



OTTAWA, August 5, 2014

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STATEMENT OF REASONS

Concerning the initiation of investigations into the dumping of:

CERTAIN OIL COUNTRY TUBULAR GOODS ORIGINATING IN OR EXPORTED FROM CHINESE TAIPEI, THE REPUBLIC OF INDIA, THE REPUBLIC OF INDONESIA, THE REPUBLIC OF THE PHILIPPINES, THE REPUBLIC OF KOREA, THE KINGDOM OF THAILAND, THE REPUBLIC OF TURKEY, UKRAINE AND THE SOCIALIST REPUBLIC OF VIETNAM

and the subsidizing of:

CERTAIN OIL COUNTRY TUBULAR GOODS ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF INDIA, THE REPUBLIC OF INDONESIA, THE REPUBLIC OF THE PHILIPPINES, THE REPUBLIC OF KOREA, THE KINGDOM OF THAILAND, THE REPUBLIC OF TURKEY, UKRAINE AND THE SOCIALIST REPUBLIC OF VIETNAM

DECISION

Pursuant to subsection 31(1) of the *Special Import Measures Act*, the President of the Canada Border Services Agency initiated investigations on July 21, 2014, respecting the alleged injurious dumping of oil country tubular goods, which are casing, tubing and green tubes made of carbon or alloy steel, welded or seamless, heat-treated or not heat-treated, regardless of end finish, having an outside diameter from 2 $\frac{3}{8}$ inches to 13 $\frac{3}{8}$ inches (60.3 mm to 339.7 mm), meeting or supplied to meet American Petroleum Institute (API) specification 5CT or equivalent and/or enhanced proprietary standards, in all grades, excluding drill pipe, pup joints, couplings, coupling stock and stainless steel casing, tubing or green tubes containing 10.5 percent or more by weight of chromium originating in or exported from Chinese Taipei, the Republic of India, the Republic of Indonesia, the Republic of the Philippines, the Republic of Korea, the Kingdom of Thailand, the Republic of Turkey, Ukraine and the Socialist Republic of Vietnam and the alleged injurious subsidizing of such goods from the Republic of India, the Republic of Indonesia, the Republic of the Philippines, the Republic of Korea, the Kingdom of Thailand, the Republic of Turkey, Ukraine and the Socialist Republic of Vietnam.

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

TABLE OF CONTENTS

SUMMARY	1
INTERESTED PARTIES	2
COMPLAINANTS	2
OTHER PRODUCERS	3
IMPORTERS	3
EXPORTERS	3
GOVERNMENTS OF INDIA, INDONESIA, THE PHILIPPINES, THE REPUBLIC OF KOREA, THAILAND, TURKEY, UKRAINE AND VIETNAM	4
PRODUCT INFORMATION	4
PRODUCT DEFINITION	4
ADDITIONAL PRODUCT INFORMATION	4
PRODUCTION PROCESS	5
PRODUCT USE AND CHARACTERISTICS	6
CLASSIFICATION OF IMPORTS	7
LIKE GOODS AND SINGLE CLASS OF GOODS	8
THE CANADIAN INDUSTRY	8
STANDING	10
THE CANADIAN MARKET	10
EVIDENCE OF DUMPING	12
NORMAL VALUE	13
Chinese Taipei	15
India	16
Indonesia	16
Republic of Korea	17
The Philippines	18
Thailand	18
Turkey	19
Ukraine	19
Vietnam	20
EXPORT PRICE	21
ESTIMATED MARGINS OF DUMPING	21
ESTIMATED MARGIN OF DUMPING AND VOLUME OF DUMPED GOODS	22
SECTION 20 INQUIRY	23
EVIDENCE OF SUBSIDIZING	26
Programs Being Investigated – India	27
Programs Being Investigated – Indonesia	28
Programs Being Investigated – Philippines	28
Programs Being Investigated – Republic of Korea	29
Programs Being Investigated – Thailand	30
Programs Being Investigated – Turkey	30
Programs Being Investigated – Ukraine	31
Programs Being Investigated – Vietnam	32
ESTIMATED AMOUNTS OF SUBSIDY	33
ESTIMATED AMOUNT OF SUBSIDY AND VOLUME OF SUBSIDIZED GOODS	34
EVIDENCE OF INJURY	35
LOST SALES AND LOST MARKET SHARE	36
PRICE UNDERCUTTING, PRICE EROSION AND PRICE SUPPRESSION	37
REDUCED PROFITABILITY	39
UNDERUTILIZATION OF CAPACITY	39

LOSS OF EMPLOYMENT	40
NEGATIVE IMPACT ON CAPITAL INVESTMENT	40
OTHER INJURY INDICATORS	40
CBSA'S CONCLUSION - INJURY FACTORS	40
THREAT OF INJURY	41
SIGNIFICANT RATE OF INCREASE OF DUMPED AND SUBSIDIZED GOODS	42
POTENTIAL IMPACT OF THE SUBJECT GOODS ON THE PRICES OF LIKE GOODS	42
FREELY DISPOSABLE CAPACITY	43
CANADIAN DEMAND AND THE POTENTIAL IMPACT OF THE SUBJECT GOODS ON THE OCTG	
DOMESTIC INDUSTRY	43
THE IMPOSITION OF ANTI-DUMPING OR COUNTERVAILING MEASURES BY THE AUTHORITIES OF A	
COUNTRY OTHER THAN CANADA.....	43
INVENTORIES	44
GLOBAL DEMAND AND PRODUCTION FLOWS	44
CBSA'S CONCLUSION – THREAT OF INJURY FACTORS	44
CAUSAL LINK – DUMPING/SUBSIDIZING AND INJURY	45
CONCLUSION	46
SCOPE OF THE INVESTIGATION.....	46
FUTURE ACTION	47
RETROACTIVE DUTY ON MASSIVE IMPORTATIONS	48
UNDERTAKINGS	48
PUBLICATION	49
INFORMATION.....	49
APPENDIX 1 - DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES.....	51

SUMMARY

[1] On June 6, 2014, Tenaris Canada of Calgary, Alberta and Evraz Inc. NA Canada, of Regina, Saskatchewan (hereinafter ‘the Complainants’) filed a complaint with the Trade and Anti-dumping Programs Directorate of the Canada Border Services Agency (CBSA). The Complainants allege that imports into Canada of certain oil country tubular goods (OCTG) originating in or exported from Chinese Taipei, the Republic of India (India), the Republic of Indonesia (Indonesia), the Republic of the Philippines (the Philippines), the Republic of Korea, the Kingdom of Thailand (Thailand), the Republic of Turkey (Turkey), Ukraine and the Socialist Republic of Vietnam (Vietnam) have been dumped and (with the exception of certain OCTG from Chinese Taipei) subsidized. These countries will be referred to collectively as “the named countries” throughout this document. The Complainants allege that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing like goods.

[2] On June 20, 2014, the CBSA informed the Complainants and the governments of the named countries that the complaint was properly documented. The governments of India, Indonesia, the Philippines, the Republic of Korea, Thailand, Turkey, Ukraine, and Vietnam were also provided with a copy of the non-confidential version of the subsidy portion of the complaint and were invited for consultations prior to the initiation of the investigations, pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures* (ASCM).

[3] On July 15, 2014, the government of Canada received written representations from the government of the Republic of Korea with respect to its views on the adequacy of the evidence presented in the non-confidential version of the subsidy portion of the complaint.

[4] On July 17, 2014, consultations pursuant to Article 13.1 of the ASCM were held between the government of Canada and the government of the Republic of Korea. On the same day, consultations were also held between the government of Canada and the government of Vietnam. During these consultations, the government of the Republic of Korea reiterated its written representations with respect to its views on the adequacy of the evidence presented in the non-confidential version of the subsidy complaint. During the consultations with the government of Vietnam, the CBSA also received written representations concerning the sufficiency of the public version of the Complaint.

[5] On July 18, 2014, consultations pursuant to Article 13.1 of the ASCM were held between the government of Canada and the government of Turkey. During these consultations, the CBSA also received written representations concerning the adequacy of the evidence presented in the non-confidential version of the subsidy portion of the complaint.

[6] As much as was possible given the limited time available, the CBSA considered the written representations of the governments of Turkey, Vietnam and the Republic of Korea in its analysis of whether there was sufficient evidence of subsidization to warrant the initiation of a subsidy investigation. The CBSA will further examine these representations prior to its preliminary decision.

[7] On July 21, 2014, pursuant to subsection 31(1) of the *Special Import Measures Act* (SIMA), the President of the CBSA (President) initiated investigations respecting the dumping and (with the exception of certain OCTG from Chinese Taipei) subsidizing of certain oil country tubular goods originating in or exported from Chinese Taipei, India, Indonesia, the Philippines, the Republic of Korea, Thailand, Turkey, Ukraine and Vietnam.

INTERESTED PARTIES

COMPLAINANTS

[8] The Complainants are major producers of OCTG accounting for a major proportion of the production of like goods¹ in Canada. The names and addresses of the Complainants are as follows:

Tenaris Canada
Algoma Tubes Inc.
Prudential Steel Inc.
Hydril Canadian Company LP
530 8 Ave SW, Suite 400
Calgary, Alberta T2P 3S8

Evrax Inc. NA Canada
P.O. Box 1670, 100 Armour Road
Regina, Saskatchewan S4P 3C7

Tenaris Canada (Tenaris)

[9] The company manufactures OCTG in Canada at its Algoma Tubes Inc. (Algoma Tubes) facility in Sault Ste. Marie, Ontario using the seamless process and at its Prudential Steel Inc. (Prudential) facility in Calgary, Alberta using the electric resistance welded (ERW) production process. Hydril Canadian Company LP (Tenaris Hydril) located in Nisku, Alberta produces specialized premium connection OCTG products as well.

Evrax Inc. NA Canada (Evrax)

[10] The company operates ERW OCTG manufacturing facilities in Regina, Saskatchewan; Calgary, Alberta; and Red Deer, Alberta. The EVRAZ North America group of companies also owns Canadian National Steel Corporation, which operates an ERW OCTG manufacturing facility in Camrose, Alberta.

¹ The *like goods* are defined in its own section at page 8 of this document.

OTHER PRODUCERS

[11] There are two other significant domestic producers of OCTG in Canada, namely, Energex Tube (Energex), of Welland, Ontario and Welded Tube of Canada (Welded Tube), of Concord, Ontario. Both Energex and Welded Tube supported this complaint.² In March 2014, Energex idled the operations of its Welland plant, citing pressures in the market from unfair offshore competition. However, up until that point in time, the company produced like goods throughout the period covered by this complaint.³

IMPORTERS

[12] The CBSA has identified 61 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint. All of the potential importers were asked to respond to the CBSA's Request for Information (RFI) which was sent on the date of initiation, July 21, 2014.

EXPORTERS

[13] The Complainants provided a list of companies that produce the subject goods in the named countries or export the subject goods to Canada. The list identified 132 possible exporters of subject goods.⁴ The CBSA identified a number of additional parties that were involved in exporting subject goods through a review of import documentation. With the CBSA's additions, the total number of potential exporters is 196.

[14] All of the potential exporters were asked to respond to the CBSA's dumping RFI which was sent on the date of initiation, July 21, 2014.⁵

[15] All producers and exporters in the named countries, with the exception of those located in Chinese Taipei, were also asked to respond to the CBSA's subsidy RFI.

[16] All parties in Vietnam were asked to respond to the CBSA's section 20 RFI which requests information to determine whether the conditions of section 20 of SIMA exist in the OCTG sector in Vietnam. The section 20 analysis pertaining to Vietnam is discussed in greater detail later in this Statement of Reasons.

² Exhibit 1 (NC) – OCTG Complaint, Exhibit 1-1, 1-2.

³ Exhibit 1 (NC) – OCTG Complaint, page 1, paragraphs 3 – 6.

⁴ Exhibit 1 (PRO) – OCTG Complaint, Exhibit 2-1.

⁵ The Exporter Dumping RFI is sent to vendors, traders and manufacturers (in the named countries) as well.

