[21] Exhibit 72 (NC) - Evraz. Case brief, paragraph 11a.
[22] Exhibit 72 (NC) - Evraz. Case brief, paragraph 11a.
[23] Exhibit 71 (NC) - Essar Steel Algoma Inc. Case brief, paragraph 17.
[24] Exhibit 71 (NC) - Essar Steel Algoma Inc. Case brief, paragraph 61.

[73] The Ernst & Young LLP, Global Steel 2011 Trends and 2012 Outlook was cited by the Canadian producers to support the overcapacity in China. The article stated that "the Chinese steel capacity is expected to be 840 Mt [million metric tonnes] in 2012, which is 22% in excess of the 688 Mt of expected consumption in China in 2012."[25]

[74] A World Steel Dynamics report, in particular to plate products, was referenced for its estimation of China's capacity:

> "From 2003 to 2011, capacity rose from 21 million tonnes to 95 million tonnes, an increase of 74 million tonnes, or an annual average addition of 9 million tonnes. From 2011 to 2017, the estimated capacity addition is 8 million tonnes, or an annual average addition of 1.3 million tonnes." [26]

[75] The CRU Monitor was cited by the Canadian producers for its report on Chinese hot-rolled steel sheet capacity, estimating that "in 2012 there is 127 million MT [million metric tonnes] in excess capacity to produce plate. This represents 25% of the capacity which can be used to produce plate."[27]

[76] Given that the excess capacity is many times the size of the Canadian market for hot-rolled steel plate, the Canadian producers fear that there would be ample product available for export to Canada in absence of the Tribunal order.

[77] The Canadian producers referenced the number of anti-dumping measures in other countries against Chinese origin flat-rolled products as evidence that Chinese exporters of flat-rolled products have a propensity to dump. These measures included findings against hot-rolled plate and sheet in the United States (2001, 2007), hot-rolled coil in Indonesia (2008), and flat hot-rolled in coils and not in coils in Thailand (2011).[28]

[78] The Canadian producers emphasized China's dependence on exports of their steel products. Information was provided to support this dependence and to underscore the magnitude of Chinese steel exports.

[79] A Canadian producer noted that "Chinese producers are export-oriented; given relatively weak demand in China and weak demand in major export markets, along with continued pressure of production, [Chinese] producers will be highly motivated to find markets for their goods, with Canada being an attractive market choice because of its high domestic prices."[29] The other producer stated that "It is well-known that Chinese steel producers are highly dependent on export sales to maintain production levels and capacity utilization."[30]

[80] The Canadian producers cited the Government of China's 12th five-year plan for steel industries as an indicator that the government influences the Chinese steel industry.

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[25] Exhibit 72 (NC) - Evraz. Case brief, paragraph 16.
[26] Exhibit 72 (NC) - Evraz. Case brief, paragraph 19.
[27] Exhibit 71 (NC) - Essar Steel Algoma Inc. Case brief, paragraph 32.
[28] Exhibit 72 (NC) - Evraz. Case brief, paragraph 6.
[29] Exhibit 72 (NC) - Evraz. Case brief, paragraph 11(b).
[30] Exhibit 71 (NC) - Essar Steel Algoma Inc. Case brief, paragraph 34.

[81] The Canadian producers quoted various article with regards to the weakening demand in the domestic Chinese market, notably Steel Business Briefing, which states that "the Chinese steel market has been suffering and demand decreases are forecast. Weak demand will worsen the over-supply in the Chinese domestic market."[31] Another article states that "China's steel industry is plagued by high-priced raw materials, a slow global economy and sluggish domestic demand. The Secretary-General of the China Iron and Steel Association recently stated that he expects Chinese steel companies to face tremendous difficulty in 2012."[32]

[82] The Canadian producers argued that the weakening domestic market combined with excess capacity in China is a significant threat to the Canadian hot-rolled steel plate industry as China will be looking for export markets to absorb production from this excess capacity that cannot be sold in the domestic market.

[83] The Canadian producers further stated that the existing excess capacity coupled with the production imperative to cover fixed costs cited above facilitates dumping as the exporters in these foreign markets will sell at a deflated price in an export market rather than their home market as to not disrupt the price level domestically. If the order is rescinded, there is a likelihood that Chinese plate producers would export significant volumes of Chinese subject goods to Canada at pricing at or below the level of the current offshore sources. [33]

Parties Contending that Continued or Resumed Dumping is Not Likely

[84] No case arguments or reply submissions were submitted contending that the dumping of certain hot-rolled steel plate is not likely to continue or resume if the order is rescinded.

CONSIDERATION AND ANALYSIS

[85] In establishing whether the expiry of the order is likely to result in the continuation or resumption of dumping, the President may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant under the circumstances when rendering a determination pursuant to paragraph 76.03(7)*(a)* of SIMA.

[86] Before presenting the analysis of China specifically concerning the likelihood of continued or resumed dumping in absence of the Tribunal's order, there are certain issues that relate to the goods on a broader scale which are as follows:

Commodity nature of hot-rolled steel plate and capital-intensive nature of steel production

[87] The significant number of anti-dumping measures involving steel products, both in Canada and several other jurisdictions, can be related, in large part, to the very nature of the product and the industry.

[88] The factors that relate to the nature of the product include the commodity nature of hot-rolled steel plate as well as the capital-intensive nature of steel production. The combined effects of these characteristics can have a significant impact on pricing.

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[31] Exhibit 72 (NC) - Evraz. Case brief, paragraph 25.
[32] Exhibit 70 (PRO) - Essar Steel Algoma Inc. Case brief, paragraph 41.
[33] Exhibit 70 (PRO) – Essar Steel Algoma Inc. Case brief, paragraph 79.

[89] One of the characteristics of the product involves the commodity nature of hot-rolled steel plate. Generally speaking, hot-rolled steel plate produced to a given specification by a producer in a given country is physically interchangeable with hot-rolled steel plate produced to the same specification in any other country. As such, the goods compete amongst themselves regardless of origin and share the same channels of distribution and the same potential customers. This characteristic means that hot-rolled steel plate must compete in a market that is extremely price sensitive, where price is one of the primary factors affecting purchasing decisions from customers. Furthermore, because of this high degree of price sensitivity, prices in a given market may tend to converge over time towards the lowest available price offerings.

[90] A second characteristic of the product involves the capital-intensive nature of steel production. As noted in the Tribunal's *Statement of Reasons* on Certain Hot-Rolled Carbon Steel Plate from Italy, the Republic of Korea, Spain and the Ukraine, "Steel mills are capital intensive with high fixed costs. In order to recover fixed expenses, steel mills must run at high levels of production capacity. When home market demand drops, producers will search out foreign markets to maintain capacity utilization to ensure that these fixed costs are recovered."[34]

[91] This is often referred to as the "economics of steel production." This characteristic is particularly important when there are conditions of overcapacity, as a producer may find it more feasible to sell excess production in foreign markets at depressed prices rather than reduce production, as long as the producer's variable costs are covered.

