Lang Michener LLP
Lawyers – Patent & Trade Mark Agents

50 O'Connor Street
Suite 300
Ottawa ON K1P 6L2
Canada

Telephone: 613-232-7171
Facsimile: 613-231-3191

Reply to:
Geoffrey C. Kubrick
gkubrick@langmichener.ca

RECEIVED / REÇU
JUL 14 2009
CBSA / ASFC

HAND DELIVERED

July 13, 2009

Mr. Michael Jordan
Director General
Antidumping and Countervailing Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th Floor
Ottawa, ON K1A 0L8

Dear Mr. Jordan:

Re: Oil Country Tubular Goods

Please find attached the complaint of Tenaris Canada, Evraz Inc. NA Canada, and Lakeside Steel Corporation with respect to the dumping and subsidization of oil country tubular goods originating in or exported from the People Republic of China.

Should you have any questions, or require additional information, please do not hesitate to contact the undersigned.

Yours truly,
Lang Michener LLP

Geoffrey C. Kubrick

GCK:kbl

CANADA BORDER SERVICES AGENCY

PUBLIC

COMPLAINT

OF

TENARIS CANADA

EVRAZ INC. NA CANADA

LAKESIDE STEEL CORPORATION

LANG MICHENER LLP
Lawyers – Patent & Trade-Mark Agents
50 O'Connor Street, Suite 300
Ottawa, Ontario K1P 6L2

Tel: (613) 232-7171
Fax: (613) 231-3191

Geoffrey C. Kubrick

Solicitor for Tenaris Canada

MILLER THOMPSON LLP
Barristers & Solicitors
Patent & Trade-Mark Agents
40 King Street West, Suite 5800
Toronto, Ontario M5H 3S1

Tel: (416) 597-4360
Fax: (416) 595-8695

Dalton Albrecht

Solicitor for Evraz Inc. NA Canada

OGILVY RENAULT LLP
Barristers & Solicitors
Patent & Trade-Mark Agents
45 O'Connor Street, Suite 1500
Ottawa, Ontario K1P 1A4

Tel: (613) 780-8639
Fax: (613) 230-5459

Paul Conlin

Solicitor for Lakeside Steel Corporation

400, 530 8th Avenue SW
Calgary, AB T2P 3S8

403-767-1100 tel
403-767-1299 fax

www.tenaris.com

July 13, 2009

Mr. Michael Jordan
Director General
Antidumping and Countervailing Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th Floor
Ottawa, ON K1A 0L8

Dear Mr. Jordan:

Tenaris Canada comprises TenarisAlgomaTubes, a producer of seamless oil country tubular goods ("OCTG"), Prudential Steel Inc, a producer of electric resistance welded OCTG, and Tenaris Global Services (Canada) Inc., the "strip distributor" for Tenaris in Canada.

This confidential Complaint concerns the injurious dumping and subsidization of certain OCTG originating in or exported from China. I, Dave McHattie, Planning Director, of Tenaris Canada, certify that the information and evidence submitted in this complaint to the Canada Border Services Agency is true, accurate and complete.

Sincerely,

Dave McHattie, Planning Director

July 13, 2009

LAKESIDE STEEL CORPORATION 160 Main Avenue, P.O. Box 1010, Welland, ON Canada L3B 5Y6 T 905 735 7473 1 800 263 PIPE (7473) F 905 735 2055 E info@lakesidesteelcorp.ca

Mr. Michael Jordan
Director General
Antidumping and Countervailing Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th Floor
Ottawa, ON K1A 0L8

Dear Mr. Jordan,

Lakeside Steel Corporation is a producer of electric resistance welded oil country tubular goods ("OCTG").

This confidential Complaint concerns the injurious dumping and subsidization of certain OCTG originating in or exported from China.

I, Randy Sockovie, Director of Sales and Marketing, of Lakeside Steel Corporation, certify that the information and evidence submitted in this complaint to the Canada Border Services Agency is true, accurate and complete.

Yours truly,

Randy Sockovie
Director of Sales and Marketing

EVRAZ EVRAZ INC. NA

making the world stronger

R. J. Schutzman
Director, Environmental Affairs and Trade
Evraz Canadian Operations
306-924-7483
Robert.Schutzman@EvrazIncNA.com

13 July 2009

File No(s).: 10-18-1-PIP

Canada Border Services Agency
Anti-dumping and Countervailing Directorate
Director's Office
100 Metcalfe Street, 11th Floor
Ottawa, Ontario
K1A 0L8

Attention: Ms. C. Ardito-Toffolo, Director

Dear Ms. Ardito-Toffolo;

Re: **Dumping & Subsidy Complaint - OCTG**

Evraz Inc. NA Canada and its sister company, Canadian National Steel Corporation, are producers of electric resistance welded oil country tubular goods ("OCTG").

This Confidential Complaint concerns the injurious dumping and subsidization of certain OCTG originating in or exported from China. A public, edited version has been provided.

I, Robert J. Schutzman, Director, Environmental Affairs & Trade of Evraz Inc. NA Canada, certify that the information and evidence submitted in this complaint to the Canada Border Services Agency is true, accurate and complete.

Sincerely,
Evraz Inc. NA

R. J. Schutzman, Director,
Environmental Affairs and Trade - Canada

1. Identification of the Complainant

The Complainants' contact information is as follows:

Tenaris Canada
Tenaris Global Services Inc.
TenarisAlgomaTubes
TenarisPrudential
530 8 Ave SW, Suite 400
Calgary, AB T2P 3S8
Tel: (403) 767-0199
Fax: (403) 261-0397
E-mail:dmchattie@tenaris.com
Contact: David McHattie, Planning Director, Canada

Tenaris Canada ("TC") manufactures oil country tubular goods ("OCTG") in Canada at it's TenarisAlgomaTubes ("TAT") facility in Sault Ste Marie Ontario using the seamless ("SMLS") process and at it's TenarisPrudential ("TPS") facility in Calgary using the electric resistance welding ("ERW") process. Tenaris Global Services Inc. ("TGS") acts as commercial agent for Tenaris sales in Canada.

Evraz Inc. NA Canada
P.O. Box 1670
100 Armour Road
Regina, SK
Canada
S4P 3C7
Tel: 306.924.7483
Fax: 306.924.7556
E-mail Address: robert.schutzman@evrazincna.com
Contact: Mr. R. J. (Bob) Schutzman
Director, Environmental Affairs & Trade

Evraz Inc. NA Canada ("Evraz") operates ERW OCTG manufacturing facilities in Regina, Saskatchewan; Calgary, Alberta and Red Deer, Alberta. The Evraz Group also owns Canadian National Steel Corporation ("CNSC") that operates an ERW OCTG manufacturing facility in Camrose, Alberta. CNSC data are incorporated with Evraz for the purposes of this Complaint.

Lakeside Steel Corporation
160 Dain Avenue, P.O. Box 1010
Welland, ON L3B 5Y6
Tel: (905) 735-7473
Fax: (905) 735-9069
E-mail Address: randy.sockovie@lakesidesteelcorp.ca
Contact: Randy Sockovie, Director of Sales and Marketing

Lakeside Steel Corporation ("Lakeside") manufactures oil country tubular goods at its facility in Welland, Ontario, using the ERW process.

2. Imported Goods

2.1 Precisely describe the imported goods that you are alleging are being dumped and/or subsidized. Identify and explain their uses and characteristics including those listed in Appendix

If available, provide product literature for the imported goods.

