



OTTAWA, December 24, 2015

STATEMENT OF REASONS

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

CERTAIN STEEL GRATING
ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

DECISION

On December 10, 2015, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the Canada Border Services Agency determined that the expiry of the finding made by the Canadian International Trade Tribunal on April 19, 2011, in Inquiry No. NQ-2010-002, would likely result in the continuation or resumption of dumping and subsidizing of certain steel grating originating in or exported from the People's Republic of China.

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

TABLE OF CONTENTS

| | |
|---|----|
| EXECUTIVE SUMMARY | 1 |
| BACKGROUND | 2 |
| PRODUCT DESCRIPTION | 3 |
| CLASSIFICATION OF IMPORTS | 4 |
| PERIOD OF REVIEW | 4 |
| CANADIAN INDUSTRY | 4 |
| CANADIAN MARKET | 5 |
| CASE ENFORCEMENT | 6 |
| PARTIES TO THE PROCEEDING | 6 |
| INFORMATION CONSIDERED BY THE CBSA | 7 |
| ADMINISTRATIVE RECORD..... | 7 |
| POSITION OF THE PARTIES - DUMPING | 7 |
| PARTIES CONTENDING THAT CONTINUED OR RESUMED DUMPING IS LIKELY | 7 |
| <i>Position of Fisher & Ludlow</i> | 7 |
| PARTIES CONTENDING THAT CONTINUED OR RESUMED DUMPING IS NOT LIKELY | 12 |
| CONSIDERATION AND ANALYSIS – DUMPING | 12 |
| DUMPING OF CERTAIN STEEL GRATING WHILE THE CITT FINDING WAS IN EFFECT AND THE INABILITY OF CHINESE EXPORTERS TO COMPETE AT NON-DUMPED PRICES..... | 13 |
| PRODUCTION CAPACITY AND EXPORT-ORIENTATION OF STEEL GRATING PRODUCERS IN CHINA | 13 |
| DECLINE OF CANADIAN OIL AND GAS, CONSTRUCTION AND MANUFACTURING SECTORS LEADING TO DECREASED DEMAND FOR STEEL GRATING..... | 14 |
| CONTINUED WEAKENING IN DOMESTIC DEMAND FOR STEEL IN CHINA LEADING TO AN INCREASING RELIANCE ON EXPORT MARKETS | 15 |
| ANTI-DUMPING MEASURES CONCERNING CHINESE STEEL GRATING IN THE UNITED STATES AND OTHER CHINESE STEEL PRODUCTS IN CANADA AND OTHER JURISDICTIONS..... | 16 |
| THE ABILITY FOR CANADIAN DISTRIBUTORS TO RESUME IMPORTING CHINESE STEEL GRATING | 17 |
| DETERMINATION REGARDING LIKELIHOOD OF CONTINUED OR RESUMED DUMPING | 17 |
| POSITION OF THE PARTIES - SUBSIDIZING | 18 |
| PARTIES CONTENDING THAT CONTINUED OR RESUMED SUBSIDIZING IS LIKELY..... | 18 |
| <i>Position of Fisher & Ludlow</i> | 18 |
| PARTIES CONTENDING THAT CONTINUED OR RESUMED SUBSIDIZING IS NOT LIKELY | 19 |
| CONSIDERATION AND ANALYSIS – SUBSIDIZING | 19 |
| CONTINUED SUBSIDIZING OF STEEL GRATING WHILE THE FINDING WAS IN EFFECT | 20 |
| CURRENT COUNTERVAILING MEASURES CONCERNING CHINESE STEEL GRATING IN THE US AND OTHER CHINESE STEEL PRODUCTS IN CANADA AND OTHER JURISDICTIONS..... | 21 |
| DETERMINATION REGARDING LIKELIHOOD OF CONTINUED OR RESUMED SUBSIDIZING | 22 |
| CONCLUSION | 22 |
| FUTURE ACTION | 22 |
| INFORMATION | 23 |

EXECUTIVE SUMMARY

[1] On August 12, 2015, 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 finding made on April 19, 2011, in Inquiry No. NQ-2010-002, concerning the dumping and subsidizing of certain steel grating originating in or exported from the People's Republic of China (China).

[2] As a result of the CITT's notice, on August 13, 2015, 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 of the goods.

[3] Fisher & Ludlow Ltd. (Fisher & Ludlow) provided information to the CBSA taking the position that the expiry of the finding is likely to result in the continuation or resumption of dumping and subsidizing of the goods. No parties provided information in support of the position that the expiry of the finding is not likely to result in the continuation or resumption of dumping and subsidizing of the goods.

[4] The CBSA did not receive any response to its Expiry Review Questionnaires (ERQ) from exporters or importers of subject goods, or the Government of China (GOC).

[5] An analysis of the information on the record shows:

- continued dumping of certain steel grating while the CITT finding was in effect and the inability to compete at non-dumped prices;
- the production capacity and export-orientation of steel grating producers in China;
- the decline of Canadian oil and gas, construction and manufacturing sectors leading to decreased demand for steel grating;
- the continued weakening in domestic demand for steel in China leading to an increasing reliance on export markets;
- the anti-dumping measures concerning Chinese steel grating in the United States of America (US) and other Chinese steel products in Canada and other jurisdictions;
- continued subsidizing while the finding was in effect; and
- the countervailing measures concerning Chinese steel grating in the US and other Chinese steel products in Canada and other jurisdictions.

[6] For the foregoing reasons, the CBSA, having considered the information on the record, determined on December 10, 2015, pursuant to paragraph 76.03(7)(a) of SIMA that the expiry of the finding in respect of carbon steel bar grating and alloy steel bar grating consisting of load-bearing pieces and cross pieces, produced as standard grating or heavy-duty grating, in panel form, whether galvanized, painted, coated, clad or plated, originating in or exported from China is likely to result in the continuation or resumption of dumping and subsidizing of the goods.

BACKGROUND

[7] On September 20, 2010, following a complaint filed by Fisher & Ludlow, the CBSA initiated an investigation regarding the dumping and subsidizing of metal bar grating of carbon, alloy or stainless steel originating in or exported from China. The complaint was supported by Borden Metal Products.

[8] On March 21, 2011, the CBSA made final determinations of dumping and subsidizing concerning these goods.