GOVERNMENTS OF INDIA, INDONESIA, THE PHILIPPINES, THE REPUBLIC OF KOREA, THAILAND, TURKEY, UKRAINE AND VIETNAM

[17] Upon initiation of the investigations, the government of each of these countries was sent an RFI requesting information concerning the alleged subsidy programs available to exporters of subject goods located in their country. In addition, the government of Vietnam was also sent an RFI requesting information to determine whether the conditions of section 20 of SIMA exist in the OCTG sector in Vietnam.

[18] For the purpose of these investigations, “government of India”, “government of Indonesia”; “government of the Philippines”; “government of the Republic of Korea”; “government of Thailand”; “government of Turkey”; “government of Ukraine”; and “government of Vietnam” refer 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.

PRODUCT INFORMATION

PRODUCT DEFINITION

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

[20] Oil country tubular goods, which are casing, tubing and green tubes made of carbon or alloy steel, welded or seamless, heat-treated or not heat-treated, regardless of end finish, having an outside diameter from 2 3/8 inches to 13 3/8 inches (60.3 mm to 339.7 mm), meeting or supplied to meet American Petroleum Institute (API) specification 5CT or equivalent and/or enhanced proprietary standards, in all grades, excluding drill pipe, pup joints, couplings, coupling stock and stainless steel casing, tubing or green tubes containing 10.5 percent or more by weight of chromium, originating in or exported from Chinese Taipei, the Republic of India, the Republic of Indonesia, the Republic of the Philippines, the Republic of Korea, the Kingdom of Thailand, the Republic of Turkey, Ukraine and the Socialist Republic of Vietnam.

ADDITIONAL PRODUCT INFORMATION

[21] The product definition includes “green tubes”. Green tubes, as they are commonly referred to in the OCTG industry, are intermediate or in-process tubing and casing which require additional processing, such as threading, heat-treatment or testing, before they can be used as fully finished oil and gas well casing or tubing in end-use applications.

[22] Pup joints, which are essentially short lengths of OCTG used for spacing in a drill string, are excluded where their length is 12 feet or below (with a three inch tolerance), as defined in the API 5CT specification.

[23] The product definition also includes non-prime and secondary OCTG (limited service pipes).

PRODUCTION PROCESS

[24] OCTG may be manufactured by the seamless or electric welded (ERW) process. Typical casing and tubing end finishes include: plain end, beveled, external upset ends, threaded, or threaded and coupled (including proprietary premium connections).⁶

[25] The seamless process begins with the formation of a central cavity in a solid steel billet to create a shell. The shell is then rolled on a retained mandrel and reduced in a stretch reduction mill to produce the finished size before cooling on a walking beam cooling bed.⁷

[26] Algoma Tubes employs this production process, starting with its purchase of steel bars. The steel bar is cut into a billet and then loaded into the rotary furnace to be heated and ready for the Hot-Rolling Mill (HRM).⁸ Depending on the grade desired, the next process may involve heat-treatment. Finishing operations may include one or more of:

- Heat-treatment;
- Threading and coupling;
- Testing

[27] All OCTG produced by Algoma Tubes are green tubes before they are finished. While Algoma Tubes has its own threading, coupling, and heat-treating capability, some of Algoma Tubes' product is threaded and coupled at the Tenaris Hydril facility in Alberta with a premium connection.

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

[29] Evraz, Prudential, and Welded Tube all essentially employ the ERW production process. Evraz produces ERW OCTG in Canada at four separate facilities.

⁶ Exhibit 1 (NC) – OCTG Complaint, paragraph 11.

⁷ Exhibit 1 (NC) – OCTG Complaint, paragraph 18.

⁸ In typical industry language, a billet is a semi-finished round which has been partially worked, but will be further worked to final size. A bar is finished material that has been completely rolled to size (www.rolledalloys.ca).

[30] Energex produces ERW OCTG by the stretch-reduction method. In this modified process, the outside diameter and wall thickness is achieved after the tube is formed. Specifically, a formed tube is heated to approximately 1850 degrees Fahrenheit and passed through a series of stretch reduction roll stands until the final outside diameter and wall thickness is achieved.

[31] Tube formed by either the seamless or the ERW methods is then cut-to-length. Depending on the API specifications required, OCTG may also be heat-treated at this point. The product is then sent to the finishing line where it is beveled and threaded on both ends. Tubing undergoes a separate process of upsetting and normalizing prior to threading. Finally, a coupling and coupling protector are applied to one end of the pipe and a thread protector is applied to the other end before it is ready for shipment. Finishing operations also include cooling, straightening, facing, testing, coating, and/or bundling.⁹

PRODUCT USE AND CHARACTERISTICS

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

[33] Subject OCTG are supplied to meet API specification 5CT, in all grades including and not limited to, H40, J55, K55, M65, N80, L80, L80 HC, L80 LT, L80 SS, C90, C95, C110, P110, P110 HC, P110 LT, T95, T95 HC, and Q125, or proprietary grades manufactured as substitutes for, or enhancements to, these specifications. The grade numbers define the minimum yield strength required of the grade in kilograms per square inch (ksi).

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

[35] Heat-treated grades are more sophisticated grades of pipes used in horizontal applications, deeper wells, and more severe environments such as low temperature services, sour service,¹⁰ heavy oil recovery, etc.

⁹ Exhibit 1 (NC) – OCTG Complaint Narrative, paragraphs 16 – 26.

¹⁰ “Sour Service” refers to a well environment containing Hydrogen Sulfide (H₂S), which is naturally associated with acidic conditions. <http://www.vamservices.com/library/files/SOURSERVICE.pdf>.

[36] These grades are made beginning with the use of a specific chemistry in the steel (either in billet for the seamless process or the steel coil in the ERW process) and are further processed with heat-treatment to attain certain combinations of mechanical properties¹¹ and/or resistance to corrosion and environmental cracking. For example, maximum strength (N80, P110, Q125), high-strength with low ductility (normally proprietary enhancements of API grades), or high-strength combined with resistance to corrosion and environmental cracking (L80, C90, C95, C110, T95 and proprietary enhancements).

[37] Casing and tubing that still require heat-treatment to meet the API 5CT specification are referred to in the industry as a “green tubes”, as are tubes that require further finishing before they can be used down well. A green tube for a higher strength grade can have a chemistry that meets a lower grade like H40 or J55 that does not require heat-treatment and could just be tested and threaded to meet the lower grade.

CLASSIFICATION OF IMPORTS

[38] The subject goods are normally imported under the following 22 Harmonized System (HS) classification codes for OCTG (*Customs Tariff* – 2014):

7304.29.00.11	7304.29.00.69
7304.29.00.19	7304.29.00.71
7304.29.00.21	7304.29.00.79
7304.29.00.29	7306.29.00.11
7304.29.00.31	7306.29.00.19
7304.29.00.39	7306.29.00.21
7304.29.00.41	7306.29.00.29
7304.29.00.49	7306.29.00.31
7304.29.00.51	7306.29.00.39
7304.29.00.59	7306.29.00.41
7304.29.00.61	7306.29.00.49

[39] The subject goods, particularly in the form of green tubes, may also be imported under the following 7 HS classification codes (*Customs Tariff* – 2014):

7304.39.00.10	7306.50.00.90
7304.59.00.10	7306.90.00.10
7306.30.00.29	7306.90.00.20
7306.30.00.39	

¹¹ Mechanical properties are those that describe how an object performs when a load or stress is applied to it. <http://www.corpacsteel.com/resource-center/glossary-of-industry-terms/>.

LIKE GOODS AND SINGLE CLASS OF GOODS

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

[41] The Tribunal has previously found that the OCTG produced by the domestic industry formed a single class of like goods to the subject goods. In considering the issue of like goods, the Tribunal typically looks at a number of factors, including the physical characteristics of the goods, their market characteristics and whether the domestic goods fulfill the same customer needs as the subject goods.

[42] In the 2012 expiry review involving *Seamless Casing*, the Tribunal stated as follows:

“In Inquiry No. NQ-2007-001, the Tribunal determined, on the basis of the above factors, that domestically produced ERW oil and gas well casing and seamless oil and gas well casing were like goods to one another and to the subject goods. It also determined that oil and gas well casing of different grades or strengths fell at various points along a continuum within a single class of goods.

In the current expiry review, the Tribunal was presented with no evidence or argument that warrants departing from these determinations. Accordingly, the Tribunal continues to be of the view that there is one class of goods in this expiry review and that domestically produced ERW oil and gas well casing and seamless oil and gas well casing are “like goods” in relation to the subject goods.”¹²

[43] This position of the Tribunal is consistent with previous determinations on classes of goods, including the 2009 *Oil Country Tubular Goods* inquiry.¹³ The Complainants maintain that there has been no change of circumstances with respect to the criteria identified by the Tribunal. Therefore, the CBSA is of the opinion that the OCTG produced by the domestic industry forms a single class of like goods to the subject goods.

THE CANADIAN INDUSTRY

[44] The domestic industry in Canada is comprised almost entirely of Tenaris Canada (Algoma Tubes and Prudential), Evraz,¹⁴ Energex and Welded Tube.

¹² CITT Statement of Reasons, Seamless Casing Expiry Review No. RR-2012-002, March 26, 2013, paragraphs 56 and 57.

¹³ CITT Statement of Reasons, Oil Country Tubular Goods NQ-2009-004, April 10, 2010, paragraph 83.

¹⁴ Evraz Inc. NA Canada (Evraz) is inclusive of the facility ‘Evraz Camrose’ (Canadian National Steel Corporation) acquired by the Evraz group from Oregon Steel Mills (OSM).

[45] Both Algoma Tubes and Prudential are part of Tenaris Canada. Algoma produces seamless casing and Prudential produces electric resistance welded (ERW) OCTG. Evraz also produces ERW OCTG at its Canadian facilities. Welded Tube and Energex provided letters to the Complainants indicating their respective support of the complaint.¹⁵

[46] Algoma Tubes produces casing in diameters ranging from 4.5 to 9.875 inches to API and proprietary grades. Algoma Tubes has been producing OCTG for over 30 years.

[47] Prudential, located in Calgary, produces ERW OCTG casing and tubing in diameters ranging from 2.375 to 11.75 inches, primarily in grades H40 and J55, but also in proprietary higher strength grades. The mill has threading, coupling, and testing facilities but does not heat-treat goods.

[48] Higher strength proprietary grades are produced using skelp with the required chemistry. Prudential produces API and proprietary premium connections, but some product is threaded and coupled at the Tenaris Hydril facility in Alberta with a premium connection.

[49] Evraz's Calgary mill welds API casing from 4.5 to 13.375 inch outside diameter. It also finishes (upsetting, threading, and testing) tubing of 2.375 to 3.5 inches. The mill has API threading and coupling capabilities and heat-treating capabilities. Evraz's Red Deer mill welds API casing from 4.5 to 13.375 inches. Evraz Red Deer also welds API Tubing of 2.375 to 3.5 inches. Evraz's Regina mill has one production line. The mill welds tubing of 2.375 and 2.875 inches. Evraz's Camrose mill is capable of welding casing from 4.5 to 13.375 inches.

[50] Welded Tube produces ERW OCTG casing at its Concord plant in outside diameters ranging from 4.5 to 9.625 inches. Welded Tube's Welland facility performs all heat-treating functions and will also thread and couple those heat-treated products.¹⁶

[51] Throughout the period of analysis, until its operations were idled in March 2014, Energex produced both API and non-API casing and tubing at their Welland facility.¹⁷ The size ranges were from 1.66 to 4.5 inches. The Welland plant has no threading, coupling, or heat-treating capability.¹⁸ The company contracted out end-finishing and heat-treating from its facility or sold casing to its customers as plain end.

¹⁵ Exhibit 1 (PRO) – OCTG Complaint, Exhibits 1-1 and 1-2.

¹⁶ Welded Tube commenced production of OCTG at each of its Canadian facilities as follows: Concord, 2005; Port Colborne, 2007; and Welland, 2011.

¹⁷ Energex Tube news release: <http://www.energextube.com/recent-news/welland-plant-announcement>.

¹⁸ Energex Tube is formerly Lakeside Steel Inc. and is the Canadian operating division of JMC Steel Group Inc., headquartered in Chicago. JMC Steel acquired the assets of Lakeside Steel in April 2012 and changed its name to Energex Tube.

