



OTTAWA, April 19, 2013

4214-16 (AD)

4218-24 (CV)

STATEMENT OF REASONS

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

CERTAIN CARBON STEEL WELDED PIPE ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

DECISION

On April 4, 2013, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the President of the Canada Border Services Agency determined that the expiry of the finding made by the Canadian International Trade Tribunal on August 20, 2008, in Inquiry No. NQ-2008-001, concerning the dumping and subsidizing of certain carbon steel welded pipe originating in or exported from the People's Republic of China was likely to result in the continuation or resumption of dumping and subsidizing of these goods into Canada.

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

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SUMMARY

[1] On December 5, 2012, the Canadian International Trade Tribunal (Tribunal), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its finding made on August 20, 2008, in Inquiry No. NQ-2008-001, concerning the dumping and subsidizing of certain carbon steel welded pipe (CSWP) originating in or exported from the People's Republic of China (China).

[2] As a result of the Tribunal's notice, on December 6, 2012, the Canada Border Services Agency (CBSA) commenced an investigation to determine whether the expiry of the finding is likely to result in the continuation or resumption of dumping and/or subsidizing.

[3] Atlas Tube Canada ULC (Atlas Tube), Bolton Steel and Tube Co. Ltd. (Bolton Tube), DFI Corporation (DFI), Energex Tube, Novamerican Steel Inc. (Novamerican) and Welded Tube of Canada (Welded Tube) provided responses to the producer Expiry Review Questionnaire (ERQ).

[4] Atlas Tube, Bolton Tube, DFI, Energex Tube, Novamerican and Welded Tube are collectively referred to in this report as 'the Canadian producers.' The Canadian producers also submitted case briefs.¹

[5] The Canadian producers also provided information in support of their position that continued or resumed dumping and subsidizing of CSWP from China is likely if the Tribunal's finding is rescinded.

[6] The CBSA received responses to the ERQ from two importers. No importers provided case briefs or reply submissions.

[7] The CBSA received one exporter response to the ERQ. No exporters provided case briefs or reply submissions.

[8] The CBSA did not receive a response to the ERQ from the Government of China (GOC) nor did the GOC provide a case brief or reply submission.

[9] Analysis of information on the record shows that exporters in China: have excess production capacity for welded pipe in China; produce high volumes of welded pipe in China; are dependent on exports to maintain capacity utilization rates due to the insufficient domestic demand in China; have a sustained interest in the Canadian market as evidenced by the volume of similar dumped goods exported during the POR (i.e. piling pipe); have a history of dumping steel products, and specifically steel pipe; are subject to numerous current anti-dumping measures concerning steel pipe in Canada and in other jurisdictions; and are likely to divert welded pipe exports to Canada if the finding is rescinded.

¹ Exhibits 40 (NC), 41 (PRO), 42 (NC) & 43 (NC) – Canadian Producer Case briefs.

[10] Analysis of information on the record also indicates that exporters in China: have a continued availability of subsidy programs; have exported similar subsidized goods (i.e. piling pipe) during the POR; benefit from the GOC provision of subsidies to its manufacturers in the steel sector; and are subject to countervailing measures against steel pipe products in both Canada and the United States.

[11] For the foregoing reasons, the President of the CBSA (the President), having considered the relevant information on the record, determined on April 4, 2013, under paragraph 76.03(7)(a) of SIMA that the expiry of the finding made by the Tribunal in respect of carbon steel welded pipe originating in or exported from China is likely to result in:

- i. the continuation or resumption of dumping of the goods into Canada, and
- ii. the continuation or resumption of subsidizing of the goods into Canada.

BACKGROUND

[12] On January 23, 2008, following a complaint filed by ArcelorMittal and Mittal Canada Inc. (ArcelorMittal) of Montréal, Quebec, the President of the CBSA initiated investigations pursuant to subsection 31(1) of SIMA into the alleged dumping and subsidizing of certain CSWP originating in or exported from China.

[13] On July 21, 2008, the President made final determinations of dumping and subsidizing in accordance with paragraph 41(1)(a) of SIMA in respect of CSWP originating in or exported from China.

[14] On August 20, 2008, the Tribunal found that the dumping and subsidizing of the goods originating in or exported from China had caused injury to the Canadian domestic industry for CSWP.²

[15] On October 16, 2012, pursuant to subsection 76.03(2) of SIMA, the Tribunal issued a notice concerning the upcoming expiry of its finding.³ The finding was scheduled to expire on August 19, 2013. Based on the available information and the information submitted by the interested parties, the Tribunal was of the opinion that an expiry review of the finding was warranted.

² Exhibit 3 (NC) – Tribunal – Statement of Reasons – Carbon Steel Welded Pipe, Inquiry No. NQ-2008-001.

³ Exhibit 2 (NC) – Tribunal Notice of Expiry, LE-2012-003.

PRODUCT DESCRIPTION

Definition

[16] The goods subject to the finding under review are defined as:

“carbon steel welded pipe, commonly identified as standard pipe, in the nominal size range of ½ inch up to and including 6 inches (12.7 mm to 168.3 mm in outside diameter) inclusive, in various forms and finishes, usually supplied to meet ASTM A53, ASTM A135, ASTM A252, ASTM A589, ASTM A795, ASTM F1083 or Commercial Quality, or AWWA C200-97 or equivalent specifications, including water well casing, piling pipe, sprinkler pipe and fencing pipe, but excluding oil and gas line pipe made to API specifications exclusively, originating in or exported from the People's Republic of China.”

[17] The following goods were excluded by the Tribunal's material injury finding of August 20, 2008, and therefore are not subject goods:

- carbon steel welded pipe in the nominal pipe size of 1 inch, meeting the requirements of specification ASTM A53, Grade B, Schedule 10, with a black or galvanized finish, and with plain ends, for use in fire protection applications;
- carbon steel welded pipe in nominal pipe sizes of 1/2 inch to 2 inches inclusive, produced using the electric resistance welding process and meeting the requirements of specification ASTM A53, Grade A, for use in the production of carbon steel pipe nipples; and
- carbon steel welded pipe in nominal pipe sizes of 1/2 inch to 6 inches inclusive, dual-stencilled to meet the requirements of both specification ASTM A252, Grades 1 to 3, and specification API 5L, with bevelled ends and in random lengths, for use as foundation piles.

Product Information

[18] CSWP falls within a category of products commonly referred to as standard pipe, which is generally intended for the low-pressure conveyance of steam, water, natural gas, air and other liquids and gases in plumbing and heating applications, air conditioning units, automatic sprinkler systems and other related uses. CSWP is also used as structural support for fencing as well as certain mechanical and pressure applications.

[19] The most common grades of CSWP are ASTM A53, ASTM A135, ASTM A252, ASTM A589, ASTM A795, ASTM F1083, Commercial Quality and AWWA C200-97 or equivalent specifications. CSWP may also be produced to proprietary specifications rather than to an industry standard, as is often the case with fence tubing or to foreign specifications. For example, imported CSWP may be produced to British Standard (BS) 1387.