[9] On April 19, 2011, the CITT issued an injury finding in Inquiry No. NQ-2010-002 respecting carbon steel bar grating and alloy steel bar grating from China. At that time, the CITT also found that the volume of dumped and subsidized stainless steel grating was negligible and terminated its inquiry regarding those goods.¹

[10] On July 14, 2015, the CBSA concluded a re-investigation to update the normal values, export prices, and amounts of subsidy of certain steel grating from China. Neither the exporters nor the GOC participated in the re-investigation. Imports of subject goods from all exporters are therefore subject to a ministerial specification pursuant to subsection 29(1) of SIMA, which specifies that the normal value shall be determined based on the export price plus an amount equal to 85% of that export price, resulting in anti-dumping duties equal to 85% of the export price. Imports of subject goods from all exporters are also subject to countervailing duties equal to 13,064 Renminbi per metric tonne, in accordance with the ministerial specification made under subsection 30.4(2) of SIMA.

[11] On June 23, 2015, the CITT issued a notice concerning the expiry of its finding, which was scheduled to occur on April 18, 2016. Based on the information filed during the expiry process, the CITT decided that a review of the finding was warranted.² On August 12, 2015, pursuant to subsection 76.03(3) of SIMA, the CITT gave notice and initiated an expiry review of its finding made on April 19, 2011.³

[12] On August 13, 2015, the CBSA commenced an expiry review investigation to determine whether the expiry of the finding is likely to result in the continuation or resumption of dumping and/or subsidizing of the goods from China.

¹ Exhibit 4 NC, "CITT Findings and Reasons – Steel Grating," para. 137.

² Exhibit 1 NC, "Notice of Expiry of Finding."

³ Exhibit 2 NC, "Notice of Expiry Review of Finding."

PRODUCT DESCRIPTION

[13] The goods subject to this expiry review are defined as:

“Carbon steel bar grating and alloy steel bar grating, consisting of load-bearing pieces and cross pieces, produced as standard grating or heavy-duty grating, in panel form, whether galvanized, painted, coated, clad or plated, originating in or exported from the People’s Republic of China.”

[14] The subject goods can be referred to as “metal bar grating”, “steel grating” or simply “bar grating”. The goods are sold in “panel” or “mat” form, produced as either standard bar grating or heavy-duty bar grating. Standard bar grating is manufactured in Canada according to American National Standards Institute (ANSI) and National Association of Architectural Metal Manufacturers (NAAMM) MBG 531 specifications with maximum bearing bar thickness of 3/16 inches (4.76 millimeters (mm)). Heavy duty bar grating is made according to ANSI/NAAMM MGB 532 specifications with maximum bearing bar thickness of 3/8 inches (9.53 mm).

[15] The “mats” or “panels” are typically made in standardized sizes and the most common panel size is 3 feet (.91 meters) wide by 24 feet (7.32 meters) long. In accordance with the ANSI/NAAMM specifications referred to, the size of the bearing bars usually ranges from 1/8”(3.18 mm) thickness and 3/4”(19.05 mm) in depth (width) to 3/8”(9.53 mm) thickness and 5”(127 mm) in depth (width), depending on the load requirements.

[16] In addition to ANSI/NAAMM specifications, the subject goods may be produced to other recognized standards, such as Chinese, U.K. and Australian specifications.

[17] The subject goods may be imported and sold even if not made or certified to the ANSI/NAAMM or other recognized standards. Non-certified product includes secondary material or other kinds of “non-spec” grating. These goods lack the requisite mill tests or other proof of compliance with international standards.

[18] The subject goods do not include: (1) expanded metal grating comprised of a single piece or coil of sheet or thin plate steel that has been slit and expanded and not consisting of welding or joining of multiple pieces of steel; and (2) plank-type safety grating comprised of a single piece or coil of sheet or thin plate steel, typically in thickness of 10 to 18 gauge, pierced and cold formed and without welding or joining of multiple pieces of steel.

[19] Subject goods produced by different manufacturing processes (welding, hydraulic pressing or riveting) are fully interchangeable. Hydraulically-produced or riveting-produced gratings are substitutable in every respect for grating produced by welding processes and vice-versa. They have the same or comparable physical and mechanical properties in accordance with the international standards and specifications described earlier.

[20] Subject goods have a multitude of load-bearing end uses, including industrial flooring, walkways, mezzanines, stairways, trenches, highway signs platforms and fire escapes. Primary markets are large-scale oil production structures and systems, electric power generating plants, steel mills, cement plants, saw mills, pulp and paper mills, mining, automotive plants and other industrial facilities. Although primarily used in large industrial projects, commercial and residential applications for these goods are also commonplace.

CLASSIFICATION OF IMPORTS

[21] The subject goods are normally imported into Canada under the following Harmonized System (HS) classification numbers:

| | | | |
|---------------|---------------|---------------|---------------|
| 7308.90.00.10 | 7308.90.00.50 | 7308.90.00.93 | 7308.90.00.99 |
| 7308.90.00.20 | 7308.90.00.60 | 7308.90.00.94 | |
| 7308.90.00.30 | 7308.90.00.91 | 7308.90.00.95 | |
| 7308.90.00.40 | 7308.90.00.92 | 7308.90.00.96 | |

[22] This listing of HS codes is for convenience of reference only. Refer to the product definition for authoritative details regarding the subject goods.

PERIOD OF REVIEW

[23] The Period of Review (POR) is January 1, 2012, to June 30, 2015.

CANADIAN INDUSTRY

[24] The Canadian industry for steel grating is comprised of Fisher & Ludlow Ltd. and Borden Metal Products (Canada) Ltd.

Fisher & Ludlow Ltd. (Fisher & Ludlow)

[25] Fisher & Ludlow was established in 1954 as a grating manufacturer in Burlington, Ontario. The company was purchased by Harris Steel in 1976. In March 2006, Harris Steel was purchased by Nucor Corporation.⁴ Its Burlington, Ontario plant produces heavy-duty grating, aluminum grating, safety grating and expanded metal grating, while its Wetaskiwin, Alberta plant produces standard grating only.⁵

Borden Metal Products (Canada) Ltd. (Borden)

[26] Borden has been involved in the manufacture of bar-on-edge gratings at its plant in Beeton, Ontario for more than 50 years. Borden produces a complete line of gratings in riveted, pressure locked, squeeze locked and resistance welded construction in carbon steel, aluminum and stainless steel alloys.