STANDING

[52] Subsection 31(2) of SIMA requires that the following conditions for standing be met in order to initiate an investigation:

- the complaint is supported by domestic producers whose production represents more than 50% of the total production of like goods by those domestic producers who express either support for or opposition to the complaint; and
- the production of the domestic producers who support the complaint represents 25% or more of the total production of like goods by the domestic industry.

[53] The CBSA has determined that the requirements for standing as set out in subsection 31(2) of SIMA are satisfied. The Complainants and the two other producers supporting the complaint are effectively the entire Canadian industry for the production of OCTG casing and tubing. As affirmed by the Complainants in the complaint, “there are no other Canadian producers of like goods known to the Complainants.”¹⁹

THE CANADIAN MARKET

[54] According to the Complainants, the subject goods and the like goods produced by the Canadian industry are distributed through the same channels and the same conditions of competition apply to OCTG regardless of where the goods are produced.²⁰

[55] According to the Complainants, generally, both domestically produced like goods and imported subject goods are sold to oilfield supply distributors that, in turn, sell the products to end users. In some case, sales are made from producers directly to large volume end users (i.e., oil and gas operating companies) and not through a distributor. Shipments of OCTG are made primarily from stockyards located throughout the major petroleum exploration regions. These stockyards are generally operated by oilfield hauling companies that use the inventory in their yards as the basis for their hauling business. A manufacturer, trader, or distributor may own the inventory in the stockyard. For some projects, the OCTG may be delivered directly from the manufacturer to the project location rather than from stockyards.

[56] When OCTG are imported from outside North America, they are often sold through agents or trading companies to distributors who then market them to end users. In this supply chain, the material may not always be paid for upon receipt in Canada, but rather may be sold on consignment and billed only when the material is sold to an end user by the distributor.

[57] There are many distributors that sell subject goods. These companies are well financed and range from smaller enterprises to large multi-national publicly traded firms. These distributors of imported material may follow one of two strategies when making their purchases.

¹⁹ Exhibit 1 (NC) – OCTG Complaint narrative, paragraph 44.

²⁰ Exhibit 1 (NC) – OCTG Complaint narrative, paragraph 41.

[58] The Complainants' stated that one strategy involves purchasing quantities of only a few common items that they stock and market aggressively to end users or other distributors based on price. This strategy aims to undercut market prices of those producers and distributors who carry a more complete product assortment. The longer the distributor holds these goods, the more aggressively they market based on price.

[59] A second strategy, according to the Complainants, involves purchasing the goods in a wide range of specifications, sizes, and gauges for stock and then distributing the goods to end users. A distributor would order this assortment based on either the drilling forecast of a principle end user, or on historical sales trends. Often, the volume for one customer is increased on speculation of gaining other customers with this base volume. Thus, the loss of an end user account to a distributor who is selling dumped and subsidized OCTG may also lead to further losses of sales of like goods in lower volume specifications in the spot market.

[60] It is a common practice in the industry for distributors of OCTG to bundle goods, that is, to respond to bids on packages of material that may include seamless and welded product, which may extend to casing, tubing, and even line pipe.²¹

[61] The Complainants estimated the market based on their domestic sales, publicly available information and import data obtained from Statistics Canada for the years 2011 to 2013.

[62] The CBSA conducted its own analysis of imports of OCTG based on actual import data. The CBSA's import data demonstrated similar trends and volumes as the information provided by the Complainants.

[63] Detailed information regarding the volume of subject imports and domestic production cannot be divulged for confidentiality reasons. The CBSA has, however, prepared the following table to show the estimated import share of subject OCTG in Canada.

²¹ Exhibit 1 (PRO) – OCTG Complaint narrative, paragraphs 33-36.

Table 1
CBSA Estimates of Import Share
(by volume)

COUNTRY	2011	2012	2013
Named Country Imports:			
Chinese Taipei	2.4%	2.7%	2.6%
India	4.3%	2.9%	1.3%
Indonesia	0.7%	0.5%	1.8%
Republic of Korea	2.7%	2.7%	4.0%
The Philippines	0.1%	2.2%	2.2%
Thailand	0.4%	0.9%	0.9%
Turkey	9.1%	7.5%	7.5%
Ukraine	0.3%	0.3%	0.8%
Vietnam	1.0%	4.7%	2.4%
Total – Named countries	21.0%	24.3%	23.5%
Other Country Imports:			
United States	45.7%	41.4%	45.3%
China	25.1%	15.6%	5.5%
All Other Countries	8.3%	18.6%	25.6%
Total – Other Countries	79.0%	75.7%	76.5%
Total Imports	100%	100%	100%

Note: Totals may appear to vary from row-by-row addition due to rounding

EVIDENCE OF DUMPING

[64] The Complainants alleged that subject goods from the named countries have been injuriously dumped into Canada. Dumping occurs when the normal value of the goods exceeds the export price to importers in Canada.

[65] Normal values are generally based on the domestic selling price of like goods in the country of export where competitive market conditions exist or on the full cost of the goods plus a reasonable amount for profits.

[66] The Complainants provided information to support the allegation that OCTG in Vietnam may not be operating under competitive market conditions and as such, normal values should be determined under section 20 of SIMA.

[67] If there is sufficient reason to believe that conditions described in section 20 of SIMA exist in the sector under investigation, normal values will be determined, where such information is available, on the basis of the domestic selling price or full cost plus a reasonable amount for profits of the like goods sold by producers in any country designated by the President and adjusted for price comparability; or on the basis of the selling price in Canada of like goods imported from any country designated by the President and adjusted for price comparability.

[68] The export price of goods sold to importers in Canada is generally the lesser of the exporter's selling price and the importer's purchase price, less all costs, charges, and expenses resulting from the exportation of the goods.

[69] The CBSA's analysis of the alleged dumping is based on a comparison of the Complainants' estimated normal values, with adjustments, with estimated export prices based on the actual declared value for duty during the period examined, that is, between January 1, 2013 and December 31, 2013.

[70] Estimates of normal value and export price by both the Complainants and the CBSA are explained as follows.

NORMAL VALUE

[71] The Complainants had limited information on the actual selling prices of the like goods to unrelated purchasers in each of the named countries. For this reason, for each of the named countries, the Complainants were generally unable to furnish estimates using domestic selling prices to estimate normal values in accordance with the methodology of section 15 of SIMA. The one exception to this involves exports of premium connection OCTG products from Indonesia, for which the Complainants estimated two normal values based on domestic selling prices in Indonesia from available commercial invoices.

[72] For all other products, normal values were estimated as per the methodology of subsection 19(b) of SIMA based on 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.

[73] Due to the significant number of products within the subject goods definition, the Complainants selected representative high-volume models to act as benchmarks. Normal values were constructed for these benchmark models.

[74] Costs were estimated using the Complainants' own full costs, adjusted downwards to reflect lower labour costs in the respective named countries, plus amounts for profits.

[75] In estimating the normal values, the Complainants did not distinguish between seamless versus welded products. Rather, the Complainants' costs were blended to estimate the average total cost for each finished OCTG product for which normal values were estimated.

[76] The Complainants rationalized that: “No distinction was made between seamless and welded product as these have been found to be like goods, and import pricing of these goods shows them to be directly competitive, regardless of production process.”

[77] The complaint included a recent Metal Bulletin publication which analyzed the costs of seamless versus welded OCTG.²² In this publication, the costs of producing “green” seamless versus welded OCTG were comparable. While the publication emphasized that these cost calculations are only to be used as a guideline, the comparability of costs lends credence to the blended methodology employed by the Complainants, whereby the information of both seamless and welded OCTG producers was used to calculate the total cost by finished product.

[78] The Metal Bulletin report also validates the cost of production estimate provided by the Complainants as reasonable given that the production cost estimates in this report do not vary significantly from what the Complainants have provided as a cost of production range, for the products which normal values were estimated for.²³

[79] To arrive at the labour cost component of OCTG in 2013, the Complainants separately identified the cost of direct labour, the labour cost component of overhead expenses, and the labour costs associated with general, selling and administrative expenses (GS&A). In estimating normal values, an adjustment was made to all labour costs for each of the named countries to reflect the lower wage rates paid in those countries compared to Canada. Those adjustments were made based on the most recently available comparable data.²⁴

[80] GS&A were estimated using costs incurred by Evraz and Tenaris per tonne in 2013, in accordance with the normal accounting practices of each company. The labour cost components of GS&A were separated from Evraz’s costs. In the case of Tenaris, all GS&A costs attributed to the “Tenaris Canada” operation were considered labour costs due to the difficulty in breaking out non-labour components. This means that the adjustment of the labour costs to reflect lower personnel costs in the named countries is a conservative estimate.

[81] Amounts for profits were estimated for each named country, using publicly available information respecting producers located in the named countries. Where specific 2013 profit data for subject goods was not available, the Complainants made recourse to goods of the same general category in the country of export. All profit rates were calculated as a percentage of total costs (or gains) before tax.²⁵

²² Exhibit 1 (PRO) – OCTG Complaint, Exhibit 8-10 (PRO): “The Five Year Outlook for the Global OCTG Industry, Chapter 13.”

²³ Exhibit 1 (PRO) – Complaint Exhibit 6-8 (PRO): Cost of Production Documentation; Exhibit 8-10 (PRO): “The Five Year Outlook for the Global OCTG Industry,” Chapter 13.

²⁴ Exhibit 1 (NC) – Complaint narrative, paragraphs 65-67; Complaint Exhibit 6-9 (NC).

²⁵ Exhibit 1 (NC) – Complaint narrative, paragraph 53.

[82] In general, the CBSA found the Complainants' estimated normal values to be reasonable and representative. In addition to the adjustments to amounts for profits mentioned above, for certain transactions shipped from an intermediary country (i.e. the United States), the CBSA used 2013 pricing data available from Pipe Logix, a US trade publication which tracks OCTG prices in the United States, as a normal value estimate, in place of the Complainants' cost-plus approach.²⁶ Values in Pipe Logix were converted to metric tonnes from net tons and to Canadian dollars from US dollars, using the average Bank of Canada exchange rate for 2013.

[83] Since this trade publication tracks US selling prices of OCTG and since most transshipments through an intermediary country involve the United States it was determined that this was a sound methodology for estimation purposes when goods were not shipped directly from a named country.²⁷ This was also considered a sound methodology in instances where the Pipe Logix price represented a more conservative estimate than the Complainants' estimated normal values.

[84] The following summary explains the methodology of labour cost adjustment and the estimation of the amounts for profits used by the Complainants in estimating normal values for each of the respective named countries and the revisions made by the CBSA, where applicable, to the amounts for profits in estimating normal values.

Chinese Taipei

[85] For Chinese Taipei, the best available data were the 2009 hourly compensation costs in U.S. dollars reported to the International Labour Organization (ILO) which was \$6.20 USD. As the values for Chinese Taipei and the comparable Canadian value of \$26.40 USD were in U.S. dollars, no conversion to Canadian dollars was necessary to derive a reduction rate.²⁸

[86] The resulting reduction in labour costs for Chinese Taipei was 77%.²⁹

[87] The amount for profits for Chinese Taipei was estimated using publicly available information as of Q3-2013 for China Steel Corporation (China Steel). The Complainants stated that China Steel is the largest integrated steel maker in Chinese Taipei, producing a wide range of steel products and they own Chung Hung Steel, a producer of subject goods in Chinese Taipei. Its operations are included in China Steel's financial statements.³⁰

[88] The resulting amount for profits estimated by the Complainants for Chinese Taipei was 7.21% as a percentage of total costs.

²⁶ The CBSA maintains a subscription to Pipe Logix, a publication which tracks monthly OCTG prices of over 35 OCTG products in the United States (FOB Houston) in its "Spot Market Price" listing. The average monthly prices of products from 2013 were calculated as a normal value estimate for certain transactions.

²⁷ Where the intermediary country was an Asian country, the Complainants' estimate of normal value may have been used over Pipe Logix, if it was the more conservative estimate.

²⁸ Exhibit 1 (NC) – Complaint narrative, paragraph 70.

²⁹ Exhibit 1 (NC) – Complaint narrative, paragraph 71. Note: 77% is a rounded figure.

³⁰ Exhibit 1 (NC) – Complaint narrative, paragraph 56; Complaint Exhibit 6-3 (NC).

[89] The CBSA made no revisions to the amount for profits calculated by the Complainants for Chinese Taipei as the information was considered to be acceptable for estimation purposes.