Production Process

[20] CSWP is generally produced in mills using either the continuous weld (CW) process or the electric resistance weld (ERW) process. Both processes begin with strips of steel sheet that have been slit from coils of flat steel sheet. The width of the strips is equal to the circumference of the pipe to be produced.

[21] Once the basic pipe is formed using either one of the processes, it will be made to various forms and finishes. Finishes such as lacquer or zinc (galvanizing) may be applied to the surface of the pipe, depending on the pipe's intended use.

CLASSIFICATION OF IMPORTS

[22] Imports into Canada of the subject goods described above are normally, but not exclusively, classified under the following Harmonized System classification numbers:

Prior to January 1, 2012	January 1, 2012
7306.30.10.14	7306.30.00.14
7306.30.10.24	7306.30.00.24
7306.30.10.34	7306.30.00.34
7306.30.90.14	7306.30.00.14
7306.30.90.19	7306.30.00.19
7306.30.90.24	7306.30.00.24
7306.30.90.29	7306.30.00.29
7306.30.90.34	7306.30.00.34
7306.30.90.39	7306.30.00.39

PERIOD OF REVIEW

[23] The period of review (POR) for the CBSA's expiry review investigation is from January 1, 2010 to December 31, 2012.

CANADIAN INDUSTRY

[24] The Canadian Industry is comprised of the following:

- Atlas Tube Canada ULC;
- Bolton Steel and Tube Co. Ltd.;
- DFI Corporation;
- Energex Tube;
- Novamerican Steel Inc.;
- Quali-T-Groupe; and
- Welded Tube of Canada.

Atlas Tube

[25] Atlas Tube Canada ULC (Atlas Tube), of Harrow, Ontario, is a division of JMC Steel Group. Atlas Tube produces piling pipe made to the ASTM A252 specification in sizes ranging from 3.5 inches to 6.625 inches outside diameter (OD). It does not produce other types of CSWP.

Bolton Tube

[26] Bolton Steel and Tube Co. Ltd. (Bolton Tube) of Bolton, Ontario, operates two pipe mills that produce CSWP where they manufacture ASTM A53 galvanized and commercial quality pipe in sizes ranging from 1 inch to 4 inches OD.

DFI

[27] DFI Corporation (DFI) of Edmonton, Alberta, is an independently owned and operated oil and gas service company with over 40 years of oilfield experience. DFI operates a pipe mill that has the capability to manufacture steel piling pipe in various sizes ranging from 4 inches to 16 inches (10.2 cm to 40.6 cm) OD, to a ASTM A252 specification, Grades 1 to 3.

Energex Tube

[28] Energex Tube began in 1909 under the name of Page-Hersey Iron Tube & Lead Company (Page-Hersey) in Welland, Ontario. Over the years, the company expanded, adding new mills and replacing older ones as technology evolved. In 1965 Page-Hersey was acquired by Stelco Inc., which was at the time Canada's largest integrated steel company.

[29] In 1985, the Welland, Ontario facility became Stelpipe Ltd., and underwent significant modernization, increasing its participation in various pipe and tube markets including oil and gas, mining, commercial, industrial and automotive.

[30] Stelco entered Companies' Creditors Arrangement Act (CCAA) protection in 2005 and on November 1, 2005, Lakeside Steel Corporation purchased the Welland, Ontario facilities from Stelco. Lakeside was subsequently purchased by JMC Steel Group and rebranded as Energex Tube, a division of JMC Steel, in March of 2012.⁴

⁴ CBSA – Statement of Reasons – Certain Seamless Casing – Expiry Review No.: RR-2012-002, paragraphs 30-32.

Novamerican

[31] Novamerican of Montréal, Quebec, owns the following facilities involved in the production of CSWP:

- Nova Steel Inc. (Nova Steel), in Montréal, is a raw material supplier. Nova Steel is the 100 percent owner of the Baie D'Urfé facility, which produces welded pipe from 0.5 inch to 2.0 inches;
- Nova Tube, in Montréal, tests, finishes and packages. Nova Tube is the 100 percent owner of Delta Tube Inc. (Delta), in Montréal, which produces welded pipe from 1.5 inches to 6.0 inches.

[32] Novamerican acquired the Nova Tube facility from ArcelorMittal in October 2009. Also, in 2009, Novamerican purchased the Delta and Baie D'Urfé facilities from Barzel Group.

[33] Nova Steel purchases hot-rolled coil from Canadian producers. The coils are slit to width by Nova Steel and then transferred to the Delta and Baie d'Urfé mills for shaping and welding. The unfinished pipes are then shipped to Nova Tube for testing, end finishing, galvanizing or other surface finishing and packaging.

[34] Novamerican produces and sells ASTM A53, ASTM A795, ASTM A135, ASTM F1083 commercial grade, ASTM A589 and ASTM A252 pipe in nominal diameters ranging from 0.5 inch to 6 inches that is used in plumbing, heating, fire protection, fencing, water well casing, piling pipe and structural tubing applications.⁵

Quali-T-Groupe

[35] Quali-T-Groupe is a family-owned business founded in 1929. It is made up of Quali-T-Tube and Quali-T-Fab. Quali-T-Tube produces round, square and rectangular tube and pipe products for a variety of applications. Quali-T-Fab is a full-service fabrication shop with a variety of product lines for the construction and fencing industry. Quali-T-Groupe began manufacturing tube and pipe in 1980.

[36] Quali-T-Groupe produces commercial quality pipe in a size range of 0.5 inch to 3.5 inches, with wall thicknesses from 0.057 inch to 0.154 inch.⁶

Welded Tube of Canada

[37] Welded Tube of Canada (Welded Tube) has been in business since 1970. The company has evolved over the years from a producer of mechanical tubing by adding hollow structural steel (HSS), structural rounds and limited service oil well casing to its product mix.

⁵ Tribunal – Statement of Reasons – Steel Piling Pipe – Inquiry No. NQ-2012-002, paragraphs 44-47.

⁶ Ibid, paragraph 48-49.

CANADIAN MARKET

[38] The following table contains data concerning the apparent Canadian market for CSWP during the period of review. Overall, the Canadian market for CSWP grew moderately during the POR.⁷

Apparent Canadian Market Carbon Steel Welded Pipe (Metric Tonnes)

Table 1

Source	2010	2011	2012
Canadian Production	49,259	47,172	55,353
China	0	768	0
All Other Countries	109,663	123,036	128,909
Total Imports	109,663	123,805	128,909
Total Market	158,923	170,976	184,262

Columns may not add up due to rounding.

[39] During the POR the Canadian producers of CSWP saw their percentage share of the apparent Canadian market decline from 2010 to 2011 before rebounding in 2012. For China their share of the apparent Canadian market was minimal and limited to 2011.⁸

ENFORCEMENT

[40] In the enforcement of the Tribunal's finding in respect of CSWP from China during the POR, the amount of anti-dumping and countervailing duty collected on subject imports was just over CAN\$1.8 million.⁹

PARTIES TO THE PROCEEDINGS

[41] On December 5, 2012, the Tribunal's notice of the expiry review and ERQs were sent to the known Canadian producers, exporters, importers, the GOC and other interested parties.

