Canada Border Services Agency | Agence des services frontaliers du Canada

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4218-35
CVD/133

OTTAWA, May 7, 2013

STATEMENT OF REASONS

Concerning the preliminary determinations with respect to the dumping of

CERTAIN GALVANIZED STEEL WIRE ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA, THE STATE OF ISRAEL AND THE KINGDOM OF SPAIN

and the subsidizing of

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

DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, on April 22, 2013, the President of the Canada Border Services Agency made preliminary determinations respecting: the alleged injurious dumping of cold-drawn carbon or alloy steel wire, of solid cross section with an actual diameter of 1.082 mm (0.0426 inch) to 12.5 mm (0.492 inch), plated or coated with zinc or zinc alloy, whether or not coated with plastic, excluding flat wire, originating in or exported from the People's Republic of China, the State of Israel and the Kingdom of Spain; and the alleged injurious subsidizing of these goods 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.

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SUMMARY OF EVENTS

[1] On November 30, 2012, the Canada Border Services Agency (CBSA) received a written complaint from Tree Island Steel Ltd. (Tree Island) of Richmond, British Columbia (the complainant), alleging that imports of certain galvanized steel wire (GSW) originating in or exported from the People's Republic of China (China), the State of Israel (Israel) and the Kingdom of Spain (Spain) are being dumped and that imports of certain GSW originating in or exported from China are being subsidized. The complainant alleged that the dumping and subsidizing had caused injury and are threatening to cause injury to the Canadian industry producing these goods.

[2] On December 21, 2012, pursuant to paragraph 32(1)(*a*) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. The CBSA also notified the governments of China, Israel and Spain that a properly documented complaint had been received and provided the Government of China (GOC) with the non-confidential version of the subsidy complaint. The GOC was invited for consultations prior to the initiation of the investigations, pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*, however, no such consultations took place.

[3] The complainant provided evidence to support the allegations that certain GSW from China, Israel and Spain had been dumped and that certain GSW from China had been subsidized. The evidence also discloses a reasonable indication that the dumping and subsidizing had caused injury and are threatening to cause injury to the Canadian industry producing these goods.

[4] On January 21, 2013, pursuant to subsection 31(1) of SIMA, the President of the CBSA (President) initiated investigations respecting the dumping of certain GSW from China, Israel and Spain and the subsidizing of certain GSW from China.

[5] Upon receiving notice of the initiation of the investigations, the Canadian International Trade Tribunal (Tribunal) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of certain GSW from the named countries have caused injury or retardation or are threatening to cause injury to the Canadian industry producing the goods.

[6] On March 22, 2013, pursuant to subsection 37.1(1) of SIMA, the Tribunal made a preliminary determination that there is evidence that discloses a reasonable indication that the dumping and subsidizing of certain GSW from the named countries have caused injury or are threatening to cause injury.

[7] On April 22, 2013, as a result of the CBSA's preliminary investigations and pursuant to subsection 38(1) of SIMA, the President made preliminary determinations of dumping of certain GSW originating in or exported from China, Israel and Spain and subsidizing of certain GSW originating in or exported from China.

PERIOD OF INVESTIGATION

[8] The period of investigation with respect to dumping (dumping POI), covered all subject goods released into Canada from January 1, 2012 to December 31, 2012.

[9] The period of investigation with respect to subsidizing (subsidy POI), covered all subject goods released into Canada from January 1, 2011 to December 31, 2012.

PROFITABILITY ANALYSIS PERIOD

[10] The profitability analysis period (PAP) covered domestic sales and costing information for goods sold from January 1, 2012 to December 31, 2012.

INTERESTED PARTIES

Complainant

[11] The complainant is a large Canadian producer of GSW, accounting for a major proportion of the production of like goods in Canada.[1] The complainant's goods are produced at a manufacturing facility in Richmond, British Columbia.

[12] The name and address of the complainant is:

Tree Island Steel Ltd.
3933 Boundary Road
Richmond, B.C.
V6V 1T8

[13] Tree Island was founded in 1964. It produces a range of steel wire and steel wire products. Tree Island's principal product is GSW, though plain steel wire is also produced. In addition, Tree Island further employs GSW to produce fencing, barb wire, wire mesh and nail products.

[14] The other producers of GSW in Canada are:

ArcelorMittal Dofasco Inc.
5900, rue Saint-Patrick
Montréal, Quebec
H4E 1B3

Bekaert Canada Ltd.
11041 Elevator Road
Surrey, B.C.
V3V 2R8

Davis Wire Ltd.
960 Dervent Way
New Westminster, B.C.
V3M 5R1

Sivaco Wire Group
800, rue Ouellette
Marieville, Quebec
J3M 1P5

[1] Refer to the definition of like goods in the Like Goods section below

[15] Three of the Canadian producers of GSW, ArcelorMittal Montreal Inc.[2], Davis Wire Ltd.[3] and Sivaco Wire Group[4] supported the complaint. One producer, Bekaert Canada Ltd.[5] has a neutral position. No producers opposed the complaint.

Importers

[16] At the initiation of the investigations, the CBSA identified 151 potential importers of the subject goods from information provided by the complainant and CBSA import entry documentation over the period of January 1, 2011 to September 30, 2012.

[17] The CBSA sent an importer RFI to all potential importers of the goods. The CBSA received 12 responses to the importer RFI, with varying degrees of completeness.

Exporters

[18] At the initiation of the investigations, the CBSA identified 130 potential exporters and producers of the subject goods[6] from information provided by the complainant and CBSA import entry documentation. The CBSA sent a dumping Request for Information (RFI) to each potential exporter and section 20 and subsidy RFIs to each potential exporter and producer in China. As part of the section 20 inquiry, the CBSA sent section 20 RFIs to 49 wire rod producers in China.

[19] The CBSA received seven responses to the exporter dumping RFI and four responses to the exporter subsidy RFI. Of these, four responses to the exporter dumping RFI and one response to the exporter subsidy RFI were complete and could be used for the purposes of the preliminary determinations. One additional response to the subsidy RFI was received after the due date and will be considered during the final phase of the investigation. The CBSA received three responses to the exporter section 20 RFI, one from a producer and two from exporters that are not producers.

Surrogate Producers

[20] As part of the section 20 inquiry, surrogate country RFIs were sent to all known producers of GSW in Brazil, Chinese Taipei, India, Mexico and South Africa. A total of 22 RFIs were sent to these producers requesting domestic selling prices and costing information for GSW produced at their facilities.

[21] The above-mentioned countries were selected as their growing economies and well-developed steel industries are comparable to the situation in China. These countries are also producers and exporters of GSW to Canada.

[22] The CBSA received no responses to these surrogate country RFIs.

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[2] Dumping Exhibit 17 (NC) – Galvanized Steel Wire
[3] Dumping Exhibit 18 (NC) – Galvanized Steel Wire
[4] Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 6
[5] Dumping Exhibit 16 (NC) – Galvanized Steel Wire
[6] Refer to the definition of subject goods in the Product Information section below

Government of China

[23] For the purpose of these investigations, "Government of China" refers to all levels of government, i.e. federal, central, provincial/state, regional, municipal, city, township, village, local, legislative, administrative or judicial, singular, collective, elected or appointed. It also includes any person, agency, enterprise, or institution acting for, on behalf of, or under the authority of, or under the authority of any law passed by, the government of that country or that provincial, state or municipal or other local or regional government.

[24] At the initiation of the investigations, the CBSA sent subsidy and section 20 RFIs to the GOC. The GOC did not respond to the subsidy or section 20 RFI.

PRODUCT INFORMATION

Definition

[25] For the purpose of these investigations, subject goods are defined as:

> cold-drawn carbon or alloy steel wire, of solid cross section with an actual diameter of 1.082 mm (0.0426 inch) to 12.5 mm (0.492 inch), plated or coated with zinc or zinc alloy, whether or not coated with plastic, excluding flat wire, originating in or exported from the People's Republic of China, the State of Israel and the Kingdom of Spain.

Additional Product Information

[26] GSW can be round, flat or shaped and is typically sold in coils. It is plated or coated with zinc or zinc alloy, whether by hot-dipping or electroplating. The definition of subject goods covers most GSW, but does not extend to flat wire. Flat wire is a more expensive specialty product with two flat sides and is produced on a separate rolling mill or by drawing the wire a second time through a special set of dies.

[27] The subject goods include all galvanized coatings. In North America, galvanizing standards are reflected in ASTM A641.[7] There are similar standards that may be applicable in other jurisdictions. ASTM A641 provides for minimum mass of zinc per unit of area to qualify under particular classes. The amount of zinc varies with the wire diameter. In addition, zinc coated wire produced as "regular coating" (also known as commercial grade) does not have a specified minimum weight of coating, and tends to range from 50 g/m^2 (0.17 oz/ft^2) and less. Commercial grades are not covered by ASTM A641.

[28] GSW is available in a wide range of gauges (diameters), carbon levels, tensile strengths and coating thicknesses. GSW may be sold for use as baling wire, vineyard wire, or for production into a wide range of products including fencing, fasteners, and construction products. For certain applications, GSW may be further coated with polyvinyl chloride plastic (PVC).

[7] American Society for Testing and Materials (ASTM)

[29] Products with higher carbon content have increased hardness and are accordingly more difficult to draw. These products tend to be in the higher range of GSW prices because of the more demanding engineering specifications. The wire must be drawn more slowly resulting in a higher energy cost per tonne and generates higher wear and tear on equipment such as dies. Major markets for high carbon GSW are the pulp baling market and certain waste baling applications.

[30] The gauge or thickness of the wire is also an important determinant of cost. The thinner the wire, the more the product must be drawn, and the higher the relative cost by weight. Similarly, zinc coating can vary. The thicker the coating, measured in ounces per square foot or grams per square meter, the more expensive the product is to produce.

[31] There is a wide range of terminology used to describe thickness of the wire. Diameter is most accurately expressed in millimetres or in inches; but the industry commonly refers to the gauge of a wire. Although American Steel & Wire (AS&W) wire gauges are most commonly used,[8] other gauge measurement may differ; some with different size ranges, and others that do not incorporate fractional sizes.[9] In addition, there are permitted tolerances for each gauge size or fractional size.

Production Process

[32] The production process begins with steel wire rod with the necessary chemical properties as an input. The wire rod is first de-scaled to remove ferrous oxide. This process can be accomplished by performing a chemical de-scaling by "pickling" the wire rod in an acid bath. This process can also be accomplished through mechanical means using methods such as reverse bending, wire brushing, belt polishing or sanding, shaving or shot blasting. Once de-scaled, the wire rod is coated with a lubricant and then drawn successively through a series of dies until it reaches the desired thickness.