Steel market developments and trends – 2008 to 2011

[92] In 2009, the beginning of the POR, the global steel industry was operating under difficult conditions as a result of a global downturn caused by the worldwide financial crisis. As a result, global steel demand in 2009 was weak and many steelmakers around the world had already begun to respond to declining demand by commencing production cuts towards the end of 2008. When the financial crisis hit, it resulted in a very sharp and sudden decrease in steel demand at a time when steelmakers were operating at a high capacity. This resulted in an unexpected over-supply of steel in the market which created a structural overcapacity in certain product segments that continues in today's market.[35]

[93] While global crude steel production achieved consistent and significant growth during the 2000-2007 period, 2008 saw global crude steel production decline by almost 6 million tonnes or 0.43%. In 2009, global crude steel production decreased significantly further by an additional 105 million tonnes to 1.24 billion tonnes, a drop of 7.86% as compared to 2008.[36]

[34] Tribunal Expiry Review *Statement of Reasons* on Certain Hot-Rolled Carbon Steel Plate, RR-98-004, pages 13-14.
[35] Exhibit 25 (NC) - "Global steel – 2011 trends, 2012 outlook" – Ernst & Young, page 1.
[36] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 12: "Annual crude steel production, 2000-2009" - World Steel Association

[94] In excluding Chinese production from the total global steel figures presented above, it is evident that the impact on other world producers in 2009 was in fact far worse, in particular for Canada. Production of crude steel in 2009 by non-Chinese producers declined 20.33% year-on-year while producers in Canada experienced a decline in crude steel production equal to 37.45%.[37]

[95] According to statistics published by the World Steel Association, the decline in production of hot-rolled flat products in 2009 in countries other than China was markedly worse than those reported for crude steel. In 2009, global production of hot-rolled flat products excluding China fell 25.75% as compared to 2008, while production in Canada shrunk by 41.56% over the same period.[38]

[96] In 2010, the global steel market experienced a steady recovery in demand and enjoyed a re-stocking period which led to a rebound in crude steel production to 2008 levels. This recovery can be linked, in part, to future steel demand having been brought forward as a result of the stimulus packages used by governments of major economies to spur investment in infrastructure and other steel-intensive projects. However, the economic stimulus failed to result in a recovery to 2008 pre-crisis levels of steel consumption and production for developed countries such as those in Europe and the US.[39]

[97] In fact, while global crude steel production in 2010 reached 1.43 billion tonnes[40] compared to 2008's 1.34 billion tonnes[41], when excluding Chinese production from those figures, crude steel production from the world's remaining producers was only 791 million tonnes[42] in 2010 as compared to 827 million tonnes[43] in 2008.

[98] World production of hot-rolled flat products followed the same trend over the period, with production in 2010 equalling 703.4 million tonnes compared to 665.4 million tonnes in 2008. When removing Chinese production from those figures, remaining global production of hot-rolled flat products in 2010 equalled 295.3 million tonnes which was significantly below 2008 production of 369.4 million tonnes.[44]

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[37] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 12: "Annual crude steel production, 2000-2009" - World Steel Association

[38] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 15: "Steel Statistical Yearbook 2011" - World Steel Association, Table 13, pages 42-43.

[39] Exhibit 32 (NC) - Internet Articles regarding the steel industry - #3, Article 3: "Global steel – 2010 trends, 2011 outlook" – Ernst & Young, pages 6-7.

[40] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 13: "Annual crude steel production, 2010-2019" - World Steel Association

[41] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 12: "Annual crude steel production, 2000-2009" - World Steel Association

[42] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 13: "Annual crude steel production, 2010-2019" - World Steel Association

[43] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 12: "Annual crude steel production, 2000-2009" - World Steel Association

[44] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 15: "Steel Statistical Yearbook 2011" - World Steel Association, Table 13, pages 42-43.

[99] According to the World Steel Association, Canadian production of hot-rolled flat products equalled 8.4 million tonnes in 2010, 21% below 2008 production of 10.6 million tonnes, which is consistent with the situation experienced by other non-Chinese producers whose 2010 production remained 20% below 2008 levels.[45]

[100] In 2011, the world steel market continued to show modest improvement with global crude steel production increasing by 4.3% to 1.49 billion tonnes[46]. While recovery continued following the global financial crisis of 2009, the recent Eurozone debt crisis caused significant market uncertainty in 2011. The crisis led to countries adopting a number of austerity measures as a result of large government budget deficits. This in turn has resulted in some countries suspending investment altogether in infrastructure and other industries, which has had a detrimental impact on steel demand. With reduced demand, previous expectations of stronger steel market growth in 2011were not realized and the problem of excess capacity was only exacerbated.[47]

[101] According to Ernst & Young, global excess capacity in 2011 was estimated to have reached 493 million tonnes as steelmaking capacity increased by 80 million tonnes to 1.9 billion tonnes, whereas steel consumption was only 1.4 billion tonnes. They further note that until the significant excess capacity is addressed, it will continue to put pressure on the profitability of the world's steelmakers.[48]

[102] Standard plate pricing over the period of 2008 to 2011 was very volatile with prices falling off sharply in the 4th quarter of 2008 and then fluctuating throughout the remaining period. By the end of 2011 and into the 1st quarter of 2012, prices still had not recovered to 2008 levels although there was significant improvement over the lows experienced in 2009.

[103] Based on SteelBenchmarker pricing data[49], the average price for standard plate in the US in 2008 was $1,272 US dollars (USD)/tonne with prices peaking in August at $1,581 USD/tonne and sinking to their lowest point in December at $1,069 USD/tonne. By June 2009, the US price for standard plate hit its lowest point at $588 USD/tonne and then managed a modest recovery for the remainder of the year, ending in December at $650 USD/tonne. With an average price of $703 USD/tonne in 2009, pricing in the US plate market for the entire year was less than half of the peak price reached in 2008. The price recovery trend continued into 2010 with standard plate pricing fluctuating throughout the period in and around the peak price in May of $901 USD/tonne. The result was an average 2010 US price for standard plate of $843 USD/tonne. Standard plate prices in the US in 2011 continued an upward trend through the first two quarters before retreating in the remaining two quarters, which led to prices lingering around the 2011 average price of $1,092 USD/tonne. Overall, the average US price for standard plate in 2011 demonstrates that pricing has not yet recovered to 2008 levels as it remains 14% below the 2008 average price.

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[45] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 15: "Steel Statistical Yearbook 2011" - World Steel Association, Table 13, pages 42-43.
[46] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 14: "Crude steel production 2011" - World Steel Association
[47] Exhibit 25 (NC) - "Global steel – 2011 trends, 2012 outlook" – Ernst & Young, page 3.
[48] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 28: "Steelmaking over-capacity pressures profitability" – Ernst & Young, January 19, 2012, pages 6-7.
[49] Exhibit 21 (PRO) - Steel Plate Pricing – SteelBenchmarker – January 2008 to March 2012

[104] In comparison, SteelBenchmarker pricing data[50] shows that the world export market price for standard plate followed similar trends with the average price in 2008 being $987 USD/tonne and sinking to $550 USD/tonne in 2009. The average world export market price for 2010 improved to $665 USD/tonne and continued to recover in 2011 to reach $779 USD/tonne. Overall, the average world export market price in 2011 remained 21% below the average price for 2008.