The goods subject of this complaint are oil country tubular goods ("OCTG") originating in or exported from the People's Republic of China, made of carbon or alloy steel, welded or seamless, heat-treated or not heat treated, regardless of end finish, having an outside diameter from 2 ⅜ inches to 13 ⅜ inches (60.3 mm to 339.73 mm), meeting or supplied to meet American Petroleum Institute (API) specification 5CT or equivalent standard, in all grades, excluding drill pipe and excluding seamless casing up to 11 ¾ inches (298.5 mm) in outside diameter.

Oil country tubular goods (OCTG) are carbon or alloy steel pipes used for the exploration and exploitation of oil and natural gas. The product definition includes tubing, certain casing, tubular products for use in the production of OCTG ("green tubes"), coupling stock, as well as non-prime and secondary pipes ("limited service products"); but excludes drill pipe, unattached couplings and stainless steel products. The Complaint does not include seamless casing from China in sizes with an outside diameter not exceeding 11 ¾ inches (298.5 mm), since these products are already subject to a finding in NQ-2007-001.

Casing is used to prevent the walls of the bored hole from collapsing, both during drilling and after the well has been completed. Tubing is used to convey oil and gas to the surface.

Subject OCTG may be manufactured by the seamless or welded process. Typical casing and tubing end finishes include: plain end, beveled, external upset ends, threaded, or threaded and coupled.

Subject OCTG are supplied to meet American Petroleum Institute (API) specification 5CT, in all grades including and not limited to, H40, J55, K55, M65, N80, L80, L80 HC, L80 Chrome 13, L80 LT, L80 SS, C90, C95, C110, P110, P110 HC, P110 LT, T95, T95 HC, and Q125, or proprietary grades manufactured as substitutes for these specifications. The grade numbers define the minimum yield strength required of the grade in kilograms per square inch ("ksi"). Together, the Complainants make or have the capability to manufacture casing and tubing in all of these grades.

OCTG must be able to withstand outside pressure and internal yield pressures within the well. Also, it must have sufficient joint strength to hold its own weight and must be equipped with threads sufficiently tight to contain the well pressure where lengths are joined. Threading may be performed by the manufacturer or a third party threading operation. Various factors limit the total amount of open hole that can be drilled at any one time, and it may be necessary to set more than one string of OCTG concentrically for certain portions of the well depth.

Heat-treated grades are more sophisticated grades of pipes and are used in deeper wells and more severe environments such as low temperature services, sour service, heavy oil recovery, etc. These grades are made beginning with the use of a specific chemistry in the steel (either in billet for the seamless process or the steel coil in the ERW process) and are transformed in the heat treatment process to attain certain combinations of mechanical properties and/or resistance to corrosion and environmental cracking; for example, maximum strength (N80, P110, Q125), high-strength with low ductility (normally proprietary enhancements of API grades), or high-strength combined with resistance to corrosion and environmental cracking (L80, CR13, C90, C95, C110, T95 and proprietary enhancements).

Subject goods include green tubes and coupling stock. A tube for which the API 5CT specification requires heat treatment is referred to in the industry as a "green tube". A green tube for a higher strength grade can have a chemistry that meets a lower grade like H40 or J55 that does not require heat treatment, and could just be tested and threaded to meet the lower grade.

Coupling stock is a seamless thick-wall tube intended for use in the manufacture of coupling blanks. Further information on these goods is found in Appendix 1.

Production Process

OCTG casing and tubing are made on the same production equipment. Production may be by either the seamless or welded process.

The seamless process for producing OCTG begins with the formation of a central cavity in a solid steel billet (shell). The shell is then rolled on a retained mandrel and reduced in a stretch reduction mill to produce the finished size before cooling on a walking beam cooling bed.

ERW OCTG is produced by slitting flat hot-rolled steel in coil form (skelp) to the proper width required to produce the desired diameter of pipe. The skelp is then sent through a series of forming electric resistance welding rolls that bend it into a tubular shape. As the edges of the skelp come together under pressure in the final forming rolls, an electric current is passed between them. The resistance to the current heats the edges of the skelp to the welding temperature, and the weld is formed as the two edges are pressed together. Evraz and TenarisPrudential employ this production process.

ERW OCTG is also produced by the stretch-reduction method. Hot roll strip is received slit-to-width from a steel processor. This steel is un-coiled and butt-welded together (i.e., the front end of one coil to the back end of the last coil). The mill is allowed to run continuously during this process through use of a horizontal accumulator. The strip is then fed into a series of forming rolls that bend the steel into a circular (tubular) shape. An electric current is introduced into the steel to heat the edges of the strip; the edges are then welded to one another under pressure in the side welding rolls. This combination of heat and pressure causes the steel to form a metallurgical bond or weld. Following the welding operation, excess molten steel (flash) from the welding process is removed from the outside and inside welded seam of the pipe. Then, the product is heated to approximately 1850 degrees Fahrenheit and passed through a series of stretch reduction roll stands until the final outside diameter and wall thickness is achieved. Lakeside employs this production process.

At this stage, pipe, whether seamless or ERW, is then cut to length. OCTG may require heat-treatment to meet API specifications. The product is then sent to the finishing line where it is beveled and threaded on both ends. Tubing undergoes a separate process of upsetting and normalizing prior to threading. Finally, a coupling and coupling protector are applied to one end of the pipe and a thread protector is applied to the other end before it is ready for shipment. Finishing operations also include cooling, straightening, facing, testing, coating and bundling.

The manufactured tubing or casing may also be sold to a customer as plain end, and the buyer would send the product for further end finish processing including upsetting, threading and coupling or just threading.

Further detail on the production processes is provided in section 3, below.

2.2 If available to you, provide the tariff classification numbers used when the goods are imported into Canada.

The subject goods are normally imported under the following tariff codes for OCTG:

- 7304290031
- 7304290039
- 7304290051
- 7304290059
- 7304290061
- 7304290069
- 7304290071
- 7304290079
- 7304391000
- 7304591000
- 7306291011
- 7306291019
- 7306291021
- 7306291029
- 7306291031
- 7306291039
- 7306291041
- 7306291049
- 7306299011
- 7306299019
- 7306299021
- 7306299029
- 7306299031

- 7306299039
- 7306299041
- 7306299049

2.3 Indicate the country where the imported goods are produced and where they are exported from.

The subject goods are generally both produced in and exported from China. Exports of Chinese origin products have also been made from or through the US.

2.4 Identify any known exporters that are shipping the goods to Canada.

The companies known to be Chinese producers of subject goods are listed in Appendix 2. Detailed descriptions of the production facilities of these companies are contained in The Simdex Steel Tube Manufacturers Worldwide Guide; relevant excerpts are also attached in Appendix 2.

2.5 Identify any known Canadian importers of the goods.

The importers that are listed in Appendix 3 account for the majority of subject goods imported from the China (which include distributors, brokers and traders). These importers generally handle products from more than one country of origin and have offices in Calgary, Canada.

2.6 Explain how the imported goods are marketed, priced, and distributed, in Canada.

There is no one model of marketing and distribution, but generally, both domestically produced and imported subject goods are sold to oilfield supply distributors that, in turn, sell the products to end users. Some sales are made directly to large volume end users (oil and gas operating companies) without passing through a distributor. Shipments of OCTG are made primarily from stockyards or stock points that are situated throughout the major petroleum exploration regions. These stock points are owned and maintained by independent oilfield hauling companies that use the inventory in their yards as the basis for their hauling business. Either the manufacturer or distributor may own the inventory and for some projects the pipes are delivered directly from the manufacturer to the project location rather than from stock on the ground in stock yards.