[33] Depending upon the end use of the wire, it may require heat treatment. Heat treatment removes residual stresses and improves ductility in the wire that has been cold-work hardened in the drawing process. One way to achieve this is to use an inline annealing process where the wire is drawn through a bath of molten lead. Other methods of heat treatment include a fluidized bed (pulled through sand or other medium heated by gas) and induction heating (passing electric current through wire).

[34] Wire is then galvanized either through a hot-dip process or by using an electro-galvanizing process (or "electroplating"). Before galvanizing, the drawn wire is degreased, and again passed through an acid bath before a water rinse and immersion in a flux bath to prevent oxidization of the wire before application of the zinc. In the hot-dip process, the wire is then passed through molten zinc. A chemical reaction between the zinc and wire creates layers of zinc iron alloy on the surface of the wire, with the external layer being entirely zinc.

[8] Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 7
[9] Dumping Exhibit 2 (NC) – Galvanized Steel Wire Complaint – Appendix 9

[35] The molten zinc generally includes a small quantity of molten lead, usually 1% or less. Some common zinc alloy coatings include higher lead levels, aluminum (generally 5% content) or brass.

[36] After hot-dip galvanizing, the wire is passed through a scrubber to ensure uniformity of the zinc coating. This can be achieved by employing both pad wipe and nitrogen wipe methods. Pad wipes are used for lighter coatings, while nitrogen wipes (use of forced nitrogen air) are employed for products with thicker zinc coatings. Other processes used as a scrubber include pulling the wire through inert gas gravel, or the use of a magnetic wipe. The wire is then sprayed with water to cool.

[37] In electroplating, the wire is passed through a chemical solution in which zinc has been dissolved. The wire is electrically charged, and zinc adheres to it to form a zinc coating. The slower the wire is passed through the bath, the thicker the zinc coating. For certain applications, GSW may be further coated with PVC. PVC is available in a variety of different colours of which green, brown and white are most common.

[38] Once finished, GSW may be wound onto a reel or wire stand, or packaged for shipment in coils with a range of sizes, from 50 kg up to 2 tonnes. Users of GSW can put the packaging directly on their production lines.

Classification of Imports

[39] The subject goods are usually classified under the following Customs Tariff Harmonized System (HS) classification numbers:

7217.20.00.11	7217.20.00.21	7217.20.00.29	7217.20.00.32	7217.90.00.10
7217.20.00.12	7217.20.00.22	7217.20.00.31	7217.20.00.39	7217.90.00.90
7217.20.00.19				

[40] The subject goods may also be classified under the following HS classification number:

7229.90.00.20

[41] Prior to January 1, 2012, the allegedly dumped and subsidized goods were normally classified under the following HS classification numbers:

7217.20.20.11	7217.20.20.39	7217.20.90.22	7217.90.10.10	7217.90.90.22
7217.20.20.19	7217.20.90.11	7217.20.90.29	7217.90.10.90	7217.90.90.29
7217.20.20.21	7217.20.90.12	7217.20.90.31	7217.90.90.11	
7217.20.20.29	7217.20.90.19	7217.20.90.32	7217.90.90.19	
7217.20.20.31	7217.20.90.21	7217.20.90.39	7217.90.90.21	

[42] Note that flat wire, which is not subject to these investigations, can be properly classified in some instances under the "other" categories which some of the above-mentioned HS classification numbers pertain to. Other products, outside of the diameter range provided by the product definition, may also be properly classified under these HS classification numbers.

[43] The listing of HS classification numbers is for convenience of reference only. Refer to the product definition for authoritative details regarding the subject goods.

LIKE GOODS

[44] Subsection 2(1) of SIMA defines “like goods” in relation to any other goods, as goods that are identical in all respects to the other goods, or in the absence of identical goods, goods the uses and other characteristics of which closely resemble those of the other goods.

[45] GSW produced by the domestic industry competes directly with, has the same end uses as, and can be substituted for, the subject goods. Therefore, the CBSA has concluded that the GSW produced by the Canadian industry constitutes like goods to the subject goods.

[46] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that subject and like goods constitute only one class of goods.

[47] In the Tribunal’s *Determination and Reasons* – Preliminary Injury Inquiry No. PI-2012-005 Galvanized Steel Wire issued on April 8, 2013, the Tribunal stated that it is unable to conclude, at this preliminary stage, that there is more than one class of goods. Accordingly, for the purposes of determining whether there is a reasonable indication of injury, the Tribunal considered that GSW constituted a single class of goods.

[48] However, as stated in the Tribunal’s *Determination and Reasons*, the Tribunal is of the view that there is evidence on the record which suggests that there may be more than one class of goods. In particular, the Tribunal considers that, in the context of an inquiry under section 42 of SIMA, there may be merit in assessing injury on the basis of the following two classes of goods: (1) 17/18 gauge product (diameter ranging from 1.082 mm to 1.41 mm); and (2) the remainder of the subject goods.

[49] Consequently, on April 11, 2013, the Tribunal requested the CBSA to collect separate information on the dumping and subsidizing of the above two potential classes of goods. In response to this request, on April 22, 2013, the CBSA submitted to the Tribunal information it had available on the potential two classes of goods.

THE CANADIAN INDUSTRY

[50] As previously stated, the complainant accounts for a major proportion of domestic production of like goods.

IMPORTS INTO CANADA

[51] During the preliminary phase of the investigations, the CBSA refined the estimated volume of imports based on information from CBSA import entry documentation and other information received from exporters and importers.

[52] The following table presents the CBSA's analysis of imports of certain GSW for purposes of the preliminary determinations:

Import Volumes of Certain Galvanized Steel Wire
(January 1, 2012 – December 31, 2012)

Imports into Canada	% of Total Import Volume
China	29.9%
Israel	5.6%
Spain	9.3%
Imports – Other Countries	55.2%
Total Imports	**100.0%**

INVESTIGATION PROCESS

[53] Regarding the dumping investigation, information was requested from known and potential exporters, vendors and importers, concerning shipments of subject GSW released into Canada during the dumping POI of January 1, 2012 to December 31, 2012.

[54] Regarding the subsidy investigation, information related to potential actionable subsidies was requested from known and potential exporters in China and from the GOC concerning financial contributions made to exporters or producers of subject GSW released into Canada during the subsidy POI of January 1, 2011 to December 31, 2012.

[55] After reviewing the responses to the RFIs, supplemental RFIs were sent to each of the responding parties to clarify information provided in the submissions.

[56] Preliminary determinations are based on the information available to the President at the time of the preliminary determination(s). Any additional information provided in supplemental RFI responses will be taken into consideration during the final phase of the investigations. During the final phase of the investigations, additional information will be obtained and selected responding exporters in the named countries may be verified on-site, the results of which will be incorporated into the CBSA's final determinations, which must be made by July 22, 2013.

[57] Several parties requested an extension to respond to the RFIs.[10] The CBSA did not agree to these requests for extension as the reasons identified in the request letters did not constitute unforeseen circumstances or unusual burdens. The CBSA suggested that as complete a response as possible be submitted by the due date for responding to the RFIs. The CBSA also noted that for responses received after the RFI response due date, it could not guarantee that late submissions would be taken into consideration for the purposes of the preliminary phases of the investigations.

[10] CBSA Administrative Record GSW Dumping and Subsidy Investigations

DUMPING INVESTIGATION

[58] The CBSA received complete responses to the exporter dumping RFI from the following companies:

China
Tianjin Huayuan Times Metal Products Co., Ltd.
Sunny Loan Top Co., Ltd. / Qin Huangdao King Power Metal Wire Co., Ltd.

Israel
Yehuda Welded Mesh Ltd.

Spain
Moreda-Riviere Trefilerías S.A.

[59] The CBSA also received complete responses to the exporter dumping RFI from two exporters, Hebei Minmetals Co., Ltd. (Hebei Minmetals) and Tianjin Sewintar International Trade Co., Ltd. (Sewintar). Both of these companies are exporters of subject goods, however, they do not produce the subject goods. The CBSA has not received a response to the exporter dumping RFI from the producers of the subject goods. As such, the RFI responses from Hebei Minmetals and Sewintar could not be used for the purposes of estimating normal values.

Normal Values

[60] For purposes of the preliminary determination, normal values are generally estimated based on the domestic selling prices of like goods in the country of export, pursuant to section 15 of SIMA, or on the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, plus a reasonable amount for profits, pursuant to paragraph 19(*b*) of SIMA.

Export Prices

[61] The export price of goods sold to importers in Canada is generally based on the lesser of the adjusted exporter's sale price for the goods or the adjusted importer's purchase price, pursuant to section 24 of SIMA. These prices are adjusted where necessary by deducting the costs, charges, expenses, duties and taxes resulting from the exportation of the goods, as provided for in subparagraphs 24(*a*)(i) to 24(*a*)(iii) of SIMA.

Preliminary Results of the Dumping Investigation by Country

[62] All subject goods imported into Canada during the dumping POI are included in the estimation of the margin of dumping of the goods. The estimated margin of dumping by exporter is equal to the amount by which the total estimated normal value exceeds the total estimated export price of the goods, expressed as a percentage of the total estimated export price. Where the total estimated normal value of the goods does not exceed the total estimated export price of the goods, the margin of dumping is zero.

[63] With respect to the exporters that provided complete responses to the RFI, company-specific information was utilized for the preliminary determination in estimating normal values and export prices for goods shipped to Canada.

[64] For those exporters that did not submit a complete response to the RFI, the normal value of the goods was estimated by advancing the export price by the highest amount by which the normal value exceeded the export price on an individual transaction for an exporter that provided a complete response to the RFI.

[65] In calculating the estimated margin of dumping for each country, the estimated margins of dumping found in respect of each exporter were weighted according to each exporter's volume of subject GSW exported to Canada during the dumping POI.

[66] The margins of dumping were estimated on the basis of unverified information provided by the exporters.

[67] Estimated margin of dumping details relating to each of the exporters that provided a complete response to the RFI are presented in a summary table in **Appendix 1** while estimated margin of dumping details relating to each named country are presented in a summary table at the end of this section.

China

<u>Section 20 Inquiry</u>

[68] Section 20 of SIMA may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of a prescribed country under paragraph 20(1)(*a*) of SIMA,[11] it is applied 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. Where section 20 is applicable, the normal values of goods are not determined using domestic prices or costs in that country.

