



OTTAWA, May 24, 2019

STATEMENT OF REASONS

Concerning an expiry review determination under
paragraph 76.03(7)(a) of the *Special Import Measures Act*
respecting

**CERTAIN HOLLOW STRUCTURAL SECTIONS
ORIGINATING IN OR EXPORTED FROM SOUTH KOREA AND TURKEY**

DECISION

On May 9, 2019, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act* (SIMA), the Canada Border Services Agency determined that the expiry of the order made by the Canadian International Trade Tribunal on December 20, 2013, in Expiry Review No. RR-2013-001 is likely to result in the continuation or resumption of dumping of certain hollow structural sections originating in or exported from South Korea and Turkey.

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

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EXECUTIVE SUMMARY

[1] On December 10, 2018, the Canadian International Trade Tribunal (CITT), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its order made on December 20, 2013, in Expiry Review No. RR-2013-001, continuing, in part, its order made on December 22, 2008, in Expiry Review No. RR-2008-001, continuing its finding made on December 23, 2003, in Inquiry No. NQ-2003-001, concerning the dumping of certain structural tubing known as hollow structural sections (HSS) originating in or exported from South Korea and Turkey.

[2] For purposes of this *Statement of Reasons*, “hollow structural sections” (HSS) will hereafter refer to goods subject to the order and the countries identified shall collectively be referred to as “the subject countries.”

[3] As a result of the CITT’s notice of the expiry review, on December 11, 2018, the Canada Border Services Agency (CBSA) initiated an expiry review investigation to determine, pursuant to paragraph 76.03(7)(a) of SIMA, whether the expiry of the order is likely to result in the continuation or resumption of dumping of the subject goods to Canada.

[4] The CBSA received responses to its Canadian Producer Expiry Review Questionnaire (ERQ) from Atlantic Tube & Steel Inc. (Atlantic Tube),¹ Atlas Tube Canada ULC (Atlas Tube),² Bull Moose Tube Ltd. (Bull Moose Tube),³ Nova Steel Inc. (Nova Steel)⁴ and Welded Tube of Canada Corporation (Welded Tube).⁵ These companies may also collectively be referred to as “the Canadian producers” in this *Statement of Reasons*. The submissions made by the Canadian producers included information supporting their position that continued or resumed dumping of HSS from South Korea and Turkey is likely if the CITT’s order is rescinded.

[5] The CBSA received a response to the Exporter ERQ from one exporter located in the United States (US), namely, Maruichi Oregon Steel Tube, LLC (Maruichi).⁶ The exporter did not directly express an opinion in their ERQ response on the likelihood of continued or resumed dumping of subject goods if the CITT’s order is rescinded.

¹ Exhibit 40 (NC) – Response to Canadian Producer ERQ – Atlantic Tube.

² Exhibits 22 (PRO) and 23 (NC) – Response to Canadian Producer ERQ – Atlas Tube.

³ Exhibits 34 (PRO) and 35 (NC) – Response to Canadian Producer ERQ – Bull Moose Tube.

⁴ Exhibits 18 (PRO) and 19 (NC) – Response to Canadian Producer ERQ – Nova Steel.

⁵ Exhibits 28 (PRO) and 29 (NC) – Response to Canadian Producer ERQ – Welded Tube.

⁶ Exhibits 30 (PRO) and 31 (NC) – Response to Exporter ERQ – Maruichi Oregon Steel Tube.

[6] The CBSA received responses to the Importer ERQ from non-resident importers Iris Metalurji ve Muhendislik Pazarlama Sanayi ve Ticaret Limited Sirketi (Iris),⁷ Boart Longyear Company (Boart Longyear),⁸ and from Modatek Systems (Modatek), a division of Magna International Inc.⁹ None of these responses expressed an opinion that continued or resumed dumping of subject goods is likely if the CITT's order is rescinded.

[7] In addition to responding to the ERQ, Atlas Tube and Welded Tube submitted joint supplemental information prior to the closing of the record.¹⁰ The CBSA also received case briefs from Atlas Tube and Welded Tube.¹¹ The case briefs submitted by the two Canadian producers included information supporting their position that continued or resumed dumping of subject goods is likely if the CITT's order is rescinded. No other case briefs from any party were received by the CBSA.

[8] The CBSA did not receive any reply submissions from interested parties.

[9] The information on the record in respect of: substitutability of HSS; capital intensive nature of steel production; steel market development and trends; tariffs and safeguard measures on steel imports and diversion of HSS into Canada; hot-rolled coil (HRC) pricing trends and impact on HSS; attraction of the Canada market; activities of other major exporting countries; producers being highly leveraged to export markets, unable to sell HSS in Canada at non-dumped prices, and having a propensity to dump as evidenced by the numerous anti-dumping measures concerning steel products, including HSS and other steel pipe and tube, in both Canada and other jurisdictions; indicates a likelihood of continued or resumed dumping into Canada of certain hollow structural sections originating in or exported from South Korea and Turkey should the CITT's order be rescinded.

[10] For the forgoing reasons, on May 9, 2019, the CBSA, having considered the relevant information on the record, made a determination under paragraph 76.03(7)(a) of SIMA that the expiry of the order in respect of certain hollow structural sections originating in or exported from South Korea and Turkey is likely to result in the continuation or resumption of dumping of the goods into Canada.

BACKGROUND

[11] On May 21, 2003, following a complaint made by Atlas Tube Inc., Copperweld Corporation and Welded Tube of Canada Ltd., the original anti-dumping investigation was initiated pursuant to section 31(1) of SIMA, respecting the dumping of certain structural tubing originating in or exported from South Korea, South Africa and Turkey.

⁷ Exhibits 20 (PRO) and 21 (NC) – Response to Importer ERQ – Iris Metalurji ve Muhendislik Pazarlama Sanayi ve Ticaret Limited Sirketi (Iris).

⁸ Exhibits 30 (PRO) and 31 (NC) – Response to Importer ERQ – Boart Longyear.

⁹ Exhibits 16 (PRO) and 17 (NC) – Response to Importer ERQ – Modatek Systems.

¹⁰ Exhibit 43 (NC) – Close of record documents – Atlas and Welded Tube.

¹¹ Exhibit 44 (NC) – Case Briefs from Atlas and Welded Tube.

[12] On November 17, 2003, pursuant to subsection 41(1) of SIMA, the Commissioner of the Canada Customs and Revenue Agency (CCRA) made a final determination of dumping in respect of the subject goods from South Korea, South Africa and Turkey. An injury finding was subsequently issued by the CITT on December 23, 2003, pursuant to subsection 43(1) of SIMA.

[13] On August 7, 2008, following the initiation of an expiry review of the CITT's finding of injury, the CBSA determined that the expiry of the finding was likely to result in the continuation or resumption of dumping of HSS from South Korea, South Africa and Turkey.

[14] On December 22, 2008, in Expiry Review No. RR-2008-001, the CITT continued its finding concerning HSS from South Korea, South Africa and Turkey.

[15] On March 11, 2011, the CBSA completed its last re-investigation to update the normal values and export prices of HSS.¹² No exporters cooperated. As a result, all imports of subject goods are subject to an anti-dumping duty equal to 89% of the declared export price in accordance with the ministerial specification.

[16] On, August 8, 2013, following the initiation of an expiry review of the CITT's order, the CBSA determined that the expiry of the order was likely to result in the continuation or resumption of dumping of HSS from South Korea, South Africa, and Turkey.

[17] On December 20, 2013, in Expiry Review No. RR-2013-001, the CITT continued its order concerning HSS from South Korea and Turkey and rescinded its order concerning the goods from South Africa.¹³

[18] On October 19, 2018, pursuant to subsection 76.03(2) of SIMA, the CITT issued a notice concerning the expiry of its order, which was scheduled to expire on December 19, 2018. Based on the information filed during the expiry process, the CITT decided that a review of the order was warranted.

[19] On December 10, 2018, the CITT initiated an expiry review of its order pursuant to subsection 76.03(3) of SIMA.

[20] On December 11, 2018, the CBSA commenced an expiry review investigation to determine whether the expiry of the order is likely to result in continued or resumed dumping of the goods from South Korea and Turkey.

¹² Exhibit 25 (NC) – Notice of Conclusion of Reinvestigation, March 11, 2011.

¹³ Exhibit 2 (NC) – CITT Order and Reasons, Expiry Review No. RR-2013-001.

PRODUCT DEFINITION

[21] The goods subject to the order under review are defined as:

“Structural tubing known as hollow structural sections made of carbon and alloy steel, welded, in sizes up to and including 16.0 inches (406.4 mm) in outside diameter (O.D.) for round products and up to and including 48.0 inches (1,219.2 mm) in periphery for rectangular and square products, commonly but not exclusively made to ASTM A500, ASTM A513, CSA G.40.21-87-50W and comparable specifications, originating in or exported from the Republic of Korea and the Republic of Turkey.”

Additional Product Information

[22] HSS is designed for above ground, load-bearing structural purposes. HSS is used in general construction for structural elements in buildings and bridges, as protective structures on heavy equipment and for other purposes such as highway railings and barriers and outdoor lighting. The goods may also be used in light, load-bearing structural applications, such as for agricultural implements, trailers and racking and storage systems.

[23] HSS is not used for such things as automotive tubing for exhaust systems, bumpers and the like, which are typically made from tubing produced to specialized automotive specifications. HSS is also not designed for conveying liquids or gases.

[24] HSS that has been galvanized (i.e. coated in zinc) or coated in other metals is not subject to this expiry review investigation.

Production Process

[25] HSS production involves the transformation of commercial grade hot-rolled sheet or strip into round, rectangular or square sections. The production process begins with the hot-rolled coil being slit into the appropriate width of strips for the production of tubes of a given circumference. Each strip is then passed through a series of rolls that gradually bend it into a round tube. This tube is electric resistance welded (ERW), and excess metal is removed from the weld on the outside surface of the tube. Upon request by the purchaser, excess metal is also removed from the weld on the inside surface. The tube is then cooled and processed through a set of sizing/shaping rolls in order to cold-form it into a round, square or rectangular section. Finally, tubes are cut to length, bundled and tagged.¹⁴

¹⁴ Exhibit 26 (NC) – CITT Order and Reasons, NQ-2003-001, paragraphs 13-14; December 23, 2003.