When subject goods are imported from outside North America, they are generally sold through agents, brokers or trading companies to distributors who then market it to end users. In this

supply chain, the material may not always be paid for upon receipt, but rather may be sold on consignment and billed only when the material is shipped out to an end user by the distributor.

The number of distributors selling Chinese manufactured subject goods has grown from 2 in 2002 to at least 19 today. The companies who are selling now are well financed and range from smaller enterprises to large multi-national publicly traded firms. These distributors of imported material may follow one of two strategies when making their purchases.

1) The distributor will purchase quantities of a very few common items that they stock for re-sale and market aggressively to end users or other distributors based on price. This strategy aims to undercut market prices of those producers and distributors who carry a more complete product assortment of items. The longer the distributor holds these items, the more aggressively they market based on price.

2) Distributors may also purchase the goods in a wide range of specifications, sizes and gauges, stocking the product for re-sale and distributing the goods to end users. A distributor would order this assortment based either on the drilling forecast of a main end user or based on historical sales trends. Often the volume for one customer is increased on speculation of gaining other customers with this base volume. Thus, the loss of an end user to a distributor of dumped and subsidized products may also lead to further losses of sales of lower volume specifications in the spot market.

It is a common practice in the industry for vendors of OCTG to bundle goods, that is to respond for bids on packages of material that may include seamless and welded product, and that may extend to casing, tubing and even line pipe. The Complainants believe that Chinese exporters and their distributors may be using bundling as a means of circumventing the finding against Chinese seamless casing. Purchasers might be offered Chinese welded OCTG or seamless tubing at very low prices, provided the customer also purchases seamless casing at the CBSA prescribed price level. This may explain, in part, the stunning increase in imports of Chinese ERW casing and seamless tubing in Q4 2008 and Q1 2009.

3. Goods Produced in Canada

Action against dumped or subsidized imports can only be taken if the industry is producing goods in Canada that are identical or similar (i.e., like goods) to the imported goods.

Precisely describe the goods you produce. If not identical to the imported goods, explain how they differ in terms of uses and other characteristics (Uses and characteristics typically examined are listed in Appendix 1).

Provide product literature for the goods you produce.

The Complainants produce the whole range of seamless and welded products included in the scope of the Complaint as subject goods. The Complainants produce or are able to produce OCTG in the size range from 2-3/8" to 13-3/8" (60.3 mm to 339.73 mm).

Canadian seamless tubing and casing is produced by first forming a central cavity in a solid steel billet (shell) that has the chemistry required to meet the grade of the final product. The shell is then rolled on a retained mandrel and reduced in a stretch reduction mill to produce the finished size before cooling on a walking beam cooling bed.

The ERW process begins with a steel sheet (coil) that has been slit from coils of flat steel sheet into the desired width that will determine the outside diameter. The slit sheet is then bent and welded to form a tube. The wall thickness is defined by the coil thickness and the outside diameter is defined by the coil width.

The production machinery used to make pipe in the ERW process are an uncoiler, end-welder, accumulator, breakdown stands, forming cage, fin stands, weld station and id/od trim equipment, seam annealers, pull-out stand quench section, mill sonic testing, sizing section, turkshead stand and flying cutoff machine.

Certain specifications require normalization (heat-treatment) to be transformed into the appropriate grade. Green tubes are steel pipes that require heat treatment in order to meet an API specification. The heat treatment transforms the microstructure of the pipe to the API requirement.

All tubes are then straightened, inspected and threaded on both ends. Inspection includes Non-destructive Examination (NDE) by Electro-magnetic inspection (EMI) and, in some cases,

Ultrasonic (UT) inspection processes for longitudinal and transverse defects. A special inspection by Magnetic Particle Inspection is done at the end areas. Samples from each heat will be cut and tested for hardness, tensile, impact, microstructure and corrosion properties. Wall thickness verification and drift tests will be conducted. A hydro test will assure appropriate yield strength and wall thickness.

From this point there are certain minor differences in finishing. For casing, a coupling is applied to one end and thread protectors are applied making the OCTG ready for shipment. In cases where the client wishes to employ its own choice of premium connection, Canadian producers will supply a plain-end product. This product is shipped to the customer's preferred third party threader who then will thread the premium connection. Tubing requires that the pipe ends be upset and normalized before threading.

OCTG are sold through distributors, though pricing pressures from Chinese goods have led to products being increasingly sold directly to end users. The low dumped and subsidized prices from China have forced Canadian producers to revise marketing and inventory policies.

Product literature from each of the Complainants for the subject goods is attached as Appendix 4.

4. Classes of Goods

Both the imported goods and the like goods produced in Canada, taken as a whole, may sometimes be divided into smaller "classes" or "sub-groupings" of goods.

It is necessary for us to determine whether there is more than one class of goods involved in this complaint.

As an example, plant seeds produced in Canada could be considered as like goods to imported plant seeds because they have similar characteristics and uses. That is, they have the same general uses, to grow plants, and they may have similar physical characteristics and methods of production. However, it is likely that these goods, as a whole, could be sub-divided into separate classes of goods such as flower seeds, vegetable seeds and grain seeds. These classes of goods do not directly compete with one another for the same customer, they do not fulfill the same needs and they are not substitutable.

Can the imported goods and the like goods produced in Canada be sub-divided into separate classes of goods? If yes, explain in detail.

The Canadian International Trade Tribunal has determined that welded and seamless OCTG are like goods, and that high-strength and low-strength products are not separate classes of goods. The conclusions of the Tribunal may be found in the Reasons for Decision in *Seamless Casing* NQ-2007-001 and *Oil and Gas Well Casing* RR-2000-001.

OCTG casing and tubing are made to the same API 5CT specifications, and are both used down well. Both are produced on the same equipment, and have the same channels of distribution.

5. Canadian Industry

Your complaint must have the support of Canadian industry before an investigation can be started. In brief, producer support for the complaint should be greater than opposition and represent not less than 25% of all Canadian production.

5.1 Identify all known Canadian producers of like goods.

The Complainants comprise virtually all of the production in Canada of like goods. There is one very small producer, Welded Tube, in Concord, ON which is not a Complainant. Welded Tube was not contacted. It is believed that Welded Tube represents less than 1% of production in Canada. There is no other information the Complainants have to offer in regards to this other Canadian producer.

5.2 Identify all the known associations of producers of like goods in Canada.

There are no associations of producers of like goods in Canada.

5.3 Provide the total volume and value of your production of like goods for the last three fiscal years and the current year to date.

See Confidential Appendix 5 for the consolidated industry results.

5.4 Estimate the total volume and value of the like goods produced in Canada by each of the other known producers for the last three fiscal years and the current year to date. Explain how you estimated these figures.

See Confidential Appendix 5 for actual Canadian production.

5.5 Do you have any information on the views of the other Canadian producers regarding the imported goods? If you have discussed the matter with them, provide the name and telephone number of the person or persons contacted.

The Canadian complainants have not contacted Welded Tube.

5.6 Are you, or any other known Canadian producer, related to an exporter or an importer of the goods? If yes, identify the company and the relationship.

Tenaris Global Services (Canada) Inc. ("TGS") acts as the commercial agent responsible for sales of Tenaris products ("strip distributor"), including those from TenarisAlgomaTubes, TenarisPrudential, and other Tenaris manufacturers. TGS does not import Chinese subject goods.