[69] For purposes of a dumping proceeding, the CBSA proceeds on the presumption that section 20 of SIMA is not applicable to the sector under investigation absent sufficient information to the contrary. The President may form an opinion where there is sufficient information that the conditions set forth in paragraph 20(1)(*a*) of SIMA exist in the sector under investigation.

[70] The CBSA is also required to examine the price effect resulting from substantial government determination of domestic prices and whether there is sufficient information on the record for the President to have reason to believe that the resulting domestic prices are not substantially the same as they would be in a competitive market.

[11] China is a prescribed country under section 17.1 of the *Special Import Measures Regulations*.

[71] For the purpose of this investigation, the complainant requested that section 20 be applied in the determination of normal values due to the alleged existence of the conditions set forth in paragraph 20(1)(*a*) of SIMA. The complainant provided information to support these allegations concerning the Chinese wire rod sector, which includes GSW, such as evidence of export controls and state-ownership. The complainant also cited specific GOC policies such as the National Steel Policy and China's Five-Year Plan.

[72] At the initiation of the investigation, the CBSA had sufficient evidence, supplied by the complainant, from its own research and from past investigations, to support the initiation of a section 20 inquiry to examine the extent of GOC involvement in pricing in the wire rod sector, which includes GSW. The information indicated that Chinese prices in this sector have been influenced by various GOC industrial policies. Consequently, the CBSA sent section 20 RFIs to the GOC, all known wire rod producers and producers and exporters of GSW in China to obtain information on the matter.

<u>Preliminary Results of the Section 20 Inquiry</u>

[73] The CBSA received one response to the section 20 RFI from a producer and two responses from exporters that are not producers. Although the CBSA did receive a number of pertinent documents, all of the documents provided were already in the CBSA's possession and formed part of the CBSA's decision to investigate section 20 conditions at initiation. Furthermore, none of the documents provided contained any updates to the version in the CBSA's possession. The GOC did not provide a response to the section 20 RFI.

[74] The following is the CBSA's analysis of the relevant factors that are present in the Chinese steel industry and which affect the wire rod sector, which includes GSW.

Industrial Policies

[75] As cited in previous section 20 inquiries,[12] *The Development Policies for the Iron and Steel Industry – Order of the National Development and Reform Commission (No. 35)*, (National Steel Policy - NSP)[13] was promulgated on July 8, 2005, and outlines the GOC's future plans for the Chinese domestic steel industry. The major objectives of the NSP are:

- the structural adjustment of the Chinese domestic steel industry;
- industry consolidations through merger and acquisitions;
- the regulation of technological upgrading with new standards for the steel industry;
- measures to reduce material and energy consumption and enhance environmental protection;
- government supervision and management in the steel industry.

[76] On March 20, 2009, the GOC promulgated the *Blueprint for the Adjustment and Revitalization of the Steel Industry* (2009 Steel Revitalization/Rescue Plan),[14] issued by the

[12] *Certain Seamless Steel Casing* (2008), *Certain Oil Country Tubular Goods* (2010), *Certain Carbon Steel Welded Pipe* (2008 & 2011), *Certain Pup Joints* (2011), and *Certain Piling Pipe* (2012).
[13] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 2
[14] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 3

General Office of the State Council. This macro-economic policy was the GOC's response to the international financial crisis and is also the action plan for the steel industry for the period between 2009 and 2011. This plan includes the following major tasks:

- maintain the stability of the domestic market and improve the export environment;
- strictly control the total output of steel and accelerate the process of eliminating what is backward (obsolete);
- enhance enterprise reorganization and improve the industrial concentration level;
- spend more on technical transformation and promote technical progress;
- optimize the layout of the steel industry and overall arrangements of its development;
- adjust the steel product mix and improve the product quality;
- maintain stable import of iron ore resources and rectify the market order;
- develop domestic and overseas resources and guarantee the safety of the industry.

[77] There are common measures between the two GOC policies but, in addition, the 2009 Steel Revitalization/Rescue Plan is an acceleration of some major objectives of the NSP, in that there continues to be the strict control of new additions to steel production capacity, more stipulated mergers and acquisitions to consolidate the Chinese steel industry into larger conglomerates and also a focus on product quality.

[78] Further support that the domestic prices are substantially determined by the GOC and are not substantially the same as they would be in a competitive market in the Chinese steel industry can be found in the GOC's new macro-economic policy entitled, *12th Five-Year Plan: Iron and Steel (Development Plan for the Steel Industry).*[15]

[79] The *12th Five-Year Plan: Iron and Steel (Development Plan for the Steel Industry)* is a relatively new policy document that was released by the GOC's Ministry of Industry and Information Technology on November 7, 2011. It serves as the guiding document for the development of the Chinese steel industry for the 2011-2015 period and its directives include:

- increased mergers and acquisitions to create larger, more efficient steel companies;
- GOC restrictions on steel capacity expansion;
- upgrading of steel industry technology;
- greater GOC emphasis on high-end steel products;
- GOC directed relocation of iron and steel companies to coastal areas.

[80] Also included in this plan are minimum requirements for steel production in order to eliminate smaller players in the market. Through this plan, the GOC is continuing its reform and restructuring of the Chinese steel industry. The GOC's target is that by 2015, China's top 10 steel producers will represent 60% of the country's total steel output. According to the NSP (2005), the long-range GOC target for mergers and acquisitions is to have the top 10 Chinese steel producers account for 70% of total national steel production by 2020. This plan is the next development stage of GOC directives aimed at achieving this long-range 2020 target.

[15] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 4

[81] The *12th Five-Year Plan: Iron and Steel (Development Plan for the Steel Industry)* also addresses existing issues in the steel industry with the directive to strictly control expansion of steel production capacity, accelerate the development of new material for steel and producer service and to continue to advance mergers and restructuring.

GOC Ownership and Control of Suppliers

[82] Evidence on the record establishes that eight of the top ten steel companies in China are state-owned.[16] As per the *2010 China Steel Yearbook*, a GOC publication, all of these eight steel producers make wire rod.[17] Furthermore, the complaint provides supporting documents that demonstrate that at least six also produce steel wire and/or GSW themselves or through subsidiaries.[18] These producers represent roughly 50% of total Chinese steel production and, as per the 12th Five-Year Plan, these companies are expected to reach 60% by 2015 and 70% by 2020.

[83] Furthermore, the *2010 China Steel Yearbook* also states that 66% of wire rod production in China, 55% of steel wire and 73% of GSW come from what the GOC has defined as "key enterprises".[19] The fact that the GOC not only tracks wire rod and GSW, but also identifies production from what it calls key enterprises further demonstrates its vested interest in these goods.

[84] Also supported in the complaint is information indicating that the GOC has continuously pressured state-owned steel mills to avoid cutbacks in bids to maintain economic growth and employment, which in turn has been a contributing factor behind plummeting Chinese steel prices.[20] This is further proof that the GOC exerts control over the Chinese steel industry, which encompasses the wire rod sector, including GSW.

GOC Export Controls

[85] There is evidence that the GOC maintains export controls on raw materials used in the production of steel.

[86] The GOC export controls include export quotas, export duties and other export related administrative measures and costs. These GOC measures limit or prevent the export of the raw material resulting in an increasing supply in the Chinese domestic market causing downward pressure on domestic prices, while at the same time, increasing world market prices for these materials.

[87] With respect to input material in the steel making process, Chinese producers of coking coal are subject to a 40% export tax and an export quota of 18 million metric tonnes in 2012. The export quotas are down from 46 million metric tonnes in 2005, indicating that the downward trend of China's coal exports will continue in the future.[21] This has resulted in pushing up export

[16] Dumping Exhibit 1 (PRO) – Galvanized Steel Wire – Complaint, Appendix 16, p. 378
[17] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 1, p. 166-170
[18] Dumping Exhibit 1 (PRO) – Galvanized Steel Wire – Complaint, Appendix 16, p. 379-459
[19] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 1, p. 135-136
[20] Dumping Exhibit 1 (PRO) – Galvanized Steel Wire – Complaint, Appendix 16, p. 454
[21] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 8

prices for Chinese coke and keeping down domestic prices of coke paid for by producers. In July 2011, the World Trade Organization (WTO) ruled that these export restrictions and quotas were a violation of China's WTO obligations.[22]

[88] The GOC imposes an export tax of 25% on steel billets, the main input material in making wire rod.[23] With respect to wire rod, the GOC imposes an export tax of 15%.[24] However, for GSW, the GOC does not impose any export tax. This results in inciting producers to further manufacture steel into more finished products such as GSW. It also increases supply of billets and wire rod in the Chinese domestic market causing downward pressure on domestic prices, while at the same time, increasing world market prices for these goods. Chinese GSW producers, therefore, have access to cheaper wire rod than producers outside of China.

Value-Added Tax Rebates

[89] In general terms, China's VAT system is similar to a consumption tax, with the ultimate burden borne by the consumer. A manufacturer in China pays 17% VAT on its purchases of raw materials, processes the goods, and then sells the end-products, collecting 17% VAT in the process. The manufacturer then remits the difference between the VAT collected and the VAT paid on the purchases of the raw materials. In this manner, a manufacturer does not incur any VAT related costs on his production materials. However, VAT on export sales is treated differently.

[90] With exports, the exporter still pays the same 17% VAT on their purchases of raw materials, however, when they export the goods, they only receive a VAT refund of a fixed percentage, which is established by the GOC. In addition, the VAT refund cannot exceed the VAT paid on raw materials. Consequently, the VAT refund on exports would offset the VAT paid on the raw materials.

[91] Since 2007, China has eliminated VAT export rebates on some, but not all steel products, resulting in a shift in production towards products that still qualified for this rebate. This has the effect of promoting certain types of production while at the same time reducing the level of exports of other steel products, ultimately affecting pricing of these goods.

[92] An important effect of these tax changes is that it increases the cost of exports and reduces their profitability, which in turn reduces the volume of material that is exported and leaves additional capacity to serve the domestic market. While the GOC has stated that many of these policies are intended to address environmental and resource efficiency issues, these measures are changing the demand and supply balance in the domestic market and affecting the domestic prices of affected products.