⁴ Exhibit 22 NC, "Fisher & Ludlow ERQ Response," Question Q6.

⁵ Ibid., Question Q5.

CANADIAN MARKET

[27] The value and volume of Canadian production for domestic consumption is only available from the confidential submissions of Fisher & Ludlow, and therefore cannot be disclosed. The CBSA has prepared the following tables to show data for steel grating imported into Canada during the POR.

Table 1
Imports into Canada⁶
Steel Grating (Metric Tonnes)

| Source | 2012 | 2013 | 2014 | January 1 to June 30, 2015 |
|----------------------|----------------|----------------|---------------|----------------------------|
| China | 4 | 136 | 274 | 206 |
| Total Imports | 114,288 | 133,527 | 71,077 | 27,601 |

Table 2
Imports into Canada⁷
Steel Grating (Value in CAD)

| Source | 2012 | 2013 | 2014 | January 1 to June 30, 2015 |
|----------------------|----------------------|----------------------|----------------------|----------------------------|
| China | 50,839 | 3,241,946 | 2,767,633 | 484,610 |
| Germany | 4,167,376 | 5,192,000 | 5,228,615 | 3,261,045 |
| United Kingdom | 4,309,188 | 3,127,144 | 5,988,462 | 2,115,817 |
| Korea, Republic of | 2,019,045 | 2,407,073 | 2,987,386 | 1,375,994 |
| Mexico | 3,637,171 | 3,004,742 | 2,649,428 | 1,346,896 |
| Taiwan | 2,980,635 | 3,026,209 | 7,418,667 | 5,436,459 |
| United States | 138,679,767 | 142,512,302 | 128,750,162 | 79,904,042 |
| All Other Countries | 21,348,389 | 25,650,071 | 39,059,715 | 20,579,530 |
| Total Imports | \$177,192,410 | \$188,161,487 | \$194,850,068 | \$114,504,393 |

[28] The volume of imports from China was 4 metric tonnes in 2012, 136 metric tonnes in 2013, 274 metric tonnes in 2014, and 206 metric tonnes in the first half of 2015.

⁶ Exhibit 26 NC, "Import, market and enforcement statistics."

⁷ Ibid.

CASE ENFORCEMENT

[29] In the enforcement of the CITT's finding during the POR, as detailed in **Table 3** below, the total amount of anti-dumping and countervailing duty collected on subject imports from China was approximately CAD \$7 million. By comparison, the value for duty of all subject imports from China during the POR was approximately CAD \$6.5 million.⁸

Table 3
SIMA Duties Collected on Steel Grating
(Value in CAD)

| Country | 2012 | 2013 | 2014 | January 1 to June 30, 2015 | POR |
|---------|----------|-------------|-------------|----------------------------|-------------|
| China | \$67,415 | \$3,038,634 | \$2,977,826 | \$969,363 | \$7,053,237 |

PARTIES TO THE PROCEEDING

[30] On August 13, 2015, the ERQ and Notice of Expiry Review Investigation were sent to all known Canadian producers, importers, exporters, and the GOC.

[31] The ERQ requested information relevant to the consideration of the expiry review factors by the CBSA, as listed in subsection 37.2(1) of the *Special Import Measures Regulations* (SIMR). Any parties 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.

[32] Fisher & Ludlow participated in the expiry review investigation and responded to the ERQ.

[33] No responses to the CBSA's ERQs were received from importers, exporters, or the GOC.

[34] Fisher & Ludlow provided a case brief to the CBSA in support of its position that continued or resumed dumping and subsidizing of certain steel grating from China is likely if the CITT's finding is rescinded.

[35] No other case briefs or reply submissions were received by the CBSA.

⁸ Exhibit 25 NC, "Import and Enforcement Statistics for the Period of Review."

INFORMATION CONSIDERED BY THE CBSA

Administrative Record

[36] The information considered by the CBSA for purposes of this expiry review investigation is contained on the CBSA's administrative record (the record). The record consists of the exhibits listed on the CBSA's Exhibit Listing, which is comprised of the CITT's administrative record on which the CITT based its decision to initiate an expiry review, CBSA exhibits, and information submitted by interested persons, including information which they believe is relevant to the decision as to whether dumping and subsidizing are likely to continue or resume absent the finding.

[37] 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 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 record as of the closing of the record date. For the CBSA's expiry review investigation, the record closed on October 1, 2015.

POSITION OF THE PARTIES - DUMPING

Parties Contending that Continued or Resumed Dumping is Likely

Position of Fisher & Ludlow

[38] Fisher & Ludlow made representations through its ERQ and Supplementary ERQ response as well as in its case brief in support of its position that dumping from China is likely to continue or resume in the event the present finding is rescinded. It argued that the finding should remain in place.

[39] The main factors identified by Fisher & Ludlow are summarized as follows:

- the large number of steel grating producers in China;
- the decline in the Canadian oil and gas, construction and manufacturing sectors in Western Canada;
- the continued weakening in domestic demand for steel grating in China leading to an increasing reliance on export markets;
- anti-dumping measures concerning Chinese steel grating in the US and other Chinese steel products in Canada and other jurisdictions; and
- the ability for Canadian distributors to resume importing Chinese steel grating.

Large Number of Steel Grating Producers in China

[40] Fisher & Ludlow contended that there are a large number of large-scale steel grating producers in China, many of which are geared to the export market.

[41] Fisher & Ludlow provided website sources which demonstrate that a large number of Chinese producers and exporters offer a wide range of steel grating for export sale:

- www.made-in-china.com reveals a total of 990 Chinese steel grating manufacturers and suppliers. Narrowing the search down to “standard steel grating” turns up a list of 440 Chinese grating manufacturers and suppliers.
- www.alibaba.com lists hundreds of additional Chinese grating producers and suppliers.