CLASSIFICATION OF IMPORTS

[26] The subject goods are normally classified under the following tariff classification numbers:

7306.30.00.20
7306.30.00.30
7306.50.00.00
7306.61.00.10
7306.61.00.20

[27] Prior to January 1, 2017, the subject goods were normally classified under the following tariff classification numbers:

7306.30.00.23
7306.30.00.33
7306.50.00.30
7306.31.00.12
7306.61.00.22

[28] This listing of tariff classification numbers is for convenience of reference only. The tariff classification number provided may include goods that are not subject goods and subject goods may be imported into Canada under tariff classification numbers other than those provided. Refer to the product definition for authoritative details regarding the subject goods.

PERIOD OF REVIEW

[29] The period of review (POR) for the CBSA's expiry review investigation is from January 1, 2015 to October 31, 2018.

CANADIAN INDUSTRY

[30] The Canadian industry for HSS is comprised of the following seven producers:

- Atlantic Tube & Steel Inc. of Mississauga, Ontario;
- Atlas Tube Canada ULC of Harrow, Ontario;
- Bull Moose Tube Ltd. of Burlington, Ontario;
- Fati Steel Inc. of Varennes, Quebec;
- Nova Steel Inc. of Lasalle, Quebec;
- Welded Tube of Canada Corp. of Concord, Ontario;
- Quali-T-Tube Inc. of Bromont, Quebec.

[31] Three of the Canadian producers which provided ERQ responses in this expiry review are regarded as the largest producers of HSS in Canada and estimated to account for about 90% of the volume of Canadian HSS production. These parties are, Atlas Tube, Welded Tube and Nova Steel.¹⁵ The ERQ responses contained information on the Canadian producers' sales revenue and volumes of HSS during the POR. The remaining producers, with comparatively smaller operations, account for the balance of production in Canada.

[32] Atlantic Tube, located in Mississauga, Ontario, began operations in 1977 and produces mechanical and structural tubing from one to six inches in diameter.¹⁶

[33] Atlas Tube, located in Concord, Ontario, began producing HSS in 1984. Atlas Tube is now the largest HSS producer in Canada and including its divisions in the United States, it is also the largest HSS producer in North America. Atlas Tube produces the widest range of HSS sizes in Canada and the United States.¹⁷

[34] Bull Moose Tube, located in Burlington, Ontario, (formerly Barton Tube from 1955-1989), predominantly manufactures small HSS products produced to ASTM A500, with A513 and A787 product accounting for the balance.¹⁸

[35] Nova Steel, located in Montréal, Quebec, was founded in 1979¹⁹ and manufactures square, rectangular and round HSS and mechanical tube in several grades including ASTM A500 Grade B/C and ASTM A513.²⁰

[36] Welded Tube, located in Concord, Ontario, has been manufacturing steel tubing since 1970. The first HSS mill was installed in 1973 and Welded Tube currently operates three HSS mills.²¹

[37] Neither Fati Steel Inc. nor Quali-T-Tube Inc. participated in this expiry review investigation. As such, no information on their production and sales was available to the CBSA.

¹⁵ Exhibit 15 (NC) – Public Version of CITT's Administrative Record: CITT Exhibit No. LE-2018-006-02.01; Expiry Notice Submissions on behalf of Atlas and Welded Tube, paragraph 16.

¹⁶ Exhibit 40 (NC) – Response to Canadian Producer ERQ – Atlantic Tube.

¹⁷ Exhibit 23 (NC) – Response to Canadian Producer ERQ – Atlas Tube, Question 7.

¹⁸ Exhibit 35 (NC) – Response to Canadian Producer ERQ – Bull Moose Tube, Question 7.

¹⁹ <https://www.novasteel.ca/en/about-us>

²⁰ Exhibit 19 (NC) – Response to Canadian Producer ERQ – Nova Steel, Question 7.

²¹ Exhibit 29 (NC) – Response to Canadian Producer ERQ – Welded Tube, Question 7.

CANADIAN MARKET

[38] The Canadian production and the apparent Canadian market for HSS, which includes imports of HSS from South Korea, Turkey and all other countries, are presented in **Table 1** and **Table 2** below.

Table 1
Apparent Canadian Market for HSS ²²
(Value in Canadian Dollars)

Source	2015	2016	2017	2018 Jan. – Oct.
Canadian Production ²³	\$308,486,512	\$350,121,291	\$420,423,217	\$466,511,968
South Korea	\$17,339	\$5,993	\$0	\$0
Turkey	\$23,604	\$0	\$4,531	\$0
USA	\$125,244,171	\$81,815,608	\$267,603,887	\$259,265,932
All Other Countries	\$14,414,439	\$12,837,749	\$116,121,522	\$148,453,853
Total Imports	\$139,699,553	\$94,659,350	\$383,729,940	\$407,719,785
Total Market	\$448,186,065	\$444,780,641	\$804,153,157	\$874,231,753

Table 2
Apparent Canadian Market for HSS ²⁴
(Volume in Metric Tonnes)

Source	2015	2016	2017	2018 Jan. – Oct.
Canadian Production ²⁵	333,907	377,823	369,589	343,133
South Korea	12	4	0	0
Turkey	14	0	3	0
USA	109,887	72,494	172,490	146,539
All Other Countries	15,370	14,348	103,061	118,843
Total Imports	125,283	86,846	275,554	265,382
Total Market	459,190	464,669	645,143	608,515

²² Exhibit 39 (NC) – Canadian Market and Enforcement Table (Final). **Note:** The subject goods were classified under different tariff classification numbers prior to January 2017. As such, the differences in market value when comparing the period before January 2017 with the period after that date may in part be attributable to this change.

²³ **Note:** Does not include data from other known Canadian producers of HSS, Quali-T-Tube, Fati Steel or Atlantic Tube, as this *value* information was not submitted by these parties.

²⁴ Exhibit 39 (NC) – Canadian Market and Enforcement Table (Final).

²⁵ **Note:** The subject goods were classified under different tariff classification numbers prior to January 2017. As such, the differences in volume when comparing the period before January 2017 with the period after that date may in part be attributable to this change, given the overlap with carbon steel welded pipe tariff codes. Also, while the table does not include data from Quali-T-Tube and Fati Steel, as this information was not submitted by these parties, it does include information submitted by Atlantic Tube, which provided HSS *volume* but not *value* in their public ERQ response. Consequently, the volumes in this table will differ slightly from the Canadian Market and Enforcement Table (Final) statistics under Exhibits 38 (PRO) and 39 (NC).

[39] The apparent Canadian market grew substantially over the POR, in terms of both value and volume as indicated in the tables above, while the Canadian producer's production volume remained relatively stable, growing modestly over the POR. Prorated over a full year, the final segment of the POR of January through October 2018, was by far their best period.

[40] In the original investigation, the CCRA stated that the apparent Canadian market, consisting of domestic consumption of Canadian produced HSS and imports, exceeded 500,000 metric tonnes (MT).²⁶ while the CBSA's estimated Canadian market for the most recent period of January through October 2018 is over 600,000 metric tonnes (see **Table 2**).

[41] It should be noted that tariff classification codes used to classify HSS were changed roughly halfway through the POR. This change, combined with the overlap of non-subject goods, namely, carbon steel welded pipe (CSWP), may have contributed to the apparent increase in size of the Canadian market from 2017 forward.

Canadian Production

[42] Based on the apparent Canadian market figures in **Table 1** above, sales value of HSS produced in Canada climbed substantially over the course of the POR. For example, the 10-month period in 2018 alone resulted in more sales value than any previous full-year period in the POR by a substantial margin. In fact, there was a reported growth in sales value in each successive year of the POR, beginning in 2016, where the growth over 2015 was 13.5%, followed by growth of 20% in 2017 and another 33% (annualized) growth in 2018 over 2017. Based on the data presented in **Table 1**, the Canadian producers' share of the apparent Canadian market, as a percentage of the total sales value, declined from 69% in 2015 to 53% in the 10-month period of 2018.

[43] In terms of volume, the data in **Table 2** indicates that sales from Canadian production also grew over the POR, albeit less dramatically than on the value basis noted above. Specifically, after growth of 13% in 2016 over 2015, there was a small decrease in sales volume from Canadian production in 2017 relative to 2016. This was reversed in 2018, where the annualized growth was more than 11% over 2017.²⁷ Based on the data presented in **Table 2**, the Canadian producers' share of the apparent Canadian market, as a percentage of the total volume, declined from 73% in 2015 to 56% in the 10-month period of 2018.

Imports

[44] As seen in the tables above, during the POR, the total value and volume of imports of subject goods from South Korea and Turkey was negligible.

[45] The United States was consistently the most prevalent import source, accounting for over 71% of imports by value over the entire POR, albeit with a steadily declining share of imports from a high of 90% in 2015 down to 64% in the first 10-month period of 2018.

²⁶ Exhibit 24 (NC) – CBSA Final Determination *Statement of Reasons* for Steel Structural Tubing (Hollow Structural Sections); paragraph 18, December 2, 2003.

²⁷ January to October 2018 = 10 months. Annualized value = 12/10 * 343,133 = 411,760 MT.

[46] Similar to the results on the basis of value, the United States was consistently the most prevalent import source by volume over the POR, accounting for just over 66% of imports over the entire POR, albeit with a declining share of imports from a high of 88% in 2015 down to 62% in the first 10-month period of 2018.

ENFORCEMENT DATA

[47] As shown in **Table 3** below, the total amount of anti-dumping duty assessed on imports of subject goods from South Korea and Turkey during the POR was \$22,536. This amount is reflective of the minimal amount of subject goods imported into Canada during the POR, as noted in the previous section.

Table 3
Anti-dumping Duty Assessed on Imports of HSS ²⁸
(Value in CAD\$)

Source	2015	2016	2017	2018 Jan. – Oct.
South Korea	\$15,476	\$3,027	\$0	\$0
Turkey	\$0	\$0	\$4,033	\$0

PARTIES TO THE PROCEEDINGS

[48] On December 11, 2018, a notice concerning the CBSA's initiation of the expiry review investigation was sent to Canadian producers and potential importers and exporters of HSS. All of these parties were also sent an ERQ.

[49] The ERQs requested information relevant to the CBSA's consideration of the expiry review factors, as listed in subsection 37.2(1) of the *Special Import Measures Regulations* (SIMR).

[50] Four Canadian producers: Atlas Tube, Bull Moose Tube, Nova Steel and Welded Tube participated in the expiry review investigation and provided ERQ responses with limited financial information. Another Canadian producer, Atlantic Tube, provided a very limited ERQ response. Three importers, Boart Longyear, Modatek and Iris, and one exporter, Maruichi, also participated in the expiry review investigation and provided ERQ responses.