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

⁷ Exhibit 37 (NC) – Apparent Canadian Market for CSWP.

⁸ Exhibit 37 (NC) – Apparent Canadian Market for CSWP.

⁹ Exhibit 9 (NC) – Import and Enforcement Statistics for Period of Review.

[43] As mentioned above, there are presently seven producers of CSWP. Six Canadian producers, Atlas Tube, Bolton Tube, DFI, Energex Tube, Novamerican and Welded Tube provided ERQ responses, in addition to case briefs, emphasizing that the dumping and/or subsidization is likely to continue or resume should the Tribunal's finding be rescinded.¹⁰

[44] Two importers provided responses to the ERQ.^{11 12} No importers provided case briefs or reply submissions.

[45] Only one exporter provided a response to the ERQ.¹³ No exporters provided case briefs or reply submissions.

[46] The GOC did not respond to the ERQ, provide a case brief or reply submission.

INFORMATION CONSIDERED BY THE PRESIDENT

Administrative Record

[47] The information considered by the President 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 Tribunal's administrative record at initiation of the expiry review, CBSA exhibits and information submitted by interested persons, including information which they feel is relevant to the decision as to whether dumping and subsidizing are likely to continue or resume absent the finding. 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.

[48] For purposes of an expiry review investigation, the CBSA sets a date after which no new information submitted by interested parties will 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." This allows participants time to prepare their case briefs and reply submissions based on the information that is on the administrative record. For this investigation, the administrative record closed on January 24, 2013.

¹⁰ Counsel for Energex Tube, Atlas Tube and Welded Tube provided a joint case brief on behalf of these producers. Counsel for Novamerican and Bolton Tube provided a joint case brief on behalf of these producers. Counsel for DFI filed a separate case brief.

¹¹ Exhibits 29 (PRO) and Exhibit 31 (NC) – ERQ response of Flocor Inc.

¹² Exhibits 17 (PRO) and Exhibit 18 (NC) – ERQ response of Stemcor USA Inc.

¹³ Exhibit 32 (PRO) and Exhibit 33 (NC) – ERQ response of Air Comfort Products.

Procedural Issues

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

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

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

[51] With respect to this expiry review investigation, no new information was submitted by the participants after the January 24, 2013 closing of the record date.

POSITION OF THE PARTIES - DUMPING

Parties Contending that Continued or Resumed Dumping is Likely

Canadian Producers

[52] The Canadian producers made representations through their ERQ responses as well as in their case briefs in support of their position that the continued or resumed dumping and/or subsidizing from China is likely should the present finding be rescinded. Accordingly, the Canadian producers contend that the measures should remain in place.

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

[54] The Canadian producers focussed largely on the present, planned and added capacity for CSWP in China, the inability of the Chinese domestic market to absorb current and increasing production levels, necessitating exports to available markets. The Canadian producers believe that these factors together will inevitably lead to dumping when left unrestrained by regulatory measures such as those found in SIMA.

[55] The Canadian producers' position that in the event that the Tribunal's finding is rescinded, dumping of the goods is likely to continue or resume from China, is based predominantly on a number of specific factors identified below.

Position of the Canadian producers regarding China

[56] The Canadian producers collectively identified certain conditions related largely to the Chinese production of and capacity for steelmaking and specifically for welded pipe, as significant in arguing that the absence of the Tribunal's finding will lead to continued or resumed dumping of CSWP from China. The main factors identified by the Canadian producers can be summarized as follows:

- the evidence of dumping during the POR;
- the sustained interest in the Canadian market by Chinese exporters, as evidenced by the increasing volume of similar goods exported during the POR;¹⁴ (i.e. piling pipe);
- excess capacity for CSWP pipe production in China is large and projected to grow;¹⁵
- the potential for Chinese pipe producers to produce CSWP in facilities that are currently used to produce other goods;¹⁶
- the current production volume of Chinese CSWP;
- the insufficient demand in China to absorb Chinese CSWP production, prompting export dependence;
- the commodity nature of the subject goods making goods price sensitive where importers are quick to source switch;
- the history of Chinese exporters dumping pipe products arising from an inability to compete at non-dumped prices;
- the numerous anti-dumping measures against steel pipe products from China in both Canada and in other jurisdictions, demonstrating the propensity to dump these goods; and
- the diversion effect that anti-dumping measures on pipe products in Australia, the United States and European Union has had and would have, if the finding in Canada were rescinded.

[57] The Canadian producers, with reference to the CBSA record, noted the inability of the Chinese producers to export to Canada during the POR even though four producers had specific normal values and amounts of subsidy.

[58] With reference to the CBSA record, the Canadian producers noted that SIMA duty had been collected during the POR which indicates that there has been dumping of subject goods while the finding has been in effect.¹⁷

¹⁴ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 6.

¹⁵ Exhibit 42 (NC) – Novamerican, Nova Tube and Bolton Tube, case brief, paragraph 36 & 56.

¹⁶ Exhibit 42 (NC) – Novamerican, Nova Tube and Bolton Tube, case brief, paragraph 146.

¹⁷ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 12; Exhibit 9 (NC) – Import statistics for the period of review.

[59] The Canadian producers cited the recently concluded dumping and countervailing investigation on *Certain Steel Piling Pipe* originating in or exported from China as further evidence of the Chinese exporters' sustained interest in the Canadian marketplace.¹⁸

[60] The Canadian producers stated that:

“Further, as can be seen from NQ-2012-002, piling pipe entered Canada in extremely large quantities given the size of the market such that these imports represented 100,000 tonnes in a market of 150,000 tonnes. Indeed, imports of steel piling pipe (an identical or similar good to, and made in the same facilities, as the subject goods) increased by a staggering 467% in 2011 over 2010 and during the period 2009-2011, the import volume increased more than threefold relative to domestic production of the like goods”.¹⁹

[61] In addition to the continued interest in the Canadian marketplace, the Canadian producers noted that the Chinese exporters of pipe products have demonstrated a pattern of “aggressive marketing and pricing practices”.²⁰

[62] Counsel for Novamerican, Nova Tube and Bolton Tube provided a summary of the price differential between Chinese and other world markets for CSWP during the POR. The Canadian producers also cited evidence on the record concerning the *Certain Steel Piling Pipe* investigation, where the Chinese exporters were found to be dumping by a weighted average margin of dumping of 89.6%. The Canadian producers noted that the Chinese pipe producers have clearly “demonstrated a propensity to dump these goods if and when allowed to do so”.²¹

[63] The Canadian producers noted the issue of excess steelmaking capacity in China.

“China’s steel overcapacity is not a short term problem. China’s steel industry has reported overcapacity since 2005. In addition, Standard and Poor’s states that China’s steel overcapacity will continue unless the GOC implements new radical policy measures towards industry consolidation”.²²

[64] The Canadian producers provided evidence of significant excess capacity in the Chinese steel industry during the POR. The Canadian producers also cited evidence on the administrative record that demonstrates the excess capacity in the Chinese steel industry will continue beyond the POR. They noted that the overcapacity “should remain a headache for steelmakers over the next two years”.²³ China’s steel production overcapacity for 2012 is estimated to be 133 million metric tonnes (MMT) which would be 16 percent of China’s total steelmaking capacity.²⁴

¹⁸ CBSA – Final Determination – Statement of Reasons – *Certain Steel Piling Pipe*, 4214-34, AD/1393, 4218-33, CV/130.