[42] Fisher & Ludlow stated that the large number of Chinese steel grating producers and exporters, as well as their large scale of production, would easily overwhelm the Canadian industry should the finding expire.⁹

[43] Listed below are several examples of Chinese steel grating producers and their corresponding annual production capacities¹⁰ provided by Fisher & Ludlow:

- Dalian AW Gratings – 40,000 tons
- Jiashan Oilimei Grating – 6,000 tons
- Ningbo Jiulong Machinery Manufacturing Co., Ltd. – 60,000 tons
- Ningbo Lihong Steel Grating Co., Ltd. – 15,000 tons
- Shanghai DAHE Grating Co., Ltd. – 19,200 tons
- Shanghai Klemp Metal Products Co., Ltd. – 15,000 tons
- Sinosteel Yantai Steel Grating Co., Ltd. – 5,000 tons
- Webforge Group – 48,000 tons
- Xinxing Pipes International – 80,000 tons
- Xinxing Ductile Iron Pipes Co., Ltd. – 120,000 tons
- Yantai Xinke Steel Structure Co., Ltd. – 200,000 tons

[44] Fisher & Ludlow cited a report by US steel grating producers which showed that 57 Chinese steel grating producers had combined production capacity of at least 1,075,000 tons per annum. In its injury finding in 2010, the United States International Trade Commission estimated total Chinese steel grating capacity at over 2 million short tons - or 1.8 million metric tonnes per annum.¹¹

⁹ Exhibit 22 NC, “Fisher & Ludlow ERQ Response,” Question Q28.

¹⁰ Exhibit 22 NC, “List of Chinese Grating Manufacturers.”

¹¹ Exhibit 22 NC, “Fisher & Ludlow ERQ Response,” Question Q28.

[45] Fisher and Ludlow stated that during the original investigation in 2010 the CBSA identified 61 potential Chinese exporters, which is consistent with the 57 exporters identified in the above US study.

Decline of Canadian Oil and Gas, Construction and Manufacturing Sectors in Western Canada

[46] Fisher & Ludlow argued that steel grating is priced according to market conditions in Canada, which are generally a function of the pace of industrial and commercial activity. In Western Canada, the price is affected by the development of large scale oil and gas projects, such as refineries, conversion plants and oil sand up-grader facilities.

[47] Fisher & Ludlow contends that although there are no industry reports specifically focused on the steel grating industry, the industry is generally subject to the same pressures as the fabricated steel business and Canadian manufacturing.¹²

[48] Fisher & Ludlow noted that the recent collapse in oil prices since June 2014 has led to major weakness in the Canadian construction and manufacturing sector, especially in Western Canada, and will dampen economic activity as energy companies retreat on investment and cut costs.¹³ Capital expenditures for 2015 are expected to be down as a number of projects in the oil and gas extraction industry have been suspended,¹⁴ leading to a decrease in demand for Canadian steel grating.

Continued Weakening in Domestic Demand for Steel Grating in China Leading to an Increasing Reliance on Export Markets

[49] Fisher & Ludlow claimed that the world steel grating market is largely determined by the volume of production and exports from China, the dominant global player in steel grating.¹⁵

[50] Fisher & Ludlow referred to the evidence on the record concerning demand conditions in China, specifically the recent drop in demand for steel grating as a result of economic conditions that have slowed construction projects in China, leading to a search for export markets to absorb excess production of steel grating.¹⁶ The major correction in stock prices in China in June 2015 was cited as an exacerbating factor in the slowdown of the Chinese economy.¹⁷

[51] In its case brief, Fisher & Ludlow asserts that, “[w]ith the continuing Chinese slowdown and slack domestic demand, Chinese grating producers will have even greater commercial incentive to liquidate that capacity by exporting subject goods wherever an opportunity presents itself.”¹⁸

¹² Exhibit 27 NC, “Case brief – Fisher & Ludlow,” para. 17.

¹³ Exhibit 22 NC, “AB Budget Forecast 2015,” pg. 57.

¹⁴ Exhibit 22 NC, “Stats Can Capital Repair,” pg. 2.

¹⁵ Exhibit 22 NC, “Fisher & Ludlow ERQ Response,” Question Q26.

¹⁶ Ibid., Question Q23.

¹⁷ Exhibit 10 NC, “CITT Administrative Record,” para. 26.

¹⁸ Exhibit 27 NC, “Case brief – Fisher & Ludlow,” para. 26.

Anti-dumping Measures Concerning Chinese Steel Grating in the United States and Other Chinese Steel Products in Canada and Other Jurisdictions

[52] Fisher & Ludlow submitted information regarding the US dumping investigation of steel grating from China. In June 2009, the United States Department of Commerce (USDOC) announced the initiation of anti-dumping and countervailing duty investigations of importations of steel grating from China. On July 23, 2010, the USDOC published the anti-dumping duty orders.¹⁹

[53] Fisher & Ludlow also listed several other anti-dumping orders on Chinese steel products from various jurisdictions,²⁰ such as:

- Canada:
 - Oil Country Tubular Goods (RR-2014-003, continuing the order in NQ-2009-004)
 - Concrete Reinforcing Bar (NQ-2014-001)
 - Carbon Steel Fasteners (RR-2014-001, continuing RR-2009-001)
 - Carbon Steel Welded Pipe (RR-2012-003, continuing the order in NQ-2008-001)
 - Seamless Oil and Gas Well Casing (RR-2012-003, continuing the order in NQ 2007-001)
 - Steel Piling Pipe (NQ-2012-002)
 - Pup Joints (NQ-2011-001)
- United States:
 - Oil Country Tubular Goods (2015)
 - Steel Wire Rod (2015)
 - Light-Walled Rectangular Pipe (2014)
 - Non-Oriented Electrical Steel (2014)
 - Grain-Orientated Electrical Steel (2014)
 - High Pressure Steel Cylinders (2012)
 - Galvanized Steel Wire (2012)
 - Drill Pipe and Drill Collars (2011)
 - Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe (2010)
 - Wire Decking (2010)
 - Steel Grating (2010)
 - Concrete Steel Wire Strand (2010)
 - Circular Welded Carbon Quality Steel Line Pipe (2009)
 - Circular Welded Stainless Pressure Pipe (2009)
 - Circular Welded Carbon-Quality Steel Pipe (2008)

¹⁹ Exhibit 22 NC, "Substantive Response," pg. 7.

²⁰ Exhibit 22 NC, "AD-CV Duty Orders on Chinese Steel."