[51] Case briefs were received from counsel on behalf of Atlas Tube and Welded Tube. No other case briefs were received by the CBSA from any other parties notified by the CBSA at the initiation of the expiry review investigation, and no interested parties submitted reply submissions.

²⁸ Exhibits 39 (NC) – Canadian Market and Enforcement Table (Final).

INFORMATION CONSIDERED BY THE CBSA

Administrative Record

[52] The information considered by the CBSA for purposes of this expiry review investigation is contained in the administrative record. The administrative record includes the information on the CBSA's exhibit listing, which is comprised of the CITT's administrative record relating to the initiation of the expiry review investigation, the CBSA's exhibits and information submitted by interested parties, including information which the interested parties feel is relevant to the decision as to whether dumping is likely to continue or resume if the CITT order is rescinded. This information may consist of expert analysts' reports, excerpts from trade magazines and newspapers, orders and findings issued by authorities of Canada or of a 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.

[53] For purposes of an expiry review investigation, the CBSA sets a date after which no new information submitted by interested parties may be placed on the administrative record or considered as part of the CBSA's investigation. This is referred to as the "closing of the record date" and is set to allow participants time to prepare their case briefs and reply submissions based on the information that is on the administrative record as of the closing of the record date. For this expiry review investigation, the administrative record closed on February 11, 2019.

POSITION OF THE PARTIES – DUMPING

Parties Contending that Continued or Resumed Dumping is Likely

[54] The participating Canadian producers, namely, Atlas Tube, Welded Tube and Nova Steel, made representations in their ERQ responses and (in the case of Atlas Tube and Welded Tube) in their case briefs, supporting their position that dumping of HSS from the subject countries is likely to continue or resume should the CITT's order expire. Therefore, they argued that the anti-dumping measures should remain in place.

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

- The commodity nature of the goods makes source switching easy and facilitates dumping;²⁹
- South Korea and Turkey are amongst the world's largest producers and exporters of welded pipe and tube and are highly leveraged to export markets;³⁰
- The lack of subject imports during the POR is evidence of an inability to compete at non-dumped prices;³¹
- Subject imports cannot compete with non-subject import sources without dumping;³²
- South Korea and Turkey have a clear and sustained commercial presence in Canada for pipe and tube products;³³
- Anti-dumping measures in place in Canada and other jurisdictions on steel tubular goods against South Korea and Turkey demonstrate a propensity to dump;³⁴
- The Canadian market is attractive given current demand and pricing;³⁵ and
- The impact of recent trade measures in the United States and the European Union on steel products will cause diversion of goods to Canada.³⁶

The commodity nature of the goods makes source switching easy and facilitates dumping

[56] The Canadian producers cited the interchangeability of HSS made globally as a reason why dumping is likely. Statements from the CBSA and the CITT in previous proceedings related to HSS were cited as support for the position that the subject goods are essentially commodity products, manufactured in a similar fashion to international specifications, anywhere they are made.

[57] In the last expiry review, the CITT re-iterated this position from the 2008 expiry review by stating:

“HSS is a commodity product and that price is the primary factor driving the purchasing decision.’ The Tribunal continues to be of this view and considers that the subject goods from Korea and Turkey would compete in the Canadian market with the like goods and other imported HSS largely on the basis of price.”³⁷

[58] Consequently, the Canadian producers stated that the commodity nature of structural tubing means that subject goods would compete with other imports in the Canadian market largely on the basis of price.³⁸

²⁹ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 51.

³⁰ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 27.

³¹ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 38-39.

³² Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 75-76.

³³ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 29.

³⁴ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 78-81, 92.

³⁵ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 18.

³⁶ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraphs 21-25.

³⁷ Exhibit 2 (NC) – CITT Order and Reasons, Expiry Review No. RR-2013-001, paragraph 119.

³⁸ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 51.

[59] The Canadian producers cited current pricing in the Canadian market from non-subject sources to support the argument that in order for South Korea and Turkey to compete with these prices they would need to dump.³⁹

South Korea and Turkey are amongst the world's largest producers and exporters of welded pipe and tube and are highly leveraged to export markets

[60] The Canadian producers argued that the production volume and relative weak domestic demand in both South Korea and Turkey will compel producers in those countries to increasingly lean on exports.

[61] The Canadian producers argued that significant excess steel-making capacity has been a longstanding and serious problem in South Korea and Turkey and these steel producers will continue to rely heavily on export markets to maintain their production levels.⁴⁰ The Canadian producers did not cite any recent figures in regards to production and demand for HSS in either country's domestic market in support of these arguments. Many citations in respect of weak domestic demand, export dependence and excess capacity, referenced statements made at the 2013 expiry review, and it was alleged that the situation remains unchanged.⁴¹

[62] The Canadian producers emphasized the scale of South Korea's export orientation with reference to the 15.3 million metric tonnes (MMT) of steel they exported in the first half of 2018, 1.2 MMT of which was pipe and tube products destined for the United States, which represented over half of their exports for that product segment. Over that same period, Canada was identified as the second largest South Korean market for pipe and tube.⁴²

[63] Similarly, Atlas Tube and Welded Tube emphasized the scale of Turkey's pipe and tube business, ranking fifth in the world in 2017 and noted that the segment accounted for almost 1.8 MMT in exports. Atlas Tube and Welded Tube also noted that Canada is consistently one of Turkey's top steel export markets and emphasized that "with the US market closed by the Trump steel surcharges, exports to Canada grew by 77% in 2018 ytd."

The lack of subject imports during the POR is evidence of an inability to compete at non-dumped prices

[64] The Canadian producers noted that there were virtually no imports of subject goods during the POR. The Canadian producers cited this as evidence that exporters of subject goods cannot compete in the Canadian market without dumping.⁴³

[65] The Canadian producers also cited the CBSA's 2013 expiry review decision where the "inability to compete in the Canadian market at non-dumped prices" was listed as a factor used by the CBSA to support the determination that the continuation or resumption of dumping was likely in absence of the CITT order.⁴⁴

³⁹ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 64-68.

⁴⁰ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 37.

⁴¹ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 39.

⁴² Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraphs 31-33; International Trade Administration Global Steel Trade Monitor, Steel Exports Report: South Korea (September 2018)

⁴³ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 9.

⁴⁴ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 61.

Subject imports cannot compete with non-subject import sources without dumping

[66] The Canadian producers cited information on the record regarding HSS pricing from non-subject sources into Canada. They alleged these prices are below what an exporter could sell for and still make a profit and are consequently dumped.

[67] Atlas Tube and Welded Tube referenced recent prices of HSS imports into Canada from non-subject sources at around \$1,000 CAD/MT. Given current market prices of HRC the Canadian producers argued that it would not be possible for exporters in South Korea and Turkey to convert HRC to HSS and sell subject goods into Canada at a non-dumped price, since they would have to compete with the non-subject sources selling at around \$1,000 CAD/MT.⁴⁵ Atlas Tube and Welded Tube did not provide any analysis on the costs of converting HRC to HSS to support their statement.⁴⁶

South Korea and Turkey have a clear and sustained commercial presence in Canada for pipe and tube products

[68] Canada's recent anti-dumping investigations concerning tube and pipe products from both South Korea and Turkey were cited by the Canadian producers as evidence of the sustained commercial presence these countries have in Canada for these products.⁴⁷

[69] The Canadian producers alleged that this “demonstrates that Korea and Turkey have maintained commercial relationships with traders and have well established distribution networks which could facilitate the importation of the subject goods into Canada if the order is rescinded.”⁴⁸

Anti-dumping measures in place in Canada and other jurisdictions on steel tubular goods against South Korea and Turkey demonstrates a propensity to dump

[70] The Canadian producers noted similarities between the production of HSS and other welded tube and pipe products, such as CSWP and alleged that Canadian dumping measures against South Korea and Turkey for these goods is evidence that HSS is likely to be dumped if the present anti-dumping order is rescinded.

[71] The similarity between HSS and other welded tube products was also cited for the ease in which equipment used to produce other welded tube can be switched to manufacturing HSS. In referencing the CBSA's decision in the 2013 expiry review, Atlas Tube and Welded Tube stated that:

“This interchangeability provides South Korean and Turkish producers of HSS a HIGH degree of flexibility to manipulate their product mix in order to maximize profits.”⁴⁹

⁴⁵ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 73-76.

⁴⁶ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 75.

⁴⁷ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 84, 85 and 100.

⁴⁸ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 100.

⁴⁹ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 81. **Note:** the word “HIGH” was not in the CBSA determination from 2013 (paragraph 78) but was added for emphasis in these case arguments.

[72] Atlas Tube and Welded tube also provided reference to a list of anti-dumping measures in place with respect to HSS, other tubular steel products and steel products in general, in both South Korea and Turkey, to support their position that each of these countries regularly dump their steel, including welded tubular products.⁵⁰

The Canadian market is attractive given current demand and pricing

[73] The information on the record from Canadian producers affirmed that the Canadian market for HSS is strong and business in 2018 was very good.⁵¹

[74] The strength of the Canadian market was supported by the financial results provided by the Canadian producers which demonstrated that each successive period in the POR was better than the previous, culminating with the January – October 2018 period. This data was replicated in **Tables 1** and **2** of this *Statement of Reasons*.⁵²

[75] Atlas Tube and Welded Tube stated that “current forecasts are for improved growth in non-residential construction and capital expenditures for 2018-2019. This also signals improved HSS demand going forward.”⁵³

[76] Atlas Tube and Welded Tube summarized their view that where the price spread is sufficiently attractive, purchasers will turn to imports instead of domestic goods and thus the strength of the Canadian market will attract dumped imports from South Korea and Turkey in the event that the order is rescinded.⁵⁴

The impact of recent trade measures in the United States and European Union on steel products will cause diversion of goods to Canada

[77] The Canadian producers cited the United States tariff and European safeguard measures as putting enormous pressure on both South Korea and Turkey to find new or expand existing export markets for their HSS. The Canadian producers argued in particular that the recent 25% tariffs imposed in the United States on world steel imports will divert subject imports into Canada.⁵⁵

⁵⁰ Exhibit 43 (NC) – Close of record documents, Atlas Tube: Tab 20. S&P Global Platts “Trade Case Status Report” (Volume 6, Issue 27, February 8, 2019), pages 10-16; Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 86 – 92.

⁵¹ Exhibit 40 (NC) – Response to Canadian producer ERQ – Atlantic Tube, Question 22.

⁵² Exhibit 39 (NC) – Canadian Market and Enforcement Table (Final).