¹⁹ Exhibit 43 (NC) – Case brief of DFI, pages 7-8.

²⁰ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 19.

²¹ Exhibit 43 (NC) – Case brief of DFI, page 8.

²² Exhibit 42 (NC) – Case brief of Novamerican, Nova Tube and Bolton Tube, paragraph 29.

²³ Exhibit 42 (NC) – Case brief of Novamerican, Nova Tube and Bolton Tube, paragraph 30; and Exhibit 39 (NC) – Attachment 12 – BOC International - “2012 Steel Industry Outlook”.

²⁴ *Ibid.*

[65] The Canadian producers provided evidence of significant excess capacity for CSWP in China during the POR.²⁵ In addition, they cited evidence on the administrative record to demonstrate that excess production capacity increased for CSWP during the POR. For example:

“From 2008 to 2011, China’s steel pipe capacity increased by more than 25 MMT or 38 percent. In 2011, China’s steel pipe production was 66.78 MMT while its capacity was over 90 MMT. Thus China’s excess pipe capacity grew from 21.94 MMT in 2008 to 23 MMT in 2011”.²⁶

[66] This would suggest that Chinese steel pipe producers were operating at a utilization rate of 75% in 2011. This excess production capacity is many times the size of the total Canadian market for carbon steel welded pipe.

[67] The Canadian producers cited numerous steel trade publications documenting the existing and planned capacity expansion of pipe producers, which includes CSWP producers, in China.²⁷ In terms of overall welded pipe capacity various steel trade publications have documented several projects where an additional 3.1 MMT capacity were scheduled to be added in 2012.²⁸

[68] The Canadian producers also emphasized the sheer size of Chinese production capacity in comparison to the Canadian market. The Canadian producers cited a steel trade publication that reported that China’s total welded pipe production in 2011 was estimated at 39.9 MMT while the apparent consumption was estimated at 36.6 MMT. This would result in a surplus of 3.3 MMT of welded pipe in 2011. This surplus production is many times the size of the total Canadian market for CSWP.²⁹

[69] Given the currently available production capacity in China for the subject goods, the Canadian producers fear that without the restraint of the finding currently in place in Canada, exporters will easily have the means to increase their production volumes destined for Canada at dumped prices.

[70] The Canadian producers alleged that the excess capacity for welded pipe production could facilitate additional production of CSWP as mills could adapt their facilities to produce the subject goods. In this regard, the Canadian producers stated:

“Exporters in China have enormous capacity to produce CSWP products. The same equipment used to manufacture OCTG, line pipe, HSS, mechanical tubing and other non-subject products can also be used to manufacture subject goods”.³⁰

²⁵ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 15.

²⁶ Exhibit 42 (NC) – Case brief of Novamerican, Nova Tube and Bolton Tube, paragraph 42.

²⁷ Exhibit 39 (NC) – Submission of Novamerican, Nova Tube and Bolton Tube, Attachments 31 through 40.

²⁸ Ibid.

²⁹ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 14.

³⁰ Exhibit 42 (NC) – Case brief of Novamerican, Nova Tube and Bolton Tube, paragraph 146.

[71] In conjunction with the excess capacity and existing production volumes, the softening of demand in China was also raised by the Canadian producers as a likely impetus for future export dependence. The Canadian producers cited two trade articles from December 2011 that noted that the Chinese pipe market, including the welded pipe market, face weakened demand and cited “continuing sluggishness of demand”.³¹

[72] With weakening domestic demand Chinese producers will increasingly look to the export markets. As noted by the Tribunal in the finding on *Certain Steel Piling Pipe* the Chinese steel pipe exporters have shown a “propensity toward aggressive pricing and marketing behaviour”.³²

[73] The Canadian producers also submitted numerous other trade reports regarding the soft demand for welded pipe in China.

[74] The Canadian producers cited the interchangeability of domestically produced like goods with imported CSWP as a factor that facilitates easy source switching amongst purchasers. Counsel for Energex Tube, Atlas Tube and Welded Tube stated that CSWP are commodity products that are “completely interchangeable”.³³ Counsel also noted that due to this interchangeability “the lowest price is one of the main factors, if not the most critical factor in purchasing decisions”.³⁴

[75] The Canadian producers also identified the behavior pattern of Chinese pipe exporters as evidence that, when left unrestrained, there is a propensity to dump pipe products into Canada. Counsel for Novamerican, Nova Tube and Bolton Tube noted that “the fact that Chinese exporters (of piling pipe) are dumping and subsidizing a product so closely related to the subject goods supports a reasonable inference that Chinese exporters of carbon steel welded pipe will also dump and subsidize”.³⁵

[76] In support of this pattern of behaviour the Canadian producers noted the numerous pipe products that are subject to findings made by the Tribunal, the most recent being the *Steel Piling Pipe* finding made on November 30, 2012, Inquiry No. NQ-2012-002.

[77] Further to the pattern of behavior with respect to the dumping of Chinese origin welded pipe into Canada, the producers also cited numerous anti-dumping measures worldwide covering various steel products.³⁶ That information disclosed 11 definitive anti-dumping duty measures and six countervailing measures against Chinese origin steel pipe products involving five investigating jurisdictions.

[78] The Canadian producers alleged that “the numerous anti-dumping findings in place regarding Chinese steel products used in industrial applications illustrate the continued propensity of Chinese steel producers to dump steel products into foreign markets”.³⁷

³¹ Exhibit 39 (NC) – Submission of Novamerican, Nova Tube and Bolton Tube, Attachments 25 & 26.

³² Tribunal – Statement of Reasons – Steel Piling Pipe – Inquiry No. NQ-2012-002, paragraph 359.

³³ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 9.

³⁴ Ibid, paragraph 10.

³⁵ Exhibit 42 (NC) – Case brief of Novamerican, Nova Tube and Bolton Tube, paragraph 124.

³⁶ Ibid, paragraph 153 & 154.

³⁷ Exhibit 43 (NC) – Case brief of DFI, paragraph 7.

[79] The Canadian producers further contended that the presence of these anti-dumping measures against pipe products in other jurisdictions, particularly in the United States, will lead to “a significant danger of diversion in the event that the Canadian order is lifted”.³⁸

Parties Contending that Continued or Resumed Dumping is Unlikely

[80] No case briefs or reply submissions were submitted contending that the dumping of CSWP is not likely to continue or resume if the finding is rescinded.

CONSIDERATION AND ANALYSIS - DUMPING

[81] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the finding is likely to result in the continuation or resumption of dumping of the goods, the President may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

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

Substitutability of CSWP

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

[84] Generally speaking, CSWP (or the equivalent proprietary standard) produced by a producer in a given country is physically interchangeable with CSWP produced to the same specification in any other country. As such, the goods compete directly amongst themselves regardless of origin and share the same channels of distribution and potential customers. This characteristic means that competition for sales of CSWP is based significantly on price. 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.