- European Union:
 - Welded tubes and pipe (extended, 2013)
 - Stainless steel fasteners (extended, 2012)
 - Steel wire ropes (extended 2012)
 - Seamless pipes and tubes (2009);
 - Wire rod (2009)
 - Steel pipe fittings (extended, 2009)
- Australia:
 - Hollow-structural sections (2012)
- Brazil:
 - Seamless line pipe (2012)
 - ERW line pipe (2011)
- Colombia:
 - Steel casing and tubing (2012)
- Mexico:
 - Seamless steel tubes (2013)
- Turkey:
 - Welded stainless steel pipes and tubes (2013)
 - Pipe fittings (2010)
- Ukraine:
 - Seamless stainless steel tubes (2014)

[54] Fisher & Ludlow states that, “[t]he extensive history of Chinese exporters shipping dumped steel products onto global markets is a further indications (sic) that steel grating will likewise be exported at prices that are lower than production costs in the absence of the current order.”²¹

Ability for Canadian Distributors to Resume Importing Chinese Steel Grating

[55] Fisher & Ludlow contends that Canadian distributors are able to revert to importing dumped Chinese steel grating if the current finding lapses.²²

[56] Fisher & Ludlow indicated that the largest importer of subject steel grating prior to the 2011 finding was Accurate Screen and Grating (Accurate Screen). Accurate Screen imports steel grating and resells to other distributors, service centres, and end-users (e.g. processors and fabricators) through its facilities in Calgary, Edmonton, Langley, and Mississauga.²³ In 2010, Accurate Screen had 3 million pounds of bar grating and stair treads in its inventory, available for sale.²⁴ With Accurate Screen’s dominant role in the Canadian steel grating market, Fisher & Ludlow contends that Accurate Screen will be able to resume importing dumped Chinese steel grating if the anti-dumping duties are revoked.

²¹ Exhibit 27 NC, “Case brief – Fisher & Ludlow,” para. 39.

²² Exhibit 24 NC, “Supplementary ERQ Response,” Question Q6.

²³ Exhibit 10 NC, “CITT Administrative Record,” para. 15.

²⁴ Ibid.

[57] Fisher & Ludlow stated that ocean freight from China is extremely low, as are internal Canadian transportation costs.²⁵ As a result, subject steel grating shipments are essentially unimpeded by freight costs incurred by transportation from producers' plants in China to the eventual delivery point in Canada. This supports the likelihood that large importers of steel grating, such as Accurate Screen, will resume importing dumped steel grating if the finding is allowed to expire.²⁶

Parties Contending that Continued or Resumed Dumping is Not Likely

[58] The CBSA did not receive any submissions in support of the position that continued or resumed dumping is not likely should the finding be rescinded.

CONSIDERATION AND ANALYSIS – DUMPING

[59] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of a finding 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, as well as any other factors relevant under the circumstances.

[60] Guided by the aforementioned regulations and having examined the information on the administrative record, the following is a list of the factors considered in this analysis:

- the continued dumping of certain steel grating while the CITT finding was in effect and the inability of Chinese exporters to compete at non-dumped prices;
- the production capacity and export-orientation of steel grating producers in China;
- the decline of Canadian oil and gas, construction and manufacturing sectors leading to decreased demand for steel grating;
- the continued weakening in domestic demand for steel in China leading to an increasing reliance on export markets;
- the anti-dumping measures concerning Chinese steel grating in the United States and other Chinese steel products in Canada and other jurisdictions; and
- the ability for Canadian distributors to resume importing Chinese steel grating.

[61] A discussion of these factors is presented below.

²⁵ Exhibit 10 NC, "CITT Administrative Record," para. 40.

²⁶ Exhibit 24 NC, "Supplementary ERQ Response," Question Q6.

Dumping of Certain Steel Grating while the CITT Finding was in Effect and the Inability of Chinese Exporters to Compete at Non-dumped Prices

[62] Information on anti-dumping and countervailing duties collected during the POR is presented in the “Case Enforcement” section. Importations of certain steel grating from China have resulted in the assessment of anti-dumping and countervailing duties of approximately 7 million dollars on 100% of the subject goods imported into Canada from China during the POR.²⁷

[63] Although imports of subject goods into Canada have declined substantially since anti-dumping duties were first imposed, low volumes continued to be imported during the POR. During the original investigation, import volumes of steel grating from China from July 1, 2009 to June 30, 2010 represented 23.5% of total imports into Canada from all countries.²⁸ During the POR of the expiry review investigation, total imports of steel grating from China into Canada represented 99.2% less than the figure in the one-year period examined in the original investigation.²⁹ The volume of imports of subject goods from China during the POR represented 0.2% of the total imports into Canada from all countries.³⁰ The small volume of imports during the POR is an indicator that certain steel grating from China cannot be sold into the Canadian market without being dumped. It is also an indication that exporters in China have a continued interest in the Canadian market.

[64] On July 14, 2015, the CBSA concluded a re-investigation to update the normal values, export prices, and amounts of subsidy of certain steel grating from China. Neither the exporters nor the GOC participated in the re-investigation. Imports of subject goods from all exporters are therefore subject to a ministerial specification pursuant to subsection 29(1) of SIMA, which specifies that the normal value shall be determined based on the export price plus an amount equal to 85% of that export price, resulting in anti-dumping duties equal to 85% of the export price. The lack of exporter participation suggests that there was no incentive to provide information to the CBSA as the exporters are unable to sell to Canadian importers at non-dumped prices.

Production Capacity and Export-Orientation of Steel Grating Producers in China

[65] There are a large number of steel grating producers in China. Information on the record identifies website sources listing hundreds of producers and exporters that offer a wide range of steel grating for export sale.³¹

²⁷ Exhibit 25 NC, “Import and Enforcement Statistics for the Period of Review.”

²⁸ Exhibit 03 NC, “*Statement of Reasons - Steel Grating 2011*,” para. 40.

²⁹ Exhibit 25 NC, “Import and Enforcement Statistics for the Period of Review.”

³⁰ Ibid.

³¹ Exhibit 22 NC, “Fisher & Ludlow ERQ Response,” Question Q28.