⁵³ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube, paragraph 18.

⁵⁴ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube, paragraph 60.

⁵⁵ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube, paragraphs 37 and 48.

[78] Turkey was also specifically referenced given the increased tariffs on aluminum (20%) and steel (50%) aiming to restrict their imports into the United States. The Canadian producers cited a report which supported their view that:

“under a higher level of tariffs, Turkey will continue to lose American customers, once its most important steel market. The new tariffs won’t push Turkish steelmakers out of business, but force them to find new markets...”⁵⁶

[79] The Canadian producers also cited changes to the US-Korea Free Trade Agreement (KORUS) which removed the 25% surcharges on South Korean exports of steel. In return for the removal of the surcharges, South Korea agreed to limit steel shipments to the United States to about 2.68 MMT per year, or 70% of the annual average over the last number of years. The Canadian producers argued that this development will compel South Korean pipe and tube makers, including HSS producers, which are highly dependent on exports, to find alternative markets to compensate for this reduced access to the United States, the world’s largest and most profitable market for their exports.⁵⁷

[80] The European Union (EU) imposed definitive safeguard measures on January 2, 2019, including HSS, which the Canadian producers cited as response to diverted goods from the tariff measures imposed in the United States noted above. The Canadian producers cited the EU announcement of the safeguards, which stated:

“...imports of steel products into the EU increased significantly in the last years and that these imports are likely to increase further. This situation was aggravated by the trade diversion resulting from the US restrictive measures on steel taken under Section 232.”⁵⁸

[81] The Canadian producers argued that the American and European measures have had “major international repercussions, forcing diversion of large volumes of steel products onto world markets, looking for a landing place in any available open economy.”⁵⁹

[82] The Canadian producers cited data on the record which indicated that HSS imports from non-subject and non-American sources increased from 86,000 MT in the first 10 months of 2017 to 119,000 MT in the same period in 2018. They argued that this demonstrates the divertive impact these trade measures have had on the global HSS market and that without the current SIMA measures in place, HSS from South Korea and Turkey will follow the same pattern and return to the Canadian market, undisciplined by any price constraints.⁶⁰

Parties Contending that Continued or Resumed Dumping is Unlikely

[83] None of the parties contended that resumed or continued dumping of subject goods from either South Korea or Turkey is unlikely should the CITT’s order be rescinded.

⁵⁶ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube: “Trump’s Turkey Steel War is Set to Change Trade Flows,” August 16, 2018 (www.Bloomberg.com).

⁵⁷ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 44-45.

⁵⁸ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraphs 8-9.

⁵⁹ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 11.

⁶⁰ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 13.

CONSIDERATION AND ANALYSIS – LIKELIHOOD OF CONTINUED OR RESUMED DUMPING

[84] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the order is likely to result in the continuation or resumption of dumping of the goods, the CBSA may consider factors identified in subsection 37.2(1) of the SIMR.

[85] Before presenting the specific analysis with respect to South Korea and Turkey concerning the likelihood of continued or resumed dumping in absence of the CITT's order, there are certain issues that relate to the goods on a broader scale which are addressed as follows:

- substitutability of HSS;
- capital intensive nature of steel production;
- steel market development and trends;
- tariffs and safeguard measures on steel imports and diversion of HSS into Canada;
- HRC pricing trends and impact on HSS;
- attraction of the Canadian market; and
- activities of other major exporting countries

Substitutability of HSS

[86] The significant number of anti-dumping measures involving steel products, both in Canada and other jurisdictions, are in large part related to the very nature of the products and the industry. The factors that relate to the nature of the product include the substitutability of steel made to international specifications, as well as the capital-intensive nature of steel production. The combined effects of these characteristics can have a significant impact on pricing.

[87] Generally speaking, like many steel products, HSS produced to an international specification in a given country is physically interchangeable with what is 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 means that HSS must compete in markets that are extremely price sensitive, where price is one of the primary factors affecting purchasing decisions. 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.

[88] This commodity nature of HSS has been consistently confirmed by the CITT in each of the previous two expiry reviews on HSS as well. In the most recent expiry review in 2013, the CITT stated:

“HSS is a commodity product and that price is the primary factor driving the purchasing decision...the subject goods from Korea and Turkey would compete in the Canadian market with the like goods and other imported HSS largely on the basis of price.”⁶¹

⁶¹ Exhibit 2 (NC) – CITT Order and Reasons, Expiry Review No. RR-2013-001; December 20, 2013, paragraph 119.

[89] Given the substitutability and the commodity nature of HSS, when anti-dumping measures are put in place against a particular source, other sources of HSS emerge. This is evident from the number of measures in Canada, both historically and currently, with respect to HSS and other welded tube products (i.e. standard pipe, line pipe, CSWP).

[90] Furthermore, the equipment used to produce other welded tubular steel products could also be used to produce HSS. This was noted in the previous expiry review where testimony before the CITT stated:

“HSS can be produced on the same equipment as standard pipe. Therefore, it would be relatively easy to add certain volumes of HSS to the shipments of standard pipe already coming in, especially since both types of product are sold to the same customers and distributors.”⁶²

[91] Furthermore, the CITT also noted in the initial expiry review that:

“The Tribunal notes that the evidence illustrates that producers in Korea and Turkey have the ability to switch production from circular mechanical tubing to LWR pipe and tube.”⁶³

[92] The ability for a foreign producer to manufacture subject goods at facilities that produce other welded pipe and tube is significant. It affords the producer the flexibility to easily switch production to subject goods when market conditions are favorable to do so.

[93] Given the trade measures against tubular products originating in the subject countries identified later in this report, the absence of the CITT order on HSS would provide a clear opportunity to capitalize on this flexibility as the trade restrictions make exports of other welded tubular products more difficult.

Capital-intensive nature of steel production

[94] As is the case for steel production in general, steel mills are capital-intensive operations, with high fixed costs. In order to recover fixed expenses, steel mills must run at high levels of capacity utilization. When home market demand drops, producers will search out foreign markets to maintain capacity utilization to ensure that these fixed costs are recovered.

[95] This is often referred to as the “economics of steel production.” This characteristic is particularly important when there are conditions of excess capacity, as a producer may find it more feasible to sell production it cannot sell domestically in foreign markets at depressed and even dumped prices rather than reduce production, as long as the producer’s variable costs are recovered.

⁶² Exhibit 2 (NC) – CITT Order and Reasons, Expiry Review No. RR-2013-001; December 20, 2013, paragraph 97.

⁶³ Exhibit 27 (NC) – CITT Expiry Review Order and Reasons, No. RR-2008-001, page 15, paragraph 79.

*Steel market developments and trends*⁶⁴

[96] According to the World Steel Association (WSA), the monthly world production of crude steel was over 150 MMT in 2018. The WSA report illustrates how crude steel production has essentially grown every year for the last decade. Roughly a decade earlier, in 2009, monthly crude steel production was below 90 MMT. As of August 2018, China's share of this monthly output was by far the largest of any country in the world at just over 53%. By comparison, the combined 28 EU countries rank second at only 8.2%. South Korea's share was 4% and Turkey does not make the WSA list.⁶⁵

[97] China continues to be not only the world's largest supplier by a wide margin, but also a country that continues to *increase* its share of world supply.

[98] Furthermore, at mid-year 2018, analysis on the record of the global steel industry acknowledged the uptick in Chinese steel production but cited the offset to that from the "cyclical upturn in steel demand and strong economic momentum across advanced and developing economies."⁶⁶

[99] That said, information on the record also indicates that China may see areas of production cuts as the government clamps down on environmental regulations:

"China expects to reduce steel exports as country [*sic*] shuts more plants this winter. Chinese Ministry of Ecology and Environment has drafted a new environmental plan in July for Changzhou, home to steel mills and steel processing firms. More than 400 companies in Changzhou will have to enforce the production cuts (with varying rates)."⁶⁷

[100] While threats of excess supply and unused steel-making capacity are persistent concerns for the steel industry, information on the record indicates there is a strong foreseeable future in the global steel trade⁶⁸ and that global steel demand "is booming."⁶⁹

[101] With the general view that the global steel trade is faring well, it is likely that significant production volumes will continue as producers look to take advantage of prices closer to the upper-end of the cycle before the world market begins its downturn. The downturn in the cycle may come faster given the trade measures imposed in the United States and the European Union discussed in the section below.

⁶⁴ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 9.

Organisation for Economic Cooperation and Development (OECD) Steel Market Developments Q-4 2018 Report (45 pages).

⁶⁵ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube. USITA Steel Industry Executive Summary: October 2018, pages 8-10.

⁶⁶ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube. Nasdaq.com article (via Zacks.com) "Global Steel Production Up as China Churns Out Record Output," page 2; August 30, 2018.

⁶⁷ Exhibit 43 (NC) – Close of record documents, Atlas Tube: Tab 16. Article: "Turkish Steel Exports Increased 27% in 2018," <https://tufaniron.com/turkish-steel-exports-increased/>.

⁶⁸ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube. Nasdaq.com article (via Zacks.com) "Global Steel Production Up as China Churns Out Record Output," August 30, 2018.

⁶⁹ Exhibit 43 (NC) – Close of record documents, Atlas Tube: Tab 16. Article: "Turkish Steel Exports Increased 27% in 2018," <https://tufaniron.com/turkish-steel-exports-increased/>.

Tariffs and safeguard measures on steel imports and diversion of HSS into Canada

[102] On March 8, 2018, the United States issued a proclamation regulating imports of steel into the United States under section 232 of the US Trade Expansion Act of 1962, imposing tariffs of 25% on imports of steel into the United States.⁷⁰ The tariff against Turkey was later increased to 50%.⁷¹

[103] South Korea subsequently negotiated changes to the US-Korea Free Trade Agreement (KORUS), which removed the surcharges and imposed a quota on South Korean exports of steel to the United States to about 2.7 MMT per year, or 70% of the recent annual average. Quotas which restrict exports from South Korea to the United States to levels this far below pre-quota levels will likely result in diversion of those exports to other markets.⁷²

[104] These section 232 measures created a ripple effect as the EU also announced their own provisional tariff measures on July 19, 2018 to address the reality of goods being diverted from the United States.⁷³

[105] The EU later replaced the provisional tariffs with definitive safeguard measures effective February 2, 2019. HSS is specifically covered under Item 21 of those measures and Turkey is subject to a tariff rate quota system for HSS.⁷⁴

[106] Divergence of exports was a key rationale for the EU's definitive safeguard measures. In its official release, the European Commission stated:

“This investigation showed that imports of steel products into the EU have been increasing sharply. This is seriously threatening EU steelmakers, who are still in a fragile position due to persistent overcapacity in the global steel market and an unparalleled number of unfair trade practices by certain trading partners. The restrictions on the US market caused by the Section 232 tariffs on steel are causing a diversion of trade flows into the EU.”⁷⁵

[107] In response to the United States' imposition of a 25% tariff against steel imports, including those originating in Canada, Canada imposed its own 25% surtax on imports of steel products from the United States to Canada, effective July 1, 2018.