India

[90] For India, the labour cost adjustment made by the Complainants was calculated using 2008 average monthly nominal wages reported to the ILO as the best available data, which was 8,466 rupees, converted into Canadian dollars using the Bank of Canada's 2008 average annual exchange rates, which results in a conversion to \$208.09.³¹ The comparable Canadian wages during this time was \$3,512 per month.³²

[91] The resulting reduction in labour costs for India was 94%.

[92] The amount for profits for India was estimated using Q3-2013 year-to-date operating results of Ratnamani Metals and Tubes Ltd., a producer of subject goods in India. The Complainants noted that these results produced a conservative estimate given that Tata Steel, a major steel tube producer in India, reported a corporate profit of 22.56% (or 29.13% as a percent of costs) for the first two quarters of fiscal year 2013.³³

[93] The resulting amount for profits estimated by the Complainants for India was 17.91% as a percentage of total costs.

[94] The CBSA revised the amount for profits estimated by the Complainants as additional information was found to be publicly available from income statements for three additional OCTG producers in India. The weighted average profit for the fiscal period ending (FPE) March 2013 was 3.57%. When combined with the Complainants' information on ERW producer Ratnamani Metals and Tubes Ltd., the revised weighted average amount for profits was 9.73%, down from the Complainants' estimate of 17.91% using only the information respecting Ratnamani Metals and Tubes Ltd.

Indonesia

[95] For Indonesia, the labour cost adjustment was calculated using 2008 average monthly nominal wages reported to the ILO as the best available data, which was 1,092,075 rupiah, converted into Canadian dollars using the Bank of Canada's 2008 average annual exchange rates, which results in a conversion to \$121.22.³⁴ The comparable Canadian wages during this time was \$3,512 per month.

[96] The resulting reduction in labour costs for Indonesia was 96.5%.³⁵

³¹ Exhibit 1 (NC) – Complaint narrative, paragraph 69.

³² Exhibit 1 (NC) – Complaint Exhibit 6-9 (NC).

³³ Exhibit 1 (NC) – Complaint narrative, paragraph 61; Complaint Exhibit 6-4 (NC).

³⁴ Exhibit 1 (NC) – Complaint narrative, paragraph 69.

³⁵ Since \$121.22 is monthly figure, this is divided by the ILO 2008 \$3,512 Canadian monthly income figure from Complaint Exhibit 6-9 to get 3.5%, which gives one the 96.5% reduction figure.

[97] The amount for profits for Indonesia was estimated using publicly available information from the 2013 financial results for Hunting PLC, which operates in Indonesia through its subsidiary PT Hunting Energy Asia.³⁶

[98] The resulting amount for profits estimated by the Complainants for Indonesia was 11.26% as a percentage of total costs.

[99] The CBSA revised the amount for profits estimated by the Complainants as additional information was found to be publicly available from income statements for two additional OCTG producers in Indonesia. As a result, the amount for profits estimated for Indonesia was upwardly adjusted from 11.26% to 14.16% based on this information.

[100] For two premium connection products, the Complainants estimated normal values using domestic selling prices in Indonesia. The Complainants provided documentation in the form of commercial invoices to support their estimates.³⁷

Republic of Korea

[101] For the Republic of Korea, the Complainants adjusted labour costs using the 2011 average annual wages reported to the Organisation for Economic Co-operation and Development (OECD) which was 32,152,716 won. This was converted into Canadian dollars based on the Bank of Canada's average 2011 annual exchange rate yielding \$28,712.38. This Republic of Korea wage amount, converted to Canadian dollars, was then compared to the 2011 average annual wages for Canada which was \$55,376.³⁸

[102] The resulting reduction in labour costs for the Republic of Korea was 48%.³⁹

[103] The amount for profits for the Republic of Korea was estimated from the 2013 financial results for SeAH, a Korean producer of subject goods.⁴⁰

[104] The resulting estimated amount for profits by the Complainants for the Republic of Korea was 7.12% as a percentage of total costs.

[105] The CBSA revised the amount for profits estimated by the Complainants as additional financial statement information was found to be publicly available regarding other OCTG producers in the Republic of Korea. The weighted average profit found for these companies was 4.48%, down from the Complainants' estimate of 7.21%.

³⁶ Exhibit 1 (NC) – Complaint narrative, paragraph 58. Complaint Exhibit 6-16 (NC).

³⁷ Exhibit 1 (PRO) – Complaint Exhibit 6-11.

³⁸ Exhibit 1 (NC) – Complaint narrative, paragraph 67.

³⁹ Exhibit 1 (NC) – Complaint narrative, paragraph 71. Note: 48% is a rounded figure.

⁴⁰ Exhibit 1 (NC) – Complaint narrative, paragraph 55; Complaint Exhibit 6-2 (NC).

The Philippines

[106] For the Philippines, the Complainants stated that the best available data were the 2009 hourly compensation costs in U.S. dollars reported to the ILO which was \$1.17 USD. As the values for the Philippines and the comparable ILO value of \$26.40 for Canada were in U.S. dollars, no conversion to Canadian dollars was necessary to derive a reduction rate.⁴¹

[107] The resulting reduction in labour costs for the Philippines was 96%.

[108] The Complainants could not find any publicly available information concerning the profits earned by any tubular producer in the Philippines. In the absence of other data, the profit margins estimated for the other named countries in Asia (Chinese Taipei, India, Indonesia, the Republic of Korea, Thailand, and Vietnam) were averaged (simple average).⁴²

[109] The resulting amount for profits estimated by the Complainants for the Philippines was 10.74% as a percentage of total costs.

[110] The CBSA could not find any publicly available information to estimate an amount for profits for the Philippines. Following the approach taken by the Complainants, the CBSA estimated an amount for profits for the Philippines by taking the simple average of the amounts for profits estimated by the CBSA for the other named countries in Asia. This resulted in an amount for profits of 8.08%, a decrease from the Complainants' estimate of 10.74%.

Thailand

[111] For Thailand, the Complainants stated that the best available data were the 2009 average monthly nominal wages reported to the ILO, which were 8,694 baht and converted into Canadian dollars to \$288.81. The conversion to Canadian dollars was based on the Bank of Canada's average 2009 annual exchange rate.⁴³ The comparable Canadian wages during this time was \$3,569 per month.⁴⁴

[112] The resulting reduction in labour costs for Thailand was 92%.

[113] The Complainants estimated an amount for profits for Thailand using the 2013 financial results for Pacific Pipe Public Company, a welded pipe producer in Thailand.⁴⁵

[114] The resulting estimated amount for profits for Thailand was 7.26% as a percentage of total costs.

⁴¹ Exhibit 1 (NC) – Complaint narrative, paragraph 70.

⁴² Exhibit 1 (NC) – Complaint narrative, paragraph 60.

⁴³ Exhibit 1 (NC) – Complaint narrative, paragraph 68; Complaint Exhibit 6-9 (NC).

⁴⁴ Exhibit 1 (NC) – Complaint Exhibit 6-9 (NC).

⁴⁵ Exhibit 1 (NC) – Complaint narrative, paragraph 59; Complaint Exhibit 6-15 (NC).

[115] The CBSA revised the amount for profits estimated by the Complainants by using publicly available financial statements from Siam Steel, an OCTG producer in Thailand. Two years of financial statements were used to address the fact that in the most recent FPE, Siam Steel reported unprofitable results. The estimated amount for profits decreased from the Complainants' estimate of 7.26%, based on Pacific Pipe Company's financial results (a non-OCTG producer in Thailand) to 3.96%.

Turkey

[116] For Turkey, the Complainants stated that the best available data were the 2009 average monthly nominal wages, which were 1,938 Turkish liras, reported to the ILO, converted into Canadian dollars to \$1,421.14. The conversion to Canadian dollars was based on the Bank of Canada's average 2009 annual exchange rate.⁴⁶ The comparable Canadian wages during this time was \$3,569 per month.

[117] The resulting reduction in labour costs for Turkey was 60%.

[118] The Complainants could not find any publicly available information for a Turkish producer of subject goods. Consequently, the publicly reported profit for the Turkish steel producing Erdemir group for fiscal year 2013 was used instead. Erdemir is a large integrated Turkish steel manufacturer that produces a range of steel products including tubular goods and skelp for the production of subject goods.⁴⁷

[119] The resulting amount for profits estimated by the Complainants for Turkey was 14.63% as a percentage of total costs.

[120] The CBSA revised the amount for profits estimated by the Complainants by using publicly available financial statements from Erbosan Erciyas Boru Sanayii, a producer of steel pipe products in Turkey. The use of their financial results for fiscal year 2013 was more conservative than the Complainants' estimate using Erdemir, lowering the amount for profits from 14.63% to 9.10%.

Ukraine

[121] For Ukraine, the Complainants stated that the best available data were the 2009 average monthly nominal wages, which were 1,906 hryvnia, reported to the ILO and converted into Canadian dollars to \$278.88. Since no Bank of Canada exchange rate was available for Ukraine, the conversion to Canadian dollars was based on the World Bank's average 2009 annual exchange rate using the U.S. dollar as an intermediary converter.⁴⁸ The comparable Canadian wages during this time was \$3,569 per month.

[122] The resulting reduction in labour costs for Ukraine was 92%.

⁴⁶ Exhibit 1 (NC) – Complaint narrative, paragraph 68.

⁴⁷ Exhibit 1 (NC) – Complaint narrative, paragraph 54; Complaint Exhibit 6-1 (NC).

⁴⁸ Exhibit 1 (NC) – Complaint narrative, paragraph 68.

[123] The Complainants could not find any publicly available information on profitable sales of OCTG in Ukraine for 2013. However, financial information for Metinvest, a Ukrainian steel producer of line pipe, was available and used as the best information available.⁴⁹

[124] The resulting estimated amount for profits for Ukraine was 6.35% as a percentage of total costs.⁵⁰

[125] The CBSA could not find any publicly available information to estimate an amount for profits for Ukraine. Following the approach taken by the Complainants, the CBSA considered the amount for profits of 6.35% estimated by the Complainants to be reasonable.

Vietnam

[126] For Vietnam, the Complainants calculated a labour cost adjustment using the 2008 average monthly nominal wages reported to the ILO as the best available data, which was 1,427,180 dong, converted into Canadian dollars using the Bank of Canada's 2008 average annual exchange rates, which results in a conversion to \$92.77.⁵¹ The comparable Canadian wages during this time was \$3,512 per month.

[127] The resulting reduction in labour costs for Vietnam was 97%.

[128] The amount for profits for Vietnam was estimated from the 2012 Annual Report for Petrovietnam, which produces OCTG through its subsidiary PVD Offshore Services Company Ltd.⁵²

[129] The resulting estimated amount for profits for Vietnam was 13.13% expressed as a percentage of total costs.

[130] The CBSA could not find any publicly available information to estimate an amount for profits for Vietnam. The CBSA did not favour the approach taken by the Complainants, who used the profits made by an oil drilling service, and instead estimated an amount for profit for Vietnam by taking the simple average of the amounts for profits estimated by the CBSA for the other named countries in Asia. This resulted in an estimated amount for profits of 8.08%, a decrease from the Complainants' estimate of 13.13%.

[131] Although a section 20 allegation has been made by the Complainants, the CBSA did not use a surrogate country methodology in estimating normal values for goods exported from Vietnam. The CBSA considered the Complainants' approach to be more conservative for estimation purposes.

⁴⁹ Exhibit 1 (NC) – Complaint narrative, paragraph 62; Complaint Exhibit 6-5 (NC).

⁵⁰ Note: The Complainants' narrative explanation intimated that profit for Ukraine was expressed only over cost of goods sold, however, a review of Complaint Exhibit 6-5 reveals that it appears to have been expressed over the full costs $((765/(10,406+1,121+391-137)) = 6.5\%$.

⁵¹ Exhibit 1 (NC) – Complaint narrative, paragraph 69.

⁵² Exhibit 1 (NC) – Complaint narrative, paragraph 57; Complaint Exhibit 6-14 (NC).

EXPORT PRICE

[132] The export price of goods sold to an importer in Canada is generally determined in accordance with section 24 of SIMA as being an amount equal to the lesser of the exporter's sale price for the goods and the price at which the importer has purchased or agreed to purchase the goods adjusted by deducting all costs, charges, expenses, and duties and taxes resulting from the exportation of the goods.