[66] The record also contains information on the production capacities of steel grating producers in China. For example, Ningbo Jiulong Machinery Manufacturing Co., Ltd.'s production capacity for steel grating is 60,000 tons³² and it exports the majority of its production to destinations such as North America.³³ Yantai Xinke Steel Structure Co., Ltd., the largest producer of steel grating in China with an annual capacity of 200,000 tons,³⁴ lists North America as one of its main export markets.³⁵ Shanghai Klemp Metal Products Co., Ltd. produces 15,000 tons of steel grating annually, 70% of which is exported.³⁶ Lastly, Xinxing Pipes International, with its 80,000 ton steel grating production capacity, is "responsible for international sales of . . . steel grating."³⁷

Decline of Canadian Oil and Gas, Construction and Manufacturing Sectors Leading to Decreased Demand for Steel Grating

[67] Demand for steel grating is linked to the health of the oil and gas, construction and manufacturing sectors. In the first quarter of 2015, the Canadian economy contracted due to lower oil prices, a near-record trade deficit, and uncertainty in global markets.³⁸ The slowdown in 2015 is primarily due to the negative impact of lower oil prices, with much of this impact coming from reduced investment in the oil and gas sector, which accounts for one-third of Canadian non-residential investment. As Canada is a large net exporter of crude oil, the fall in oil prices will be a net negative for economic growth.³⁹ As a result, the country's gross domestic product fell in the first two quarters of 2015, leading to a technical recession.⁴⁰

[68] In response to lower oil prices, oil producers have announced steep cuts to capital spending. Energy investment is expected to fall by around 30% in 2015 and 5% in 2016. As a result, construction prices are expected to fall in the oil and gas industry in 2015 and producers will continue to ask all suppliers to cut prices,⁴¹ including suppliers of steel grating.

[69] According to a report from Statistics Canada,⁴² Canadian industries suffered a second consecutive quarterly decline in production capacity utilization rates in the second quarter of 2015. Oil and gas extraction and manufacturing industries played a large role in the overall decline.

³² Exhibit 22 NC, "List of Chinese Grating Manufacturers."

³³ Exhibit 22 NC, "Substantive Response," pg. 16.

³⁴ Exhibit 22 NC, "List of Chinese Grating Manufacturers."

³⁵ Exhibit 22 NC, "Substantive Response," pg. 17.

³⁶ Exhibit 22 NC, "List of Chinese Grating Manufacturers."

³⁷ Ibid.

³⁸ Exhibit 22 NC, "Conference Board-Downgrades Canada's Growth Forecast."

³⁹ Exhibit 22 NC, "AB Budget Forecast 2015," pg. 71.

⁴⁰ Exhibit 22 NC, "Calgary Herald 1 Sept 2015 Canadian economy officially in recession."

⁴¹ Exhibit 22 NC, "AB Budget Forecast 2015," pg. 63.

⁴² Exhibit 22 NC, "Cdn Capacity Utilization Rates 2015 Stats Can."

[70] Capital expenditures in non-residential construction and machinery and equipment are expected to drop 4.9% from 2014. Private sector capital expenditure is anticipated to fall by 7%, with one of the main drivers being the lower spending in the oil and gas extraction industry.⁴³

[71] These negative changes in market conditions in Canada have led to decreased demand for steel grating and increased downward pressure on the price of steel grating. As steel grating is a fully substitutable commodity product that competes mainly on the basis of price,⁴⁴ Canadian oil and gas, construction and manufacturing companies would purchase from the lowest-priced suppliers of steel grating. This could potentially lead to resumed dumping of certain steel grating.

Continued Weakening in Domestic Demand for Steel in China Leading to an Increasing Reliance on Export Markets

[72] China, the world's largest consumer of steel, has suffered a housing market crisis, leading to a decrease in demand for steel in the country. Consequently, China (also the world's largest steel producer, supplying more than half of the world's steel) is struggling with an oversupply of steel and aiming to export the large inventories to other countries.⁴⁵

[73] In 2014, China's steel exports surged 50%, while steel consumption decreased by 3%, according to the World Steel Association.⁴⁶ There was 823 million tons of steel produced in China, while demand stood at 711 million tons.⁴⁷ This trend is continuing in 2015 – China is exceeding its export figures from 2014 by 27% year-over-year⁴⁸ while consuming less steel as the country deals with an excess of residential properties, which may take a prolonged period to address.⁴⁹

[74] Steel exports from China have increased to extraordinary levels as Chinese demand slows. Chinese steel exports of 67.1 million tons in the first seven months of 2015 have almost met Japan's total production of crude steel during the same period. As Japan's steel output is second only to China's, this demonstrates that Chinese exports have risen drastically.⁵⁰

[75] The weak domestic demand has caused Chinese producers to sell steel products at a loss both domestically and internationally. A senior official at a steel mill in Hebei, China reported that the domestic market could not consume the high output produced, so some mills are turning to exports, hoping to ease surplus steel inventories and maintain market share.⁵¹

[76] The weakening domestic demand combined with the large production capacity, and an export-oriented philosophy suggests that steel grating producers would increase their efforts to export steel grating.

⁴³ Exhibit 22 NC, "Cdn Capacity Utilization Rates 2015 Stats Can."

⁴⁴ Exhibit 27 NC, "Case brief – Fisher & Ludlow," para. 8.

⁴⁵ Exhibit 22 NC, "Globe-21 June 2015 re China's steel surplus," pg. 1.

⁴⁶ Ibid.

⁴⁷ Exhibit 22 NC, "Forbes-Rising Chinese Steel Exports," pg. 3.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Exhibit 22 NC, "Reuters-China steel exports sold at loss."

Anti-dumping Measures Concerning Chinese Steel Grating in the United States and Other Chinese Steel Products in Canada and Other Jurisdictions

[77] China's increased exports of steel products have disrupted trade patterns and led to the call for government protection from falling prices in the US, European Union (EU), the Republic of Korea, the Republic of India, and Australia, among other countries.⁵²

[78] As noted by Fisher & Ludlow, the US currently has anti-dumping measures in place on steel grating from China. They also provided evidence of several anti-dumping measures on other Chinese steel products in Canada and other jurisdictions.

[79] In the US, anti-dumping duties have been imposed on Chinese steel grating imports since 2010.⁵³ Due to Canada's close proximity to the US, Chinese steel grating exports can easily be diverted to Canada.