⁷⁰ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube; United States Department of Homeland Security Website: “Section 232 Tariffs on Aluminum and Steel Duty on Imports of Steel and Aluminum Articles under Section 232 of the Trade Expansion Act of 1962.”

⁷¹ Exhibit 23 (NC) – Response to Producer ERQ (Article in Attachment to CITT) – Atlas Tube: “Trump’s Turkey Steel War is Set to Change Trade Flows,” August 16, 2018 (www.Bloomberg.com).

⁷² Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 8; “Reuters Online: “U.S., South Korea revise trade deal, Korean steel faces quota,” March 25, 2018.

⁷³ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube; News Article: “Commission imposes provisional safeguard measures on imports of steel products,” July 18, 2018.

⁷⁴ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tabs 10 and 11. “European Commission Press Release: “Commission imposes definitive safeguard measures on imports of steel products,” February 1, 2019; EUROPEAN COMMISSION IMPLEMENTING REGULATION (EU) 2019/159 of 31 January 2019 imposing definitive safeguard measures against imports of certain steel products; Office Journal of the European Union, 48 pages.

⁷⁵ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 11. European Commission Press Release: “Commission imposes definitive safeguard measures on imports of steel products,” February 1, 2019.

[108] Furthermore, with the threat of divergence of exports from the United States to Canada given their tariffs, the Government of Canada imposed provisional safeguards in the form of tariff rate quotas (TRQs) on seven classes of steel goods. The provisional safeguards took effect on October 25, 2018. The TRQs are administered by Global Affairs Canada by way of shipment-specific imports permits. On April 3, 2019 the CITT recommended that final safeguards only should be applied on two classes of steel goods. Goods that are not covered by a valid import permit at time of accounting are subject to a twenty-five percent surtax.⁷⁶ On May 13, 2019, final safeguard measures were imposed on the importation of certain steel goods.⁷⁷ HSS is not included in any of the categories covered by these provisional measures.

[109] Due to the geographic proximity of the United States to Canada and the size of the American market for steel, compounded with the effect of European safeguard measures against HSS imports and the demand for HSS in Canada, the imposition of these measures will likely cause HSS to be diverted to Canada and price pressures already created by existing non-subject sources noted earlier in this report by the Canadian producers are likely to result in dumping.

Hot-rolled coil (HRC) pricing trends and impact on HSS

[110] The information on the record indicates that HRC prices declined in world markets in the months leading up to the close of the record. Similarly, the record indicates that trends in HRC pricing dictate similar trends in HSS pricing.

[111] HRC is the principle raw material input in the production of HSS and is by far the largest cost component to finished HSS. Consequently, changes in HRC prices have a direct effect on HSS costs, which are subsequently reflected in selling prices as well.

[112] In the previous HSS expiry review, the CITT confirmed this correlation, as increased costs of HRC resulted in increased prices of HSS in the Canadian market. In that review, the CITT found that prices of HSS had risen from \$888 CAD/MT to \$990 CAD/MT as HRC costs rose from \$676 CAD/MT to \$730 CAD/MT over the same period. Using these figures, HRC represented roughly 75% of the selling price of HSS.⁷⁸

[113] The Canadian producers confirmed the correlation between prices of HRC and HSS in their submissions in this expiry review as well.⁷⁹

[114] Steel trade publications report HRC pricing more widely than HSS pricing and consequently, the record contains more information on HRC pricing than for HSS. Using the price of HRC, reasonable estimates can be made of HSS prices, in absence of actual price data.

[115] Information on the record indicates that in October 2018, world prices of HRC ranged from \$528 US/MT (FOB Black Sea) to \$926 US/MT (Ex-works Indiana, USA).⁸⁰

⁷⁶ <https://www.international.gc.ca/controls-controles/steel-acier/notices-avis/911.aspx?lang=eng>

⁷⁷ <https://www.cbsa-asfc.gc.ca/publications/cn-ad/cn19-08-eng.html>

⁷⁸ Exhibit 2 (NC) – CITT Order and Reasons, Expiry Review No. RR-2013-001; December 20, 2013, paras 129-130.

⁷⁹ Exhibit 19 (NC) – Response to Producer ERQ – Nova Steel, Question 22; Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 81.

⁸⁰ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube; S&P Global Platts Steel price Report (Volume 5, Issue 194, October 8, 2018). **Note:** Platts report stated \$840 USD per short tonne (i.e. 2,000 lbs). Convert short/net tonnes to metric tonnes = 840/0.90719 = \$926 US/MT.

[116] By January 2019, however, reports indicated that HRC prices in the United States had fallen to just over \$800 US/MT,⁸¹ while Turkish domestic prices of HRC were reportedly around \$520 US/MT ex-works and export prices at a similar \$515 US/MT FOB.⁸²

[117] Other European and Russian HRC pricing in early 2019 ranged from roughly \$460 - \$540 US/MT.⁸³

[118] Due to the protected nature of other pricing information on the administrative record, it cannot be disclosed in this *Statement of Reasons*; however, the data indicates that the spread between HRC prices in the United States and European/Asian prices, including Turkish prices, are clearly wide. The number of anti-dumping measures (and now tariffs) the United States has, in respect of HRC, helps insulate its price from more competitive world pricing.

[119] The trend analysis leading up to the close of the record indicates that prices are dropping world-wide for HRC and that will impact the return on HSS as well, given the influence that HRC has on HSS pricing. With market prices dropping, additional pressures to sell will be felt across markets as producers/exporters try to capitalize on pricing while the market is still relatively high.

Attraction of the Canadian Market

[120] The downward movement in HRC and its impact on HSS pricing will make higher priced markets much more attractive as they have a larger buffer for downward price movements before hitting a level of non-profitability. Such is the case with the North American HSS market.

[121] Information on the administrative record, which is protected and thus cannot be disclosed in this *Statement of Reasons*, indicates that Canadian HSS pricing tracks closely with prices reported in the United States.

[122] The downward movement in HSS prices seen in the United States was attributed to similar downward movements in prices of HRC and a growth of HSS inventories. Nonetheless, HSS prices in North America are still well above those in other world markets.

[123] European prices of HSS were fairly stable from the end of Q3-2018, through the beginning of 2019.⁸⁴ The reported HRC pricing in Europe and Asia fits closely with earlier analysis which indicated that HRC was previously found to account for roughly 75% of the price of HSS in Canada. While not a static ratio, the reference point of HRC prices is a reasonable guideline to estimate HSS prices.

⁸¹ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 7. Steel Benchmark Pricing for Hot-Rolled Band – January 2019.

⁸² Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 20. S&P Global Platts “Steel Price Report” (Volume 6, Issue 27, February 8, 2019), page 2.

⁸³ Exhibit 43 (NC) – Close of record documents, Tube: Tab 20. S&P Global Platts “Steel Price Report” (Volume 6, Issue 27, February 8, 2019), page 2. **Note:** quoted figures adjusted for Euro to USD where necessary.

⁸⁴ Exhibit 36 (PRO) – Additional CBSA Research and Reference Material: Tab 2. MBR prices chart: EU domestic hollow sections prices per tonne – Northern and Southern Europe.

[124] In spite of the lack of specific information on HSS pricing in South Korea and Turkey, given how closely HSS pricing tracks HRC pricing, it is clear that the North American market enjoys a premium selling price over other world markets for HSS. This is evident from the disparity in North American HRC pricing with other world markets. This is reinforced with the comparison between HSS in the United States versus Europe and Asia using information on the protected administrative record.

[125] Given the significant price premium for HSS in the North American market versus other market pricing available, it is clear that exporters will continue to have a strong interest in the Canadian market, particularly since options have become limited with the recent trade measures both in the United States and Europe.

[126] It is thus reasonable to expect that this interest in the Canadian market will continue to fuel the downward pressure on pricing as those goods compete with the pricing established by non-subject import sources.

Activities of Other Major Exporting Countries

[127] Canada has anti-dumping measures against numerous steel products from China but has no anti-dumping measures against China for HSS. Exports of HSS to Canada from China during the POR were in fact small enough to not be specifically referenced in **Tables 1** and **2** of this *Statement of Reasons*. The United States is the only major exporting country of HSS to Canada, accounting for well over half of all HSS exports to Canada over the POR.

[128] Global Affairs import permit data cited by Canadian producers, Atlas Tube and Welded tube, identified other Asian countries with HSS exports (under tariff code 7306.61.00.10, which is non-circular and thus specific to the subject goods) at around \$1,000 CAD/MT covering the period of January to November 2018.⁸⁵ The same Global Affairs import permit data, however, indicates that over the same period, 80,286 MT was exported to Canada under this tariff code and 61,636 MT of this tonnage came from the United States at an average price of \$1,438 CAD/MT, thus accounting for 77% of total imports. This price point is reflective of other protected information on the record, which indicates that during the period leading up to the closing of the record, prices in the US market were in a similar range cited by the Canadian producers.⁸⁶

[129] China, conversely, exported only 2,202 MT over the same period under this tariff code, while maintaining a selling price of \$1,321 CAD/MT according to the Global Affairs import permit data.⁸⁷ However, the rather small tonnage renders it difficult to draw any significant inferences from the data, other than China's apparent lack of interest in the Canadian market for HSS over the period.

⁸⁵ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 80; Global Affairs Import Permit Data, 7306.61.00.10: Of iron or non-alloy steel: Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel. Other, welded, of non-circular cross-section: Of square or rectangular cross-section – Of iron or non-alloy steel.

⁸⁶ Using exchange rate of 1.35 and converting USD per net ton to USD per metric tonne by $1,040/0.90719 = \$1,146 \text{ US/MT} \times 1.35 = \$1,548 \text{ CAD/MT}$.

⁸⁷ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 80; Global Affairs Import Permit Data, 7306.61.00.10: Of iron or non-alloy steel: Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel. Other, welded, of non-circular cross-section: Of square or rectangular cross-section – Of iron or non-alloy steel.