[133] The Complainants estimated export prices based on Statistics Canada import data for HS classification numbers 7304.29 and 7306.29 for 2013, broken out by tubing and casing sizes, and by high-strength versus low-strength.⁵³

[134] The CBSA estimated export prices based on actual import documentation and import data for the period January 1, 2013 to December 31, 2013. Customs documentation for the selected entries not yet received will be reviewed in respect of subjectivity and product types for the purposes of the preliminary determination. Since this analysis was based on actual import data, the CBSA considers its estimates to be more comprehensive and accurate than those provided by the Complainants.

ESTIMATED MARGINS OF DUMPING

[135] The CBSA compared the estimated normal values with the estimated export prices for the subject imports. The estimated margins of dumping were then calculated by deducting the estimated total export price from the estimated total normal value and expressing the result as a percentage of the estimated total export price of the subject goods by country.

[136] Based on this analysis, it is estimated that the subject goods from Chinese Taipei, India, Indonesia, the Philippines, the Republic of Korea, Thailand, Turkey, Ukraine and Vietnam were dumped. The estimated margins of dumping for each country are shown in the table below.

⁵³ Exhibit 1 (NC) Complaint narrative, paragraph 77.

Table 2
CBSA's Estimates of Margins of Dumping
 (Expressed as a percentage of export price)

Named Country	Margin of Dumping
Chinese Taipei	4.9%
India	11.0%
Indonesia	6.3%
Republic of Korea	16.4%
The Philippines	18.3%
Thailand	13.1%
Turkey	13.2%
Ukraine	16.8%
Vietnam	28.6%

ESTIMATED MARGIN OF DUMPING AND VOLUME OF DUMPED GOODS

[137] Under section 35 of SIMA, if, at any time before the President makes a preliminary determination, the President is satisfied that the margin of dumping of the goods of a country is insignificant or the actual and potential volume of dumped goods of a country is negligible, the President must terminate the investigation with respect to that country.

[138] Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price is defined as insignificant and a volume of dumped goods is considered negligible if it accounts for less than 3% of the total volume of goods that are released into Canada from all countries that are of the same description as the dumped goods, except that where the total volume of dumped goods of three or more countries, each of whose exports of dumped goods into Canada is less than 3% of the total volume of goods, is more than 7% of the total volume of goods, the volume of dumped goods of any of those countries is not negligible.⁵⁴

[139] The results are provided in the table below and the summary indicates that the volumes for Turkey and the Republic of Korea are not considered negligible. The volumes of imports from Chinese Taipei, Indonesia, India, the Philippines, Thailand, Ukraine and Vietnam are each less than 3% of the total volume of goods. However, the total volume of imports from these countries equals 12% of the total volume of goods released into Canada from all countries. Based on the definition above, the volume of imports for each of these countries is not negligible.⁵⁵

⁵⁴ SIMA – Section 2 - definitions

⁵⁵ Some differences between 12% and the sum of the figures in the table will be noted due to rounding to two decimals in the table.

[140] The data also indicates that the margins of dumping are not considered insignificant as each country's estimated margin of dumping is not less than 2% of the export price of the goods.

[141] On the basis of the estimated margins of dumping and the estimated volumes of dumped imports for the period of January 1, 2013 to December 31, 2013, summarized in the table below, the estimated margins of dumping and the estimated volumes of dumped goods are greater than the thresholds outlined above.

Table 3
Estimated Margin of Dumping and Volume of Dumped Goods

(January 1, 2013 to December 31, 2013)

Named Country	Estimated Share of Total Imports by Volume	Estimated Dumped Goods as % of Total Imports by Volume	Estimated Margin of Dumping as a % of Export Price
Chinese Taipei	2.6%	2.6%	4.9%
India	1.3%	1.3%	11.0%
Indonesia	1.8%	1.8%	6.3%
Republic of Korea	4.0%	4.0%	16.4%
The Philippines	2.2%	2.2%	18.3%
Thailand	0.9%	0.9%	13.1%
Turkey	7.5%	7.5%	13.2%
Ukraine	0.8%	0.8%	16.8%
Vietnam	2.4%	2.4%	28.6%
Total Named Countries	23.5%	-	-
All Other Countries	76.5%	-	-
Total Imports	100.00%	-	-

SECTION 20 INQUIRY

[142] The normal value of goods in a dumping investigation may be determined in accordance with section 20 of SIMA where certain conditions prevail in the domestic market of the exporting country. Where goods sold to an importer in Canada are shipped directly to Canada from a prescribed country 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, the normal value of the goods is to be determined in accordance with either paragraph 20(1)(c) or 20(1)(d) of SIMA. Subsection 17.2(1) of the *Special Import Measures Regulations* (SIMR) states that the customs territory of the Socialist Republic of Vietnam (Vietnam) is a prescribed country.

[143] A section 20 inquiry refers to the process whereby the CBSA collects information from various sources in order for the President to form an opinion as to whether the conditions described under subsection 20(1) of SIMA exist with respect to the sector under investigation. Before initiating an inquiry under section 20, the CBSA must first analyze the information submitted in the complaint and the evidence it has gathered independently to determine if it is sufficient to warrant the initiation of an inquiry.

[144] In the present OCTG complaint the Complainants provided information to support their allegations that the steel industry in Vietnam, including the OCTG sector, does not operate under competitive market conditions and consequently, prices established in the domestic market in Vietnam are not reliable for determining normal values.

[145] The CBSA has analyzed the information provided in Annex A of the complaint which contains the Complainants' section 20 allegations concerning Vietnam. The Complainants cited the Steel Master Plan⁵⁶ (Decree 145/2007/QĐ-TTg) issued by the government of Vietnam (GOV) as proof that the government remains heavily involved in the steel industry in Vietnam, including the OCTG sector. The Steel Master Plan includes the principal objectives for the steel industry in Vietnam, along with specific objectives for iron, raw steel production and the manufacture of finished steel products in the near and long term. Production level targets, estimates of Vietnam's demand for finished steel products and the necessary major investment projects for the 2007 to 2025 period are part of the Plan's directives.

[146] The Steel Master Plan also assigns responsibilities to various ministries of the government respecting its implementation. The Complainants contend that through this plan, the GOV has an active interest in managing the development of the steel industry and utilizes a number of policy measures and government actions to affect pricing and stimulate investment. Additional GOV interventions include rules to control consumption levels of various factors of steel production and government import controls that serve to manage the supply, demand and pricing of steel.

[147] The CBSA has also conducted its own independent research of the steel industry and the OCTG sector in Vietnam to determine if the government of that country has influenced the prices of goods in that sector. The CBSA examined Vietnam's Trade Policy Review Report to the World Trade Organization (WTO) concerning the country's trade policy developments in addition to the WTO's own Trade Policy Review Report.⁵⁷ Information regarding the extent of State ownership in Vietnam's steel sector was also reviewed. In addition, the CBSA examined the current state of the steel sector in Vietnam, including Vietnam's depressed real estate market, the large volume of imports from China and the new steel projects in Vietnam.

⁵⁶ Exhibit 1 (NC) – OCTG Complaint, Exhibit 6-A-1.

⁵⁷ WTO – Trade Policy Review - Report by the Secretariat - Viet Nam, August 13, 2013.

[148] Based on the CBSA's analysis, there is sufficient evidence to support an investigation into the Complainants' allegation that the measures taken by GOV substantially control prices in its OCTG sector, so as to be substantially different than they would be in a competitive market.

[149] Consequently, on July 21, 2014, the CBSA initiated a section 20 inquiry based on the aforementioned information that supports the allegation that domestic prices in the OCTG sector are not being determined under competitive market conditions in Vietnam. As part of this inquiry, section 20 RFIs were sent to the GOV and exporters in Vietnam. The President may, having regard to information obtained from the government of the country of export, producers, exporters and any other sources of relevant information, form an opinion that the conditions described under section 20 exist in the OCTG sector in Vietnam.

[150] In the event that the President forms the opinion that domestic prices in Vietnam's OCTG sector, are substantially determined by the GOV and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be if they were determined in a competitive market, the normal values of the goods under investigation will be determined, where such information is available, on the basis of the domestic price or cost of the like goods sold by producers in any country designated by the President and adjusted for price comparability; or the selling price in Canada of like goods imported from a designated country and adjusted for price comparability.

[151] Where the information is available, a designated country is established after reviewing responses to requests for information sent to producers and importers of like goods. For this investigation, it has been determined that the most appropriate countries to serve as potential "surrogates" to prices and costs of like goods in Vietnam are already included as part of this investigation. As such, no requests will be made of producers in countries not named in this investigation.

[152] A review of other potential countries not named in the investigation revealed that the producers in those countries generally have too narrow a production scope of like goods (i.e. either seamless or welded but not both), lack a domestic market or are insufficient in number and therefore not suitable to use under section 20.

EVIDENCE OF SUBSIDIZING

[153] The Complainants have alleged that the subject goods originating in India, Indonesia, the Philippines, the Republic of Korea, Thailand, Turkey, Ukraine and Vietnam have been subsidized and that exporters of subject goods in these countries have benefitted from actionable subsidies.

[154] According to subsection 2(1) 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 *Article XVI of the General Agreement on Tariffs and Trade, 1994*, being part of Annex 1A to the *WTO Agreement*, that confers a benefit.

[155] Pursuant to subsection 2(1.6) of SIMA, a financial contribution exists 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) above 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.

[156] A state-owned enterprise (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.

[157] If a subsidy is found to exist, it may be subject to countervailing measures if it is specific. A subsidy is considered to be specific when it is limited, in law or in fact, to a particular enterprise or is a prohibited subsidy. An “enterprise” is defined under SIMA as also including a “group of enterprises, an industry and a group of industries”. Any subsidy which is contingent, in whole or in part, on export performance or on the use of goods that are produced or that originate in the country of export is considered to be a prohibited subsidy and is, therefore, specific according to subsection 2(7.2) of SIMA for the purposes of a subsidy investigation.

[158] Notwithstanding that a subsidy is not specific in law, it may still be considered to be specific in fact under subsection 2(7.3) of SIMA, in the event that:

- 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.

[159] 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 may be subject to countervailing measures.

[160] In its analysis of the Complainants’ allegations, the CBSA reviewed the information contained in the supporting documents submitted in the complaint as well as in other publicly available reference material to determine whether the programs listed could constitute financial contributions in accordance with subsections 2(1) and 2(1.6) of SIMA. These programs were further examined to establish whether they could also be considered specific under subsections 2(7.2) or 2(7.3) of SIMA.

[161] A country by country summary of the programs to be investigated follows below.

Programs Being Investigated – India

[162] The Complainants identified 50 subsidy programs, which they allege have conferred benefits to the producers of subject goods in India, and that have in turn resulted in the actionable subsidizing of exports of subject goods from India to Canada.

[163] Information from the CBSA’s previous subsidy investigations involving India as well as other reference material reviewed by the CBSA and/or included in the complaint, all provide support for the Complainants’ allegations that the goods have been subsidized.

[164] Of the 50 alleged subsidy programs identified by the Complainants, the CBSA found that all are available to OCTG producers and exporters in India. The CBSA’s analysis also revealed that 48 of the programs constitute a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of “subsidy” in subsection 2(1) of SIMA. In this respect, the CBSA, upon review of all the programs identified by the Complainants, concluded that the “Status Certificate Program,” and the “Provision of Captive Mining Rights for Minerals Including Iron Ore and Coal” involved benefits that did not constitute a financial contribution from any level of government.

[165] The remaining 48 programs were further examined and all were considered to be potentially specific either in law or in fact within the meaning of subsections 2(7.2) and 2(7.3) of SIMA.

[166] As a result, these programs, as listed in **Appendix 1**, will be investigated by the CBSA.

Programs Being Investigated – Indonesia

[167] The Complainants identified nine subsidy programs or categories of programs which they allege have conferred benefits to the producers of subject goods in Indonesia, and that have in turn resulted in the actionable subsidizing of exports of subject goods from Indonesia to Canada.

[168] The information provided to the CBSA, along with reference material included in the complaint and reviewed by the CBSA, supports the Complainants' allegations that the goods have been subsidized. In its review, the CBSA identified two additional potential subsidy programs concerning coal and electricity.