TGS is also the importer of record for goods from Tenaris companies in Argentina, Mexico, Italy, Romania, Japan, the United States and Colombia. This arrangement was developed to allow centralized purchasing of the full range of Tenaris products for Canadian customers.

TC sales of OCTG from imports are almost entirely comprised of seamless products.

Evraz does not import the subject goods. Evraz facilities have imported like goods, in relatively small amounts, primarily from the USA. This has occurred when the former Canadian IPSCO pipe mills were owned by SSAB, who also owned the US pipe mills now owned by TMK IPSCO, or, more recently, with imports from Evraz's Rocky Mountain Steel plant.

Lakeside does not import subject goods.

5.7 Do you, or any other known Canadian producer, import the goods in question? If yes, provide details.

TC is the only producer of seamless OCTG in Canada and does not import the goods from China. TC, Evraz and Lakeside all produce, or are capable of producing ERW OCTG. None of these companies import from China.

6. Dumping

6.1 Normal value

6.2 Export prices

6.3 Margin of dumping

7. Subsidization

In recent years, there have been a number of cases increasingly demonstrating subsidization of Chinese goods in general, and of steel goods in particular. Previous CBSA investigations have turned up many countervailable subsidies conferred at the federal, provincial and local levels in China.

Certain Carbon Steel and Stainless Steel Fasteners
Certain Laminate Flooring
Certain Copper Pipe Fittings
Certain Seamless Oil and Gas Well Casing
Certain Carbon Steel Welded Pipe
Certain Thermal Electric Coolers and Warmers
Certain Aluminum Extrusions

Chinese producers of goods subject to this investigation fall directly within the scope of the CBSA subsidy investigations in respect of *Seamless Casing* and in respect of *Carbon Steel Welded Pipe*. Thus, the CBSA findings of subsidies in those two cases are directly applicable to producers of subject goods in these proceedings.

In *Seamless Casing*, the CBSA identified 31 countervailable programs applicable to producers of seamless casing in China. Seamless tubing is produced on the same equipment as is used to produce seamless casing. The CBSA found that responding companies in that investigation received subsidies ranging from 160 RMB per tonne to 790 RMB per tonne. The 'all other" exporter rate, covering a significant majority of Chinese production of seamless pipe was 3,381 RMB per tonne. The *Seamless Casing* Final Determination is attached as Appendix 9. The 31 programs found to be countervailable were:

- Corporate Income Tax Exemption and/or Deduction in Special Economic Zones (SEZs) and Other Designated Areas (program 1)
- Local Income Tax Exemption and/or Reduction in SEZs and Other Designated Areas (program 2)
- The State Key Technology Renovation Projects (program 3)
- Preferential Tax Policies for Research and Development (program 4)

- Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose (program 5)
- Exemption of Tariff and Import VAT for Imported Technologies and Equipment (program 6)
- Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin (program 7)
- Supportive Fund (Grant) Provided by the Government of Xuyi County, Jiangsu Province (program 8)
- Repaying Foreign Currency Loan by Returned VAT (program 9)
- Debt-to-Equity Swap (program 10)
- Preferential Tax Policies for Enterprises with Foreign Investment Established in SEZs (Excluding Shanghai Pudong Area) (program 11)
- Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones (program 12)
- Preferential Tax Policies for Enterprises with Foreign Investment Established in the Pudong Area of Shanhai (program 13)
- Preferential Tax Policies in the Western Regions (program 14)
- Tariff and Value-Added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZ and Other Designated Areas (program 15)
- Income Tax Refund Where Profits Re-Invested in SEZ and Other Designated Areas (program 16)
- VAT and Income Tax Exemption/Reduction for Enterprises Adopting Deb-to-Equity Swaps (program 17)
- Reduced Tax Rate for Productive Foreign-Invested Enterprises (Fies) (program 18)
- Preferential Tax Policies for Foreign Invested Export Enterprises (program 19)
- Preferential Tax Policies for Enterprises with Foreign Investment Which are Technology Intensive and Knowledge Intensive (program 20)
- Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment (program 21)
- Income Tax Refund for Re-investment of FIE Profits by Foreign Investors (program 22)

- Reduction in Land Use Fees (program 23)
- Exemption/Reduction of Special Land Tax and Land Use Fee in SEZs and Other Designated Areas (program 24)
- Preferential Costs of Services and Goods Provided by Government Bodies or SIEs and Other Designated Areas (program 25)
- Loans and Interest Subsidies Provided Under the Northeast Revitalization Program (program 26)
- Reimbursement of Anti-Dumping and/or Countervailing Legal Expenses by the Local Governments (program 27)
- Preferential Loans (program 28)
- Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs (program 29)
- Purchase of Goods from State-Owned Enterprises (program 30)
- Government Export Subsidy and Product Innovation Subsidy (program 31)

In *Carbon Steel Welded Pipe*, the CBSA investigated subsidization of producers of welded pipe in China. The production facilities for that product are the same as used for the production of subject goods, excepting only that API specifications require specific testing protocols, and certain API specifications require heat treatment. In the *Carbon Steel Welded Pipe* investigation, the CBSA found countervailable subsidies in respect of 24 of the same programs as were found to be subsidies in the *Seamless Casing* investigation. In addition, the CBSA found that welded pipe producers in China received the benefit of six additional programs identified in Appendix 11 as programs 4 to 9. The CBSA analysis indicated that the amount of subsidy received by cooperating exporters ranged from 1,130 RMB per tonne to 1,670 RMB per tonne, with a rate of 5,280 RMB per tonne for all other exporters. The additional 6 programs found to be countervailable were:

- Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan (program 4)
- Export Assistance Grant (program 5)
- Research & Development (R&D) Assistance Grant of Wuxing District (program 6)
- Innovative Experimental Enterprise Grant (program 7)

- Superstar Enterprise Grant (program 8)
- Hot-Rolled Steel Provided by Government at Less Than Fair Market Value (program 9)

In addition to the 37 separate programs identified by the CBSA in *Seamless Casing* and *Carbon Steel Welded Pipe*, there are a number of additional countervailable programs more recently identified in the *Aluminum Extrusions* case that might be available to the producers of subject goods in China. These programs include:

- Matching Funds for International Market Development for SMEs (program 4);
- Awards to Enterprises Whose Products Qualify for "Well Known Trademarks of China" or "Famous Brands in China" (program 5);
- Export Brand Development Fund (program 6);
- Training Program for Rural Surplus Labour Force Transfer Employment (program 12);
- Provincial Scientific Development Plan Fund (program 14);
- Inward Remittance of Export Earnings (program 30);
- Interest Subsidies for Loans Secured Tax Refund Accounts (program 31);
- Special Support Fund for Non-State-Owned Enterprises (program 32);
- Innovation Fund for Medium and Small Business (program 34);
- Technical Renovation Loan Interest Discount Fund (program 35);
- Special Project Support Fund (program 36);
- Special Fund for Brand Development (program 38);
- Key Export Enterprise Assistance Fund (program 39);
- Support Fund for Key Commercial and Industrial Enterprises (program 40);
- Venture Investment Fund of Hi-Tech Industry (program 41);
- National Innovation Fund for Technology Based Firms (program 42);
- Guangdong – Hong Kong Technology Cooperation funding Scheme (program 43);

- Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment (program 44); and
- State Fund with Interest Discount (program 45).