[80] American steelmakers have also filed for protective anti-dumping measures on other steel products from China. U.S. Steel Corp. and ArcelorMittal, two of the largest steelmakers in the US, have closed plants and laid off thousands of workers as a result of diluted steel prices.⁵⁴ Both U.S. Steel Corp. and another major steel producer, Nucor Corp., are beginning to seek political support for trade action.⁵⁵

[81] In Europe, steel leaders met with the European trade commissioner in early 2015 to present a case for further anti-dumping protection. Although the EU has six investigations on steel products that may lead to the implementation of anti-dumping measures, Chinese steel imports to the EU were 5 million tons in 2014, up 49% from 2013.⁵⁶

[82] In December 2014, the Republic of Korea's Hyundai Steel and Dongkuk Steel filed a proposal for anti-dumping duties of 18% to 33% on Chinese steel products.⁵⁷

[83] Indian steelmakers have suffered the consequences of a 200% surge year-on-year in imports of Chinese steel products between April 2014 and January 2015. As a result, steelmakers are seeking trade measures including higher anti-dumping duties.⁵⁸

[84] Australia's Anti-Dumping Commission is in the process of investigating about a dozen cases of alleged dumping of low-priced steel products from Asian countries, including China.⁵⁹

⁵² Exhibit 22 NC, "WSJ-Why Chinese Steel Exports Are Stirring Protests."

⁵³ Exhibit 10 NC, "Substantive Response," pg. 7.

⁵⁴ Exhibit 22 NC, "WSJ-Glut of Chinese Steel Looms Large."

⁵⁵ Exhibit 22 NC, "WSJ-Why Chinese Steel Exports Are Stirring Protests."

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Ibid.

[85] The anti-dumping measures imposed on Chinese steel grating and other Chinese steel products by countries around the world demonstrate that dumped Chinese steel imports are globally prevalent. This is a further indication steel grating will likely be exported to Canada at dumped prices in the absence of the current finding.

The Ability for Canadian Distributors to Resume Importing Chinese Steel Grating

[86] Evidence provided by Fisher & Ludlow points to the historically low ocean freight rates from China to Vancouver and argues that this has reinforced the ability for Canadian distributors to resume importing subject steel grating.

[87] Fisher & Ludlow also noted that Accurate Screen, the largest importer of steel grating prior to the 2011 finding, maintains a cross-Canada distribution system that is capable of transporting Chinese steel grating through both West Coast and East Coast ports of entry.⁶⁰

[88] The existence of these trans-Pacific and Canadian-based distribution systems would facilitate the future importation of steel grating.

[89] However, the CBSA is of the opinion that this information available with respect to ocean freight rates and the existence of distribution systems does not support that there would be a likelihood of the continuation or resumption of dumping of the goods.

Determination Regarding Likelihood of Continued or Resumed Dumping

[90] Based on the information on the record in respect of: the continued dumping of certain steel grating while the CITT finding was in effect and the inability for Chinese exporters to compete at non-dumped prices; the production capacity and export-orientation of steel grating producers in China; the decline of Canadian oil and gas, construction and manufacturing sectors leading to decreased demand for steel grating; the continued weakening in domestic demand for steel in China leading to an increasing reliance on export markets; and the anti-dumping measures concerning Chinese steel grating in the US and other Chinese steel products in Canada and other jurisdictions, the CBSA determined that the expiry of the finding is likely to result in the continuation or resumption of dumping of certain steel grating originating in or exported from China.

⁶⁰ Exhibit 27 NC, "Case brief – Fisher & Ludlow," para. 57.

POSITION OF THE PARTIES - SUBSIDIZING

Parties Contending that Continued or Resumed Subsidizing is Likely

Position of Fisher & Ludlow

[91] Fisher & Ludlow made representations through its ERQ and Supplementary ERQ response as well as in its case brief in support of its position that the countervailing duty measures should remain in place. Fisher & Ludlow's position is based on the following factors:

- the continued subsidizing while the finding was in effect; and
- current countervailing measures concerning Chinese steel grating in the US and other Chinese steel products in Canada and other jurisdictions.

Continued Subsidizing of Steel Grating

[92] Fisher & Ludlow argued that the nature of the Chinese subsidies supports its position on the likelihood of continued subsidizing of Chinese steel grating. It noted that Chinese grating manufacturers continue to benefit from supplies of subsidized hot-rolled coil, a large component of steel grating.⁶¹ Fisher & Ludlow also alleged that Chinese steel grating producers received subsidies that were investigated by the CBSA in past cases (e.g., Fasteners expiry review 2014, Rebar investigation 2015).⁶²

[93] Fisher & Ludlow asserted that these programs continue to provide significant benefits to producers of subject goods, allowing them to maintain price advantages over the Canadian industry.⁶³

Current Countervailing Measures Concerning Chinese Steel Grating in the US and other Chinese Steel Products in Canada and Other Jurisdictions

[94] Fisher & Ludlow also notes that steel grating from China is currently subject to countervailing duties in the US.⁶⁴

⁶¹ Exhibit 22 NC, "Fisher & Ludlow ERQ Response," Question Q26.

⁶² Exhibit 10 NC, "CITT Administrative Record," para. 33-34.

⁶³ Ibid.

⁶⁴ Exhibit 22 NC, "Fisher & Ludlow ERQ Response," Question Q28.

[95] Fisher & Ludlow indicated that the CBSA had determined that extensive Chinese subsidies are in place for producers of a wide range of other downstream steel products.⁶⁵ Examples include CBSA's determinations of subsidizing of Chinese exports in Steel Piling Pipe, Oil Country Tubular Goods, Carbon Steel Welded Pipe, Seamless Casing, Steel Fasteners, among other steel product cases. Fisher & Ludlow believes that these programs are available to the Chinese steel grating industry as well,⁶⁶ and that the expiration of the current finding will result in the continuance of steel grating exports to Canada at subsidized prices.⁶⁷

[96] Fisher & Ludlow states, "[e]ven though these investigations dealt with steel products other than steel grating, they reveal State benefits to downstream manufactures (sic) and where many of the available programs are horizontal in nature – i.e., they cut across industry groups. Of importance is the conclusion in these cases of hot-rolled steel as input products provided by SOEs [state-owned enterprises] at subsidized prices."⁶⁸

Parties Contending that Continued or Resumed Subsidizing is Not Likely

[97] The CBSA did not receive any submissions in support of the position that continued or resumed subsidizing is not likely should the finding be rescinded.