[85] This makes it difficult for a given market, which does not benefit from trade restrictions, to maintain price increases relative to other world markets. As prices rise in one market, imports will flood that market causing a supply glut and a corresponding downward adjustment to the prevailing prices in that market.

Capital-intensive Nature of Steel Production

[86] A second characteristic of CSWP, as is the case for all steel products, is the capital-intensive nature of its production. As such, steel mills have high fixed costs and in order to recover fixed expenses, mills will aim to maintain high capacity utilization rates. When the demand in the home market is insufficient to absorb production, the producers will look to export markets to help maintain these capacity utilization rates.

³⁸ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 40.

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

Steel Market Developments and Trends

[88] In 2009, the global steel industry was operating under difficult conditions as a result of a global downturn caused by the worldwide financial crisis. As a result, global steel demand in 2009 was weak and many steelmakers worldwide had already begun to respond to declining demand by commencing production cuts towards the end of 2008. When the financial crisis hit, the market responded quickly with a sudden decrease in steel demand at a time when steelmakers were operating at a high capacity. This resulted in an unexpected over-supply of steel in the market which created a structural overcapacity in certain product segments that continues in today’s market.³⁹

[89] The global steel industry underwent steady growth during 2010 and 2011. This growth has been attributed to demand increases from the infrastructure, construction and automotive industries. This recovery can be linked, in part, to stimulus packages used by governments of major economies to spur investment in infrastructure and other steel-intensive projects. However, the economic stimulus failed to result in a recovery to 2008 pre-crisis levels of steel consumption and production for developed countries such as those in Europe and the United States.⁴⁰

[90] While recovery continued following the global financial crisis of 2009, the recent Eurozone debt crisis caused significant market uncertainty in 2011. The crisis led to countries adopting a number of austerity measures as a result of large government budget deficits. This in turn has resulted in some countries suspending investment in infrastructure and other industries altogether, which has had a detrimental impact on steel demand. With reduced demand, previous expectations of stronger steel market growth in 2011 were not realized and the problem of excess capacity was only exacerbated.⁴¹

CSWP Developments

[91] Prior to the collapse of the global economy in 2009, the worldwide welded pipe business was thriving. This was largely due to construction, manufacturing and energy projects. As with many industries, the collapse of the global economy had repercussions for the pipe industry. Construction, manufacturing and energy projects slowed and demand fell.

³⁹ CBSA – Statement of Reasons – Certain Seamless Casing – Expiry Review No.: RR-2012-002, paragraph 120.

⁴⁰ Ibid, paragraph 121.

⁴¹ Ibid, paragraph 122.

[92] Metal Bulletin Research⁴² (MBR) reported in October 2011 that there was a global “economic malaise affecting” the welded tube market. At that time demand in the energy and automotive sector remained strong but there was continued weakness in the construction sector. Specifically they noted that “standard pipe, which in the face of laggard demand, is likely to see flat demand and pricing at least through the end of the fourth quarter. The market could continue to be lacklustre through next year as well should construction demand not improve”.⁴³

[93] In May 2012, MBR reported that Chinese pipe mills “continue to be menaced by over production”⁴⁴. In addition, the Chinese pipe mills “are not alone in maintaining high operating rates in the face of weak demand, but they are the biggest, so their failure to match output to demand has the biggest impact on markets”.⁴⁵

[94] At the close of 2012 MBR indicated that welded pipe and tubing price increases “were not a certainty”.⁴⁶ Of concern was the continued Chinese overproduction coupled with high inventory levels, the fallout from the Eurozone sovereign debt-crisis and the United States fiscal cliff. The cumulative effect of these issues will influence the market into 2013 and continue to weaken the demand for welded pipe.

[95] On October 31, 2012, the CBSA made final determinations of dumping and subsidizing in respect of *Certain Steel Piling Pipe* originating in or exported from China. On November 30, 2012, the Tribunal found that the dumping and subsidization of the aforementioned goods originating in or exported from China have not caused injury but are threatening to cause injury to the domestic industry.

[96] It should be noted that CSWP and piling pipe are similar products, as evidenced by the product definitions of *Certain Carbon Steel Welded Pipe*⁴⁷ and *Certain Steel Piling Pipe*⁴⁸.

[97] Steel piling pipe is normally produced in mills by electrical-resistance welding (“ERW”) process, either by longitudinal welding or by spiral (also called helical-butt or helical lap) welding. CSWP is normally produced in mills by the continuous weld (CW) process or the ERW process.

⁴² MBR is a trade publication that provides market analysis and price forecasting for the metals and mining industry.

⁴³ Exhibit 15 (PRO) – Metal Bulletin Research, Welded Steel Tube and Pipe Market Tracker (MBR) – MBR October 2011.

⁴⁴ Ibid – MBR May 2012, page 6.

⁴⁵ Ibid – MBR May 2012, page 6.

⁴⁶ Ibid – MBR November 2012, page 1.

⁴⁷ Tribunal – Statement of Reasons – Carbon Steel Welded Pipe – Inquiry No. NQ-2008-001.

⁴⁸ Tribunal – Statement of Reasons – Steel Piling Pipe – Inquiry No. NQ-2012-002.

LIKELIHOOD OF CONTINUED OR RESUMED DUMPING

China

[98] Guided by the factors in the aforementioned subsection 37.2(1) of the SIMR and having considered the information on the administrative record, the ensuing list represents a summary of the CBSA's analysis conducted in this expiry review investigation with respect to dumping:

- the excess capacity for welded pipe in China;
- the volume of production of welded pipe in China;
- the dependence on exports to maintain capacity utilization rates due to the insufficient domestic demand in China;
- the sustained interest in the Canadian market by Chinese exporters as evidenced by the increasingly high volumes of similar goods exported during the POR⁴⁹ (i.e. steel piling pipe);
- the history of China dumping steel products, including pipe products and specifically, CSWP;
- the numerous current anti-dumping measures concerning Chinese steel pipe products in Canada and in other jurisdictions; and
- the likely diversion effect the anti-dumping measures in other countries would have if the dumping finding was rescinded.

[99] No Chinese CSWP producers provided a response to the ERQ, nor did they file case briefs or reply submissions. Further, no case briefs or reply submissions were received from any of the importers that imported subject goods during the POR. The GOC did not provide a response to the ERQ, nor did the GOC provide a case brief or reply submission.

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

[101] Concerning available capacity, information on the record from a trade publication noted that: "China's steel pipe capacity reached 90 million tons in 2011, including 40 million tons of seamless pipe and 50 million tons of welded pipe. The analyst estimates China produced 65 million tons of steel pipes last year – seven to eight percent of total steel production. This comprised of 26 million tons of seamless pipe and 39 million tons of welded pipes, resulting in capacity utilization rates for seamless and welded pipes of about 65 percent and 78 percent, respectively".⁵⁰

⁴⁹ Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 6.