Information on these programs, and the reasons for finding them to be countervailable are attached as Appendix 26.

Appendix 12 contains a detailed analysis of the relevant programs found by the CBSA to be countervailable in the *Carbon Steel Welded Pipe* and *Aluminum Extrusions* investigations. The analysis identifies at least ten separate programs that each separately confer margins of subsidization exceeding the 2% threshold for developing countries.

The relevant CBSA analyses in Appendices 9 and 11 provide general information on each of the countervailable subsidies, as well as the legal basis for the subsidy, its eligibility criteria, the nature of the subsidy, a finding of specificity of the subsidy and calculation of the amount of the subsidy. These subsidies relate expressly to producers of seamless and welded tubes.

These same criteria for finding the countervailability of subsidies are also included in Appendix 12 as they relate to the CBSA Final Determination with respect to *Aluminum Extrusions*.

Section 41.2 of *SIMA* directs the CBSA to take into account the provisions of Article 27 of the WTO Agreement on Subsidies and Countervailing Measures ("SCM Agreement") when conducting subsidy investigations. Those provisions stipulate that any investigation involving a developing country must be terminated in the event that the CBSA determines the total amount of subsidy for that developing country does not exceed 2% of the export price of the goods. In the CBSA investigations in respect of producers capable of producing subject goods in China, the amount of subsidy found was well in excess of the standard of "insignificant". For *Seamless Casing*, the CBSA found that 100% of goods exported to Canada were subsidized at a weighted average amount of subsidy equal to 19% of export price. In the *Certain Carbon Steel Welded Pipe* investigation, the CBSA found that 100% of goods exported to Canada were subsidized at a weighted average amount of subsidy equal to 73% of export price. Appendix 12 provides further evidence that Chinese subsidies to producers of OCTG are well in excess of the 2% threshold. Accordingly, it is submitted that recent investigations conducted by the CBSA indicate that

subsidies received by seamless and welded OCTG producers in China are well in excess of the WTO standard of insignificance.

In addition to the subsidies expressly found by the CBSA, and discussed above, it is noted that the Department of Commerce in the United States is in the process of investigating a number of subsidies identified in American proceedings initiated by U.S. producers of oil country tubular goods. Details on these subsidies are contained in Appendix 13. It is requested that the CBSA also investigate whether Chinese producers of welded or seamless OCTG are also receiving countervailable benefits by way of the programs identified by the American industry, and reproduced in Appendix 13.

For all of the reasons above, the Complainants request that the CBSA initiate an investigation against injurious subsidies conferred upon Chinese OCTG producers by governments and government entities in China.

8. Demonstrating Injury

8.1 Injury

The Complainants have suffered material injury in the form of lost sales, price erosion, price suppression, lost revenues, reduced gross margins, reduced profitability, loss of market share, loss of employment, reduced returns on investment, and underutilization of capacity. The Complainants are further threatened with material injury through these same factors, and through a significant risk of diversion of Chinese goods into the Canadian market arising from anti-dumping/countervail proceedings affecting sales of Chinese subject goods to the United States.

Apparent Canadian Market

Appendix 14 provides the apparent Canadian market, showing consolidated shipments (i.e. sales from "Canadian production") of the Complainants, as well as imports by major import source. Canadian sales data are taken from confidential Appendix 5. Import volumes were taken from Statistics Canada import permit data. The analysis excludes Chinese seamless casing. It is noted that subject seamless casing (i.e. over 11¾") is not included in the table Appendix 14, since the data do not permit any distinction between seamless casing over or under 13 ⅜". Total Chinese imports of seamless casing over 11 ¾" in 2008 were 433 tonnes (see Appendix 14), such that omission of these data does not affect the analysis.

Volume of Dumped and Subsidized Chinese Imports

Appendix 14 demonstrates that the apparent Canadian market shrank from [ ] tonnes in the peak demand year of 2006, to [ ] tonnes in 2007, before rebounding to [ ] tonnes in 2008. Canadian production of like goods fell from [ ] tonnes in 2006 to [ ] tonnes in 2007, and to [ ] tonnes in 2008. Over this same period, Chinese product volumes more than doubled from a then record level of 69 thousand tonnes in 2006 to 130 thousand tonnes in 2008. Dumped and subsidized Chinese imports have grown to become the main source of imported subject OCTG in Canada.

In 2006, China had a market share of 6%. In 2007, with an anti-dumping/countervail action initiated against Chinese seamless casing, Chinese imports of subject goods generally (excluding seamless casing), fell to about 34 thousand tonnes to a 5% market share. Subsequent to the injury finding in NQ-2007-001, however, Chinese producers dramatically increased shipments of OCTG, primarily welded casing and seamless tubing. In 2008, imports increased by almost 100 thousand tonnes, almost four times the levels in 2007. The volume of subject goods imports (OCTG other than seamless casing which is already subject to a Finding) from China tripled from 25,867 tonnes in the third quarter of 2008 to 77,817 tonnes in the fourth quarter of 2008. Chinese import levels remained strong in the first quarter of 2009 with another 73,727 tonnes of subject goods entering Canada, an increase of 64,994 tonnes over imports in the first quarter of 2008.

The significant inflow of Chinese subject goods is even more apparent when examined relative to consumption in Canada of competing OCTG. Chinese market share grew from [ ] in 2007 to an average of [ ] in 2008. Chinese imports of subject goods exploded from a [ ] market share in Q1 2008, to [ ] in Q2 2008 after the CITT injury finding in *Seamless Casing*, and up to a [ ] market share in Q1 2009. The Canadian producers' market share declined from [ ] 2007 to [ ] in Q1 2009.

Price Effect of Dumped and Subsidized Chinese Imports

The evidence in this complaint, particularly in the analysis of account specific allegations, demonstrates that pricing of dumped and subsidized Chinese goods has caused injury to Canadian production by significantly undercutting the price of Canadian goods, preventing price increases that would otherwise likely have occurred, and more recently, depressing the price of competing Canadian produced goods. Appendices 15, 16 and 17 provide account specific information from each of the Canadian Complainants that attests to the causal nexus between dumped and subsidized Chinese imports and injury to production in Canada of like goods.

The average price of subject OCTG from China was $1,885 for the first quarter of 2009, whereas the average price of US imports of OCTG was $3,170, 68% more than Chinese pricing (see Appendix 14). The following is a summary of the prices of subject Chinese OCTG compared to a base of average US import prices for 2008:

Comparison of US and Chinese OCTG Imports: Average Value for Duty

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
OCTG China Imports	$1,285	$1,373	$1,209	$1,930	$1,885
OCTG US Imports	$1,510	$1,736	$2,699	$2,969	$3,170
% Difference	-15%	-21%	-55%	-35%	-41%

Source: Statistics Canada Import Permit Data, value for duty, CDN$/tonne

Injury and Causation: Account-specific Allegations

Account specific allegations provide evidence of material injury through lost sales, price suppression and price erosion. This information also underlines the causal connection between material injury and dumped and subsidized Chinese imports, since it demonstrates a direct relationship between offers of dumped and subsidized Chinese goods and the commercial impact on Canadian producers. Thus, a lost sale results in lost volumes and reduced capacity utilization. All three factors may result in lost revenues, reduced profitability and the consequent reduction in available funds for investment in the future.

Please note that references to "tons" in certain supporting documentation relate to metric tons (or "tonnes") not short (i.e. imperial) tons. The use of the expression "tons" remains a practice in the Canadian industry, though it now refers to the metric weight. This can be confirmed by converting price by length into the reported value by weight.