[105] While excess capacity has put significant pressure on steel producers' profit margins around the world, so too has the rapid rise in prices for raw materials. Over the period of 2009-2011, the price of iron ore increased 115% from $85 USD/tonne to $183 USD/tonne and the price for coking coal increased 69% from $170.70 USD/tonne to $288 USD/tonne.[51] Over that same period, US prices for standard plate increased by only 55%.[52]

[106] In addition to sharp increases in the cost of raw materials over the POR, as of the first quarter of 2011, quarterly contracts for iron ore and coking coal took effect and replaced the annual contracts that had been used by the steel industry up until that point. This has resulted in a much greater volatility in raw materials prices whereas prices had remained flat in prior years. These shorter term contracts have made pricing steel products more difficult for steel producers. Not only must they cope with fluctuating steel demand, they must now also attempt to adjust prices quickly in response to a volatile raw materials market in order to remain profitable. However, this can be difficult for steel producers to achieve given that iron ore producers see any strength in steel prices as an opportunity to increase raw materials prices in the next contract, regardless of whether steel producers are able to pass on any price increases to their customers.[53]

Latest developments and trends

[107] According to Ernst & Young, financial uncertainty and volatility in world markets will continue to impact steel demand in 2012 and while the world steel industry will experience growth, it will occur mostly in emerging economies as opposed to in developed countries. More specifically, growth in the European market is expected to be 2.5% while the North American Free Trade Agreement region is predicted to grow by around 5%. China and India are expected to outperform the rest of the world while growth is expected in markets such as Russia, Brazil and the Republic of Korea (South Korea) although market uncertainties could impact these markets.[54]

[108] With respect to the steel plate market, it would appear that many producers around the world will be increasing steel plate capacities by expanding existing mills and/or constructing new steel plate mills. This is despite the fact that many markets continue to grapple with decreased demand for steel plate and falling prices resulting in some producers in certain markets having to reduce or even cease production. Some specific examples of these trends are provided in the paragraphs below which help demonstrate the significant over-supply and excess capacity in the current global steel plate market. This over-supply has led to increased exports by many countries which has had significant and negative impacts on certain markets, particularly in Europe and the US.

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[50] Exhibit 21 (PRO) - Steel Plate Pricing – SteelBenchmarker – January 2008 to March 2012
[51] Exhibit 25 (NC) - "Global steel – 2011 trends, 2012 outlook" – Ernst & Young, page 7.
[52] Exhibit 21 (PRO) - Steel Plate Pricing – SteelBenchmarker – January 2008 to March 2012
[53] Exhibit 25 (NC) - "Global steel – 2011 trends, 2012 outlook" – Ernst & Young, pages 1 and 6.
[54] Exhibit 25 (NC) - "Global steel – 2011 trends, 2012 outlook" – Ernst & Young, page 2.

[109] India currently has a wide steel plate capacity of 4.8 million tonnes and has already commissioned one new plate mill with two more mills expected to be commissioned within the next 12 months. These new projects could result in additional steel plate capacity of 3.1 million tonnes, or an increase of 65%. As steel plate demand in India is not expected to experience comparable growth over the same period, this increased capacity would result in a significant surplus, effectively forcing Indian mills to find overseas buyers for that surplus material.[55]

[110] In January 2012, Bloomberg reported that South Korean shipyards, the world's largest buyer of steel plate, planned to buy 12% less steel plate this year. Despite the slump in plate demand in South Korea, which began in 2011, two of the three South Korean plate producers, POSCO and Hyundai Steel Co. (Hyundai), indicated that they have no plans to adjust or cut production in the current year. The third plate producer, Dongkuk Steel Mill Co. (Dongkuk), declined to comment on its plans for the year. According to the Korea Iron and Steel Association, the three steel plate producers increased annual plate production capacity to 13.89 million tonnes from 8.09 million tonnes in 2008, with POSCO opening a new plant in 2011 and Hyundai opening two new blast furnaces in 2010. With South Korean steelmakers already having to cut prices, one investment analyst predicted that the steelmakers will have to export more steel plate despite lower prices and that this would have a negative impact on profits.[56]

[111] This prediction has become a reality as Platts Steel Business Briefing (SBB) reported in April that South Korean steelmakers aggressively increased exports in Q1 2012 by nearly 75% year-on-year. SBB summarised the situation for commodity plate in South Korea as "too much capacity and too much production chasing too few orders". [57] Weakness in the market was further characterized by an announcement in May 2012 by Dongkuk stating that it was closing one of its three steel plate mills as of June, reducing capacity from 4.4 million tonnes to 3.4 million tonnes. The closure was in response to the depressed shipbuilding industry and sinking demand for steel plate.[58]

[112] In Japan, apparent steel demand is also expected to contract this year according to SBB.[59] Japanese steel plate producers must further contend with falling demand across Asia and over-supply in the market, which has already lead to the closure of one steel plate mill. Metal Bulletin reported in May that Nakayama Steel Works would be closing its 240,000 tonne plate mill in the first half of this year. The steel producer indicated the closure was caused by a number of factors including: regional over-supply, falling demand from Japanese shipbuilders, and increasing importations of South Korean plate.[60]

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[55] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 4: "Indian mills likely to rely on exports of plates on additional volumes" – Steel Guru, May 3, 2012.
[56] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 21: "Korean Shipyards Plan to Buy 12% Less Steel Plate, Deepening Posco Slump" –Bloomberg News, January 20, 2012.
[57] Exhibit 17 (PRO) - "Trade volumes a key factor in local plate market health" – Platts SBB Insight, Issue 161, April 30, 2012, page 2.
[58] Exhibit 32 (NC) - Internet Articles regarding the steel industry - #3, Article 2: "Dongkuk Steel" –Bloomberg News, January 20, 2012.
[59] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 4: "Prices starting to slip downwards and unlikely to recover before late Q3" – Platts SBB Global Market Outlook, May 2012, page 1.
[60] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 14: "Nakayama Steel to close loss-making plate mill" – Metal Bulletin, May 15, 2012.

[113] In Europe, while Ernst & Young had indicated modest growth in steel demand was expected in an earlier publication referenced above, SBB noted in its May 2012 issue of Global Market Outlook that steel demand in Europe is now expected to contract in 2012 as re-stocking ceased at the beginning of the year.[61] European pricing also seems to be under pressure recently, as Metal Bulletin reported in March that European heavy plate producers were facing mounting requests to reduce domestic prices as a result of weak demand and low priced imports.[62] It seems that in April, producers gave into the pressure as SBB reported that commodity plate prices in northern and southern Europe fell steadily in April and were expected to continue this trend as de-stocking begins.[63] In an effort to mitigate the effects of the Eurozone debt crisis and resulting weaker steel demand, a number of European steel producers have already adjusted production in an attempt to match market demand by reducing their capacity utilization or mothballing their less efficient operations.[64]

[114] In the US, while modest growth in the steel industry had been forecast for 2012, the US steel market has been significantly impacted by rising imports which continue to put pressure on domestic producers there. At the beginning of April 2012, commodity steel plate prices were moving towards a 12-month low as US buyers continued to take advantage of aggressive import offers by importing large quantities from countries such as South Korea, Russia and Brazil while simultaneously stocking low levels of domestic product.[65] In Q1 2012, finished steel imports were up 27% as compared to Q4 of 2011, while import permits for cut length plate were up 52% in Q1 2012 as compared to Q1 2011.[66] In April, the President and CEO of the American Iron and Steel Institute expressed concern regarding import levels as imports of finished steel continued their upward trend, increasing a further 11% as compared to March. He noted that the large increase in steel imports in 2012 are matching pre-recession levels at a time when domestic steel production and capacity utilization remain well below pre-recession levels and that the imports were clearly outpacing the moderate gains in US steel demand experienced so far in 2012.[67]

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[61] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 4: "Prices starting to slip downwards and unlikely to recover before late Q3" – Platts SBB Global Market Outlook, May 2012, page 1.
[62] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 15: "EU mills keep plate prices steady despite mounting downward pressure" – Metal Bulletin, March 21, 2012.
[63] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 4: "Prices starting to slip downwards and unlikely to recover before late Q3" – Platts SBB Global Market Outlook, May 2012, page 6.
[64] Exhibit 25 (NC) - "Global steel – 2011 trends, 2012 outlook" – Ernst & Young, page 20.
[65] Exhibit 17 (PRO) - "Trade volumes a key factor in local plate market health" – Platts SBB Insight, Issue 161, April 30, 2012, page 4.
[66] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 17: "US import permits jump 17 percent in March" – SteelOrbis, April 5, 2012.
[67] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 20: "US finished steel import permits reach highest level in over three years" – SteelOrbis, May 3, 2012.