⁵⁰ Exhibit 38 (PRO) – Submission of Novamerican, Nova Tube and Bolton Tube – Attachment 73 – China Metals Weekly, February 17, 2012, Copyright 2012 Interfax News Agency.

[102] As noted by the Canadian producers, Chinese pipe producers were planning to add an additional 3.1 MMT of welded pipe capacity in 2012.⁵¹ This additional capacity was added even after the GOC acknowledged in their *12th Five-Year Plan for the Steel Pipe Industry* that there was a 7 MMT surplus in welded pipe production in China.⁵²

[103] As the Canadian producers noted, Chinese producers may still be able to increase CSWP production capacity by converting existing pipe capacity through modifications to their respective pipe facilities. This would only exacerbate the existing over-capacity situation in China.

[104] These planned expansions will apply additional pressure to export as there is no evidence on the record to suggest that the Chinese domestic market is projected to undergo any significant growth in the near future.

[105] Information on the record sourced from China Metals Weekly⁵³ estimated the production capacity for welded pipe in China to be 50 million tons in 2011.⁵⁴ At the stated capacity utilization rate of 78 percent, this results in significant excess capacity which could easily supply the total Canadian marketplace, many times over.

[106] As evidenced by the recent investigation on *Certain Steel Piling Pipe*, CSWP producers in China rely on exports to maintain their current level of capacity utilization, while still operating at well below full capacity. In addition, this investigation showed that Chinese welded pipe producers continued to have a sustained interest in the Canadian market during the POR.⁵⁵

[107] With regards to the substitutability of imported versus domestically produced goods, generally speaking, CSWP produced either by a Canadian manufacturer or by foreign manufacturers are physically interchangeable. While proprietary differences may exist with respect to various forms and finishes, a wide range of CSWP grades compete with one another regardless of where they are produced and thus distributor and end-user supply sources are largely substitutable. Consequently, CSWP is extremely price-sensitive and the lowest price may be the determining factor amongst prospective suppliers.

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

⁵¹ Exhibit 39 (NC) – Submission of Novamerican, Nova Tube and Bolton Tube – Attachment 31 through 40.

⁵² CBSA – Final Determination – Statement of Reasons – Certain Steel Piling Pipe, 4214-34, AD/1393, 4218-33, CV/130, paragraph 90.

⁵³ The Interfax China Metals Weekly provides a comprehensive roundup of the week gone by with in-depth coverage of China's metals industry, including metals mining, nonferrous and ferrous metals, precious metals, and related policies and regulations.

⁵⁴ Exhibit 38 (PRO) – Submission of Novamerican, Nova Tube and Bolton Tube – Attachment 73 – China Metals Weekly, February 17, 2012, Copyright 2012 Interfax News Agency.

⁵⁵ CBSA – Final Determination – Statement of Reasons – Certain Steel Piling Pipe, 4214-34, AD/1393, 4218-33, CV/130.

[109] Since August 2007, the CBSA has completed five dumping investigations in conjunction with corresponding section 20 inquiries on steel products within the Chinese steel pipe industry. The investigations are:

- *Certain Seamless Carbon or Alloy Steel Oil and Gas Well Casing* (2007);
- *Certain Carbon Steel Welded Pipe* (2008);
- *Certain Oil Country Tubular Goods* (2009);
- *Certain Pup Joints* (2011); and
- *Certain Steel Piling Pipe* (2012).

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

[111] In addition to the original investigation on CSWP, in 2010 the CBSA conducted a re-investigation, in conjunction with a section 20 inquiry, to update normal values, export prices and amounts of subsidy respecting CSWP from China.

[112] In the CSWP re-investigation, the President formed the opinion under section 20 that domestic prices in the welded pipe sector are substantially determined by the GOC and that there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market.

[113] Neither the GOC nor the exporters in China participated in the CBSA's most recent CSWP re-investigation, which was concluded on February 14, 2011. Effective that date, the normal values and amounts of subsidy for all exporters are now determined in accordance with a ministerial specification under SIMA based on the export price of the goods advanced by 179 % and countervailing duties are to be assessed at a rate of 5,280 Renminbi per metric tonnes (MT).⁵⁶ Prior to the conclusion of the CSWP re-investigation, four Chinese exporters had normal values, export prices and amounts for subsidy determined that were effective from August 20, 2008 to February 13, 2011.⁵⁷

[114] As noted, during the original CSWP investigation and subsequent re-investigation the President formed the opinion under section 20 that the domestic prices of CSWP from China are substantially determined by the GOC and that there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market.

[115] This same opinion has also been affirmed in the recent investigation concerning *Certain Steel Piling Pipe* in respect of the alloy and steel pipe sector.⁵⁸ CSWP and piling pipe are similar products, as evidenced by the product definitions of *Certain Carbon Steel Welded Pipe* and *Certain Steel Piling Pipe*.

⁵⁶ Exhibit 10 (NC) – Notice of Conclusion of Re-investigation - Certain Carbon Steel Welded Pipe - 2010.

⁵⁷ CBSA – Final Determination – Statement of Reasons – Certain Carbon Steel Welded Pipe, 4214-16, AD/1373, 4218-24, CV/123, Appendix 1.

⁵⁸ Ibid, paragraph 113.

[116] Since the opinion of the President is that section 20 conditions exist, the Chinese domestic selling prices are not considered by the CBSA when analyzing indications of dumping.

[117] The results of the investigation on *Certain Steel Piling Pipe* indicate that China's export prices for piling pipe were below normal value levels established for exports to Canada during the period January 1, 2011 to March 31, 2012.⁵⁹ There is also information on the record that China's export prices of welded pipe, including CSWP, are consistently below other world prices during the POR.⁶⁰

[118] The information on the record documents numerous anti-dumping measures in other jurisdictions against Chinese origin pipe products, including welded pipe products. These anti-dumping measures were documented as follows:⁶¹

Country Imposing Action	Description of Goods	Year of Action
Australia ⁶²	Welded tubes	2011
Brazil ⁶³	Seamless line pipe	2012
Brazil	Line pipe	2010
European Union ⁶⁴	Seamless pipes and tubes of iron or steel	2009
European Union	Welded tubes and pipes, or iron or non-alloy steel	2008
Mexico ⁶⁵	Seamless steel tubing	2011
United States ⁶⁶	Drill pipe	2011
United States	Seamless carbon and alloy steel standard, line and pressure pipe	2010
United States	Oil country tubular goods (OCTG)	2010
United States	Circular welded carbon quality steel line pipe	2009
United States	Light-walled rectangular pipe and tube	2008
United States	Circular welded non-alloy steel pipes	1992

⁵⁹ CBSA – Final Determination – Statement of Reasons – Certain Steel Piling Pipe, 4214-34, AD/1393, 4218-33, CV/130, paragraph 145.

⁶⁰ Exhibit 38 (P) – Producer submission of Novamerican, Nova Tube and Bolton Tube, Attachment 84.

⁶¹ Exhibit 42 (NC) – Case brief of Novamerican, Nova Tube and Bolton Tube, paragraph 153 & 154; Exhibit 40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 35 & 37.