[169] Of the 11 alleged subsidy programs identified, the CBSA found that all are available to OCTG producers and exporters in Indonesia. The CBSA's analysis further revealed that all programs constitute a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of "subsidy" in subsection 2(1) of SIMA. In addition, all were considered to be potentially specific within the meaning of subsections 2(7.2) and 2(7.3) of SIMA.

[170] The 11 potentially actionable subsidy programs as listed in **Appendix 1** will be investigated by the CBSA.

Programs Being Investigated – Philippines

[171] The Complainants identified 13 subsidy programs, which they allege have conferred benefits to the producers of subject goods in the Philippines, and that have in turn resulted in the actionable subsidizing of their exports of subject goods to Canada. These 13 programs were grouped into 3 categories.

[172] Information provided by the Complainants and other reference material reviewed by the CBSA provide support for the Complainants' allegations of subsidy.

[173] However, further to its review, the CBSA has determined that it will not be investigating the "Subsidization of Philippine Subsidiaries of Chinese OCTG Producers by the government of China." The provisions of subsection 41(1) of SIMA allow the President to determine subsidizing in relation to the goods of those countries in respect of which the investigation is made. The goods under investigation at this time are the finished OCTG product imported into Canada from the Philippines rather than any input materials imported into the Philippines from China.

[174] With regard to the remaining 12 programs, the CBSA found that all are available for use by the sole identified exporter of subject goods in the Philippines. Further to its analysis, the CBSA's also concluded that these programs resulted in a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of "subsidy" in subsection 2(1) of SIMA. As well, all were considered to be potentially specific either in law or in fact within the meaning of subsections 2(7.2) and 2(7.3) of SIMA.

[175] Although several of the programs appear to provide identical benefits, such as income tax exemptions, the CBSA is of the opinion that all need to be investigated since further information is required to determine the programs under which the exporter has received the potential benefits.

[176] As a result, these 12 programs identified by the Complainants, as listed in **Appendix 1**, will be investigated by the CBSA.

Programs Being Investigated – Republic of Korea

[177] The Complainants identified 30 subsidy programs, which they allege have conferred benefits to the producers of subject goods in the Republic of Korea, and that have in turn resulted in the actionable subsidizing of their exports of subject goods to Canada.

[178] Information provided by the Complainants and other reference material reviewed by the CBSA provide support for the Complainants' allegations that the goods have been subsidized.

[179] Of the 30 alleged subsidy programs identified by the Complainants, the CBSA found that all are available to OCTG producers and exporters in the Republic of Korea. In addition, the CBSA's analysis revealed that all these programs also constitute a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of "subsidy" in subsection 2(1) of SIMA.

[180] These programs were then further examined with respect to specificity. The CBSA concluded that while some of the programs appeared to be non-specific in law, all are potentially specific in fact within the meaning of subsection 2(7.3) of SIMA. Therefore, all programs identified by the Complainants require further investigation.

[181] However, for the sake of clarity and ease of identification, the CBSA has collapsed some of the programs named by the Complainants while expanding and/or renaming others. For example, the Complainants had listed certain tax benefits granted under Korea's Restriction of Special Taxation Act Article 10 as three separate programs, whereas the CBSA determined that in actuality there were only two.

[182] As well, prior to initiation, the Government of the Republic of Korea provided evidence indicating that "Loans under the Industrial Base Fund" had been terminated in 2002.

[183] Altogether, there are 29 alleged programs, as listed in **Appendix 1**, which will be investigated by the CBSA.

Programs Being Investigated – Thailand

[184] The Complainants identified four subsidy programs, which they allege have conferred benefits to the producers of subject goods in Thailand, and that have in turn resulted in the actionable subsidizing of exports of subject goods from Thailand to Canada.

[185] Information provided by the Complainants and other reference material reviewed by the CBSA provide support for the Complainants' allegations that the goods have been subsidized. In its review, the CBSA identified four additional potential subsidy programs provided under the Industrial Estate Authority of Thailand Act:

- Exemption of payment of surcharge under the Industrial Estate Authority of Thailand Act on import duty
- Exemption of payment of surcharge under the Industrial Estate Authority of Thailand Act on value added tax on machinery, equipment, tools and supplies
- Excess VAT refund on export of goods
- Export packing credits

[186] At the same time, the CBSA has determined that it will not be investigating the "Subsidization of Thai Subsidiaries of Chinese OCTG Producers by the government of China." The provisions of subsection 41(1) of SIMA allow the President to determine subsidizing in relation to the goods of those countries in respect of which the investigation is made. The goods under investigation at this time are the finished OCTG product imported into Canada from Thailand rather than any input materials imported into Thailand from China.

[187] Of the seven remaining programs identified by the Complainants or the CBSA, all were found to be available to OCTG producers and exporters in Thailand. They also constituted a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of "subsidy" in subsection 2(1) of SIMA. As well, all were deemed to be potentially specific either in law or in fact within the meaning of subsections 2(7.2) and 2(7.3) of SIMA.

[188] As a result, these seven potentially actionable programs, as listed in **Appendix 1**, will be investigated by the CBSA.

Programs Being Investigated – Turkey

[189] The Complainants identified 16 subsidy programs, which they allege have conferred benefits to the producers of subject goods in Turkey, and that have in turn resulted in the actionable subsidizing of exports of subject goods from Turkey to Canada. These 16 programs were grouped into eight categories.

[190] The information provided to the CBSA in the complaint, along with additional reference material included by the CBSA, supports the Complainants' allegations that the goods have been subsidized.

[191] The CBSA found additional information regarding subsidies in Turkey's 2012 WTO subsidy notification⁵⁸, and ascertained that the Complainants had identified several but not all of the programs listed therein. In addition, some of the programs listed in the Complaint were in fact names of categories of programs rather than individual programs. Therefore, to maintain ease of identification, the CBSA expanded these categories to name the individual programs therein. Altogether, there are 51 alleged subsidy programs identified either by the Complainants or the CBSA.

[192] Of these programs, the CBSA found that all are available to OCTG producers and exporters in Turkey. The CBSA's analysis further revealed that all 51 of the programs constitute a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of "subsidy" in subsection 2(1) of SIMA. In addition, all were considered to be potentially specific within the meaning of subsections 2(7.2) and 2(7.3) of SIMA.

[193] As a result, these 51 potentially actionable subsidy programs, as listed in **Appendix 1** will be investigated by the CBSA.

Programs Being Investigated – Ukraine

[194] The Complainants identified nine subsidy programs or categories of programs which they allege have conferred benefits to the producers of subject goods in Ukraine, and that have in turn resulted in the actionable subsidizing of exports of subject goods from Ukraine to Canada.

[195] The information provided to the CBSA, along with reference material included in the complaint and reviewed by the CBSA, supports the Complainants' allegations that the goods have been subsidized.

[196] Of the nine alleged subsidy programs and program categories identified by the Complainants, the CBSA found that all are available to OCTG producers and exporters in Ukraine. The CBSA's analysis further revealed that all nine of the programs/program categories constitute a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of "subsidy" in subsection 2(1) of SIMA. Of these nine, all were considered to be potentially specific within the meaning of subsections 2(7.2) and 2(7.3) of SIMA.

⁵⁸ New and Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures - Turkey

[197] The nine potentially actionable subsidy programs and program categories, as listed in **Appendix 1** will be investigated by the CBSA.

Programs Being Investigated – Vietnam

[198] The Complainants identified 20 subsidy programs, which they allege have conferred benefits to the producers of subject goods in Vietnam, and that have in turn resulted in the actionable subsidizing of their exports of subject goods to Canada. These 20 programs were grouped into 10 categories.

[199] Information provided by the Complainants and other material reviewed by the CBSA support the Complainants' allegations that the goods have been subsidized.

[200] Of the 20 alleged subsidy programs named by the Complainants, the CBSA found that four of these were effectively identical to those that were replaced pursuant to updated legislation. As a result, the CBSA removed the duplicate programs together with the references to potentially outdated government decrees.

[201] In addition, the CBSA will not be investigating the "Subsidization of Vietnamese Subsidiaries of Chinese OCTG Producers by the government of China." The provisions of subsection 41(1) of SIMA allow the President to determine subsidizing in relation to the goods of those countries in respect of which the investigation is made. The goods under investigation at this time are the finished OCTG product imported into Canada from Vietnam rather than any input materials imported into Vietnam from China.

[202] At the same time, through its own research, the CBSA identified three additional programs granted by the government of Vietnam:

- Accelerated Depreciation of Fixed Assets
- Preferential Provisions for Carry-forward of Losses
- Assistance to Enterprises Facing Difficulties due to Objective Reasons

[203] The CBSA's analysis revealed that these 18 programs, as identified by the Complainants and the CBSA, were all available to OCTG producers and exporters in Vietnam. They also constituted a potential financial contribution by a government and a benefit thereby conferred onto the recipient in accordance with the definition of "subsidy" in subsection 2(1) of SIMA. As well, all were considered to be potentially specific either in law or in fact within the meaning of subsections 2(7.2) and 2(7.3) of SIMA.

[204] As a result, these 18 programs, as listed in **Appendix 1**, will be investigated by the CBSA.

ESTIMATED AMOUNTS OF SUBSIDY

[205] The Complainants were unable to determine the amounts of subsidy respecting the subject goods imported from India, Indonesia, the Philippines, the Republic of Korea, Thailand, Turkey, Ukraine and Vietnam

[206] However, the cited programs are believed to significantly lower the cost of production of the subject goods. The CBSA estimated the amount of subsidy conferred on the producers of the subject goods by comparing the estimated costs of production of the subsidized goods with their weighted average export prices.

[207] The CBSA's analysis of the information indicates that subject goods imported into Canada during the period of January 1, 2013 to December 31, 2013, were subsidized. The average amounts of subsidy found are listed in the table below.

Table 4
CBSA's Estimates of Amounts of Subsidy
(Expressed as a percentage of export price)

Named Country	Estimated Amount of Subsidy
India	3.2%
Indonesia	5.4%
Republic of Korea	12.1%
The Philippines	10.6%
Thailand	8.9%
Turkey	4.3%
Ukraine	9.9%
Vietnam	19.0%

ESTIMATED AMOUNT OF SUBSIDY AND VOLUME OF SUBSIDIZED GOODS

[208] Under section 35 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 the goods of that country. Under subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the export price of the goods is defined as insignificant and a volume of subsidized goods is considered negligible if it accounts for less than 3% of the total volume of goods that are released into Canada from all countries that are of the same description as the subsidized goods, the same threshold for the volume of dumped goods.

[209] 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 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, unless the imports from named developing countries whose individual shares of total imports represent less than 4% collectively account for more than 9% of the total imports of the like product in the importing Member.

[210] 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.⁵⁹ As India, Indonesia, the Philippines, Thailand, Turkey, Ukraine and Vietnam are included in the listing, the CBSA extends developing country status to these countries for purposes of this investigation.

[211] The results are provided in the table below and the summary indicates that the volume of imports for the Republic of Korea is greater than 3% of the total volume and is not considered negligible. The volume for Turkey, a developing country, is greater than 4% of the total volume and is not considered negligible. Although the volumes of imports from Indonesia, India, the Philippines, Thailand, Ukraine and Vietnam are each less than 3% of the total volume of goods, the total volume of imports from these countries equals 9.5% of the total volume of goods released into Canada from all countries. Based on the exception presented above, the volume of imports from each of these countries is not negligible.

⁵⁹ The Organization for Economic Co-operation and Development (OECD), DAC List of ODA Recipients (effective for reporting on 2012 and 2013 flows). Document is available at <http://www.oecd.org/dac/stats/DAC%20List%20used%20for%202012%20and%202013%20flows.pdf>

[212] As shown in the table below, the estimated amounts of subsidy for India, Indonesia, the Philippines, the Republic of Korea, Thailand, Turkey,⁶⁰ Ukraine and Vietnam are not considered insignificant, and the volume of subsidized goods from these countries are not regarded as negligible.