[115] According to SBB, apparent steel demand in the US weakened at the beginning of Q2 2012 with spot prices retreating in April 2012, leading them to forecast a further decrease in prices given that supply is exceeding demand.[68] Metal Bulletin reported in May 2012 that summer market conditions had arrived early as distributors in the US steel plate market were experiencing a slowdown in both activity and pricing that typically does not occur until the third quarter. They noted that the slowdown appeared not to be linked with demand but rather the influx of low-priced imports, particularly from Asia. One distributor was quoted by Metal Bulletin as saying "Things are quite bad overseas, and they're looking for some outlet for their steel. So there's a lot of stuff heading this way – or at least being offered – and it's putting downward pressure on our market here." [69]

[116] The significant increase of imports into the US has supressed prices for domestic producers. While US mills Nucor, SSAB and ArcelorMittal announced price increases for commodity plate in 2012, those increases were not absorbed and future planned increases were subsequently abandoned over fear of encouraging additional imports.[70] In May 2012, SteelOrbis reported that an attempted increase of $44 USD/tonne for April shipments of plate had been unsuccessful and that spot prices were now below prices in place prior to the attempted price increase.[71] According to Metal Bulletin, in April 2012, imported medium plate was being sold out of the Port of Houston at around $820-$840 USD/tonne which was significantly below domestic prices of around $930 USD/tonne. In comparison, SteelBenchmarker pricing data shows an average US price for standard plate in Q1 2012 of $1,027 USD/tonne while the average world export market price over the same period was $697 USD/tonne.[72]

[117] Based on the above information, it appears that the global market for steel plate is weak and has yet to recover to the levels experienced in 2008. Further, while many countries continue to increase production and expand capacity, the over-supply of steel plate will likely worsen which will lead to further price decreases and increased export activity as producers try to find other markets to absorb their excess supply. The situation in China is no different and will be discussed in greater detail in the analysis section that specifically addresses China.

LIKELIHOOD OF CONTINUED OR RESUMED DUMPING

China

[118] The following pages provide a country specific analysis of the likelihood of continued or resumed dumping with respect to China.

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[68] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 4: "Prices starting to slip downwards and unlikely to recover before late Q3" – Platts SBB Global Market Outlook, May 2012, page 1.
[69] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 10: "Early summer bring US plate slowdown" – Metal Bulletin, May 12, 2012.
[70] Exhibit 17 (PRO) - "Trade volumes a key factor in local plate market health" – Platts SBB Insight, Issue 161, April 30, 2012, page 4.
[71] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 1: "US plate prices slip despite mills' attempted neutral trend" – Metal Bulletin, May 12, 2012.
[72] Exhibit 21 (PRO) - Steel Plate Pricing – SteelBenchmarker – January 2008 to March 2012

[119] Guided by the factors in the aforementioned SIMR and having considered the information on the administrative record, the ensuing list represents a summary of the factors considered the most relevant to the analysis conducted in this review with respect to the likelihood of continued or resumed dumping of the goods:

- there is a significant over-supply in global markets, driven by the supply surplus in China and Asian markets;
- excess capacity and production in China has led to export dependence;
- new capacity and production in China is being added, leading to continuing supply increases;
- export dependent suppliers in China are increasingly directing export volumes to alternate markets;
- recent information and pricing data suggests that exporters in China are selling at "dumped" prices in these alternate markets;
- subject goods continued to be assessed anti-dumping duty while the order was in place, suggesting that exporters in China cannot compete in the Canadian market at undumped prices;
- trade measures by other countries, including the United States (US), mean there are fewer "open" markets, increasing the risk that significant export volumes from China will be directed to Canada in the absence of the dumping measures.

[120] As noted earlier, no Chinese hot-rolled steel plate producers or exporters provided a response to the ERQ, nor did they file case arguments or reply submissions. Further, no responses to the ERQs were received from any of the importers that imported subject goods during the POR.

[121] In the absence of participation from Chinese producers, exporters and importers of subject goods, the CBSA relied on other information on the record in assessing the likelihood of continued or resumed dumping should the Tribunal order be rescinded.

[122] Under SIMA, China is a "prescribed" country and normal values may be determined under section 20 of SIMA, in situations where in the opinion of the President, domestic prices are substantially determined by the government of that country and there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market.

[123] Since June 2005, the CBSA has completed five dumping re-investigations and three section 20 inquiries on steel products within the Chinese flat-rolled steel industry. This involved two re-investigations on the current goods under review, hot-rolled steel plate, and three re-investigations concerning hot-rolled steel sheet.

[124] In respect of each of these two products, the President has consistently maintained the opinion under section 20 that domestic prices are substantially determined by the Government of China (GOC) and that there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market.

[125] Neither the GOC nor the exporters in China co-operated in the CBSA's most recent hot-rolled steel plate re-investigation, which concluded in July 2010.

[126] Throughout the POR, Chinese exporters continued to maintain a commercial presence in the Canadian market. However, in comparison to total imports of certain hot-rolled steel plate from all countries, the total tonnage imported from China was relatively small, representing less than two percent of the total quantity of certain hot-rolled steel plate imported annually during the 2009-2011 period. Despite the relatively small volumes of subject goods imported from China during that period, a substantial portion of these goods were found to be dumped and were assessed anti-dumping duty in excess of $1 million.[73]

[127] As the world's leading steel producing country, China has continued to increase capacity and expand production throughout the POR, despite the global economic downturn and the reductions in production implemented by steelmakers in other parts of the world. This behaviour has continued to contribute to the underlying problem of over-supply in the world steel market and will continue to be a problem in the near future.

[128] While world crude steel production, excluding China, declined 20% between 2008 and 2009, Chinese production increased by almost 13% over the same period, resulting in China's share of world crude steel production increasing from 38.20% to 46.69%.[74] With respect to hot-rolled flat products, Chinese production increased 4% while production by the rest of the world's producers markedly decreased by nearly 26%, which led to an increase in China's share of world production by just over 8% to 52.88% in 2009.[75]

[129] In 2010, Chinese crude steel production increased year-on-year by 10.45% in comparison to production by the rest of the world increasing by 20.12%, resulting in China's share of world production decreasing slightly by 2% to 44.61%.[76] The increase for non-Chinese producers was in response to the beginning of the recovery from the global economic crisis and without considering the significant increase in Chinese production in 2009, can be misleading. Unlike China, many non-Chinese producers had reduced production in 2009 to match weak demand whereas Chinese production had continued to significantly increase during that period, as shown in the previous paragraph.