[93] The VAT rebate on GSW currently stands at 9%. However, the GOC does not provide any rebate for steel billets or wire rod. The absence of VAT rebates on exports of steel billets and wire rod further demonstrates the GOC's objective of increasing the domestic supply of unfinished steel products by discouraging their export. A higher supply of steel products such as

[22] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 9
[23] Dumping Exhibit 2 (NC) – Galvanized Steel Wire – Complaint, Section 6.1, p.16 and Appendix 24, p. 562
[24] Ibid

billets and wire rod in the domestic market causes a downward pressure on domestic prices of these goods. Since wire rod comprises a large percentage of the cost of GSW, the low cost of wire rod in China clearly impacts the prices of GSW in China.

Chinese Domestic Wire Rod Price Analysis

[94] The CBSA requested wire rod pricing from the GOC, producers of GSW in China and wire rod producers in China. The GOC did not respond to the RFIs, nor did any wire rod producers. However, the CBSA received wire rod purchase prices from two GSW producers in China.

[95] The complaint provided information from the Steel Business Briefing (SBB), a global independent source of steel pricing information, comparing worldwide wire rod prices for 2011 and the first four months of 2012. Prices of wire rod in 2011 were between 16.9% and 59.7% lower in China than the rest of the world. In early 2012, prices were between 21.8% and 56.2% lower in China[25].

[96] Wire rod purchases by the two GSW producers that provided the information were in line with the SBB information. Both GSW producers in China have access to wire rod at well below world prices which is one indication that domestic prices are substantially determined by the GOC 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.

[97] The CBSA was also able to obtain information from the Metal Bulletin comparing worldwide wire rod prices. The Metal Bulletin is an independent source of steel product benchmark prices used by steel buyers and sellers around the world. The prices were in line with what the SBB reported. Between the fourth quarter of 2011 and the fourth quarter of 2012, prices of wire rod varied between 14.0% and 72.6% lower in China than the rest of the world.[26]

[98] As with the SBB information, wire rod purchases by the two GSW producers that provided the information were also in line with the Metal Bulletin information reaffirming that both GSW producers have access to wire rod at well below world prices.

[99] Given that wire rod is a commodity product freely traded on the world market this discrepancy further indicates that domestic prices of wire rod in China are not being determined under competitive market conditions. Since wire rod comprises a large percentage of the cost of GSW, the low cost of wire rod in China clearly impacts the prices of GSW in China, such that they are not substantially the same as they would be in a competitive market.

Chinese Domestic GSW Price Analysis

[100] The CBSA conducted a price analysis on domestic prices of GSW. Although domestic price data for GSW is not publicly available, since this case involves multiple countries, the CBSA was able to obtain domestic sales information from all three subject countries. The

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[25] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – p. 13
[26] Dumping Exhibit 51 (PRO) – Galvanized Steel Wire – Attachment 11

analysis shows that prices of GSW in 2012 were significantly lower in China than in the other two subject countries.[27]

[101] This price discrepancy further indicates that, as with wire rod, domestic prices of GSW in China are not being determined under competitive market conditions.

Summary of the Preliminary Results of the Section 20 Inquiry

[102] The wide range and material nature of the GOC measures have resulted in significant influence on the Chinese steel industry including the wire rod sector, which includes GSW. Based on the preceding, the President is of the opinion that:

- domestic prices are substantially determined by the GOC; and
- there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.

[103] During the final stage of the dumping investigation, the CBSA will continue the section 20 inquiry and further verify and analyze relevant information. The President may reaffirm his opinion that the conditions of section 20 exist in the wire rod sector, which includes GSW, as part of the final phase of the investigation, or conclude that the determination of normal values may be made using domestic selling prices and costs in China.

Normal Values – Section 20

[104] For purposes of a preliminary determination of dumping, normal values of goods sold to importers in Canada are generally based on the estimated domestic selling prices of like goods in the country of export or based on the estimated cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits.

[105] For purposes of this preliminary determination, normal values could not be estimated on the basis of domestic selling prices in China or on the full cost of goods plus profit, because the President formed the opinion that the conditions of paragraph 20(1)(*a*) of SIMA exist in the wire rod sector, which includes GSW, in China.

[106] Where section 20 conditions exist, the CBSA may determine normal values using the selling price, or the total cost and profit, of like goods sold by producers in a surrogate country designated by the President pursuant to paragraph 20(1)(*c*) of SIMA. However, sufficient surrogate country data respecting domestic pricing and costing information relating to the like goods was not provided to the CBSA.

[107] Where normal values cannot be determined under paragraph 20(1)(*c*), SIMA provides an alternative methodology to calculate normal values under paragraph 20(1)(*d*), using re-sales in Canada of like goods imported from a third country. The CBSA determined that this provision could also not be used given that the importers did not provide sufficient re-sale information.

[27] Dumping Exhibit 94, 101 and 140 (PRO) – Galvanized Steel Wire – Appendix 3

[108] Accordingly, given the limited availability of surrogate pricing information, import pricing from other countries or any other GSW pricing that would be usable for the purposes of a preliminary determination under paragraphs 20(1)(*c*) and 20(1)(*d*) of SIMA, normal values were estimated using a cost-based methodology, adjusted to reflect market conditions in Brazil. The CBSA is of the opinion that costs in Brazil are an appropriate substitute due to Brazil's growing economy and well-developed steel industry, which is comparable to the situation in China. Brazil is also both a producer and an exporter to Canada of GSW.

[109] Under the methodology described above, normal values were estimated as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and other costs, and a reasonable amount for profits. Using the complainant's cost of production as a starting point, adjustments were made, based on labour rate information from the International Labour Organization, to direct labour costs, overhead and general, selling and administrative expenses, to account for differences in labour costs in Brazil. This methodology was used to estimate normal values for benchmark products representing a significant portion of the GSW market in Canada.

Tianjin Huayuan Times Metal Products Co., Ltd.

[110] Tianjin Huayuan Times Metal Products Co., Ltd. (Times Metal) is a producer and exporter of subject goods. Times Metal is a privately owned company established in 2008.

[111] Times Metal provided a full response to the dumping RFI, including a database of export sales and a database of the cost of subject goods.

[112] The CBSA estimated the export price for Times Metal in accordance with section 24 of SIMA, using the responses submitted by the exporter and the importers. The CBSA was able to match six of the models exported by Times Metal to Canada during the dumping POI with benchmark models. These six models represented a significant proportion of the volume of subject goods exported by Times Metal to Canada during the POI.

[113] The total export price of those subject goods was compared to the total normal value of those goods, calculated using the methodology described above. The estimated margin of dumping for Times Metal is 51.7%, expressed as a percentage of the export price.

Sunny Loan Top Co., Ltd. / Qin Huangdao King Power Metal Wire Co., Ltd.

[114] Sunny Loan Top Co., Ltd. (Sunny Loan) is an exporter of subject goods produced by Qin Huangdao King Power Metal Wire Co., Ltd. (King Power). This exporter, founded in 1992, has identified itself as a state-controlled enterprise.

[115] Sunny Loan, the exporter, provided a complete response to the dumping RFI. King Power, the producer of the subject goods exported by Sunny Loan, provided a complete response to the dumping RFI, including a database of domestic sales of like goods.

[116] The CBSA estimated the export price for Sunny Loan in accordance with section 24 of SIMA, using the responses submitted by the exporter and the importer. The CBSA was unable

to match the models exported by Sunny Loan to Canada during the dumping POI with any of the benchmark models. As a result, the CBSA compared the export prices of the models exported by Sunny Loan with the normal value for one benchmark model which most closely matched the characteristics of the exported subject goods.

[117] The total export price of those subject goods was compared to the total normal value of those goods, calculated using the methodology described above. The estimated margin of dumping for Sunny Loan is 45.1%, expressed as a percentage of the export price.

Israel

<u>Yehuda Welded Mesh Ltd.</u>

[118] Yehuda Welded Mesh Ltd. (Yehuda) is a producer and exporter of subject goods. Yehuda is a privately held company and is part of the Yehuda Group.

[119] Yehuda provided a complete response to the dumping RFI, including a database of domestic sales of like goods. The domestic sales database included in Yehuda's exporter dumping RFI response had what the company identified as similar goods. However, the selection of goods did not meet the CBSA's definition of identical or similar goods, as defined in the exporter dumping RFI. As such, it was not possible to estimate normal values pursuant to section 15 of SIMA, based on domestic sales of like goods. Normal values were estimated pursuant to paragraph 19(*b*) of SIMA, as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The full cost of production was estimated in accordance with paragraph 11(1)(*a*) of the *Special Import Measures Regulations* (SIMR), based on Yehuda's unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(*b*)(ii) of the SIMR, based on Yehuda's profitable sales of GSW in their domestic market, during the PAP, within the same general category as the subject goods sold to the importer in Canada.

[120] For subject goods exported from Yehuda, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the importer's purchase price and the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[121] The total estimated normal value was compared with the total estimated export price for the subject goods imported into Canada during the dumping POI from Yehuda. The estimated margin of dumping for Yehuda is 14.5%, expressed as a percentage of the export price.

Spain

<u>Moreda-Riviere Trefilerías S.A.</u>

[122] Moreda-Riviere Trefilerías (Moreda) is a producer and exporter of subject goods. Moreda was established as a joint venture of two independent steel wire products manufacturers:

Riviere S.A. and Moreda S.A., both of which were acquired by Celsa Group. Moreda is part of the Global Steel Wire Group, which is owned by the Celsa Group.

[123] Moreda provided a complete response to the dumping RFI, including a database of domestic sales of like goods. As such, domestic sales were used, when warranted, for purposes of estimating normal values using the methodology pursuant to section 15 of SIMA. In situations in which there were no domestic sales, or domestic sales were not made at a profit, normal values were estimated pursuant to paragraph 19(*b*) of SIMA, as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The full cost of production was estimated in accordance with paragraph 11(1)(*a*) of the SIMR, based on Moreda's unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(*b*)(ii) of the SIMR, based on Moreda's profitable sales of GSW in the domestic market, during the PAP, within the same general category as the subject goods sold to the importer in Canada.

[124] For subject goods exported from Moreda, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the importer's purchase price and the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[125] The total estimated normal value was compared with the total estimated export price for the subject goods imported into Canada during the dumping POI from Moreda. The estimated margin of dumping for Moreda is 10.5%, expressed as a percentage of the export price.

All Other Exporters - Margin of Dumping

[126] For all other exporters, the normal values and related margins of dumping were based on the highest amount by which an estimated normal value exceeded an estimated export price (64.8%), on an individual transaction during the dumping POI as estimated for an exporter with a complete submission. Export prices were obtained through CBSA import entry documentation for the subject goods imported into Canada during the dumping POI.