[130] However, given China's history with dumping welded pipe products into Canada (i.e. Oil Country Tubular Goods (OCTG), standard pipe, line pipe, CSWP), the aforementioned trade restrictions in the United States and Europe and the foreseeable negative impact on welded pipe product pricing from downward movements in HRC prices, it would seem likely that China will become a more prominent player in the Canadian market as its other welded pipe products become more difficult to sell.

[131] With China's history of aggressively pricing other welded pipe products exported to Canada, it is likely that Chinese HSS would compete directly with other current non-subject sources of HSS, including large volume suppliers cited by the Canadian producers, such as the Philippines and Vietnam and drive the prevailing offshore export price down even further.⁸⁸

[132] As noted by the Canadian producers, given that the import permit data reveals that many non-subject country offshore sources are already substantially undercutting the Canadian producers' pricing in Canada, driving that price down further would only increase the likelihood that competing prices from South Korea and Turkey would have to be dumped.

[133] The following country specific analysis of the likelihood of continued or resumed dumping begins with South Korea followed by Turkey.

South Korea

[134] As noted previously, the CBSA did not receive any ERQ responses, case briefs, or reply submissions from exporters in South Korea. The CBSA, therefore, relied on information submitted from participating parties, as well as other information on the administrative record, for the purposes of the expiry review investigation with respect to South Korea.

[135] Guided by the factors in the SIMR and based on the documentation on the administrative record, the following list represents a summary of the CBSA's analysis conducted in this expiry review investigation:

- South Korean producers are highly leveraged to export markets;
- South Korean producers inability to sell HSS in Canada at non-dumped prices;
- CBSA anti-dumping measures concerning South Korea;
- other country anti-dumping measures concerning South Korean HSS; and
- dumping in other markets of other products.

⁸⁸ Exhibit 44 (NC) – Case Arguments – Atlas and Welded Tube, paragraph 68.

South Korean Steel Industry

[136] Information on the administrative record indicates that South Korean steel production is dominated by three companies, which account for 95% of the tonnage produced in South Korea. These companies are:

- POSCO;
- Hyundai Steel Company; and
- Dongkuk Steel Mill Co., Ltd.⁸⁹

[137] The Korean Iron & Steel Association (KOSA) also confirms that these producers are the major producers of “sections” in South Korea.⁹⁰

[138] Producers in South Korea have chosen not to participate in any of the CBSA proceedings related to the current measures on HSS, including the original dumping investigation in 2003, the two previous re-investigations concluded in January 2008⁹¹ and March 2011 respectively,⁹² and the previous (2008, 2013) and current expiry review investigations.

[139] In the absence of participation from South Korea, it is uncertain as to which producers are currently capable and active in producing the subject goods.

[140] In their 2016 investigation, the United States International Trade Commission (USITC) identified the two primary producers of HSS products⁹³ in South Korea as Dong-A Steel and Histeel.⁹⁴

[141] Those companies currently have dumping rates in the United States of 2.34 and 3.82% respectively. “All other exporters” have a 3.24% dumping rate.⁹⁵

[142] Information on the record indicates that the South Korean steel market is struggling, due in part to downturns in major industries using steel, such as automobile and shipbuilding, and also increases in protectionist trade measures worldwide.⁹⁶

⁸⁹ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 1. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: South Korea (September 2018), page 6.

⁹⁰ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 5. Korean Iron & Steel Association (KOSA) website. www.kosa.or.kr/sub/eng/member/member_product_list.jsp.

⁹¹ Exhibit 41 (NC) – CBSA *Statement of Reasons* – HSS Expiry Review August 22, 2008, p. 13.

⁹² Exhibit 25 (NC) – Notice of Conclusion of Reinvestigation, March 11, 2011.

⁹³ The investigation name concerned “heavy walled rectangular tubulars.” The product description on page I-12 confirmed that these are commonly referred to as “hollow structural sections.”

⁹⁴ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 13. USITC Final Determination – Heavy walled rectangular welded carbon steel pipes and tubes from Korea, Mexico, and Turkey; Investigation Nos. 701-TA-539 and 731-TA-1280-1282 (Final), September 2016, page VII-3.

⁹⁵ Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 21. Preston Tube & Pipe Report, page 27 of 39; January 2019.

⁹⁶ Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 10. Business Korea article: “South Korean Gov’t Plans to Inject 300 Bill. Won for Steel Industry Innovation,” October 25, 2018.

[143] The automobile sector's decline is in part attributable to the tariffs imposed by the United States on imports of cars from South Korea.⁹⁷

[144] Information on the record also reported "a sluggish construction investment, which accounts for a substantial part of domestic steel demand" in South Korea.⁹⁸ This is particularly relevant for HSS, which has substantial usage in the construction sector.

[145] With stagnant demand in recent years and projections for negative growth within the South Korean steel sector, the government plans to inject 300 billion won (approx. \$265 million USD) of emergency funds into the industry over a five-year period to help with industry innovation.⁹⁹

[146] The financial response from the government of South Korea underscores the competitive challenges the South Korean steel industry has had and foresees in the near future, thereby increasing the value that available export markets have to these producers.

South Korean producers are highly leveraged to export markets

[147] Since 2011, South Korea's steel production has outpaced apparent domestic consumption. In the first half of 2018, South Korea produced 36.1 MMT of steel while apparent consumption was 28.3 MMT. The country's export share of production is consistently in the range of 43-45% each year.¹⁰⁰

[148] According to information on the record, South Korea is the world's fourth-largest steel exporter. Through the first half of 2018, South Korea reportedly exported 15.3 MMT of steel, the majority of which (72%) were flat products (i.e. plate, sheet). 8% of these exports were reportedly in the pipe and tube category which would include the subject goods.

[149] China remains South Korea's largest export market accounting for 1.9 MMT or 12% of its steel exports in the first half of 2018. The United States had been another of South Korea's largest steel export markets but that changed dramatically in the first half of 2018 as exports declined by 27%, representing 1.3 MMT or 9% of South Korean steel exports. This was largely attributable to the shock triggered by the section 232 tariffs in the United States in early 2018. Nonetheless, the United States did account for the largest share of South Korea's pipe and tube exports at a reported 53% or 621,000 MT in the first half of 2018. Canada was a distant second at roughly 100,000 MT.¹⁰¹

⁹⁷ Exhibit 43 (NC) – Close of record documents, Atlas Tube: Tab 11. Business Korea article: "South Korea Steel Companies Going Through Tough Times," July 24, 2018.

⁹⁸ Exhibit 43 (NC) – Close of record documents, Atlas Tube: Tab 10. Business Korea article: "South Korean Gov't Plans to Inject 300 Bill. Won for Steel Industry Innovation," October 25, 2018.

⁹⁹ Exhibit 43 (NC) – Close of record documents, Atlas Tube: Tab 10. Business Korea article: "South Korean Gov't Plans to Inject 300 Bill. Won for Steel Industry Innovation," October 25, 2018.

¹⁰⁰ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 1. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: South Korea (September 2018), page 6.

¹⁰¹ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 1. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: South Korea (September 2018), pages 1-4.

[150] Through the first half of 2018, other markets saw dramatic increases in steel exports from South Korea, including Italy (+46%), Malaysia (+40%), India (+31%), Vietnam (+22%) and Thailand (+19%).¹⁰²

[151] The information on the record clearly indicates that South Korea continues to be highly reliant on export markets for its steel products. The increase in sales to other markets in response to the market shock and restricted access created by the section 232 tariffs (subsequently mitigated by the amended KORUS agreement) is evidence of the South Korean exporters' ability to significantly switch market focus, in response to changes in circumstances.

[152] Canada is already a significant export destination for South Korean pipe and tube exports. The restricted access to the US market under the KORUS quotas is likely to enhance the attraction of Canada's market in absence of the CITT order for HSS, in the same way South Korea increased its exports of overall steel products in 2018 to the markets noted above.

Inability to sell HSS in Canada at non-dumped prices

[153] As seen in the "Canadian Market" section of this *Statement of Reasons*, import volumes of subject goods from South Korea were virtually non-existent during the POR. Since the inception of the original finding, South Korean producers have not demonstrated an ability to compete at non-dumped prices.

[154] Pricing on the record indicated that non-subject country sources sold HSS to Canada during the January – October 2018 period at or around \$775 US/MT (\$1,000 CAD/MT).¹⁰³

[155] An analysis of protected pricing information on the record indicates that South Korean exporters of HSS would be unlikely to compete with these non-subject import source HSS prices without dumping.

¹⁰² Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 1. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: South Korea (September 2018), page 3.

¹⁰³ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 80; Global Affairs Import Permit Data, 7306.61.00.10: Of iron or non-alloy steel: Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel. Other, welded, of non-circular cross-section: Of square or rectangular cross-section – Of iron or non-alloy steel. **Note:** Exchange rate estimate of 1.29 is used for this period, using information from Bank of Canada.

CBSA Anti-dumping Measures Concerning South Korea

[156] The CBSA currently has six other anti-dumping measures against Korean steel products, three of which are tubular goods as follows:

- CSWP – 2012;¹⁰⁴
- Concrete Reinforcing Bar (Rebar) – 2014;¹⁰⁵
- OCTG – 2015;¹⁰⁶
- Carbon Steel Line Pipe – 2017;¹⁰⁷
- Cold-Rolled Steel Sheet – 2018;¹⁰⁸ and
- Corrosion-Resistant Steel Sheet – 2019¹⁰⁹

[157] As such, notwithstanding the lack of participation in all proceedings related to the Canadian anti-dumping measures on HSS, exporters in South Korea have continued to have an active – and recent – interest in the Canadian market, including those exporting pipe and tube products, as evidenced by the numerous anti-dumping measures against these products noted above.

Other Country Anti-dumping Measures Concerning South Korean HSS

[158] There are few known anti-dumping measures against South Korea for HSS in other countries.¹¹⁰ One such measure includes a 2016 determination in the United States.¹¹¹

¹⁰⁴ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1396/ad1396-i12-nf-eng.html>.

¹⁰⁵ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1403/ad1403-i14-nf-eng.html>

¹⁰⁶ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1404/ad1404-i14-nf-eng.html>.

¹⁰⁷ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/lp22017/lp22017-nf-eng.html>.

¹⁰⁸ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/crs2018/crs2018-nf-eng.html>.

¹⁰⁹ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cor2018/cor2018-nf-eng.html>.

¹¹⁰ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – S&P Global Platts Steel price Report “Trade Case Report” (Volume 5, Issue 194, October 8, 2018), pages 12-16.