[130] With respect to hot-rolled flat products in 2010, a different trend emerged as compared to crude steel production. While world production excluding China experienced a year-on-year increase of 7.68%, Chinese production of hot rolled flat products increased by a significantly greater amount of 32.62% to capture a 58% share of total global production of hot-rolled flat products. In just two years, China increased its share of global production of hot-rolled flat products by almost 15%, producing 408 million tonnes in 2010 compared to only 296 million tonnes in 2008.[77]

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[73] Exhibit 68 (NC) - Import and Enforcement Statistics

[74] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 12: "Annual crude steel production, 2000-2009" - World Steel Association

[75] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 15: "Steel Statistical Yearbook 2011" - World Steel Association, Table 13, pages 42-43.

[76] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 12: "Annual crude steel production, 2000-2009" - World Steel Association & Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 13: "Annual crude steel production, 2010-2019" - World Steel Association

[77] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 15: "Steel Statistical Yearbook 2011" - World Steel Association, Table 13, pages 42-43.

[131] In 2011, China managed a slight increase of just over 1% in its share of world crude steel production to reach 45.85%. Year-on-year, Chinese crude steel production increased by 7% while world production excluding China rose slightly by 2%.[78] Information on hot-rolled flat products was not available from the World Steel Association for 2011. However, information on the record shows that China's production of subject goods in 2011 increased by 6% going from 69.14 million tonnes in 2010 to 73.45 million tonnes in 2011.[79] The production increase for subject goods shows a similar trend as compared to China's increased production of crude steel over the same period. This figure may even be conservative as research from the Bank of China International (BOCI) reported that 4 new medium plate lines were opened in 2011, increasing Chinese medium plate capacity by 7.3 million tonnes.[80]

[132] In 2012, increased capacity and production in China is expected to continue, despite a forecasted slowdown in demand both domestically and worldwide. According to BOCI, crude steel demand will increase in China by only 2.8% year-on-year in 2012, as compared to 8.8% year-on-year in 2011. At the same time, they report that crude steel capacity will increase in 2012 by 4% to 830 million tonnes, resulting in excess capacity of 115 to 133 million tonnes, or 14% to 16% of total production capacity.[81]

[133] This view appears to be consistent with information from other sources. The New York Times reported that projected excess capacity of crude steel in China will reach 110 million tons, about 14% of total capacity.[82] Moreover, Ernst & Young's recent 2012 Global Steel Outlook paints an even bleaker picture, indicating that Chinese crude steel capacity in 2012 is projected to reach 152 million tonnes, 22% in excess of projected consumption.[83]

[134] Regarding medium steel plate, BOCI forecasts that capacity will increase by 4.4% in 2012 as compared to 2011. The added capacity of 3 million tonnes in 2012 is attributed to one new line being added which will bring Chinese plate capacity to 71.2 million tonnes from an estimated 68.2 million tonnes in 2011.[84]

[135] According to World Steel Dynamics (WSD), total steel plate capacity in China will increase by 5.2 million tonnes in 2012, reaching a capacity equal to 88.5 million tonnes. This 6% increase in Chinese steel plate capacity in 2012 is projected to increase excess capacity of steel plate by 27%, exceeding demand by 16.5 million tonnes.

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[78] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 13: "Annual crude steel production, 2010-2019" - World Steel Association & Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 14: "Crude steel production 2011" - World Steel Association

[79] Exhibit 19 (NC) – Public version of CITT's administrative record: "Public Submission on behalf of Evraz Inc. NA Canada", paragraph 32, page 15.

[80] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 2: "2012 Steel Industry Outlook" – Bank of China International (BOCI), February 1, 2012, Figure 9, page 8.

[81] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 2: "2012 Steel Industry Outlook" – Bank of China International (BOCI), February 1, 2012, Figure 9, page 6.

[82] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 29: "In China's Floundering Steel Sector, the Burden of Politics" –The New York Times, May 3, 2012, page 2.

[83] Exhibit 25 (NC) - "Global steel – 2011 trends, 2012 outlook" – Ernst & Young, page 1.

[84] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 2: "2012 Steel Industry Outlook" – Bank of China International (BOCI), February 1, 2012, Figure 9, page 8.

[136] WSD also forecasts that net exports will increase 25% to 4 million tonnes resulting in 12.5 million tonnes of net excess capacity. While the increase in net excess capacity of 4 million tonnes to 12.5 million tonnes in 2012 is significant, it does not compare to the marked increase over the 2009-2011 period. In 2009 and 2010, China's net excess capacity for steel plate was 800 thousand tonnes and in 2011 increased to 9.8 million tonnes, representing an increase of 1125%.[85]

[137] As such, WSD's 2012 projected net excess capacity ratio of 14% for Chinese steel plate is consistent with the projections cited in the previous paragraphs regarding the projected excess crude steel capacity ratios for China. To put the net excess capacity figure for Chinese steel plate in 2012 into perspective, that amount is almost 15 times the total apparent Canadian market[86] for certain hot-rolled steel plate in 2011.

[138] In April 2012, SBB reported that a Shanghai based analyst indicated that Chinese plate capacity could hit 110 million tonnes and that plate capacity had increased 29% since 2009. The analyst further indicated that plate capacity in China had been expanding too quickly in recent years, which has been a main factor in the current sluggish Chinese plate market given the shrinking demand. SBB also noted that weak demand was being driven by China's declining shipbuilding market.[87]

[139] This trend of expanding plate capacity is a trend that will likely continue beyond 2012 as some companies have already begun constructing new mills which are expected to commence production in 2013. For example, in November 2011 Nanjing Iron and Steel Company announced it had started construction of a new steel plate mill that would commence production in June 2013[88] and would have an annual capacity of 1.6 million tonnes[89].

[140] While the Chinese central government's policy respecting the steel industry in recent years has focused on eliminating outdated capacity and encouraging consolidation, there have been significant and continued increases in capacity and production, as shown above. According to analysts, this focus on consolidation has in some cases had the opposite effect by causing smaller private steel producers to rapidly expand in order to become less attractive merger targets. As an example, Rizhao Steel in Shandong Province increased capacity tenfold between 2003 and 2010 by 12 million tons primarily to avoid a government-led consolidation plan.[90] Often these expansions are supported by regional governments who are interested in protecting jobs and tax revenues generated by companies located in their province or town.[91]

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[85] Exhibit 69 (NC) – Producer Supplementary Submission – Evraz Inc. NA Canada: "Ask WSD" – Iron & Steel Technology Association Publication, June 2012, page 24.
[86] Exhibit 65 (PRO) – Apparent Canadian Market for Hot-Rolled Steel Plate
[87] Exhibit 17 (PRO) - "Trade volumes a key factor in local plate market health" – Platts SBB Insight, Issue 161, April 30, 2012, page 2.
[88] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 5: "Nanjing Steel starts construction of wide steel plate mill" – SteelOrbis, November 15, 2011.
[89] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 6: "China's NISCO orders new plate mill" – SteelOrbis, November 25, 2011.
[90] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 29: "In China's Floundering Steel Sector, the Burden of Politics" –The New York Times, May 3, 2012, pages 2-3.
[91] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 9: "Steel industry feels pinch in China" – The Globe and Mail, March 18, 2012, page 3.