[127] As such, normal values for these other exporters were estimated by advancing the estimated export price of the goods by 64.8%.

Summary of Preliminary Results of the Dumping Investigation

[128] The CBSA estimated the margin of dumping at the preliminary determination by comparing the estimated total normal value with the estimated total export price. When the total export price was less than the total normal value, the difference was the margin of dumping.

[129] The determination of the volume of dumped goods was calculated by taking into consideration each exporter's net aggregate dumping results. If it was determined that a given exporter had dumped the subject goods on an overall or net basis, the total quantity of that exporter's exports (i.e., 100%) was considered to have been dumped. Similarly, if a given

exporter's net aggregate dumping result was zero, then the total quantity of that exporter's exports was considered not to have been dumped.

[130] In calculating the estimated margin of dumping for each named country, the overall estimated margins of dumping found in respect of each exporter were weighted according to each exporter's volume of the subject goods exported to Canada during the dumping POI.

[131] A summary of the preliminary results of the dumping investigation respecting all subject goods released into Canada during the dumping POI follows.

SUMMARY OF PRELIMINARY RESULTS – DUMPING

Period of Investigation - January 1, 2012 to December 31, 2012

Country	Estimated Volume of Dumped Goods as Percentage of Country Imports	Estimated Margin of Dumping	Estimated Volume of Country Imports as Percentage of Total Imports	Estimated Volume of Dumped Goods as Percentage of Total Imports
China	100%	57.5%	29.9%	29.9%
Israel	100%	14.5%	5.6%	5.6%
Spain	100%	10.5%	9.3%	9.3%

[132] Under subsection 35(1) of SIMA, the President is required to terminate an investigation prior to the preliminary determination if he is satisfied that the margin of dumping of the goods of a country is insignificant or that the volume of dumped goods of a country is negligible. Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% is defined as insignificant, and a volume of dumped goods from a country forming less than 3% of total imports is considered negligible.

[133] The estimated margins of dumping of certain GSW from the above countries are above 2% and are, therefore, not insignificant. As well, the volumes of dumped goods from the countries noted above are above 3%, and are, therefore, not negligible.

SUBSIDY INVESTIGATION

[134] In accordance with section 2 of SIMA, a subsidy exists if there is a financial contribution by a government of a country other than Canada that confers a benefit on persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of goods. A subsidy also exists in respect of any form of income or price support within the meaning of Article XVI of the General Agreement on Tariffs and Trade, 1994, being part of Annex 1A to the WTO Agreement, that confers a benefit.

[135] Pursuant to subsection 2(1.6) of SIMA, there is a financial contribution by a government of a country other than Canada where:

- (a) practices of the government involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities;
- (b) amounts that would otherwise be owing and due to the government are exempted or deducted or amounts that are owing and due to the government are forgiven or not collected;
- (c) the government provides goods or services, other than general governmental infrastructure, or purchases goods; or
- (d) the government permits or directs a non-governmental body to do anything referred to in any of paragraphs (a) to (c) where the right or obligation to do the thing is normally vested in the government and the manner in which the non-governmental body does the thing does not differ in a meaningful way from the manner in which the government would do it.

[136] Where subsidies exist they may be subject to countervailing measures if they are specific in nature. According to subsection 2(7.2) of SIMA, a subsidy is considered to be specific when it is limited, in a legislative, regulatory or administrative instrument, or other public document, to a particular enterprise within the jurisdiction of the authority that is granting the subsidy; or is a prohibited subsidy.

[137] The following terms are defined in section 2 of SIMA. A “prohibited subsidy” is either an export subsidy or a subsidy or portion of subsidy that is contingent, in whole or in part, on the use of goods that are produced or that originate in the country of export. An “export subsidy” is a subsidy or portion of a subsidy contingent, in whole or in part, on export performance. An “enterprise” is defined as including a group of enterprises, an industry and a group of industries.

[138] Notwithstanding that a subsidy is not specific in law, under subsection 2(7.3) of SIMA a subsidy may also be considered specific having regard as to whether:

- (a) there is exclusive use of the subsidy by a limited number of enterprises;
- (b) there is predominant use of the subsidy by a particular enterprise;
- (c) disproportionately large amounts of the subsidy are granted to a limited number of enterprises; and
- (d) the manner in which discretion is exercised by the granting authority indicates that the subsidy is not generally available.

[139] For purposes of a subsidy investigation, the CBSA refers to a subsidy that has been found to be specific as an "actionable subsidy", meaning that it is subject to countervailing measures if the persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of goods under investigation have benefited from the subsidy.

[140] Financial contributions provided by State-Owned Enterprises (SOEs) may also be considered to be provided by the GOC for purposes of this investigation. An SOE may be considered to constitute "government" for the purposes of subsection 2(1.6) of SIMA if it possesses, exercises, or is vested with, governmental authority. Without limiting the generality of the foregoing, the CBSA may consider the following factors as indicative of whether the SOE meets this standard: 1) the SOE is granted or vested with authority by statute; 2) the SOE is performing a government function; 3) the SOE is meaningfully controlled by the government; or some combination thereof.

[141] At initiation, the CBSA identified 144 potential subsidy programs in the following eight categories:

1. Special Economic Zones (SEZ) and Other Designated Areas Incentives;
2. Preferential Loans and Loan Guarantees;
3. Grants;
4. Preferential Income Tax Programs;
5. Relief from Duties and Taxes on Materials and Machinery;
6. Reduction in Land Use Fees;
7. Goods/Services Provided by the Government at Less than Fair Market Value; and
8. Equity Programs.

[142] Details regarding these potential subsidies were provided in the *Statement of Reasons* issued for the initiation of this investigation. This document is available through the CBSA Web site at the following address: www.cbsa-asfc.gc.ca/sima-lmsi.

[143] A further review during the preliminary phase of the investigation resulted in the removal of 25 subsidy programs. The 25 programs were found by the CBSA to not be relevant to the GSW investigation as none of the exporters identified are located in regions which would allow them to qualify for these subsidies. These programs will not be further investigated by the CBSA. The affected programs can be found in **Appendix 2**.

[144] The preliminary phase of the investigation also resulted in the addition of one new program to the investigation. As a result, there are 120 programs being investigated. These programs can be found in **Appendix 2**.

Preliminary Phase of the Subsidy Investigation

[145] In conducting its investigation, the CBSA sent a subsidy RFI to the GOC, as well as to potential exporters of GSW located in China that had been identified through CBSA import entry documentation. Information was requested in order to establish whether there had been financial contributions made by any level of government including SOEs possessing, exercising or vested

with government authority, and, if so, to establish if a benefit has been conferred on persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of certain GSW; and whether any resulting subsidy was specific in nature. The GOC was also requested to forward the RFIs to all subordinate levels of government that had jurisdiction over the exporters. The exporters were requested to forward a portion of the RFI to their input suppliers, who were asked to respond to questions pertaining to their legal characterization as SOEs.

[146] The CBSA received responses to the subsidy RFI from the following four exporters: Times Metal,[28] Hebei Minmetals,[29] Sunny Loan,[30] and Sewintar.[31] The GOC did not provide a response to the subsidy RFI.

[147] For the preliminary determination, the CBSA has estimated an amount of subsidy for one of the exporters in China, Times Metal, based on the information provided in its response to the subsidy RFI. The CBSA was unable to estimate a company-specific amount of subsidy for the remaining exporters as there was insufficient information on the record to do so.

Tianjin Huayuan Times Metal Products Co., Ltd.

[148] A complete response to the subsidy RFI was received from Times Metal, a producer and exporter of subject goods. Times Metal reported that it received no benefits from any level of government during the subsidy POI.

[149] For the purposes of the preliminary determination, the CBSA's analysis of the response indicates that Times Metal did not receive any actionable subsidies from the GOC during the subsidy POI.

Hebei Minmetals Co., Ltd.

[150] A response to the subsidy RFI was received from Hebei Minmetals, an exporter of subject goods. Hebei Minmetals is not a producer of subject goods. Hebei Minmetals reported that it received benefits from the local Government of Shijiazhuang City.

[151] Based on Hebei Minmetals' response to the subsidy RFI, all subject goods exported to Canada were sourced from suppliers in China, who are believed to be GSW producers. None of its suppliers of GSW have responded to any of the RFIs at this time. As such, the response from Hebei Minmetals did not contain sufficient information for the purposes of estimating an exporter specific amount of subsidy.

[152] Nevertheless, in its response, Hebei Minmetals' reported receiving a benefit from the Government of Shijiazhuang City in the form of an export award. This award was not identified by the CBSA at the initiation of the investigation.

[28] CBSA GSW Exhibit S080 (PRO).
[29] CBSA GSW Exhibit S085 and S091 (PRO).
[30] CBSA GSW Exhibits S081, S098, S100, and S102 (PRO).
[31] CBSA GSW Exhibits S077 and S078 (PRO).

[153] For the purposes of the preliminary determination, sufficient information was provided by Hebei Minmetals to permit the CBSA to estimate an amount of subsidy for this subsidy program. Program 145: Government of Shijiazhuang Export Award is estimated to have conferred a benefit to Hebei Minmetals and was used for the purpose of calculating an amount of subsidy for all exporters who do not have an estimated specific amount of subsidy.

Sunny Loan Top Co., Ltd./Qin Huangdao King Power Metal Wire Co., Ltd.

[154] Sunny Loan is an exporter of subject goods produced by King Power. This exporter, founded in 1992, has identified itself as a SOE. Both the exporter and producer reported that they received no benefits from any level of government during the subsidy POI.

[155] Based on King Power's response to the RFI, all subject goods exported to Canada were exported through Sunny Loan. An exporter specific amount of subsidy could not be estimated for Sunny Loan as the company did not provide a complete response to the subsidy RFI. Due to the incomplete response, the CBSA was unable to conduct the necessary analysis of Sunny Loan's response and estimate an amount of subsidy for the company for the purposes of the preliminary determination.

[156] Although the responses from King Power and Sunny Loan could not be used for the purposes of estimating an exporter specific amount of subsidy, sufficient information was provided from King Power to permit the CBSA to estimate the amount of subsidy applicable for Program 140: Raw Materials Provided by the Government at Less than Fair Market Value which was taken into consideration when estimating the amount of subsidy for all exporters who do not have an estimated specific amount of subsidy.

Tianjin Sewintar International Trade Co., Ltd.

[157] Sewintar is an exporter of subject goods; however, they are not the producer of the subject goods. Sewintar did not provide a response to whether it received benefits from any level of government during the subsidy POI.