Because domestic producers of OCTG make many of their sales through distributors, direct correlations between specific imports and lost sales can be difficult to identify. Nevertheless, the Complainants have identified some examples of lost sales and lost revenues. These can be found in Appendices 15, 16 and 17.

Impact of Chinese Subject Goods on the State of the Domestic Industry

Appendices 5 and 18 contain confidential Canadian consolidated industry data for the Complainants. These data demonstrate the significant injury caused by Chinese subject goods, beginning in late 2008 and escalating into 2009. After the CITT finding in *Seamless Casing* (NQ-2007-001) prices in the Canadian market had begun to firm into Q3 2008; but as Chinese subject OCTG imports began to escalate in Q4 2008, injury began to manifest itself with loss of market share and sales revenue. StatsCan data demonstrate that more than half of imported Chinese OCTG reported in Q4 2008 were for December alone (see Appendix 14). Moving into Q1 2009, this escalation of Chinese import began to have a more significant impact on the financial result of the Canadian industry, and by Q2 2009 had contributed to [ ] of Canadian production.

- Sales revenue of the Canadian industry declined in Q1 2009 by [ ] compared to Q4 2008(see Appendix 5).

- Canadian sales volumes of OCTG in Q1 2009 were [ ] below Q4 2008 and [ ] below levels in Q1 2008. The Canadian production displaced by Chinese imports, particularly late in Q4 2008 and in Q1 2009 led to [ ] in Canada (see Appendix 14).

- Canadian market share fell [ ], with sales being displaced by Chinese imports. Chinese market share grew rapidly from [ ] in 2008, and continued to grow to [ ] in Q1 2009. Canadian market share was [ ] in 2007. Over the course of 2008, the Canadian market share declined to [ ], before falling further to [ ] in Q1 2009 (see Appendix 14).

- Each Complainant experienced a [ ] in gross margins and net profit between Q3 2008 and Q1 2009. Gross margins for the Canadian industry had reached [ ] in Q3 2008, but then [ ] for Q4 2008 and further [ ] in Q1 2009. On a per tonne basis, gross margins [ ] from [ ] in Q3 2008 to [ ] in Q1 2009 (see Appendix 5).

- Similarly, profitability of the Canadian industry declined from a high of [ ] in Q3 2008 to [ ] in Q4 2008 and [ ] in Q1 2009. Net income per tonne [ ] Canadian producers between Q4 2008 and Q1 2009 (see Appendix 5; [ ]).

- Capacity utilization of the Complainants declined from [ ] in 2008 to [ ] in Q1 2009, and to [ ] in Q2 2009 (see Appendix 18). Use of production facilities for OCTG has fallen from [ ] of available capacity in 2008 to less than [ ] in Q2 2009 (see Appendix 18). Unsold Chinese subject goods in inventory continue to hold back recovery in capacity utilization.

- Employment in the Canadian industry has declined from [ ] in 2008 to [ ] for Q1 2009, a level [ ] the [ ] employees in 2007.. In Q2 2009 there have been [ ], such that employment has fallen to [ ] employees, less than [ ] of levels in Q1 2009 (see Appendix 18). While there have been attempts to maintain skilled employees through work-sharing programs, the need to lay off employees due to lack of orders, caused by low-priced Chinese goods, will have ongoing consequences. Invariably, some employees who have been laid off will find other opportunities. This will occasion significant training requirements for new employees that will impair the ability of the Canadian industry to rapidly re-establish production to accommodate an increase in market demand.

Summary

The information discussed above demonstrates that unfairly priced Chinese OCTG has caused significant injury to production in Canada of like goods. There has been a significant increase in volume of the Chinese goods, both in absolute terms and relative to the production and consumption of the like goods in Canada. The consolidated results of the three Complainants demonstrate negative effects on Canadian output, sales, market share, gross margins, profits, utilization of capacity and employment. In addition, each of the Canadian Complainants has provided information on an account-specific basis that demonstrate injury through lost sales, price erosion and price suppression, and which further demonstrate a causal connection between the unfairly priced Chinese imports and injury suffered by Canadian producers.

8.2 Threat of Injury from Dumped and Subsidized Chinese Imports

The rapid growth in imports of dumped and subsidized Chinese OCTG in the second half of 2008 was initially mitigated by strong market demand in Canada. With the flow of Chinese imports at record levels at the end of 2008 and into Q1 2009, despite a slowdown in market demand, the situation of the Canadian industry began to deteriorate. In the event that low-priced Chinese OCTG is permitted to continue with unfettered access to the Canadian market, there is an imminent and foreseeable threat of additional injury to the domestic industry.

Effect of GOC Policies on Trade

The Government of China ("GOC") has enacted laws that are intended to enhance the production for export of OCTG. Inputs such as steel billets (for seamless OCTG) and hot-rolled steel sheet and/or strip (for ERW OCTG) are or have been subject to punitive export levies that enhance the access of OCTG producers to low cost inputs. The GOC also favours OCTG producers with lower export taxes than for other steel products. Thus, the large integrated SOEs that wish to exploit export markets must do so through the only means available, tubular products and OCTG in particular. Finally, the GOC has recently discussed plans to increase the VAT rebate for certain OCTG to the full level of the tax (that is, a 17% rebate; see Appendix 20). Currently, OCTG exports already receive a 13% rebate, the highest available to any goods exported from China. All three of these policy instruments have the effect of encouraging exports of OCTG,

and further provide incentives to do so. Further evidence of GOC efforts to enhance exports may be found in "*The State-Business Nexus in China's Steel Industry – Chinese Market Distortions in Domestic and International Perspectives*" (Think!Desk China Research Consulting, January 2009) (Appendix 19).

Significant Rate of Increase of Dumped/Subsidized Goods

Section 8.1 above discusses the significant rate of increase of subject goods from China into the Canadian market, both in absolute terms and relative to production in Canada of like goods. Chinese subject goods almost doubled from 69,000 tonnes in 2006 (which was a very high demand year in the Canadian market) to 130,404 tonnes in 2008. During that same period, Chinese market share for subject goods increased from [ ]. By Q1 2009, Chinese market share reached [ ] (see Appendix 14).

A similar escalation was seen in Chinese exports of OCTG to the United States during 2008.

The US Anti-dumping Petition excerpted in Appendix 22 demonstrates that the volume of OCTG imports from China into the U.S. tripled from 725,027 net tons during 2006 to 2,197,578 net tons in 2008. This was an increase of almost 1.5 million net tons or 203%. In the first half of 2008, U.S. imports of OCTG from China were 602,087 net tons and in the second half of 2008, the volume of such imports surged to 1,595,491 net tons. This was an increase of almost 1 million net tons or more than 165% of levels in the first half of the year.

Chinese imports into the US continued at record levels with another 588,810 net tons entering in the first quarter of 2009 despite dramatically worsening market conditions. In January, 2008, U.S. imports of Chinese OCTG were 90,411 net tons but in January, 2009 rose to 273,097 net tons, an increase of 202% (see Appendix 22).

All of these factors indicate a very strong likelihood of substantially increased imports into Canada if dumped and subsidized subject goods imports continue to be allowed into Canada.

Freely Disposable Capacity

Steel industry publications report on a substantial softening of demand in the Chinese market. Chinese producers of OCTG began to push product into export markets to attempt to maintain capacity. At the same time, softening of demand in certain markets led to further excess capacity in the Chinese market (see Appendix 20).