[141] Increased capacity and production of steel in China coupled with weakening demand has led to high inventories of steel and declining prices which have severely impacted profits for Chinese steelmakers during the POR. In an article published by SteelGuru in December 2011, the deputy head of the China Iron and Steel Association (CISA) was quoted as saying, "All steel companies are teetering on the brink of deficit, hurt by surging raw material costs, tightened liquidity and slumping product prices. Profit margins in October [2011] fell to 0.47%". The article went on to note that CISA reported that the steel industry total profit margin for the first nine months of 2011 only reached 2.99%.[92] According to BOCI, the net margin for the steel industry in China in November 2011 fell further to 0.43% and 39% of large and medium-sized Chinese steelmakers were operating at a loss.[93] Overall, in 2011, the profit margin for the industry was 3% with the top Chinese steelmaker, Baoshan Iron and Steel, reporting a slump in 2011 net income of 43% while another large producer, Anshan Steel, reported a loss of $341.2 million.[94]

[142] BOCI expects this trend to continue into 2012, stating that steel prices in China will remain low while inventories will remain high.[95] Moreover, with raw material costs having significantly increased during the POR and expected to remain at a high level in 2012, they project that steel industry earnings as a whole are expected to barely exceed the breakeven point.[96] This expectation seems to be correct thus far as CISA reported that the Chinese steel sector as a whole lost money in the first quarter of 2012.[97] Given the weakness of the current steel market in China, one producer, Wuhan Iron and Steel Corp., even indicated it was responding to the downturn in the steel market by moving into non-steel related ventures such as investing in the hog business. When asked about that investment, Wuhan's Chairman stated that "The price of one kilogram of steel is cheaper than a quarter of one kilo of pork".[98]

[143] The markedly lower prices for steel plate in China as compared to the rest of the world are a significant and major factor leading to the decreased profitability and mounting losses for Chinese steel producers. As an example, Jinan Iron and Steel Co., a steel plate producer with an annual capacity of 5.5 million tonnes, issued its annual report for 2011 showing that while operating revenues had increased 4.7% year-on-year, net profit had declined 37.4% over the same period.[99] This example demonstrates that while a producer can increase its sales volume of steel plate, the low prices at which it sells combined with increasing costs for raw materials severely impacts its ability to sustain or increase its profit on those sales.

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[92] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 4: "Chinese steelmakers may still face waning profits" – SteelGuru, December 21, 2011.
[93] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 2: "2012 Steel Industry Outlook" – Bank of China International (BOCI), February 1, 2012, page 8.
[94] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 29: "In China's Floundering Steel Sector, the Burden of Politics" –The New York Times, May 3, 2012, page 2.
[95] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 2: "2012 Steel Industry Outlook" – Bank of China International (BOCI), February 1, 2012, page 20.
[96] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 2: "2012 Steel Industry Outlook" – Bank of China International (BOCI), February 1, 2012, page 3.
[97] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 29: "In China's Floundering Steel Sector, the Burden of Politics" –The New York Times, May 3, 2012, page 2.
[98] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 9: "Steel industry feels pinch in China" – The Globe and Mail, March 18, 2012, page 2.
[99] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 16: "Jinan Steel to be renamed Shandong Iron & Steel Co. as of Mar. 22" – SteelOrbis, March 20, 2012.

[144] Throughout the course of the POR, pricing in Mainland China for standard plate has been exceedingly lower than prices in the US and world export market. According to SteelBenchmarker pricing data[100], over the 2009-2011 period the average annual price per tonne for standard plate in the US has consistently been at least 55% higher than the price in China. The disparity in pricing has worsened recently with the average US price for standard plate in 2011 reaching $1,092 USD/tonne, 76% higher than the average 2011 Chinese price of $621 USD/tonne. The gap does not appear to be closing notwithstanding the fact that the average price in the US in the first quarter 2012 declined by $66 USD/tonne. In fact, the pricing gap has widened, with the US average price for standard plate in the first quarter of 2012 equalling $1,027 USD/tonne, 81% higher than the average Chinese price of $568 USD/tonne.

[145] The average annual price for standard plate in China has also remained significantly below the world export market price throughout the POR. The price difference has been at least $100 USD/tonne throughout the period, with the peak difference of $158 USD/tonne occurring in 2011. In 2011, the average world export market price reached $779 USD/tonne, 25% higher than the Chinese average price of $621 USD/tonne. Data for the first quarter of 2012 shows that the gap narrowed to 23% as the average world export market price declined to $697 USD/tonne compared to China's lower average price of $568 USD/tonne.[101]

[146] According to WSD, China's net exports of steel plate over the POR, which offsets any imports of steel plate into China, rose from 2.1 million tonnes in 2009 to 3.2 million tonnes in 2011, representing an increase of 52%. For 2012, they project a further 25% increase in net exports of steel plate which are expected to reach 4 million tonnes.[102] These projected increases for 2012 seem reasonable given the recent developments in the Chinese steel plate market.

[147] According to SBB, China's steel plate exports have continued to increase throughout the first quarter of 2012 as China exported 472,731 tonnes in March, up 23% from February and 36% higher than exports in January. While exports have continued to increase recently, it is likely they will have to increase further given that inventories are not declining since China's daily plate production continues to rise. Daily steel plate output in March increased 19% since January to around 206 thousand tonnes. Traders told SBB that this increase in output without a matching increase in demand has put pressure on steel plate prices and prevented inventories from declining. Data supplied to SBB by CISA showed that as of April 20, 2012, China's inventories for steel plate had increased to 1.52 million tonnes.[103] That amount of inventory alone would have been enough to supply the entire Canadian apparent market[104] for both 2010 and 2011.

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[100] Exhibit 21 (PRO) - Steel Plate Pricing – SteelBenchmarker – January 2008 to March 2012
[101] Exhibit 21 (PRO) - Steel Plate Pricing – SteelBenchmarker – January 2008 to March 2012
[102] Exhibit 69 (NC) – Producer Supplementary Submission – Evraz Inc. NA Canada: "Ask WSD" – Iron & Steel Technology Association Publication, June 2012, page 24.
[103] Exhibit 17 (PRO) - "Trade volumes a key factor in local plate market health" – Platts SBB Insight, Issue 161, April 30, 2012, pages 1-2.
[104] Exhibit 65 (PRO) – Apparent Canadian Market for Hot-Rolled Steel Plate

[148] The growth in exports of steel plate from China, particularly recently, have been fuelled by significant inventories and Chinese producers slashing export prices to move those inventories. According to Metal Bulletin, in September 2011 Chinese producers were offering steel products for export ex-stock with four-week delivery terms, showing a clear reliance on the need for export orders and demonstrating they were not particularly concerned about where the steel ended up. The article warned that the increase in exports from China would likely attract anti-dumping duties but that would not deter producers trying to meet their own goals. This behaviour would likely result in an all-out price-cutting struggle between Chinese producers to secure any amount of tonnage regardless of where it would be sold.[105] This projection with respect to volumes is evident based on the volumes presented above while the projections regarding price and new trade measures appears to have become a reality, as discussed below.