[158] Based on Sewintar's response to the subsidy RFI, all subject goods exported to Canada were sourced from suppliers in China, who are believed to be GSW producers. None of its suppliers of GSW have responded to any of the RFIs at this time. Due to the deficiency of Sewintar's RFI response and the lack of submissions from its suppliers of GSW, the CBSA was unable to estimate an exporter specific amount of subsidy for Sewintar.

Summary of Preliminary Results of Subsidy Investigation

[159] A summary of the preliminary results of the subsidy investigation is presented in a table at the end of this section. An outline of the findings for the named subsidy programs can be found in **Appendix 2**.

[160] During the final stage of the investigation, the identified potential subsidy programs will be further analyzed. In addition, any other potential subsidy programs that are subsequently identified may be considered for the purposes of the final decision.

[161] For the purposes of the preliminary determination, the estimated total amount of subsidy for Times Metal is 0.0% of the export price.

[162] For all other exporters, the amount of subsidy has been estimated based on:

(1) the amount of subsidy (RMB/MT) estimated for each of the two actionable subsidy programs for the exporters located in China; plus;
(2) the subsidy amount for the actionable subsidy program in (1) above which had the lowest allocation per metric tonne, applied to each of the remaining 118 potentially actionable subsidy programs for which information is not available or has not been provided.

[163] Using the above methodology, the estimated amount of subsidy for all other exporters is 15.0%, expressed as a percentage of the export price.

[164] As a result of the above methodology, 91.5% of the subject goods imported from China are subsidized. The estimated overall amount of subsidy is equal to 13.7% of the export price.

[165] As a result of the estimated amount of subsidy for Times Metal of 0.0% of the export price, no provisional countervailing duties will be applied to imports of subject goods from Times Metal during the provisional period. The amount of subsidy calculated for all other exporters, estimated to be 15.0% of the export price, is applicable to imports of subject goods during the provisional period from any other exporters.

[166] Under subsection 35(1) of SIMA, if, at any time before the President makes a preliminary determination, the President is satisfied that the amount of subsidy on the goods of a country is insignificant or the actual and potential volume of subsidized goods of a country is negligible, the President must terminate the investigation with respect to that country. Under subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the value of the goods is considered insignificant and a volume of subsidized goods of less than 3% of total imports is considered negligible, the same threshold for the volume of dumped goods.

[167] However, according to section 41.2 of SIMA, the President is required to take into account Article 27.10 of the WTO *Agreement on Subsidies and Countervailing Measures* when conducting a subsidy investigation. This provision stipulates that a countervailing duty investigation involving a product from a developing country should be terminated as soon as the authorities determine that the overall level of subsidies granted upon the product in question does not exceed 2% of its value calculated on a per unit basis or the volume of subsidized imports represents less than 4% of the total imports of the like product in the importing Member's market.

[168] SIMA does not define or provide any guidance regarding the determination of a "developing country" for purposes of Article 27.10 of the WTO *Agreement on Subsidies and Countervailing Measures*. As an administrative alternative, the CBSA refers to the *Development Assistance Committee List of Official Development Assistance Recipients* (DAC List of ODA

Recipients) for guidance.[32] As China is included in the listing, the CBSA extends developing country status to China for purposes of this investigation.

[169] The estimated amounts of subsidy and the volumes of the subsidized goods shown in the table below indicate that the amount of subsidy is not insignificant and that the volumes of the subsidized imports are not negligible.

SUMMARY OF PRELIMINARY RESULTS – SUBSIDY

Period of Investigation - January 1, 2011 to December 31, 2012

Country	Estimated Subsidized Goods as Percentage of Country Imports	Estimated Amount of Subsidy*	Estimated Volume of Country Imports as Percentage of Total Imports	Estimated Volume of Subsidized Goods as Percentage of Total Imports
China	91.5%	13.7%	28.3%	25.9%

*expressed as a percentage of the export price

DECISIONS

[170] Based on the information available to the President, on April 22, 2013, the President made preliminary determinations respecting the alleged injurious dumping of certain galvanized steel wire originating in or exported from China, Israel and Spain and the alleged injurious subsidizing of certain galvanized steel wire originating in or exported from China, pursuant to subsection 38(1) of SIMA.

PROVISIONAL DUTY

[171] Pursuant to subsection 8(1) of SIMA, provisional duty, payable by the importer in Canada, will be applied to dumped and subsidized subject GSW that are released during the period commencing on the day the preliminary determinations are made, and ending on the earlier of the day on which the President causes the investigations to be terminated pursuant to subsection 41(1) or the day on which the Tribunal makes an order or finding. The President considers that the imposition of provisional duty is needed to prevent the injury which, as per the Tribunal's preliminary determination, was caused by the dumping and subsidizing of subject GSW.

[172] Provisional duty is based on the estimated margin of dumping, and where applicable, the estimated amount of subsidy, expressed as a percentage of the export price of the goods. **Appendix 1** contains the estimated margins of dumping, estimated amounts of subsidy, and the rates of provisional duty, payable on subject goods released from the CBSA on and after April 22, 2013.

[32] The Organization for Economic Co-operation and Development, DAC List of ODA Recipients from 2011 to 2013, the document is available at: www.oecd.org/dac/stats/DAC%20List%20used%20for%202012%20and%202013%20flows.pdf

[173] Importers are required to pay provisional duty in cash or by certified cheque. Alternatively, they may post security equal to the amount payable. Importers should contact their CBSA regional customs office if they require further information on the payment of provisional duty or the posting of security. If the importers of such goods do not indicate the required SIMA code or do not correctly describe the goods in the import documents, an administrative monetary penalty could be imposed. The imported goods are also subject to the *Customs Act*. As a result, failure to pay duties within the specified time will result in the application of the provisions of the *Customs Act* regarding interest.

FUTURE ACTION

The Canada Border Services Agency

[174] The CBSA will continue its investigations of the dumping and subsidizing and the President will make final decisions by July 22, 2013.

[175] If the President is satisfied that the goods were dumped and/or subsidized, and that the margin of dumping or amount of subsidy is not insignificant, final determinations will be made. Otherwise, the President will terminate the investigations and any provisional duty paid, or security posted, will be returned to importers.

The Canadian International Trade Tribunal

[176] The Tribunal has begun its inquiry into the question of injury to the Canadian industry. The Tribunal is expected to issue its finding by August 20, 2013.

[177] If the Tribunal finds that the dumping has not caused injury, retardation or is not threatening to cause injury, the proceedings will be terminated and all provisional duty collected, or security posted, will be returned.

[178] If the Tribunal makes a finding that the dumping has caused injury, retardation or is threatening to cause injury, anti-dumping duty in an amount equal to the margin of dumping will be levied, collected and paid on imports of subject GSW.

[179] If the Tribunal finds that the subsidizing has not caused injury, retardation or is not threatening to cause injury, the proceedings will be terminated and all provisional duty collected, or security posted, will be returned.

[180] If the Tribunal makes a finding that the subsidizing has caused injury, retardation or is threatening to cause injury, countervailing duties in the amount equal to the amount of subsidy on the imported goods will be levied, collected and paid on imports of subject GSW.

[181] For purposes of the preliminary determination of dumping or subsidizing, the CBSA has responsibility for determining whether the actual and potential volume of dumped or subsidized goods is negligible. After a preliminary determination of dumping or subsidizing, the Tribunal assumes this responsibility. In accordance with subsection 42(4.1) of SIMA, the Tribunal is required to terminate its inquiry in respect of any goods if the Tribunal determines that the volume of dumped or subsidized goods from a country is negligible.

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[182] Under certain circumstances, anti-dumping and/or countervailing duty can be imposed retroactively on subject goods imported into Canada. When the Tribunal conducts its inquiry on material injury to the Canadian industry, it may consider if dumped and/or subsidized goods that were imported close to or after the initiation of the investigation constitute massive importations over a relatively short period of time and have caused injury to the Canadian industry. Should the Tribunal issue a finding that there were recent massive importations of dumped and/or subsidized goods that caused injury, imports of subject goods released by the CBSA in the 90 days preceding the day of the preliminary determination could be subject to anti-dumping and/or countervailing duty.

[183] In respect of importations of subsidized goods that have caused injury, this provision is only applicable where the CBSA has determined that the whole or any part of the subsidy on the goods is a prohibited subsidy. In such a case, the amount of countervailing duty applied on a retroactive basis will equal the amount of subsidy on the goods that is a prohibited subsidy. An export subsidy is a prohibited subsidy according to subsection 2(1) of SIMA.

UNDERTAKINGS

[184] After a preliminary determination of dumping, exporters may give a written undertaking to revise selling prices to Canada so that the margin of dumping or the injury caused by the dumping is eliminated. Similarly, after a preliminary determination of subsidizing, the government of a country may give a written undertaking to eliminate the subsidy on the goods or to eliminate the injurious effect of the subsidy by limiting the amount of the subsidy or the quantity of goods exported to Canada. Exporters, with the consent of their government, may also undertake to revise their selling prices so that the injurious effect of the subsidy is eliminated.

[185] Acceptable undertakings must account for all, or substantially all, of the exports to Canada of the dumped and subsidized goods. In the event that an undertaking is accepted, the required payment of provisional duty on the goods would be suspended.

[186] In view of the time needed for consideration of undertakings, written undertaking proposals should be made as early as possible, and no later than 60 days after the preliminary determinations of dumping and subsidizing. Further details regarding undertakings can be found in the CBSA's Memorandum D14-1-9, available online at www.cbsa-asfc.gc.ca/publications/dm-md/d14/d14-1-9-eng.html

[187] SIMA allows all interested parties to make representations concerning any undertaking proposals. The CBSA will maintain a list of interested parties and will notify them should an undertaking proposal be received. Persons wishing to be notified must provide their name, address, telephone, fax, or email address, to one of the officers listed below. Interested parties may also consult the CBSA website noted below for information on undertakings offered in this investigation. A notice will be posted on the CBSA Web site when an undertaking proposal is received. Interested parties have nine days from the date the undertaking offer is received to make representations.

PUBLICATION

[188] A notice of these preliminary determinations of dumping and subsidizing will be published in the *Canada Gazette* pursuant to paragraph 38(3)(*a*) of SIMA.