The rapid capacity expansion in the Chinese OCTG industry as a result of state direction and promotion policies has resulted in increasing net exports of OCTG from China. There were virtually no exports of OCTG from China until 1995. Average annual export growth from 1995 to 2000 was 3.6%. From 2001 to 2006 production of OCTG increased more rapidly than consumption. Net imports of 206,000 tonnes in 2001 changed to net exports of 849,000 tonnes in 2006, a positive 1.1 million tonne swing in China's net export position. Exports of OCTG, which had grown by 491,000 tonnes from 2000 to 2005, grew an additional 562,000 tonnes in 2006 alone. Average annual growth was 44.3% in 2000 to 2006, 50.4% from 2003 to 2006 and 84.9% from 2005 to 2006. The significant new and recently announced capacity expansions by Chinese producers discussed below indicate that the growth of net exports will only accelerate in the coming years. China's already large OCTG capacity is expected to increase by 30% over the next few years. This continued capacity expansion by the Chinese OCTG industry is not driven primarily by market forces but by the efforts and policies of Chinese Communist Party officials at the local and provincial levels ("*China's State-Directed Expansion in Oil Country Tubular Goods: A Case Study*" a study prepared by Dewey & LeBoeuf LLP, October 2007 (see Appendix 24).

At a recent conference of pipe manufacturers in China, Steel Business Briefing ("SBB") reports that Chinese internal demand for OCTG will drop to about 2.4 million tonnes in 2009 from 3 million tonnes in 2008 (see Appendix 20). SBB reports that China produced 6.8 million tonnes of OCTG in 2008 (nearly half the world's output) and that it had a capacity of 8.5 million tonnes (two thirds of global capacity). Thus, if exports were to remain at the same level, one may estimate excess capacity in the Chinese market in 2009 at 2 million tonnes of OCTG; many, many times the size of the Canadian market.

The SBB reports the expectation of the China Steel Pipe Association ("CSPA") that the anti-dumping/countervail action in the United States would lead to a drop in exports to the United States by 2.1 million tonnes in 2009. If this assessment of the CSPA comes to pass, there will be approximately 4 million tonnes of China's 8.5 million tonne capacity that will be idle. This idle capacity is approximately equal to the total OCTG production capacity in the rest of the world.

Despite these excess capacity issues, expansion plans continue in China. Wuxi Seamless is reported to be commissioning a 1 million tonne pipe mill in the middle of 2010. Anhui Tianda is reported to be commissioning a new pipe mill for 800,000 tonnes at the end of 2009. Heilongjiang Jianlong commenced operating a new pipe mill in December of 2008 with a capacity of 200,000-250,000 tonnes per year. The second phase of the project is to boost capacity by an additional 400,000-450,000 tonnes this year. A third pipe mill producing 200,000 tonnes is currently planned for the second quarter of 2010. Baoji Petroleum Steel Pipe, a subsidiary of the China National Petroleum Corporation ("CNPC"), is planning a new plant with 200,000 tonnes of capacity to produce OCTG. Since CNPC is one of the three SOEs that purchase the vast majority of OCTG in China (see Appendix 9, p. 103), this project will lead to excess capacity at another producer currently supplying the CNPC.

It is noted that many new projects are for seamless pipe. The growth of those projects can only apply more pressure on welded OCTG producers to find new markets by exporting.

Potential for Product Shifting

Appendix 21 contains a report on the capacity of Chinese mills with API certification. There are 61 seamless mills and 33 welded mills with a combined capacity exceeding 19 million tonnes. This represents the total capacity for all tubular products of only API approved producers in China.

The current production of these API approved companies for the OCTG market (whether for China or for the export market) is a small fraction of available capacity at those mills. As noted above, total OCTG production in China was estimated to be 6.8 million tons in 2008, and total OCTG capacity was estimated by the CSPA to be 8.5 million tonnes. OCTG is a higher value added product, and the GOC has indicated its desire that Chinese producers focus on exporting

higher value added products. There is a strong possibility that Chinese producers could shift from other tubular goods into OCTG at the API mills identified in Appendix 21.

Further evidence of both the willingness and ability of Chinese producers to shift production facilities into other goods can be seen in the recent experience in both Canada and the United States. In Canada, after the anti-dumping/countervail finding in respect of seamless casing and carbon steel welded pipe, there was a massive shift into exports to Canada of seamless tubing and welded OCTG. Chinese welded casing, in particular, had never before been seen in the Canadian market in such significant amounts. The previous peak for imports of Chinese welded casing was in 2006 at 26,272 tonnes. That number more than doubled to 63,457 tonnes in 2008; however, the real tale is told at the end of 2008 and beginning of 2009. In Q4 2008, China exported 41,326 tonnes of welded casing to Canada, after the CITT findings in respect of *Seamless Casing* in NQ-2007-001 and *Certain Carbon Steel Welded Pipe* in NQ-2008-001. Thus, the move into exports of Chinese welded casing in Q4 2008 was alone nearly 60% higher than the full year of 2006, which had been a historic peak in the Canadian OCTG market and for Chinese penetration of the market. Then, notwithstanding the decline in drilling activity in Q1 2009, welded casing imports from China actually increased over Q4 2008 to 45,517 tonnes. Thus, Chinese imports of welded casing in Q4 2008 and Q1 2009 were 86,843 tonnes, more than three times the historical annual high of 26,272 tonnes in 2006 (see import permit data in Appendix 14).

The same pattern can be seen with respect to seamless tubing. The previous peak in shipments of Chinese seamless tubing to Canada was 32,743 tonnes in 2006. With the preliminary determination and ultimately the injury finding in respect of *Seamless Casing*, Chinese producers switched to exports of seamless tubing, and Chinese sales volumes more than doubled in 2008 to 66,227 tonnes from 26,163 in 2007. Once again, a similar pattern to welded casing can be seen in Q4 2008 and Q1 2009 with those two quarters showing unprecedented spikes in import volumes. Total seamless tubing imports in Q4 2008 and Q1 2009 were over 64,000 tonnes, or more than twice the level of seamless tubing imports for the whole of 2006 (see Appendix 14).

A similar situation occurred in the United States where, after an anti-dumping/countervail finding was made in respect of certain circular welded line pipe, API approved Chinese

producers shifted massively into sales of OCTG, with volumes reaching almost 1 million net tons in the fourth quarter of 2008 alone, more than 3 times levels in Q1 2008, and 100,000 net tons more than for all of 2007 (see Appendix 22).

Depressing or Suppressing Effect on Prices

The rapid escalation of imports of dumped and subsidized Chinese subject goods at a time of weakening demand demonstrates how a very low price of goods can stimulate an increased demand for further imports, even if they are not consigned for use. Canadian producers now find themselves competing against significant inventories of unsold Chinese product in 2009.

Evidence that Chinese seamless and ERW pipe producers use extremely low pricing to gain market share may also be seen in the *Seamless Casing* and *Certain Carbon Steel Welded Pipe* cases of last year.

The influx of Chinese imports of Q4 2008 and Q1 2009 were purchased, for the most part, on speculation, due to their exceptionally low prices. Much of the goods brought in continue to remain in distributor inventory into Q2 and Q3 2009. Canadian producers must compete against this low price inventory. Huge inventories of Chinese goods also remain in the American market. SBB reports U.S. inventories of OCTG at 4 million tonnes, due in great measure to the escalation of Chinese exports to that market throughout 2008 (see Appendix 20).