⁶² www.customs.gov.au

⁶³ www.wto.org

⁶⁴ www.trade.ec.europa.eu

⁶⁵ www.iqom.com.mx

⁶⁶ www.usitc.gov/trade

[119] Of the measures identified on the record, not all relate to welded pipe. However, they indicate that Chinese pipe producers have a propensity to dump pipe products, including welded pipe products into the world market.

[120] The impact of the trade measures in Australia, the European Union and the United States are the most significant, as they relate to welded pipe. Given the projected softening in the Chinese market for welded pipe⁶⁷ and the amount of available supply which was previously absorbed by these countries, there is a likelihood that Chinese exporters would look to Canada, should the measures currently in place be rescinded.

President's Determination – Dumping

[121] Based on information on the record in respect of: the excess production capacity for welded pipe in China; the volume of production of welded pipe in China; the dependence on exports to maintain capacity utilization rates due to the insufficient domestic demand in China; the sustained interest in the Canadian market as evidenced by the volume of similar dumped goods exported during the POR (i.e. piling pipe); the history of China dumping steel products, and specifically steel pipe; the numerous current anti-dumping measures concerning Chinese steel pipe in Canada and in other jurisdictions; and the likely diversion effect these measures would have if the dumping finding was rescinded, the President determined that the expiry of the finding is likely to result in the continuation or resumption of dumping into Canada of certain carbon steel welded pipe originating in or exported from China.

POSITION OF THE PARTIES - SUBSIDIZING

Parties Contending that Continued or Resumed Subsidizing is Likely

Canadian Producers

[122] The Canadian producers made limited representations through their ERQ responses as well as in their case briefs in support of their position that the continued and/or resumed subsidizing from China is likely should the finding be rescinded. Accordingly, the Canadian producers contend that the measures should remain in place.

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

- the sustained interest in the Canadian market by Chinese exporters as evidenced by the volumes of similar subsidized goods exported during the POR; (i.e. piling pipe);
- the continued availability of numerous subsidy programs in China; and
- countervailing measures in Canada and the other jurisdictions against Chinese steel products, including welded pipe.

⁶⁷ Exhibit13 (NC) – Public Version of Tribunal's Administrative Record: Volume 1 – Submissions of Energex Tube, Atlas Tube and Welded Tube, paragraph 35.

[124] The Canadian producers cited the recently concluded dumping and countervailing investigation on *Certain Steel Piling Pipe* originating in or exported from China as evidence of the Chinese exporters' sustained interest in the Canadian marketplace and the continued availability of subsidy programs.⁶⁸

[125] Counsel for Novamerican, Nova Tube and Bolton Tube noted that "the fact that Chinese exporters (of piling pipe) are dumping and subsidizing a product so closely related to the subject goods supports a reasonable inference that Chinese exporters of carbon steel welded pipe will also dump and subsidize."⁶⁹ In support of this pattern of behaviour the Canadian producers noted the numerous pipe products that are subject to findings made by the Tribunal, the most recent being the *Steel Piling Pipe* finding made on November 30, 2012, Inquiry No. NQ-2012-002.

[126] The Canadian producers noted that steel producers in China have been found to be exporting subsidized steel products to Canada and the United States.⁷⁰

Parties Contending that Continued or Resumed Subsidizing is Unlikely

[127] No case arguments or reply submissions were submitted contending that the subsidizing of CSWP is not likely to continue or resume if the finding is rescinded.

CONSIDERATION AND ANALYSIS - SUBSIDIZING

[128] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the finding in respect of goods from China is likely to result in the continuation or resumption of subsidizing of these goods, the President may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

LIKELIHOOD OF CONTINUED OR RESUMED SUBSIDIZING

China

[129] Guided by the factors in the aforementioned subsection 37.2(1) of the SIMR and having considered the information on the administrative record, the ensuing list represents a summary of the CBSA's analysis conducted in this expiry review investigation with respect to subsidizing:

- continued availability of subsidy programs for CSWP exporters in China;
- the fact subsidized goods were imported during the POR;
- the sustained interest in the Canadian market by Chinese exporters as evidenced by the high and increasing volumes of similar goods exported during the POR; (i.e. piling pipe);

⁶⁸ CBSA – Final Determination – Statement of Reasons – Certain Steel Piling Pipe, 4214-34, AD/1393, 4218-33, CV/130.

⁶⁹ Exhibit S42 (NC) – Case brief of Novamerican, Nova Tube and Bolton Tube, paragraph 124.

⁷⁰ Ibid, paragraph 151 & 153.

- the Government of China's (GOC) provision of subsidies to its manufacturers in the steel sector; and
- the countervailing measures against Chinese pipe products, including welded pipe in both Canada and the United States.

[130] As noted, no Chinese CSWP producers provided a response to the ERQ, nor did they file case briefs or reply submissions. Further, no case briefs or reply submissions were received from any of the importers that imported subject goods during the POR. The GOC did not provide a response to the ERQ, nor did the GOC provide a case brief or reply submission.

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

[132] At the time of the original subsidy investigation in 2008, the President of the CBSA found nine actionable GOC subsidy programs that were used by cooperative exporters.⁷¹

[133] A list of the programs found actionable that were used by cooperative exporters at the time of the final determination is as follows:

- *Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and in Economic and Technological Development Zones*
- *Preferential Tax Policies for Foreign Invested Enterprises*
- *Local Income Tax Exemption and/or Reduction*
- *Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan*
- *Export Assistance Grants*
- *Research & Development Assistance Grant of Wuxing District*
- *Innovative Experimental Enterprise Grants*
- *Superstar Enterprise Grants*
- *Hot-Rolled Steel Provided by Government at Less than Fair Market Value*

[134] It was found that 100 percent of the goods exported from China were subsidized. The weighted average amount of subsidy, expressed as a percentage of the export price, was equal to 73 percent. The amounts of subsidy found for cooperative exporters ranged from 1,130 to 1,670 Renminbi per MT. The amount of subsidy for all other exporters was equal to 5,280 Renminbi per MT, as determined according to a Ministerial specification pursuant to subsection 30.4(2) of SIMA.⁷²

⁷¹ CBSA – Final Determination – Statement of Reasons – Certain Carbon Steel Welded Pipe, 4214-16, AD/1373, 4218-24, CV/123, paragraph 150.

⁷² Ibid, Appendix 1 - Summary of Margins of Dumping and Amounts of Subsidy.

[135] Detailed descriptions of the programs and explanations as to why they were regarded as countervailable subsidies are contained in the CBSA's *Statement of Reasons* issued at the final determination.⁷³

[136] The GOC did not provide information on subsidy programs that were not used by cooperative exporters during the original investigation. Consequently, while they were investigated, the CBSA had limited details to report on those programs at the final determination.

[137] On October 8, 2010, the CBSA initiated a re-investigation to update amounts of subsidy established at the final determination for CSWP.

[138] The Request for Information (RFI) sent to exporters at that time included programs identified at the original CSWP investigation, as well as those identified from any other investigation or new source that suggested the program may be applicable to the carbon steel pipe sector.