INFORMATION

[189] This *Statement of Reasons* has been provided to persons directly interested in these proceedings. It is also posted on the CBSA's Web site at the address below. For further information, please contact the officers identified as follows:

Mail: SIMA Registry and Disclosure Unit
Anti-dumping and Countervailing Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th floor
Ottawa, Ontario K1A 0L8
Canada

Telephone: Hugh Marcil 613-954-7268
Walid Ben Tamarzizt 613-954-7341

Fax: 613-948-4844

E-mail: simaregistry@cbsa-asfc.gc.ca

Web site: www.cbsa-asfc.gc.ca/sima-lmsi

C. Ardito-Toffolo

Caterina Ardito-Toffolo
Acting Director General
Anti-dumping and Countervailing Directorate

Attachments

APPENDIX 1 – SUMMARY OF ESTIMATED MARGINS OF DUMPING, ESTIMATED AMOUNTS OF SUBSIDY AND PROVISIONAL DUTIES PAYABLE

The following table lists the estimated margins of dumping, the estimated amounts of subsidy, and the provisional duty by exporter as a result of the decisions mentioned above. Imports of subject goods released from the CBSA on or after April 22, 2013, will be subject to provisional duties at the rates specified below.

Exporter	Estimated Margin of Dumping*	Estimated Amount of Subsidy*	Total Provisional Duty Payable*
China			
Sunny Loan Top Co., Ltd.	45.1%	15.0%	60.1%
Tianjin Huayuan Times Metal Products Co., Ltd.	51.7%	0.0%	51.7%
All Other Exporters	64.8%	15.0%	79.8%
Israel			
Yehuda Welded Mesh Ltd.	14.5%	N/A	14.5%
All Other Exporters	N/A	N/A	64.8%
Spain			
Moreda-Riviere Trefilerías S.A.	10.5%	N/A	10.5%
All Other Exporters	N/A	N/A	64.8%

*expressed as a percentage of the export price

APPENDIX 2 - SUMMARY OF PRELIMINARY FINDINGS FOR NAMED SUBSIDY PROGRAMS

As noted in the body of this document, the GOC did not submit a response to the subsidy RFI. This would normally prevent the CBSA from estimating specific amounts of subsidy for the responding exporters and result in the use of other available information. However, in recognition of the amount of cooperation and the volume of information provided by the responding exporters, the CBSA has estimated an amount of subsidy where possible, based on the information provided in the responses to the subsidy RFI.

This appendix consists of descriptions of the potentially actionable subsidy programs from which the responding exporters benefited from during the course of the POI in the current investigation, followed by a listing of the other potentially actionable subsidy programs identified by the CBSA.

POTENTIALLY ACTIONABLE SUBSIDY PROGRAMS USED BY THE RESPONDING EXPORTERS IN THE CURRENT INVESTIGATION

The CBSA has used the best information available to describe the potentially actionable subsidy programs used by the responding exporters in the current investigation. This includes using information obtained from CBSA research on potential subsidy programs in China, information provided by the responding exporters and descriptions of programs that the CBSA has previously publicly published in recent *Statement of Reasons* relating to subsidy investigations involving China.

Program 140: Raw Materials Provided by the Government at Less than Fair Market Value

This program relates to the acquisition cost of major raw materials from SOEs that are subsequently used in the production of finished subject goods. When exporters or producers of subject goods acquire raw material inputs (in this case wire rod) at less than fair market value directly or indirectly from SOEs and those SOEs are considered to be possessing, exercising, or vested with governmental authority, a subsidy may be found to exist.

For the purposes of this investigation, there are three key concepts to consider when determining whether this program is applicable:

- whether the exporters or producers of subject goods to Canada acquired raw material inputs from SOEs;
- whether the SOEs that supplied these raw materials are considered to be possessing, exercising, or vested with governmental authority;
- the fair market value of the goods provided by SOEs.

In terms of the first concept, information submitted by the responding exporters contained purchases of input material (wire rod), the names of the suppliers/producers, and the ownership status of these parties, where known. Based on the information in the submissions, exporters have purchased from both SOEs and non-SOEs.

In terms of the second concept, the following analysis considers whether SOEs in the wire rod sector could be regarded as "government" for the purpose of subsection 2(1) of SIMA. SOEs may be considered to constitute "government" if they possess, exercise or are vested with government authority, which may be indicated by the following factors:

- where a statute or other legal instrument expressly vests government authority in the entity concerned;
- evidence that an entity is, in fact, exercising governmental functions; and
- evidence that a government exercises meaningful control over an entity.

All exporters were instructed to forward a supplemental questionnaire to their suppliers of wire rod; however, none of the suppliers/producers that were identified by the exporters as SOEs provided responses. The GOC was also requested to identify the suppliers/producers of wire rod it partially or wholly-owned and to describe the percentage of their ownership; however, the GOC did not respond to the subsidy RFI. As such, the CBSA conducted an analysis based on its own research.

Various industrial and economic policies and five-year plans are factors found to have influence in the Chinese steel industry *(e.g. The Development Policies for the Iron and Steel Industry – Order of the National Development and Reform Commission (No. 35), Blueprint for the Adjustment and Revitalization of the Steel Industry, and the 12th Five-Year Plan: Iron and Steel).* The major objectives of these policies and plans are summarized in the section of this *Statement of Reasons*, titled Preliminary Results of the Section 20 Inquiry.

As provided in Article 36 of the *Law of State-Owned Assets of the Enterprises*, state-invested enterprises[33] (SIEs) must comply with all national industrial policies.[34] On the basis of this information, SIEs are effectively performing a public policy function through their pursuit of state plans and industrial and economic policies, thus supporting the indication that SIEs and SOEs are in fact performing governmental functions.

A further analysis of the *Law of State-Owned Assets of the Enterprises* reveals that the GOC is the only entity that may determine who is eligible to be a director or supervisor within SIEs in China, regardless of the extent of the GOC's ownership of the SIE. The GOC sets the criteria against which management of an SIE is evaluated, measures the performance of management against the criteria, and determines the standards of remuneration for management. SIEs must also submit to audits conducted directly by the GOC.

[33] State-invested Enterprise: An entity in which the GOC has an ownership stake, regardless of the size of that stake, but does not wholly-own the enterprise. These definitions are based upon those set out on Article 5, *Law of State-Owned Assets of the Enterprises*. CBSA Final Determinations *Statement of Reasons* for *Certain Stainless Steel Sinks*, page 31, May 9, 2012

[34] CBSA Final Determinations *Statement of Reasons* for *Certain Stainless Steel Sinks*, page 31, May 9, 2012

According to the Decree of the State Council of the People's Republic of China No. 378 - Interim Regulations on Supervision and Management of State-owned Assets of Enterprises[35], Article 12 establishes that the State-owned Assets Supervision and Administration Commission of the State (SASAC) is directly subordinate to the State Council, the highest executive organ of the GOC. Article 13 establishes the main responsibilities of SASAC, including the power of appointing, terminating, and evaluating top executives of supervised enterprises, the ability to draft laws, rules and regulations for the management of state-owned assets, and the capability to dispatch supervisory panels to the supervised enterprises on behalf of the state council.[36]

The CBSA views the ability to appoint and remove top executives of supervised enterprises as evidence that the GOC exercises meaningful control over the conduct of such entities. Furthermore, the power vested in SASAC to "take charge of daily management of the supervisory panels", and to "draft laws, administrative regulations" also indicate a significant level of control over SOEs. When the main functions and responsibilities of SASAC are examined more closely, evidence of the extent of the control of the GOC, via SASAC, becomes apparent.

In light of the fact that the GOC did not provide information with respect to the ownership status of suppliers/producers and no information was received from SOEs with respect to the subsidy RFI, the CBSA performed an analysis based on the information available. The exercise of meaningful control by the GOC, examined in conjunction with the performance of government functions as discussed above, is sufficient to indicate that these SOEs possess, exercise or are vested with governmental authority. As such, the CBSA will consider SOEs in the wire rod sector to be included under the definition of "government" in subsection 2(1) of SIMA.

The third concept relating to this program is the determination of the fair market value of the material inputs provided by SOEs for the purposes of evaluating whether the purchase price from SOEs is below fair market value.

Having determined that there is a financial contribution, as defined in paragraph 2(1.6)(*c*) of SIMA,[37] the CBSA estimated whether the financial contribution conferred a benefit to Sunny Loan whose producer of subject goods (King Power) indicated purchasing wire rod from an SOE. This estimate involved the comparison of the price at which the goods were provided by the government with the fair market value of the goods in China. In the absence of appropriate domestic benchmark prices of wire rod in China, and since none of the cooperative exporters reported acquiring wire rod from sources outside China, the CBSA determined that the quarterly world wire rod prices reported by Metal Bulletin are most appropriate for the purpose of establishing the fair market value of wire rod in China. The CBSA then calculated the difference between the acquisition price of King Power's wire rod purchases and the world benchmark prices and multiplied the difference by the volume, finally expressed on a per metric tonne (MT) basis. Given that one MT of GSW does not contain one MT of wire rod, a proportion of the cost of wire rod over the total

[35] CBSA Final Determinations *Statement of Reasons* for *Certain Stainless Steel Sinks*, page 32, May 9, 2012
[36] Ibid.
[37] The government provides goods or services, other than general infrastructure, or purchases goods.

cost of all input materials for King Power which are used to produce GSW was calculated and applied to the total per MT difference of King Power's wire rod purchases and the world benchmark prices.

Program 145: Government of Shijiazhuang City Export Award

One of the exporters reported receiving benefits under this program. The exporter stated that it was given an export award from the Government of Shijiazhuang City but provided very limited additional information with respect to this program, while the GOC did not respond to the subsidy RFI. The exporter does not have the application for this award on file and does not have any documentation to explain the details of the award. This program does not appear to be generally available to all enterprises in China as it was granted by the municipality of Shijiazhuang City.

On the basis of the available information, this program constitutes a financial contribution pursuant to paragraph 2(1.6)(*a*) of SIMA; i.e., a practice of government that involves a direct transfer of funds. This grant confers a direct benefit to the recipient in the form of a grant, and the benefit is equal to the amount of the grant provided.

OTHER POTENTIALLY ACTIONABLE SUBSIDY PROGRAMS

The following programs are also included in the current investigation. Questions concerning these programs were included in the RFIs sent to the GOC and to all known exporters of the subject goods in China. Without a complete response to the subsidy RFI from the GOC, the CBSA does not have detailed descriptions of these programs; nor does it have sufficient information to determine that any of these programs do not constitute actionable subsidy programs. In other words, the CBSA has, to date, not determined if any of these programs should be removed from the investigation. The CBSA will continue to investigate these programs in the final phase of the investigation.