¹¹¹ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 13. USITC Final Determination – Heavy walled rectangular welded carbon steel pipes and tubes from Korea, Mexico, and Turkey; Investigation Nos. 701-TA-539 and 731-TA-1280-1282 (Final), September 2016, page I-12.

[159] With reference to measures in other jurisdictions, the USITC also noted in 2016 determination that:

“Hollow structural sections exported from Korea and Turkey have been subject to antidumping duties in Canada since 2003. ‘Hollow structural sections’ exported from Korea have also been subject to antidumping duties in Australia since 2012.¹¹² Semi-annual reports to the World Trade Organization Committee on Anti-Dumping practice were reviewed and no other orders concerning HWR tubular products from Korea, Mexico or Turkey were found.”

[160] Consequently, while the record does not indicate that there are a large number of anti-dumping measures concerning South Korean HSS in other countries, the fact that one of those measures concerns the United States and is recent is significant, given the size of that market and the proximity of the United States to Canada.

Dumping in Other Markets of Other Products

[161] Outside of Canada, information on the record through the World Trade Organization (WTO) indicates that as of the end of 2017, there were 42 other anti-dumping measures against Korean steel products, with the United States accounting for 14 of these measures.¹¹³

¹¹² Exhibit 5 (NC) – CBSA Research and Reference Material (Day 1), Tab 2. Australian Anti-Dumping Commission on Hollow Structural Sections Exported from the People’s Republic of China, The Republic of Korea, Malaysia and Taiwan (June 7, 2018; 11 pages). **Note:** Measures were updated and continued in August 2018.

¹¹³ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 1. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: South Korea (September 2018), page 7.

[162] Information on the record concerning specific products for which jurisdictions other than Canada have anti-dumping measures against South Korea are found in **Table 4** below.

Table 4¹¹⁴
Anti-dumping Actions Imposed by Other Jurisdictions Concerning South Korea

Jurisdiction Imposing Anti-Dumping Action	Description of Goods
FLAT PRODUCTS	
India	Cold-rolled coil
India	Pickled and oiled hot-rolled coil
India	Stainless sheet and strip
Malaysia	Cold-rolled coil
Malaysia	Corrosion-resistant sheet
Taiwan	Hot-rolled coil
Taiwan	Hot-dipped galvanized and aluminum/zinc-coated steel
Thailand	Hot-rolled coil
Thailand	Pre-painted galvanized iron/galvalume (PPGI/PPGL) color-coated products (Initiated October 2018)
United States	Cold-rolled stainless coil and sheet
United States	Cut-to-length plate
United States	Hot-rolled coil, sheets and plates
United States	Heavy Plate
Vietnam	Stainless cold-rolled sheet
Vietnam	Hot-dipped galvanized coated sheet
Vietnam	Hot-dipped galvanized coil/sheet
PIPE & TUBE	
Australia	ERW pipes (includes HSS)
Mexico	Seamless Tubes
Thailand	Stainless steel pipes
Thailand	Welded Pipe
United States	Structural tube
United States	Welded carbon-quality steel pipe (Provisional Duties)
United States	Welded line pipe
United States	Welded non-alloy steel pipe
United States	Large-diameter welded line pipe
United States	Line pipe
United States	Mechanical tube
United States	OCTG
LONG PRODUCTS	
Australia	Rebar
United States	Stainless steel wire
United States	Wire Rod
OTHER	
China	Grain-oriented electrical steel (Provisional Duties)
European Union	Grain oriented electrical steel
Japan	Carbon steel butt welding parts (Provisional Duties)

¹¹⁴ Exhibit 43 (NC) – – Close of record documents, Altas Tube: Tab 20. S&P Global Platts “Steel Price Report” (Volume 6, Issue 27, February 8, 2019), pages 10-16.

[163] The measures noted above in both Canada and the other jurisdictions demonstrate that Korean exporters have a propensity to dump steel products.

[164] Evidence on the administrative record also indicates that there is a history of anti-dumping measures against Korean steel *tubular* products specifically. Consequently, in absence of the CITT's order, Korean HSS exporters will likely resume exports of HSS to Canada.

Determination Regarding Likelihood of Continued or Resumed Dumping from South Korea

[165] Based on the information on the administrative record in respect of: substitutability of HSS; capital intensive nature of steel production; steel market development and trends; tariffs and safeguard measures on steel imports and diversion of HSS into Canada; hot-rolled coil (HRC) pricing trends and impact on HSS; attraction of the Canada market; activities of other major exporting countries; South Korean producers being highly leveraged to export markets, being unable to sell HSS in Canada at non-dumped prices and having a propensity to dump as evidenced by the numerous anti-dumping measures concerning steel products, including HSS and other steel pipe and tube, in both Canada and other jurisdictions; the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of dumping into Canada of certain hollow structural sections originating in or exported from South Korea.

Turkey

[166] As noted previously, the CBSA did not receive any ERQ responses, case briefs, or reply submissions from exporters in Turkey. The CBSA, therefore, relied on information submitted from participating parties, as well as other information on the administrative record, for the purposes of the expiry review investigation with respect to Turkey.

[167] Guided by the factors in the SIMR and based on the documentation on the administrative record, the following list represents a summary of the CBSA's analysis conducted in this expiry review investigation:

- Turkish producers are highly leveraged to export markets;
- Turkish producers inability to sell HSS in Canada at non-dumped prices;
- CBSA anti-dumping measures concerning Turkey;
- other country anti-dumping measures concerning Turkish HSS; and
- dumping in other markets of other products.

Turkish Steel Industry

[168] Information on the administrative record reported that Turkish steel production is dominated by a small number of companies, led by the Erdemir Group, which alone accounts for roughly 25% of the more than 36 MMT crude steel tonnage produced in Turkey.¹¹⁵

¹¹⁵ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 2. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: Turkey (September 2018), page 6. Erdemir Group produced 9.2 MMT according to the report. The total market in Turkey in first half of 2017 was 18.2 MMT, so annualized production is roughly 36 MMT.

[169] Information from the Turkish Steel Producers Association was limited and largely out of date, with the most recent information referenced to 2016.¹¹⁶

[170] No Turkish exporter/producer provided a response to the ERQ in this expiry review investigation. Turkish producer MMZ Onur Boru Profil Uretim San. ve Tic. A.S. (MMZ) participated in the original investigation and the 2013 expiry review investigation.¹¹⁷ Another Turkish producer, Goktas Yassi Hadde Mamulleri Sanayi ve Ticaret A.S. (Goktas) also participated in the original investigation.¹¹⁸ No producers participated in the 2008 expiry review.¹¹⁹

[171] A non-resident importer located in Turkey, Iris Metalurji ve Muhendislik Pazarlama Sanayi ve Ticaret Limited Sirketi (Iris), also provided an ERQ response but did not import subject goods into Canada during the POR.¹²⁰

[172] As such, there is limited information on who the capable and active producers of subject goods in Turkey are. However, according to the World Steel Association (WSA), the Erdemir Group, İÇDAŞ, Tosyali Holding and Habaş are Turkey's top steel producers.¹²¹ Similarly, in their 2016 investigation, the USITC identified three primary producers of heavy walled rectangular tubular products in Turkey,¹²² namely, Cinar Boru, MMZ Onur, and Ozdemir Boru. The three responding firms' exports to the United States accounted for 61.5% of imports of heavy walled rectangular tubular products from Turkey in 2015.¹²³ Information on the record indicates that Ozdemir Boru currently has a 0% dumping margin.¹²⁴

[173] The Turkish steel industry is reportedly incurring significant turmoil, which is expected to continue into 2019. A recent report stated:

“Turkish steel production and exports are seen falling by some 30 percent in 2019, hit by weak domestic demand, protectionist measures in international markets and an increase in China's steel exports, the head of the steel exporters association said. Turkey [...] has been battered by a currency crisis this year that saw the lira plunge more than 47 percent against the dollar and sent inflation to 25 percent. The crisis has knocked economic growth and hit domestic demand.”¹²⁵

¹¹⁶ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 4. Turkish Steel Producers Association – <http://celik.org.tr/en>, 11 pages.

¹¹⁷ Exhibit 2 (NC) – CITT Order and Reasons, Expiry Review No. RR-2013-001.

¹¹⁸ Exhibit 24 (NC) – CBSA Steel Structural Tubing Final Determination *Statement of Reasons*, December 2, 2003, paragraph 38.

¹¹⁹ Exhibit 27 (NC) – CITT Expiry Review Order and Reasons, No. RR-2008-001, page 3, paragraph 25.

¹²⁰ Exhibit 21 (NC) – Response to Importer ERQ – Iris Metalurji ve Muhendislik Pazarlama Sanayi ve Ticaret Limited Sirketi (“Iris”).

¹²¹ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 2. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: Turkey (September 2018), page 6.

¹²² The product description on page I-12 confirmed that these are commonly referred to as hollow structural sections.

¹²³ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 13. USITC Final Determination – Heavy walled rectangular welded carbon steel pipes and tubes from Korea, Mexico, and Turkey; Investigation Nos. 701-TA-539 and 731-TA-1280-1282 (Final), September 2016, page VII-12.

¹²⁴ Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 21. Preston Tube & Pipe Report, page 36 of 39; January 2019.

¹²⁵ Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 19. “Turkish steel production, exports seen contracting some 30 pct, industry says,” December 20, 2018. <https://www.nasdaq.com/article/turkish-steel-production-exports-seen-contracting-some-30-pct-industry-says-20181220-00151>.

[174] Turkey's domestic market with respect to currency devaluation, inflation and drops in domestic demand that it is unlikely to see any short term recovery, creating additional pressure to lean on export markets to absorb its steel production, including HSS.

Turkish producers are highly leveraged to export markets

[175] Turkey produces substantially more steel than it consumes and is thus dependent upon export markets in order to maintain its capacity utilization rates. Turkey's crude steel production reportedly increased 4 percent to 18.9 MMT in the first half of 2018, up from 2017's first-half total of 18.2 MMT. Over the same 2018 period, steel production outpaced apparent consumption by 2.6 MMT and exports as a share of production stood at 45.8% over that period. Over the course of full-year 2017, the differential is a similar 2.8 MMT.¹²⁶

[176] According to information on the record, Turkey is the world's eighth-largest steel exporter. Through the first half of 2018, Turkey reportedly exported 8.7 MMT of steel, the majority of which (57%) were long products (i.e. wire, rod, bars). 10% of exports were in the pipe and tube category, which would include the subject goods.