[139] On February 14, 2011, the CBSA concluded the re-investigation to update the amounts of subsidy calculated at the aforementioned final determination for the original subsidy investigation on CSWP.

[140] No Chinese exporters participated in the 2010 subsidy re-investigation. In addition, the GOC did not participate in the 2010 subsidy reinvestigation. Consequently, the CBSA has limited information concerning the details of the subsidy programs that were deemed countervailable.

[141] Accordingly, for exporters that did not provide sufficient information to the CBSA to enable the determination of the amount of subsidy using company specific information, the amount of subsidy was 5,280 RMB per MT, in accordance with the Ministerial specification pursuant to subsection 30.4(2) of SIMA.⁷⁴

[142] The results of the conclusion of the 2010 subsidy re-investigation represent the best information available, which is that subsidy programs continue to be available to CSWP exporters in China.

[143] As noted previously, in the absence of participation the CBSA has relied on the information on the record, including publicly available data. The most current subsidy information available is the recent subsidy investigation on *Certain Steel Piling Pipe*.

⁷³ Ibid, Appendix 3, pages 64 - 111.

⁷⁴ Exhibit S10 (NC) – Notice of Conclusion of Carbon Steel Welded Pipe Re-investigation 2010.

[144] On October 31, 2012 the CBSA made final determinations with respect to the dumping and subsidizing of *Certain Steel Piling Pipe* originating in or exported from China. In the final determination with respect to subsidy the following subsidy programs used by cooperative exporters were found to be actionable:

- *Program 53: Grant – Special Supporting Fund for Commercialization of Technological Innovation and Research Findings*
- *Program 98: Input Materials Provided by Government at Less than Fair Market Value*
- *Program 101: Preferential Loans*

[145] In this investigation it was found that 100 percent of the goods exported from China were subsidized. The weighted average amount of subsidy, expressed as a percentage of the export price, was equal to 11.7 percent. The amounts of subsidy found for cooperative exporters ranged from 419.82 to 439.47 Renminbi per MT. The amount of subsidy for all other exporters was equal to 641.35 Renminbi per MT, as determined according to Ministerial specification pursuant to subsection 30.4(2) of SIMA.⁷⁵

[146] Detailed descriptions of the programs and explanations as to why they were regarded as countervailable subsidies are contained in the CBSA's *Statement of Reasons* issued at the final determination.⁷⁶

[147] CSWP and piling pipe are similar products, as evidenced by the product definitions of *Certain Carbon Steel Welded Pipe* and *Certain Steel Piling Pipe*.

Other Factors Concerning Subsidy in China

[148] Since the conclusion of the original 2008 investigation, all subject goods have been assessed countervailing duties.

[149] Chinese producers have continued a limited presence in the Canadian market through direct and indirect shipments while the finding was in place as evidenced in Table 1.

[150] The Canadian producers cited the recently concluded dumping and countervailing investigation on *Certain Steel Piling Pipe* originating in or exported from China as further evidence of the Chinese exporters' sustained interest in the Canadian marketplace.⁷⁷

[151] As noted in the analysis of likelihood of the continued or resumed dumping, information on the record indicates that there are many CSWP manufacturers in China and that their capacities for production of welded pipe exceed the Canadian market many times over.⁷⁸

⁷⁵ CBSA – Final Determination – Statement of Reasons – Certain Steel Piling Pipe, 4214-34, AD/1393, 4218-33, CV/130, Appendix 1.

⁷⁶ Ibid, Appendix 2.

⁷⁷ Ibid.

⁷⁸ Exhibit S40 (NC) – Case brief of Energex Tube, Atlas Tube and Welded Tube, paragraph 14.

[152] There is information on the record that indicates that Chinese welded pipe producers continue to rely heavily on export markets.⁷⁹

[153] In Canada, in addition to the finding respecting CSWP, there are other countervailing measures in place respecting steel pipe products originating in or exported from China, namely:

- *Certain Seamless Carbon or Alloy Steel Oil and Gas Well Casing* (2007);
- *Certain Oil Country Tubular Goods* (2009);
- *Certain Pup Joints* (2011); and
- *Certain Steel Piling Pipe* (2012).

[154] The existence of these other countervailing measures is a further indication that the GOC continues to provide subsidies to its domestic steel producers, including pipe producers, and likely will continue to do so in the future.

[155] There are also other countervailing measures against Chinese pipe products from the United States. These countervailing measures were documented as follows:⁸⁰

Country Imposing Action	Description of Goods	Year of Action
United States ⁸¹	Drill pipe	2011
United States	Seamless carbon and alloy steel standard, line and pressure pipe	2010
United States	Oil country tubular goods (OCTG)	2010
United States	Circular welded carbon quality steel line pipe	2009
United States	Light-walled rectangular pipe and tube	2008

[156] The existence of these other countervailing measures is a further indication that the GOC continues to provide subsidies to its domestic steel producers, including pipe producers, and likely will continue to do so in the future.

President’s Determination – Subsidizing

[157] Based on the information on the record in respect of: the continued availability of subsidy programs for CSWP exporters in China; the export of similar subsidized goods (i.e. piling pipe) during the POR; the GOC provision of subsidies to its manufacturers in the steel sector; and the countervailing measures against Chinese steel pipe products in both Canada and the United States, the President determined that the expiry of the finding in respect of goods from China is likely to result in the continuation or resumption of subsidizing of certain carbon steel welded pipe originating in or exported from China.

⁷⁹ Exhibit S39 (NC) – Submission of Novamerican, Nova Tube and Bolton Tube, Attachment 25 & 26.

⁸⁰ Exhibit S21 (NC) – Producer Submission of Energex Tube.

⁸¹ www.usitc.gov/trade

CONCLUSION

[158] For the purposes of making determinations in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors contained in subsection 37.2(1) of the SIMR. Based on the foregoing consideration of pertinent factors and analysis of the information on the record, the President determined that the expiry of the finding made by the Tribunal on August 20, 2008, in Inquiry No. NQ-2008-001, concerning certain carbon steel welded pipe originating in or exported from China is likely to result in the continuation or resumption of dumping and subsidizing of these goods into Canada.

FUTURE ACTION

[159] On December 5, 2012 the Tribunal commenced its inquiry to determine whether the expiry of its finding concerning the dumping and subsidizing of certain carbon steel welded pipe from China is likely to result in injury or retardation to the Canadian industry. The Tribunal has announced that it will issue its decision by August 19, 2013.

[160] If the Tribunal determines that the expiry of the finding with respect to the goods from China is likely to result in injury or retardation, the finding will be continued in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping and countervailing duties on dumped and subsidized importations of certain carbon steel welded pipe originating in or exported from China.

[161] If the Tribunal determines that the expiry of the finding with respect to the goods from China is unlikely to result in injury or retardation, the finding in respect of those goods will be rescinded. Anti-dumping and countervailing duties would no longer be levied on importations of certain carbon steel welded pipe beginning on the date the finding is rescinded.

INFORMATION

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