I. Special Economic Zones (SEZ) and other Designated Areas Incentives

Program 1: Preferential Tax Policies for Enterprises with Foreign Investment (FIEs) Established in Special Economic Zones (SEZs) (excluding Shanghai Pudong Area)
Program 2: Preferential Tax Policies for FIEs Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones
Program 3: Preferential Tax Policies for FIEs Established in the Pudong Area of Shanghai
Program 4: Preferential Tax Policies in the Western Regions
Program 5: Corporate Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
Program 6: Local Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
Program 7: Exemption/Reduction of Special Land Tax and Land Use Fees in SEZs and Other Designated Areas
Program 8: Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and other Designated Areas
Program 9: Income Tax Refunds where Profits are Re-invested in SEZs and other Designated Areas
Program 10: Preferential Costs of Services and/or Goods Provided by Government or State-owned Enterprises (SOEs) in SEZs and Other Designated Areas
Program 11: VAT Exemptions for the Central Region
Program 12: Income Tax Refund for Enterprises Located in Tianjin Jinnan Economic Development Area

II. Preferential Loans and Loan Guarantees

Program 14: Export Seller's Credit for High- and New-Technology Products by China EMIX Bank

III. Grants

Program 16: Government Export Subsidy and Product Innovation Subsidy
Program 17: Export Assistance Grant
Program 18: Research & Development (R&D) Assistance Grant
Program 19: Innovative Experimental Enterprise Grant

Program 20: Superstar Enterprise Grant
Program 21: Awards to Enterprises Whose Products Qualify for "Well-Known Trademarks of China" or "Famous Brands of China"
Program 22: Export Brand Development Fund
Program 23: Provincial Scientific Development Plan Fund
Program 24: Technical Renovation Loan Interest Discount Fund
Program 25: Venture Investment Fund of Hi-Tech Industry
Program 26: National Innovation Fund for Technology Based Firms
Program 27: Guangdong - Hong Kong Technology Cooperation Funding Scheme
Program 28: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
Program 29: Innovative Small and Medium-Sized Enterprise Grants
Program 30: Product Quality Grant
Program 31: 2009 Energy-saving Fund
Program 32: Energy-Saving Technique Special Fund
Program 33: Grants to Privately-Owned Export Enterprises
Program 34: Grants for Export Activities
Program 35: Grants for International Certification
Program 36: Emission Reduction and Energy-saving Award
Program 37: Grant for Market Promotion and Trade Development
Program 38: Refund of Land Transfer Fee
Program 39: Grant - Assistance for Exhibition Booth Fees
Program 40: Grant - Patent Application Assistance
Program 41: Grant - State Service Industry Development Fund
Program 42: Grant - Ecological Garden Enterprise Reward
Program 43: Grant - Municipal Construction Reward
Program 44: Grant - Cleaning-production Qualified Enterprise Reward
Program 45: Grant - Provisional Industry Promotion Special Fund
Program 47: Grant - Water Pollution Control Special Fund for Taihu Lake
Program 48: Grant - Provincial Foreign Economy and Trade Development Special Fund
Program 49: Grant - Subsidy from Water Saving Office
Program 50: Grant - Insurance Expense Compensation
Program 51: Grant - Industrial Science and Technology Breakthrough Special Fund
Program 52: Grant - Special Supporting Fund for Commercialization of Technological Innovation and Research Findings
Program 53: Grant - Policy on Value-added Tax for Recyclable Resources
Program 54: Grant - Large Taxpayer Award
Program 55: Grant - Resources Conservation and Environment Protection Grant
Program 57: Enterprise Technology Centers
Program 58: Allowance to Pay Loan Interest
Program 59: Supporting fund for non-refundable export tax loss
Program 60: International market fund for export companies
Program 61: International market fund for small and medium sized export companies
Program 62: Business Development Overseas Support Fund
Program 63: Refund from Government for Participating in Trade Fair
Program 64: Grant - Special Fund for Fostering Stable Growth of Foreign Trade
Program 65: The State Key Technology Renovation Projects

Program 66: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments
Program 67: Financial Special Fund for Supporting High and New Technology Industry Development Project
Program 68: Subsidy for Promoting Energy-saving Buildings
Program 71: Subsidy for the Technology Development
Program 72: Awards for the Contributions to Local Economy and Industry Development
Program 74: Grants, Loans, and Other Incentives for Development of Famous Brands, China Top World Brands or other well-known Brands
Program 76: Guangdong Supporting Fund
Program 77: Zhabei District "Save Energy Reduce Emission Team" Award
Program 78: State Special Fund for Promoting Key Industries and Innovation Technologies
Program 79: Fund for SME (small and medium size enterprises) Bank-Enterprise Cooperation Projects by Guangdong Governments
Program 80: Special Fund for Significant Science and Technology by Guangdong Governments
Program 81: Loan From Local Finance Bureau
Program 82: Provincial Fund for Fiscal and Technological Innovation by Guangdong Governments
Program 83: Provincial Loan Discount Special Fund for SMEs by Guangdong Governments
Program 84: "Large and Excellent" Enterprises Grant
Program 85: Advanced Science/Technology Enterprise Grant
Program 86: Award for Excellent Enterprise
Program 87: Export Award
Program 89: Foreign Trade Promotion Award
Program 90: Financial Assistance for an Overseas Market Survey
Program 91: International Market Development (Tianjin Treasure Bureau & Beijing Municipal Commission of Commerce)
Program 93: Special Supporting Fund for Key Projects of "500 Strong Enterprises in Contemporary Industries" by Guangdong Governments
Program 94: Fund for Supporting Strategic Emerging Industries by Guangdong Governments
Program 95: Medium Size and Small Size Enterprises Development Special Fund
Program 96: Medium Size and Small Size Trading Enterprises Development Special Fund
Program 97: Special Fund for Export Credit Insurance by Guangdong Governments
Program 101: Supporting Fund for Becoming Publicly Listed Company
Program 103: Supporting Fund for the "Working Capital" Loan Interest
Program 113: Award by Shanghai Songjiang Economic Committee
Program 115: Supporting Fund for the Development from Guangzhou Local Governments
Program 116: Fund for Optimizing Import and Export Structure of Mechanical Electronics and High and New Technology Products
Program 117: Special Fund for Pollution Control of Three Rivers, Three Lakes, and the Songhua River
Program 118: Repaying Foreign Currency Loan by Returned VAT

IV. Preferential Income Tax Programs

Program 119: Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period Not Less Than 10 Years
Program 120: Tax Preference Available to Companies that Operate at a Small Profit.
Program 121: Preferential Tax Policies for Foreign Invested Export Enterprises
Program 122: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
Program 123: Preferential Tax Policies for the Research and Development of FIEs
Program 124: Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment
Program 125: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose
Program 126: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors
Program 127: VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps
Program 128: Corporate Income Tax Reduction for New High-Technology Enterprises
Program 129: Income Tax Credits on Purchases of Domestically Produced Equipment
Program 130: Preferential Tax Programs for Encouraged Industries or Projects
Program 131: Exemption from City Maintenance and Construction Taxes and Education Fee Surcharges for FIEs
Program 132: Preferential Tax Program for FIEs Recognized as HNTEs (High and New Technology Enterprises)
Program 133: Tax Offset for R&D Expenses in Guangdong Province
Program 134: Accelerated Depreciation on Fixed Assets

V. Relief from Duties and Taxes on Materials and Machinery

Program 136: Exemption of Tariff and Import VAT for the Imported Technologies and Equipment
Program 137: Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs

VI. Reduction in Land Use Fees

Program 138: Reduction in Land Use Fees, Land Rental Rates and Land Purchase Prices
Program 139: Deed Tax Exemptions for Land Transferred through Merger or Restructuring

VII. Goods/Services Provided by the Government at Less than Fair Market Value

Program 141: Utilities Provided by the Government at Less than Fair Market Value
Program 142: Acquisition of Government Assets at Less than Fair Market Value

VIII. Equity Programs

Program 143: Debt to Equity Swaps
Program 144: Exemptions for SOEs from Distributing Dividends to the State

SUBSIDY PROGRAMS REMOVED FROM INVESTIGATION

Program 13:	Loans and Interest Subsidies Provided Under the Northeast Revitalization Program
Program 15:	Preferential Loan for the National/Provincial key Science & Technology Industrialization Projects, High Technology Industrialization Projects, Science & Technology Achievements Commercialization Projects, Modern Equipment Manufacturing Industry and key Information Technology Industrialization Projects by Liaoning Governments
Program 46:	Grant - Financial Subsidies from Wei Hai City Gao Cun Town Government
Program 56:	Grant – Wendeng Government (Shandong)
Program 69:	Special Fund for the Key Projects in the Cultural Innovation Industry by Shunyi District Local Government
Program 70:	Special Fund for the Technology Innovation by Niu Lan Shan Township Local Government
Program 73:	Beijing Industrial Development Fund
Program 75:	Shunde Famous Brands
Program 88:	Nanhai District Grants to State and Provincial Enterprise Technology Centers and Engineering Tech R&D Centers
Program 92:	Special Supporting Fund and Special Loan Assistance by Chinese Ministry of Science & Technology for revitalizing the Northeast old industrial base
Program 98:	Industrial Development Supporting Fund to Key Projects by Shunyi District Local Governments
Program 99:	Supporting Fund for Converting the Industry Technology Achievements/Findings by Beijing Governments
Program 100:	Special Development Fund for Beijing Cultural Innovation Industry
Program 102:	Supporting Fund for Constructing Energy-saving Projects by Niu Lan Shan Township Local Governments
Program 104:	Supporting Fund for "Information-Technology Application" Demonstration Enterprises by Niu Lan Shan Township Local Governments
Program 105:	Supporting Fund for the Lab by Niu Lan Shan Township Local Governments
Program 106:	Brand Development Fund by Shunyi District Local Governments
Program 107:	Supporting Fund to Encourage Outwards Development by Niu Lan Shan Township Local Governments
Program 108:	Supporting Fund for the Investments on Key Projects by Niu Lan Shan Township Local Governments
Program 109:	Award by Niu Lan Shan Township Local Governments
Program 110:	Award for Maintaining the Growth by Beijing Governments
Program 111:	Award by Beijing Technology Trading Encouraging Centre
Program 112:	Award by Shunyi District Science and Technology Committee
Program 114:	Supporting Fund for Science and Technology Expenses by Zengcheng Local Governments
Program 135:	Accelerated Depreciation on Intangible Assets for Industrial Enterprises in Northeast Region