[177] Information on the record indicates that during the first seven months of 2018, Turkish steel exports increased 27% compared to the same period from 2017.¹²⁷

[178] In 2017, the United States was Turkey's largest export market for steel but that changed dramatically in the first half of 2018 as the 50% section 232 tariffs contributed largely to the reduced exports to the United States to only 0.55 MMT or 6% of total exports. It is noted that all these steel exports to the United States were in the pipe and tube category.¹²⁸

[179] Turkey's export dependence was further hampered earlier this year when effective February 2, 2019, the EU imposed definitive safeguard measures against numerous steel products. As noted earlier, HSS is specifically covered under Item 21 of those measures and Turkey is subject to a tariff rate quota system for HSS.¹²⁹

[180] Given that EU members like Italy and Spain were top export destinations for Turkish steel in 2018, the effect of these safeguards only compounds the effects of the section 232 tariffs in the United States.

¹²⁶ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 2. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: Turkey (September 2018), page 6 (Table). Production and Consumption comparisons: 18.2 MMT to 15.6 MMT (Q1-Q2 2017) and 18.9 MMT and 16.3 MMT (Q1-Q2 2018) respectively.

¹²⁷ Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 16. Tufan Iron article: "Turkish Steel Exports Increased 27% in 2018," <https://tufaniron.com/turkish-steel-exports-increased/>.

¹²⁸ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 2. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: Turkey (September 2018), pages 1-4.

¹²⁹ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tabs 10 and 11. "European Commission Press Release: "Commission imposes definitive safeguard measures on imports of steel products, February 1, 2019; EUROPEAN COMMISSION IMPLEMENTING REGULATION (EU) 2019/159 of 31 January 2019 imposing definitive safeguard measures against imports of certain steel products; Office Journal of the European Union, 48 pages.

[181] Information on the record indicates that this loss of market access has further led Turkey to try and increase its presence in other export markets, notably Latin America.¹³⁰

[182] The efforts to increase steel exports to other countries included a surge in volume to Canada. Through the first half of 2018, Canada had the largest volume increase in exports from Turkey at 77%, when compared to the first half of 2017.

[183] Clearly, Turkey's export dependence is further exacerbated by the need to divert exports from the United States and likely from the EU as well. This threat of divergence was already seen in Canada in 2018 by virtue of the significant increase in exports which coincided with the section 232 tariffs in the United States. It is also evident that divergence can happen quickly and dramatically, as the rate of increase cited above demonstrates.

Inability to sell HSS at non-dumped prices

[184] As seen in the "Canadian Market" section of this *Statement of Reasons*, import volumes of subject goods from Turkey were virtually non-existent during the POR. Since the inception of the original finding, Turkish producers have not demonstrated an ability to compete at non-dumped prices.

[185] As noted earlier, pricing on the record indicated that non-subject country sources sold HSS to Canada during the January – October 2018 period at or around \$775 US/MT (\$1,000 CAD/MT).¹³¹

[186] There is limited information on the record in respect of HSS export prices from Turkey. One source cited January 2019 prices from Turkey for "Medium sections" at \$515-520 US/MT (FOB). Other export pricing information for structural pipe and tube (S235) was reportedly higher at \$580-600 US/MT (FOB).¹³²

[187] These export prices would indicate that HSS (or very similar) products are being sold at very close to the reported domestic price of Turkish HRC cited earlier of \$520 US/MT and well below the lowest selling prices of HSS to Canada cited above and are thus likely dumped.

[188] An analysis of protected pricing information on the record further indicates that Turkish exporters of HSS would be unlikely to compete with these non-subject import source HSS prices without dumping.

¹³⁰ Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 17. Daily Sabah article: "Turkish steel industry seeks to grasp larger share of Latin American market, double its exports," November 12, 2018. <https://www.dailysabah.com/economy/2018/11/13/turkish-steel-industry-seeks-to-grasp-larger-share-of-latin-american-market-double-its-exports>

¹³¹ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – Atlas Tube, paragraph 80; Global Affairs Import Permit Data, 7306.61.00.10: Of iron or non-alloy steel: Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel. Other, welded, of non-circular cross-section: Of square or rectangular cross-section – Of iron or non-alloy steel. **Note:** Exchange rate estimate of 1.29 is used for this period, using information from Bank of Canada.

¹³² Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 20. S&P Global Platts "Steel Price Report" (Volume 6, Issue 27, February 8, 2019), page 2 and 6.

CBSA's Anti-dumping Measures Concerning Turkey

[189] Canada currently has three other anti-dumping measures in place concerning Turkish steel products, two of which are tubular goods as follows:

- Rebar – 2014;¹³³
- OCTG – 2015;¹³⁴ and
- CWSP – 2019¹³⁵

[190] As such, notwithstanding the lack of participation in proceedings related to the Canadian anti-dumping measures on HSS, exporters in Turkey continue to have an active and recent interest in the Canadian market, including those exporting pipe and tube products, as evidenced by the anti-dumping measures against these products noted above.

Other Country Anti-dumping Measures Concerning Turkish HSS

[191] The information on the record indicates that there are a limited number of anti-dumping measures against Turkey for HSS.¹³⁶ As noted earlier in respect of South Korea, one such measure regarding Turkey includes a 2016 determination in the United States.¹³⁷

[192] The European Union also initiated an HSS investigation against three countries including Turkey in September 2018.¹³⁸

[193] As noted with South Korea, although the anti-dumping measures concerning Turkish HSS in other countries are limited, the fact that one of those measures concerns the United States and is recent is significant, given the size of that market and the proximity of the United States to Canada.

Dumping in Other Markets of Other Products

[194] Outside of Canada, information on the record from the WTO indicates that at the end of 2017, there were 12 other anti-dumping measures against Turkish steel products, with the United States accounting for eight of these measures.¹³⁹

¹³³ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1403/ad1403-i14-nf-eng.html>

¹³⁴ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1404/ad1404-i14-nf-eng.html>

¹³⁵ CBSA Notice of Final Determination: <https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/cswp32018/cswp32018-nf-eng.html>

¹³⁶ Exhibit 23 (NC) – Response to Producer ERQ (Attachment to CITT) – S&P Global Platts Steel price Report “Trade Case Report” (Volume 5, Issue 194, October 8, 2018), pages 12-16.

¹³⁷ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 13. USITC Final Determination – Heavy walled rectangular welded carbon steel pipes and tubes from Korea, Mexico, and Turkey, September 2016, page I-12.

¹³⁸ Exhibit 5 (NC) – CBSA Research and Reference Material (Day 1), Tab 1: European Commission Notice of initiation of an anti-dumping proceeding concerning imports of welded tubes, pipes and hollow profiles of square or rectangular cross-section, of iron other than cast iron or steel other than stainless, originating in the former Yugoslav Republic of Macedonia, Russia and Turkey. (September 28, 2018; 12 pages).

¹³⁹ Exhibit 37 (NC) – Additional CBSA Research and Reference Material: Tab 2. United States International Trade Administration Global Steel Trade Monitor Steel Exports Report: Turkey (September 2018), page 7.

[195] Information regarding specific products for which countries other than Canada have anti-dumping measures against Turkey are found in **Table 5** below.

Table 5¹⁴⁰
Anti-dumping Actions Imposed by Other Jurisdictions Concerning Turkey

Country Imposing Anti-Dumping Action	Description of Goods
FLAT PRODUCTS	
United States	Cut-to-length plate
Thailand	Hot-rolled coil
United States	Hot-rolled coil
LONG PRODUCTS	
Brazil	Rebar
Egypt	Rebar
United States	Rebar
Australia	Rebar (Provisional Duties – January 2019)
United States	Wire Rod
PIPE & TUBE	
European Union	Hollow Sections, pipe and tube (Initiated September 2018)
United States	Large-diameter welded line pipe
United States	OCTG
United States	Structural Tube
United States	Welded carbon steel standard pipe

[196] The measures noted above in both Canada and the other jurisdictions against Turkish steel products, clearly demonstrates that Turkish exporters have a propensity to dump steel products into Canada and other export markets.

[197] Evidence on the administrative record also indicates that there is specifically a history of anti-dumping measures against Turkish steel tubular products, particularly in the United States and Canada. In absence of the CITT’s order, Turkey will likely resume exports of HSS to Canada.

¹⁴⁰ Exhibit 43 (NC) – Close of record documents, Altas Tube: Tab 20. S&P Global Platts “Steel Price Report” (Volume 6, Issue 27, February 8, 2019), pages 10-16.

Determination of Likelihood of Continued or Resumed Dumping from Turkey

[198] Based on the information on the administrative record in respect of: substitutability of HSS; capital intensive nature of steel production; steel market development and trends; tariffs and safeguard measures on steel imports and diversion of HSS into Canada; hot-rolled coil (HRC) pricing trends and impact on HSS; attraction of the Canada market; activities of other major exporting countries; Turkish producers being highly leveraged to export markets, being unable to sell HSS in Canada at non-dumped prices and have a propensity to dump as evidenced by the numerous anti-dumping measures concerning steel products, including HSS and other steel pipe and tube, in both Canada and other jurisdictions; the CBSA determined that the expiry of the order is likely to result in the continuation or resumption of dumping into Canada of certain hollow structural sections originating in or exported from Turkey.

CONCLUSION

[199] For the purpose of making a determination in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors found under subsection 37.2(1) of the SIMR. Based on the foregoing consideration of pertinent factors and analysis of information on the record, on May 9, 2019, pursuant to paragraph 76.03(7)(a) of SIMA, the CBSA made a determination that the expiry of the order made by the CITT on December 20, 2013, in Expiry Review No. RR-2013-001 in respect of certain hollow structural sections originating in or exported from South Korea and Turkey is likely to result in the continuation or resumption of dumping of the goods.

FUTURE ACTION

[200] On May 10, 2019, the CITT commenced its inquiry to determine whether the expiry of the order with respect to the dumping of the goods from South Korea and Turkey is likely to result in injury. The CITT's Expiry Review schedule indicates that it will make its decision by October 16, 2019.

[201] If the CITT determines that the expiry of the order with respect to the goods is likely to result in injury, the CITT will make an order continuing the order in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping duty on dumped importations of the subject goods.

[202] If the CITT determines that the expiry of the order with respect to the goods is not likely to result in injury, the CITT will make an order rescinding the order in respect of those goods. Anti-dumping duty would then no longer be levied on importations of the subject goods, and any anti-dumping duty paid in respect of goods that were released after the date that the order was scheduled to expire will be returned to the importer.

INFORMATION

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

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