[149] In early October 2011, Metal Bulletin reported that export offers for untreated plate had declined $40 to $700 USD/tonne fob.[106] Just two weeks later, Chinese export offer prices dropped an additional $30 USD/tonne in an attempt to attract orders, with one steel official noting that some steel producers would be selling at a loss at this price.[107] By early November, export offers for commercial-grade plate had slid even further to around $620 USD/tonne fob with one Chinese trader indicating that most steelmakers needed to sell inventory in order to pay for raw materials.[108] Export prices for commercial-grade plate continued their steep decline into December with booked export transactions at the end of the year bottoming out at $595-$600 USD/tonne fob.[109] In the first quarter of 2012, Chinese export prices recovered over three months reaching $650 USD/tonne in March.[110] However, the price recovery failed to last into the second quarter of 2012 due to a declining number of export transactions. This has resulted in Chinese exporters reducing export prices for commercial-grade plate to as low as $635 USD/tonne in an effort to encourage export sales.[111]

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[105] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 4: "MAN OF STEEL: Batten down the hatches" – Metal Bulletin, September 30, 2011.
[106] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 5: "Chinese plate export offers dive on weak demand" – Metal Bulletin, October 11, 2011.
[107] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 6: "Chinese plate exporters cut offer prices to attract order" – Metal Bulletin, October 11, 2011.
[108] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 7: "Chinese plate mills drive down export prices on inventory pressure" – Metal Bulletin, November 3, 2011.
[109] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 9: "China's plate export prices fall $20 as demand fades" – Metal Bulletin, December 28, 2011.
[110] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 14: "China's plate export prices fall $20 as demand fades" – Metal Bulletin, March 16, 2012.
[111] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 7: "Chinese steel plate export price down on fewer transactions" – Metal Bulletin, April 27, 2012.

[150] To put the Chinese export prices referred to above into perspective, over the course of the last quarter of 2011 and the first quarter of 2012, the Chinese export price has consistently been at a minimum $366 USD/tonne or 36% lower than the SteelBenchmarker monthly average price for standard plate in the US over that period. The widest margin was in December 2011, when the Chinese export price of $600 USD/tonne[112] was 40% below the average monthly US price of $1,007 USD/tonne[113] for steel plate.

[151] With the combination of increased production and capacity, and weakening demand in the Chinese market for steel plate, China's dependency on exports of steel plate has continued to increase. In order to sell these growing volumes of steel plate, producers have been forced to continually reduce prices in order to secure sales abroad, as noted above. This has recently led to a number of countries to which China has exported steel plate having either initiated new anti-dumping cases or having begun considering initiating investigations.

[152] As an example, China's exports of heavy steel plate to South Korea in 2011 increased 8.7% year-on-year to reach 2.38 million tonnes as compared to 2.19 million tonnes in 2012. The increase was fuelled by China's relatively low prices which resulted in Chinese heavy steel plate capturing a 57% share of total imports in South Korea.[114] In January 2012, the Korean Iron and Steel Association reported that the three largest steel plate producers, POSCO, Hyundai Steel and Dongkuk Steel, set up a provisional committee with the purpose of initiating action against Chinese and Japanese exporters for alleged dumping activities regarding flat steel products which include steel plate. Those South Korean producers allege that hot-rolled steel sheet and shipbuilding plate imported from those countries were exported at prices 20% below domestic selling prices in South Korea.[115]

[153] As discussed earlier, the South Korean steel plate market is also suffering from weakening demand and increased capacity causing it to increase the volume of its own steel plate exports to other countries. These factors combined with the possibility that a trade case may be initiated against China could result in substantial steel plate tonnage from China previously destined for South Korea having to be diverted to other export markets. As of the close of the record, South Korea had not yet initiated an investigation concerning flat steel products from China.

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[112] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 9: "China's plate export prices fall $20 as demand fades" – Metal Bulletin, December 28, 2011.
[113] Exhibit 21 (PRO) - Steel Plate Pricing – SteelBenchmarker – January 2008 to March 2012
[114] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 8: "South Korea's heavy steel plate imports from China increase in 2011" – SteelOrbis, January 6, 2012.
[115] Exhibit 24 (NC) - Internet Articles regarding the steel industry - #2, Article 12: "South Korean mills allege dumping of flat steel by China and Japan" – SteelOrbis, January 18, 2012.

[154] Brazil announced in May 2012 that it had initiated an anti-dumping investigation concerning heavy steel plate imported from six countries including China. According to Metal Bulletin, the investigation covers heavy plate with a thickness greater than 4.75mm and according to the complainant, China's dumping margin equalled 21.3%. It is also interesting to note that the alleged dumping occurred despite the fact that Brazil has been charging 12% customs duty on plate since July 2006.[116] Further, Brazil also recently initiated anti-dumping cases concerning other steel products imported from China such as galvanised, galvalume and pre-painted flat steel products and non-grain-oriented electrical flat steel.[117]

[155] The European Union (EU) also announced in December 2011 that it was initiating an anti-dumping investigation against imports of organic coated (pre-painted) steel from China after receiving a complaint filed by Eurofer. The Metal Bulletin article noted that imports of pre-painted sheet from China had increased by more than 1200% between 2005 and 2010, reaching 470,000 tonnes in 2010. In the first three quarters of 2011, imports continued to grow reaching 580,000 tonnes. One of the reasons cited for the increase in volume was the fact that the Chinese government continues to offer a value-added tax (VAT) rebate on high-end steel products while no longer offering such a rebate on commodity-grade steels.[118]

[156] The new EU anti-dumping investigation concerning pre-painted steel also includes pre-painted plate. According to the export director of Nanjing Steel, even with the 13% VAT rebate, very little profit is being made on exports of these goods with some exporters experiencing a small loss due to the higher costs. In addition to the dumping investigation, in February 2012 the EU also launched an investigation regarding allegations of subsidies concerning pre-painted plate from China. [119]

[157] Along with the new investigations cited above and Canada's existing order, the US also has an existing finding on carbon steel plate, and Indonesia and Thailand are both at the preliminary determination phase of their investigations concerning hot-rolled plate and flat hot-rolled in coils and not in coils.[120]

[158] With respect to other steel products such as steel sheet, pipes and tubes, grating, etc., the US has 9 other findings against Chinese steel products. Other countries that currently have findings or are conducting investigations concerning other Chinese steel products include: Argentina, Australia, Brazil, the EU, Indonesia, Israel, Mexico, South Africa and Turkey.[121] Canada currently has anti-dumping and/or countervailing measures in place respecting 6 other Chinese steel products not including a recently initiated investigation concerning certain steel piling pipe.

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[116] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 8: "Brazil probes heavy plate imports after Usiminas request" – Metal Bulletin, May 7, 2012.
[117] Exhibit 31 (PRO) - Articles regarding the steel industry, Article 15: "SPOTLIGHT: Rumours on flat steel price hikes intensify in Brazil" – Metal Bulletin, May 18, 2012, pages 1-2.
[118] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 10: "Eurofer seeks anti-dumping measures against Chinese pre-painted sheet imports" – Metal Bulletin, December 28, 2011.
[119] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 10: "Eurofer seeks anti-dumping measures against Chinese pre-painted sheet imports" – Metal Bulletin, December 28, 2011.
[120] Exhibit 19 (NC) – Public version of CITT's administrative record: "Public Submission of Essar Steel Algoma Inc.", paragraphs 76-77, pages 19-20.
[121] Exhibit 19 (NC) – Public version of CITT's administrative record: "Public Submission of Essar Steel Algoma Inc.", paragraph 77, page 20.

[159] China's continued reliance on export sales, particularly respecting steel plate, is evident given the information provided above concerning increased volumes of exports, the need to lower prices to attract sales and the number of trade cases against the product from multiple countries. This reliance is further demonstrated by some instances where certain Chinese exporters have even attempted to circumvent existing anti-dumping findings in particular markets in an attempt to sustain export volumes of steel plate.