CONSIDERATION AND ANALYSIS – SUBSIDIZING

[98] 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 subsidizing of the goods, the CBSA may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

[99] Guided by the aforementioned regulations and having examined the information on the administrative record, the following is a list of the factors considered in the analysis with respect to the likelihood of continued or resumed subsidizing:

- the continued subsidizing of steel grating while the finding was in effect; and
- current countervailing measures concerning Chinese steel grating in the US and other Chinese steel products in Canada and other jurisdictions.

[100] A discussion of these factors is presented below.

⁶⁵ Exhibit 24 NC, "Supplementary ERQ Response," Question Q2.

⁶⁶ Ibid.

⁶⁷ Exhibit 22 NC, "Fisher & Ludlow ERQ Response," Question Q28.

⁶⁸ Exhibit 27 NC, "Case brief – Fisher & Ludlow," para. 49.

Continued Subsidizing of Steel Grating while the Finding was in Effect

[101] In light of the lack of participation from Chinese producers and exporters of subject goods and the lack of participation by the GOC in the recent re-investigation, the CBSA relied on information from the original subsidy investigation in assessing the likelihood of continued or resumed subsidization should the CITT finding be rescinded.

[102] During the original subsidy investigation in 2010, 62 potential subsidy programs were investigated and 3 of these subsidy programs were determined to have conferred benefits to the cooperative exporters. Expressed as a percentage of export price, the amounts of subsidy determined by the CBSA for the cooperative exporters ranged from 9.45% to 12.58%.

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

- Export Assistance Grant
- Award of Taxpayers in Yanghang Industrial Park
- Input Materials Provided by Government at Less than Fair Market Value

[104] It was found that 100% 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 174.99%. The amounts of subsidy found for cooperative exporters ranged from 543 to 632 Renminbi (RMB) per metric tonne. The amount of subsidy for all other exporters was determined to be equal to 13,064 RMB per metric tonne, as determined according to a ministerial specification pursuant to subsection 30.4(2) of SIMA.

[105] 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.⁶⁹

[106] While the finding was in place, Chinese steel grating producers have maintained a presence in the Canadian market through exports as can be seen in **Table 1** provided earlier in this *Statement of Reasons*.

[107] Information on anti-dumping and countervailing duties collected during the POR is presented in the "Case Enforcement" section. Importations of certain steel grating from China have resulted in the assessment of anti-dumping and countervailing duties of approximately 7 million dollars.⁷⁰ All subject goods imported into Canada during the POR were assessed countervailing duties.

⁶⁹ Exhibit 3 NC, "*Statement of Reasons – Steel Grating 2011*," pg. 13.

⁷⁰ Exhibit 25 NC, "Import and Enforcement Statistics for the Period of Review."

Current Countervailing Measures Concerning Chinese Steel Grating in the US and Other Chinese Steel Products in Canada and Other Jurisdictions

[108] The number of Canadian countervailing measures presently in place against Chinese steel products, including: concrete reinforcing bar; oil country tubular goods; carbon steel fasteners; steel piling pipe; seamless oil and gas well casing; pup joints; and carbon steel welded pipe, demonstrates the GOC's continued commitment to providing subsidies to Chinese companies operating in the steel industry.

[109] In addition to Canada's current countervailing measures in place against Chinese steel products, other countries have a number of countervailing measures⁷¹ in place against Chinese steel grating and other Chinese steel products which are summarized below:

- **United States:**
 - Oil Country Tubular Goods (2015)
 - Steel Wire Rod (2015)
 - Light-Walled Rectangular Pipe (2014)
 - Non-Oriented Electrical Steel (2014)
 - Grain-Oriented Electrical Steel (2014)
 - High Pressure Steel Cylinders (2012)
 - Galvanized Steel Wire (2012)
 - Drill Pipe and Drill Collars (2011)
 - Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe (2010)
 - Wire Decking (2010)
 - Steel Grating (2010)
 - Concrete Steel Wire Strand (2010)
 - Circular Welded Carbon Quality Steel Line Pipe (2009)
 - Circular Welded Stainless Pressure Pipe (2009)
 - Circular Welded Carbon-Quality Steel Pipe (2008)
- **European Union:**
 - Seamless pipes and tubes (2009);
- **Australia:**
 - Hollow-structural sections (2012)
- **Brazil:**
 - Seamless line pipe (2012)
 - ERW line pipe (2011)
- **Mexico:**
 - Seamless steel tubes (2013)

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

⁷¹ Exhibit 22 NC, "AD-CV Duty Orders on Chinese Steel."

Determination Regarding Likelihood of Continued or Resumed Subsidizing

[111] Based on the information on the record in respect of the continued subsidizing while the finding was in effect and the current countervailing measures concerning Chinese steel grating in the US and other Chinese steel products in Canada and other jurisdictions, the CBSA determined that the expiry of the finding is likely to result in the continuation or resumption of subsidizing of steel grating originating in or exported from China.

CONCLUSION

[112] 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 an analysis of the evidence on the record, on December 10, 2015, pursuant to paragraph 76.03(7)(a) of SIMA, the CBSA determined that the expiry of the finding made by the CITT on April 19, 2011, in Inquiry No. NQ-2010-002, concerning certain steel grating originating in or exported from China, is likely to result in the continuation or resumption of dumping and subsidizing of the goods.

FUTURE ACTION

[113] On December 11, 2015, the CITT commenced its inquiry to determine whether the expiry of the finding with respect to the goods from China is likely to result in injury. The CITT's Expiry Review schedule indicates that it will make its decision by April 18, 2016.

[114] If the CITT determines that the expiry of the finding with respect to the goods is likely to result in injury, 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/or countervailing duties on dumped and/or subsidized importations of the subject goods.

[115] If the CITT determines that the expiry of the finding with respect to the goods is not likely to result in injury, the finding will be rescinded in respect of those goods. Anti-dumping and/or countervailing duties would then no longer be levied on importations of the subject goods.

INFORMATION

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

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