Table 5
Estimated Amount of Subsidy and Volume of Subsidized Goods
 (January 1, 2013 to December 31, 2013)

Named Country	% of Total Imports	Estimated Volume of Subsidized Goods as % of Total Imports	Estimated Amount of Subsidy as a % of Export Price
India	1.3%	1.3%	3.2%
Indonesia	1.8%	1.8%	5.4%
Republic of Korea	4.0%	4.0%	12.1%
The Philippines	2.2%	2.2%	10.6%
Thailand	0.9%	0.9%	8.9%
Turkey	7.5%	7.5%	4.3%
Ukraine	0.8%	0.8%	9.9%
Vietnam	2.4%	2.4%	19.0%

EVIDENCE OF INJURY

[213] The Complainants allege that the subject goods have been dumped and subsidized and that such dumping and subsidizing has caused and is threatening to cause material injury to the OCTG industry in Canada.

[214] SIMA refers to material injury caused to the domestic producers of like goods in Canada. The CBSA has accepted that OCTG produced by the Complainants are like goods to those imported from the named countries.

[215] In support of its allegations, the Complainants provided evidence of: lost sales, loss of market share, price erosion, price suppression, reduced profitability, underutilization of capacity, loss of employment and negative effects on the ability to raise capital.⁶¹

⁶⁰ Although Turkey is a developing country in the OECD list, its volumes were too high to be considered in the 9% negligibility analysis. Consequently, only the other six countries were contemplated, totalling 9.48%.

⁶¹ Exhibit 1 (NC) – Complaint narrative, paragraph 88.

LOST SALES AND LOST MARKET SHARE

[216] The Complainants allege that the dumped and subsidized imports from the named countries resulted in lost sales causing material injury to the Canadian industry, in the form of eroding profits. The Complainants provided numerous examples where their price tenders or quotes were not successful and sales were lost to the allegedly dumped and subsidized imports of subject OCTG from the named countries during the 2010 to 2013 period.⁶²

[217] The Complainants provided a table that estimated the Canadian market decreased moderately from 2011 to 2012, from 1.19 million metric tonnes (million MT) in 2011 to 1.16 million MT in 2012. In 2013 the apparent Canadian market fell by 13% to 1.01 million MT while Canadian produced domestic shipments of OCTG suffered even more of a decline in market share by falling by an estimated 16% in 2013 from 2012 levels.⁶³ In the same period, the Canadian producers estimated that imports of OCTG from the named countries fell by only 6%. Over the 2011 to 2013 period, imports of OCTG from the named countries increased by more than 22% from 90,405 metric tonnes (MT) in 2011 to 110,383 MT in 2013.⁶⁴

[218] In terms of market share, the Complainants estimated OCTG imports from the named countries represented 8% of the Canadian market in 2011. That share increased each year through 2013, when it reached 11%.⁶⁵ The domestic industry market share was 49% in 2011 and by 2013, the Complainants' share had decreased to 47%.⁶⁶

[219] Based on the value of sales information provided by the Complainants in the table below, the overall Canadian market increased slightly between 2011 and 2012, while the Canadian industry's domestic sales declined by 4%. During this period, the value of OCTG imports from the named countries increased by 38%.

[220] The Complainants estimated that the domestic industry's 2013 sales of domestically produced like goods declined by nearly 24% in comparison to 2012, while the value of the total apparent market decreased by over 18% over that same period. In comparison, the Complainants estimated that the total value of subject imports decreased by only 5% in 2013 from 2012 levels.

[221] The information provided by the Complainants in the table below demonstrates that the domestic industry has suffered material injury in the form of lost market share through the increased volume of dumped and subsidized OCTG from the named countries.

⁶² Exhibit 1 (PRO) – Complaint Exhibits 8-2, 8-3 and 8-4.

⁶³ Exhibit 1 (NC) – Complaint Exhibit 8-1.

⁶⁴ Exhibit 1 (NC) – Complaint Exhibits 2-4 and 8-1.

⁶⁵ Exhibit 1 (NC) – Complaint Exhibits 2-4 and 8-1.

⁶⁶ Exhibit 1 (NC) – Complaint Exhibit 8-1.

Table 6 ⁶⁷
Complainants` estimate of the OCTG Market
(Value in Thousands of \$CDN)

	2011	2012	2013
Domestic Shipments	\$1,028,228	\$986,052	\$750,600
OCTG Imports from Non-named Countries	\$956,301	\$1,010,025	\$849,205
OCTG Imports from Named Countries	\$123,690	\$170,336	\$162,581
Total Apparent Market	\$2,108,218	\$2,166,413	\$1,762,386

Source: Complaint & Statistics Canada Import Data

PRICE UNDERCUTTING, PRICE EROSION AND PRICE SUPPRESSION

[222] The Complainants alleged that the exporters of the dumped and subsidized subject goods have captured market share at the expense of the Canadian industry by aggressively undercutting their prices and preventing price increases that would otherwise have likely occurred. The Complainants also alleged that the subject goods have been recently responsible for eroding or depressing the price of like goods produced in Canada. According to the Complainants, this is the causal link between the dumped and subsidized OCTG from the named countries and the injury to production of like goods in Canada.

[223] The Complainants provided the table below estimating the average selling prices of OCTG in Canada during the 2011 through 2013 period.⁶⁸ The table indicates that average selling prices of OCTG from the named countries are substantially lower than those of the Complainants; and are substantially lower than those of other countries. The Complainants allege that subject goods are the price leaders in the Canadian market and undercut the prices of the domestic producers.

[224] The average pricing data below demonstrates a pattern of consistent and significant underselling of OCTG from the named countries since the beginning of 2011, although it should be noted that differences in product mix (i.e. seamless versus welded) also contribute to this disparity. Nonetheless, the Complainants documented numerous instances where their domestic OCTG prices were substantially undercut by distributors offering OCTG from the named countries, leading to lost sales for the producers in Canada. This undercutting is thus reflected in the figures in the table below.

[225] In 2011 imports of OCTG from the named countries were priced, on average, 27% below other country imports of OCTG (based on declared VFD). The underselling alleged by the Complainants relative to other country imports rose to 31% in 2012 and 26% in 2013.⁶⁹

⁶⁷ Exhibit 1 (NC) – Complaint Exhibit 8-1.

⁶⁸ Exhibit 1 (NC) – Complaint narrative, paragraph 94.

⁶⁹ Exhibit 1 (NC) – Complaint Exhibit 8-1.

[226] According to the Complainants' data, between 2011 and 2013, the average price of OCTG imports from the named countries ranged from 7% (2013) to 21% (2011) below average domestic producer pricing of like goods. The Canadian producers' prices fell on average by 9% from 2012 to 2013.

Table 7⁷⁰
Complainants' Comparison of Named Country and Other Country
OCTG Imports to Domestic Selling Prices
 (\$CDN/MT)

	2011	2012	2013 ⁷¹
Domestic Sales from Domestic Production	\$1,742	\$1,739	\$1,583
OCTG Imports from Non-named Countries	\$1,866	\$2,103	\$1,997
OCTG Imports from Named Countries	\$1,368	\$1,458	\$1,473
Total Apparent Market	\$1,767	\$1,861	\$1,745

Source: Complaint Statistics Canada Import Data, VFD \$CDN/MT

[227] Confidential account-specific allegations in the complaint⁷² demonstrated that the pricing of allegedly dumped and subsidized subject goods from the named countries has significantly undercut the price of Canadian goods preventing price increases and caused injury to Canadian producers.

[228] In its allegations, Tenaris explained the effect of imports and how the price levels of dumped and subsidized subject goods have driven down the Canadian market prices. Tenaris stated that low priced subject good offers push distributors of OCTG two ways. First, they lower their offer price on tenders. Second, they bring down their inventory purchase costs to maintain a competitive inventory for existing clients and new end-users. Consequently, Tenaris stated they lose the tender against the distributor who has the low import price, and then lose the tender when the unsuccessful suppliers react by reducing their prices on the next tender or inventory purchase.⁷³

⁷⁰ Exhibit 1 (NC) – Complaint narrative, paragraph 94.

⁷¹ The CBSA's analysis of the 2013 calendar year revealed very similar unit-selling price estimates for OCTG imports of named and non-named countries.

⁷² Exhibit -1 (PRO) – Complaint Exhibits 8-2 Evraz account specific allegations and 8-3 Tenaris account specific allegations.

⁷³ Exhibit 1 (PRO) – Complaint Exhibit 8-3: Tenaris account specific allegations.

[229] According to **Table 7** above, from 2011 to 2013, the Canadian producers' average domestic selling price declined by \$159/MT.⁷⁴ The Complainants stated that they were forced to substantially reduce prices in order to compete with the dumped and subsidized imports from the named countries. The Complainant's allege that the price suppression and price erosion caused by the subject goods is largely responsible for the substantial aggregate income before taxes loss for the Canadian industry in 2013.⁷⁵

[230] According to Evraz, the mere presence of a low-priced dumped and subsidized OCTG from the named countries in the Canadian market can depress and suppress prevailing prices in Canada as customers expect the company to match the dumped and subsidized prices. Evraz provided specific examples of this in respect of specific customers.⁷⁶ Evraz alleged that the dumped and subsidized OCTG from the named countries in effect becomes a "new low" that depresses and suppresses pricing throughout Canada even before any imports arrive, resulting in material injury to Canadian industry.⁷⁷

REDUCED PROFITABILITY

[231] The domestic industry has experienced a decline in gross margins and net profits as the presence of dumped and subsidized OCTG from the named countries have increased in the Canadian market. On a consolidated basis, gross margins (as a percentage of sales) for the Canadian industry steadily declined from 2011 to 2013. Falling gross margins reflect the presence of subject goods from the named countries. A similar trend is reported at the net income level, with profitability before taxes declining from a modest gain in 2011 to a loss in 2013.⁷⁸

UNDERUTILIZATION OF CAPACITY

[232] The Complainants stated that the capacity utilization of the domestic industry declined in the 2011 to 2013 period, with the largest year-on-year decline found in the 2013 period. At the same time, unsold inventory continues to hold back recovery in capacity utilization.⁷⁹ The Complainants stated that the injury suffered by the Canadian producers in terms of their inability to improve their capacity utilization is the result of the increased volumes of allegedly dumped and subsidized OCTG from the named countries.

⁷⁴ Exhibit 1 (NC) – Complaint narrative, paragraph 94.

⁷⁵ Exhibit 1 (PRO) – Complaint Exhibit 5-1: Consolidated industry results.

⁷⁶ Exhibit 1 (PRO) – Complaint Exhibit 8-2: Evraz account specific allegations.

⁷⁷ Exhibit 1 (PRO) – Complaint Exhibit 8-2, paragraph 7 and Attachment H.

⁷⁸ Exhibit 1 (PRO) – Complaint Exhibit 5-1.

⁷⁹ Exhibit 1 (PRO) – Complaint Exhibit 8-6: Industry production and capacity results

LOSS OF EMPLOYMENT

[233] Overall industry employment rose slightly over the period of 2010 to 2013.⁸⁰ However, while there were slight increases in employment in 2011 and 2012, there was a significant drop in 2013 from 2012, as domestic producers tried to reduce their labour costs in the face of what the Complainants characterized as intense competition from dumped and subsidized OCTG imports from the named countries.

NEGATIVE IMPACT ON CAPITAL INVESTMENT

[234] On January 25, 2013, Evraz received board approval to expand its heat-treatment and threading capacity.⁸¹ In addition, over the 2011-2013 period Welded Tube also made investments. The rationale for these substantial investments is now in jeopardy and returns on these investments have been put at risk as a result of the increase in subject OCTG imports from the named countries and their adverse price impact in the domestic market.⁸²

OTHER INJURY INDICATORS

[235] In addition, Energex Tube of Welland, Ontario, as a producer of OCTG, provided a letter of support for the complaint.⁸³ While not addressed in the complaint, the CBSA notes that, on March 26, 2014 Energex announced the closure of its Welland facility linking the closure of the plant to the impact of allegedly dumped and subsidized imports. Energex stated that:

“Despite significant operational improvements within the Canadian plant, market conditions, primarily the influx of unfairly traded OCTG imports into North American, have greatly reduced the ability for our Welland, Ontario operation to be profitable. The company has decided to idle operations located at 160 Dain Ave.”⁸⁴

CBSA’S CONCLUSION - INJURY FACTORS

[236] The above injury factors sufficiently support the Complainants’ allegation that dumped and subsidized OCTG imports from the named countries have caused injury to the production of like goods in Canada. The Complainants have provided information that demonstrates injury to the domestic industry through lost sales, loss of market share, price erosion and price suppression.