[160] As an example, in the US there is a 128.59% China-wide anti-dumping order on non-alloy carbon plate. In order to avoid anti-dumping duties in the US, Chinese exporters were previously adding "metallurgically insignificant" amounts of boron to normal carbon steel plate in order to change the tariff classification and export the goods as an alloy steel plate. While those exporters were found to be circumventing the carbon steel plate finding and the goods were held to be subject, this has not prevented Chinese exporters from looking for other ways to export carbon steel plate while avoiding duties. Recently, Metal Bulletin reported that at least one Chinese steel producer began adding a small amount of vanadium to its cut-to-length steel plate for purposes of selling to US customers. While adding vanadium can increase cost by approximately $20 to $30 USD/tonne, this cost is considered minimal compared to the amount of duty that is avoided in addition to the VAT rebate received by the Chinese producer for exporting alloy steel.[122]

[161] In Canada, during the course of enforcement of the Tribunal's order on hot-rolled steel plate, an importer of Chinese steel plate was found to be importing carbon steel plates with trace amounts of boron to Canada and classifying those goods as alloy steel plates, which they considered to be not subject to the order. However, based on the documentation obtained and examined by the CBSA, the CBSA determined that those goods were in fact subject to the existing order and assessed anti-dumping duty on those goods. That determination made by the CBSA concerning those goods was recently upheld by the Tribunal in an appeal on November 18, 2011.[123]

[162] As noted at the beginning of this analysis, exporters of Chinese steel plate continued to show an interest in selling into the Canadian market throughout the POR. Based on the CBSA's Import and Enforcement Statistics[124], it is apparent that subject goods were dumped into Canada throughout the POR, although the total volume of subject imports from China significantly tapered off towards the end of the period. The main reason for the significant decline in imports of subject goods in 2011 in comparison to 2010 is attributable to the results of the most recent re-investigation which concluded in July 2010. In that re-investigation, no information was received from Chinese exporters and as such, no company specific normal values were issued to any exporters of certain hot-rolled steel plate originating in or exported from China. As a result, anti-dumping duty equal to 80.2% of the export price applies to subject goods released by the CBSA as of the date the re-investigation was concluded.

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[122] Exhibit 16 (PRO) - Articles regarding the steel industry – Metal Bulletin - #1, Article 3: "China plate shipments leave US mills on alert" – Metal Bulletin, September 23, 2011.
[123] Exhibit 26 (NC) – CITT Decision and Reasons – TOYOTA TSUSHO AMERICA, INC. v. PRESIDENT OF THE CANADA BORDER SERVICES AGENCY – Appeal No. AP-2010-063
[124] Exhibit 67 (PRO) - Import and Enforcement Statistics

[163] Essar Steel Algoma Inc.'s (Essar) submission to the Tribunal cited data from Statistics Canada showing that in 2011, the volume of steel plate exported to Canada from China increased 76% to reach almost 21,000 tonnes[125]. It should be noted that this volume is much larger as compared to the volume shown in the CBSA Import Statistics Exhibit[126], which only shows the volume of subject goods imported, not all steel plate. The Statistics Canada figure is consistent with CBSA information respecting total imports of steel plate as is the presumption by Essar that the majority of this steel plate was not subject to the order.[127] In reviewing CBSA enforcement information, it was noted that the vast majority of the total volume of steel plate imported from China was non-subject due to the fact that the steel plates exceeded the thickness thresholds identified in the product definition.

[164] The level of imports respecting hot-rolled steel plate exceeding the thickness tolerances of the product definition combined with the behaviour exhibited with respect to the addition of boron to steel plate demonstrates that, despite the significant anti-dumping duty currently in place, exporters of Chinese steel plate continue to rely heavily on export sales, including sales to Canada. It also demonstrates Chinese exporters will search for new ways, including attempts at slightly altering the chemical composition of goods to avoid duties, to sustain or increase export sales volumes of those goods. Recently, one Chinese steelmaker was reportedly even planning to construct a new port for the purpose of importing iron ore and shipping steel plate. In March 2012, SteelGuru reported that Chongqing Iron and Steel Company inked an agreement with provincial authorities to construct a port capable of an annual throughput capacity of 12 million tonnes of ore and 3 million tonnes of steel plate.[128]

President's Determination

[165] Based on information contained on the record respecting: the excess capacity and over-supply of hot-rolled steel plate in global markets; the expected increases in production by global steel plate producers despite weak demand; the pressure on the profitability of the world's steelmakers caused by significant excess capacity and rising raw material costs; the inability for global steel producers to increase prices to match increased costs due to declining demand and existing inventory levels; the negative impact on global steel demand as a result of continued financial uncertainty and volatility in world markets; the declining export prices and increased export volumes for Chinese steel plate to global markets; the current and planned additional hot-rolled steel plate capacity in excess of Chinese domestic demand; the existing and continuing over supply of hot rolled steel plate in China; the demonstrated need to export hot-rolled steel plate; the declining demand for hot-rolled steel plate in China's largest export markets; the continued dumping of hot-rolled steel plate into Canada throughout the POR; the recent indications of dumping hot-rolled steel plate into other markets; the anti-dumping measures in place by other countries; and a continuing commercial interest in the Canadian market place, the President determined that the expiry of the order in respect of certain hot-rolled steel plate originating in or exported from China is likely to result in the continuation or resumption of dumping of these goods into Canada.

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[125] Exhibit 19 (NC) – Public version of CITT's administrative record: "Public Submission of Essar Steel Algoma Inc.", Public Exhibit 1 – Apparent Canadian Market Table.
[126] Exhibit 67 (PRO) - Import and Enforcement Statistics
[127] Exhibit 19 (NC) – Public version of CITT's administrative record: "Public Submission of Essar Steel Algoma Inc.", paragraphs 18-19, page 5.
[128] Exhibit 15 (NC) - Internet Articles regarding the steel industry - #1, Article 5: "Chongqing Steel to build transit port on Jiangjiang River" – SteelGuru, March 18, 2012.

CONCLUSION

[166] For the purposes of making determinations in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors contained in subsection 37.2(1) of the SIMR. Based on the foregoing consideration of pertinent factors and analysis of the information on the record, the President determined that the expiry of the order made by the Tribunal on January 9, 2008, in Expiry Review No. RR-2007-001, concerning certain hot-rolled steel plate originating in or exported from China is likely to result in the continuation or resumption of dumping of these goods into Canada.

FUTURE ACTION

[167] On August 24, 2012, the Tribunal commenced its inquiry to determine whether the expiry of its order concerning the dumping of certain hot-rolled steel plate from China is likely to result in injury or retardation to the Canadian industry. The Tribunal has announced that it will issue its decision by January 8, 2013.

[168] If the Tribunal determines that the expiry of the order with respect to goods from China is likely to result in injury or retardation, the order will be continued in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping duties on dumped importations of certain hot-rolled steel plate originating in or exported from China.

[169] If the Tribunal determines that the expiry of the order with respect to the goods from China is unlikely to result in injury or retardation, the order in respect of those goods will be rescinded. Anti-dumping duties would no longer be levied on importations of certain hot-rolled steel plate beginning on the date the order is rescinded.

INFORMATION

[170] For further information, please contact the officer listed below:

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