Magnitude of the Margin of Dumping or Amount of Subsidy

The CBSA has previously conducted anti-dumping and countervail investigations in respect of seamless and welded pipe producers in China. The margins of dumping and the amount of countervailing duty applicable are very large. In *Seamless Casing*, the CBSA found an overall margin of dumping of 62%, and countervailing duty of 19% across all producers. For *Carbon Steel Welded Pipe*, the CBSA found anti-dumping duty of 141% and countervailing duty of 73%. These numbers suggest that Chinese producers were, and are continuing to operate with a substantial price advantage being conferred by dumping and subsidization (see Appendices 9 & 11).

Imposition of Anti-dumping or Countervailing Measures in Other Countries

Anti-dumping and countervailing investigations in respect of similar steel tubular goods have been undertaken in countries other than Canada. These cases include:

- United States
  - *Circular Welded Line Pipe* (Final Injury Determination)
  - *OCTG* (Preliminary Dumping and Subsidy Determinations)
- European Union
  - *Welded Tubes and Pipes* (Final Injury Determination)

On May, 22, 2009, the U.S. International Trade Commission made a preliminary determination of injury against Chinese OCTG imports.

These trade remedy proceedings demonstrate a propensity to subsidize and dump into other markets, as well as into Canada. Of particular concern is that the large volumes of tubular products that were going to the United States, are now available for diversion to Canada. It is noteworthy that the OCTG sold from China into the U.S. market in Q4 of 2008 (965,000 tonnes) is larger than total Canadian production in the peak demand year of 2006 (see Appendix 22). If even a fraction of OCTG once destined for the United States is diverted to Canada, the results would be rapidly devastating.

Inventory Levels of Chinese Subject Goods in Canada

In these investigations, Complainants do not have access to data regarding inventories of Chinese OCTG in Canada. However, there is no question that the surge of Chinese imports into this market last year resulted in an inventory overhang that will weigh heavily on this market for some time to come. As a result of this inventory, domestic producers will undoubtedly lose significant sales volumes over the next few months. Domestic producers will have to lower prices in order to compete with the OCTG that is already in inventory. Industry witnesses are aware of significant inventory build up at Canadian stock points.

Canadian OCTG Demand Parameters and Future Injury

The Canadian economy is facing a difficult period that will continue to impact the oil and gas industry. These conditions increase the vulnerability of Canadian producers to future imports of Chinese subject goods

The Canadian rig count is falling and domestic consumers of OCTG have already announced plans to further reduce their drilling operations (see: Appendix 6, Nickle's Energy Source). Rig count measures the number of drilling rigs actively drilling wells. Demand for OCTG depends on factors such as the extent of drilling activity, which in turn depends on oil and gas prices. Only 8,000-9,000 wells are predicted to be drilled this year and the demand for OCTG is predicted to decline accordingly

Rig released data reports the number of wells by measuring the movement of drilling rigs from the drilling location. The Canadian Rig Released figure was 1,184 in March of 2008 but was only 461 in March of 2009 according to Nickle's Energy Source, a decrease of approximately 61%. In addition, the Canadian Rig Released figure was 2,071 in February of 2008 but was only 1,106 in February of 2009, a decrease of approximately 47%.

There is no question that the economic crisis has had a severe effect on oil and gas prices. The price of crude oil peaked in early July 2008 at around US $145/barrel, and it had already fallen to US $109/barrel in late September 2008. Since that time, however, the price of crude oil has fallen much further. On May 27, 2009, the light crude oil price per barrel price was US $62.63. This means that the price of crude oil fell by 56.8% as compared to its value in early July, 2008.

Natural gas prices show very similar trends. The price of natural gas peaked at US $13.58/MMBTU in early July 2008. With respect to natural gas, as of May 27, 2009, the market price for the commodity is US $3.54/MMBTU. If the May 27, 2009 price is compared to the price in early July 2008, a decline in value of 73.9% is noted. It should be noted that the price of natural gas fluctuated greatly over the month of May, 2009, closing at US $4.33 on May 13. Oil and gas companies have responded to falling prices by cutting their drilling plans:

Oil and gas industry data may be found in Appendix 6.

Thus, domestic producers are even more vulnerable to the threat of material injury from Chinese imports. Under these circumstances, even a relatively small volume of unfairly-traded OCTG imports could have severe consequences for Canadian producers and workers. Unfortunately, it is clear that a large volume of Chinese imports will likely continue to flood this market in the absence of fair trading restrictions (Antidumping and Countervailing Orders).

Global Economic Crisis Leads to Increased Chinese Exports

In addition to economic conditions in Canada, economies around the world have slowed dramatically since the fall of 2008, and continue to do so.

The crisis is also having a severe impact on the Chinese economy. After five years of double-digit economic growth, China recently reported growth of only 6.8% in the fourth quarter of 2008. Some experts believe that China actually experienced practically no growth from the third quarter of 2008 to the fourth quarter of 2008. China's government faces severe pressures to boost economic growth. The need to maintain social stability is a major reason for China's continuing policy of promoting exports.

According to Xinhua, China's national news agency, there was a 6.1% growth in China's gross domestic product (GDP) during the first quarter of 2009, down 0.7% from the growth recognized in the fourth quarter of 2008 (*China's GDP up 6.1% in First Quarter*, xinhuanet.com, April 16, 2009, see Appendix 20). This figure is confirmed by The Economist which highlights the fact that 6.1% growth to China's GDP is the lowest rate in almost 20 years. Based on China's current economic situation, growth for the year 2009 is forecast to reach only 6.5% (*Country Briefings: China*, economist.com, May 6, 2009, see Appendix 20).

China's government faces severe pressures to boost economic growth. Indeed, Chinese officials have indicated that their country needs annual economic growth of 8% in order to maintain employment. The need to maintain social stability is a major reason for China's continuing policy of promoting exports. Chinese government officials have recognized as much recently by describing their need to maintain export volumes "by all means ... and prevent a dramatic fall in

external demand (*China to gradually lower export-taxes to zero*, reuters.com, March 8, 2009, see Appendix 20)."

Conclusion

For all of the reasons noted above, the Complainants submit that dumped and subsidized subject OCTG from China constitutes a foreseeable and imminent threat to the production in Canada of like goods.

8.3 Injury and Threat of Injury Summary

Subject imports from China at dumped and subsidized prices have injured the domestic industry. The Complainants have suffered lost sales, price erosion and price suppression, lost revenues, reduced gross margins, reduced profitability, loss of market share, loss of employment, reduced returns on investment, and underutilization of capacity. Production in Canada is further threatened with material injury through a foreseeable and imminent deterioration in its situation with regard to these same issues, unless the dumping from China is remedied. Evidence of a threat of injury may be seen in the significant rate of increase of dumped and subsidized imports, the substantial increase in freely disposable capacity in China, significantly lower Chinese prices and existing inventories in Canada, the substantial amount of dumping and subsidization, and the number of trade cases against Chinese steel products generally in Canada and around the world, as well as actions specifically against OCTG, including subject goods, in other jurisdictions.

9. Conclusion

The Complainants submit that the dumping and subsidizing of subject OCTG originating in or exported from China has caused material injury to domestic production of like goods, and further threatens to cause additional material injury if not remedied; accordingly, the Complainants hereby request that the President of the CBSA initiate an investigation into the injurious dumping and subsidizing of these subject goods originating in or exported from China.