⁸⁰ Exhibit 1 (PRO) – Complaint Exhibit 8-7: Domestic Industry employment.

⁸¹ Exhibit 1 (NC) – Complaint narrative, paragraph 105; Complaint Exhibit 8-8.

⁸² Exhibit 1 (NC) – Complaint narrative, paragraph 105.

⁸³ Exhibit 1(NC) – Complaint Exhibit 1-1

⁸⁴ Internet Article: *Energex Tube Shutting Down in Welland by Greg Furminger*- Wednesday March 26, 2014 - www.niagarafallsreview.ca/2014/03/25/

[237] In addition, the consolidated results of the Complainants demonstrate negative effects on: reduced profitability, underutilization of capacity, loss of employment and negative effects on the ability to raise capital.

[238] The CBSA has reviewed the injury factors and is satisfied that the evidence linking the injury sustained to the alleged dumping and subsidizing of the subject goods from named countries is reasonable.

THREAT OF INJURY

[239] The complaint contains evidence regarding the threat of injury due to increasing import volumes of subject goods from the named countries. The increasing volume of imports of subject goods, at prices that substantially undercut domestic producer pricing will continue to take market share from the Canadian producers and depress or suppress domestic prices.

[240] The Complainants noted that the dumping and subsidizing of OCTG from the named countries is a threat to the domestic industry for the next 12 to 18 months and beyond. Specifically, the Complainants expressed concern related to:⁸⁵

- the significant rate of increase of dumped and subsidized goods;
- the potential impact of the subject goods on the prices of like goods;
- freely disposable capacity;
- the Canadian demand and the potential impact of the subject goods on the OCTG domestic industry;
- the imposition of anti-dumping or countervailing measures by the authorities of a country other than Canada;
- inventories; and
- the global demand and production flows.

⁸⁵ Exhibit 1 (NC) – Complaint narrative, paragraph 107.

[241] The Complainants also cited a clear foreseeable threat of material injury to the domestic industry as a result of the recently initiated dumping and countervailing duty investigations on OCTG in the United States, covering almost the same countries as this complaint.⁸⁶ On July 11, 2014, the U.S. Department of Commerce made affirmative final determinations in the anti-dumping duty investigation of imports of OCTG from India, Korea, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine and Vietnam. In addition affirmative final determinations were made in the countervailing duty investigation of imports of OCTG from India and Turkey.⁸⁷ While the U.S. trade process is yet to be completed, the diversion to Canada of subject OCTG destined for the United States in the event of a positive finding of dumping and/or subsidizing in the United States has the potential to damage the Canadian domestic industry in the absence of Canadian anti-dumping and countervailing measures.

SIGNIFICANT RATE OF INCREASE OF DUMPED AND SUBSIDIZED GOODS

[242] As previously illustrated, OCTG imports from the named countries increased 29% over the 2011 to 2012 period on a volume basis.⁸⁸ In 2013, the overall domestic market contracted by 13%, but OCTG imports from the named countries decreased by just 6%. Absent any anti-dumping and countervailing measures, there is no reason to believe that this trend of OCTG imports from the named countries will abate over the next 18 months. OCTG producers in the named countries have ample capacity to sustain and accelerate the increase in import volumes. In addition, as the consumption of OCTG in Canada is projected to increase only modestly until 2020, it is likely that increases in OCTG imports from the named countries will continue to take market share from the domestic industry.⁸⁹

POTENTIAL IMPACT OF THE SUBJECT GOODS ON THE PRICES OF LIKE GOODS

[243] As explained earlier in this document, the Complainants have suffered material injury in the form of lost sales, price erosion and price suppression as a result of the dumped and subsidized OCTG imports from the named countries. These price effects are significant and these effects are likely to continue in the future as imports of dumped and subsidized OCTG from the named countries increase and new price offers are made.

[244] Evraz indicated that while news of this complaint action is generally known in the industry, Evraz has continued to lose sales to the lower priced and allegedly dumped and subsidized imports of subject OCTG from the named countries early in 2014.⁹⁰

⁸⁶ Exhibit 1 (NC) – Complaint Exhibit 8-11: USDOC Determinations.

⁸⁷ United States Department of Commerce Fact Sheet, July 11, 2014 – OCTG Investigations: <http://enforcement.trade.gov/download/factsheets/factsheet-multiple-OCTG-ad-cvd-final-071114.pdf>

⁸⁸ Exhibit 1 (NC) – Complaint Exhibit 8-1: Canadian Market Table.

⁸⁹ Exhibit 1 (PRO) – Complaint Exhibit 8-10: “The Five-Year Outlook for the Global OCTG Industry.”

⁹⁰ Exhibit 1 (PRO) – Complaint Exhibit 8-2: Evraz account specific allegations & Attachments J, K & L.

FREELY DISPOSABLE CAPACITY

[245] The Complainants provided data from Metal Bulletin Research (MBR)⁹¹ that indicates the capacity utilization rates for OCTG producers from the named countries was low in 2013, meaning that there is freely disposable OCTG capacity in the named countries in excess of the entire Canadian market demand for OCTG.⁹² The growth in the demand for OCTG in the world is moderate and there are new OCTG production facilities forecast for India and China.⁹³ Based on this information it is apparent that the available OCTG capacity in the named countries could facilitate an increase of OCTG imports into Canada for the foreseeable future.

CANADIAN DEMAND AND THE POTENTIAL IMPACT OF THE SUBJECT GOODS ON THE OCTG DOMESTIC INDUSTRY

[246] Canadian market demand for OCTG in the next 18 months is expected to be modest, which is consistent with the aforementioned MBR report.⁹⁴ As previously stated, subject goods have gained market share at the expense of the domestic industry and have adversely impacted the financial state of the domestic industry. Poor financial results negatively impact the domestic industry's product development and overall business plans. It is expected that the domestic industry will continue to be impacted by the dumped and subsidized OCTG imports from the named countries.

THE IMPOSITION OF ANTI-DUMPING OR COUNTERVAILING MEASURES BY THE AUTHORITIES OF A COUNTRY OTHER THAN CANADA

[247] Since the United States is currently conducting anti-dumping and countervailing investigations against OCTG imports from generally the same named countries, the diversion to Canada of the subject goods from the United States or the European Union, the latter of which currently has a finding in place against OCTG imports from the Ukraine, is a real risk.⁹⁵ In the absence of protection against imports of OCTG from the named countries, the Canadian OCTG market is an attractive market, based on the injury cited by the Complainants in this document.

⁹¹ Exhibit 1 (NC) – Complaint narrative, paragraph 113; Exhibit 1 (PRO) – Complaint Exhibit 8-10: “The Five-Year Outlook for the Global OCTG Industry,” pages 106, 152, and 224.

⁹² Note that the MBR data did not include Indonesia.

⁹³ Exhibit 1 (NC) – Complaint narrative, paragraph 114.

⁹⁴ Exhibit 1 (PRO) – Complaint Exhibit 8-10.

⁹⁵ Exhibit 1 (NC) – Complaint Exhibits 8-11, 8-14.

INVENTORIES

[248] The Complainants stated that with the increase of subject OCTG imports to Canada in Q4-2013, there is currently an inventory overhang that will impact the domestic market pricing for OCTG in Canada for some time.⁹⁶ The inventory overhang outstrips the projected increases in demand in the Canadian market over the next 12 months and therefore contributes to the imminent threat facing the domestic industry.⁹⁷ Domestic producers will have to lower prices in order to compete with the dumped and subsidized prices for the subject goods that are already in inventory in Canada. In support, the Complainants provided information that showed a similar situation in the United States where inventories of OCTG subject to their investigation have exhibited a similarly steep climb.⁹⁸

GLOBAL DEMAND AND PRODUCTION FLOWS

[249] The NAFTA region and China are the largest consuming regions of OCTG, accounting for a forecasted 7.4 and 4.4 million MT respectively in 2013. The NAFTA region is also the largest net importer of OCTG while China is the largest net exporter of OCTG.⁹⁹ This dynamic brings about a large outflow of OCTG along with other net exporting regions to the NAFTA market. This must be viewed in the context of anti-dumping and countervailing duties against Chinese OCTG that are in place in Canada, the United States, Mexico, the EU, Brazil and Colombia.¹⁰⁰ The MBR 5-Year Outlook report confirms that most of the named countries in this complaint are export-oriented and export-dependent and that all but India will be net exporters in 2013. All named countries are forecasted to be net exporters of OCTG by 2014.¹⁰¹

CBSA'S CONCLUSION – THREAT OF INJURY FACTORS

[250] The above threat of injury factors sufficiently support the Complainants' allegation that dumped and subsidized OCTG imports from the named countries threat to cause injury to the production of like goods in Canada. The Complainants have provided information that demonstrates threat of injury to the domestic industry through lost sales, loss of market share, price erosion and price suppression.

⁹⁶ Exhibit 1 (NC) – Complaint narrative, paragraph 133.

⁹⁷ Exhibit 1 (PRO) – Complaint Exhibit 8-10.

⁹⁸ Exhibit 1 (NC) – Complaint narrative, paragraph 134.

⁹⁹ Exhibit 1 (NC) – Complaint narrative, paragraph 138.

¹⁰⁰ Exhibit 1 (NC) – Complaint narrative, paragraph 138; Complaint Exhibit 8-10, page 219.

¹⁰¹ Exhibit 1 (NC) – Complaint narrative, paragraph 139.

[251] The above future injury factors sufficiently support the Complainants' allegation that the continued dumping and subsidizing of OCTG imports from the named countries threaten to cause injury to the production of like goods in Canada. The Complainants have provided information that demonstrates the threat of future injury to the domestic industry through increasing rates of dumped and subsidized imports, the potential impact of the dumped and subsidized goods on the price of like goods, the freely disposable production of OCTG in the named countries and its impact on other markets, the imposition and current anti-dumping and countervailing measures on OCTG by the authorities of countries other than Canada, existing inventories of the subject goods already in Canada and the global demand and production flows for OCTG.

CAUSAL LINK – DUMPING/SUBSIDIZING AND INJURY

[252] The CBSA finds that the Complainants have provided sufficient evidence that discloses a reasonable indication that they have suffered injury due to the alleged dumping and subsidizing of subject goods imported into Canada. The injury includes lost sales, loss of market share, price undercutting, price erosion, price suppression, reduced profitability, underutilization of capacity, loss of employment and negative impacts on capital investment.

[253] This injury relates directly to the price advantage the apparent dumping and subsidizing has produced between the subject imports and the Canadian-produced goods. Evidence has been provided to establish this link in the form of market data, price quotes and financial information.

[254] The CBSA also finds that the Complainants have provided sufficient evidence that there is a reasonable indication that continued alleged dumping and subsidizing of subject goods imported into Canada threaten to cause injury to the Canadian industry producing these goods. This is based on evidence of: the significant rate of increase of dumped and subsidized imports; the potential impact of the subject goods on the price of like goods, the freely disposable production capacity of OCTG in the named countries and its impact on other markets, the imposition and current anti-dumping and countervailing measures on OCTG by the authorities of countries other than Canada, existing inventories of the subject goods already in Canada and the global demand and production flows for OCTG.

CONCLUSION

[255] Based on information provided in the complaint, other available information, and the CBSA's internal import documentation, the President is of the opinion that there is evidence that OCTG originating in or exported from Chinese Taipei, India, Indonesia, the Philippines, the Republic of Korea, Thailand, Turkey, Ukraine and Vietnam have been dumped and (with the exception of certain OCTG from Chinese Taipei) subsidized, and there is a reasonable indication that such dumping and subsidizing has caused and is threatening to cause injury to the Canadian industry. As a result, based on the CBSA's examination of the evidence and its own analysis, dumping and subsidy investigations were initiated on July 21, 2014.

SCOPE OF THE INVESTIGATION

[256] The CBSA is conducting investigations to determine whether the subject goods have been dumped and/or subsidized.

[257] The CBSA requested information from all potential exporters and importers to determine whether or not subject goods imported into Canada, during the period of investigation of January 1, 2013 to March 31, 2014, were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any.

[258] The CBSA requested information from producers of OCTG in Vietnam, as well as the government of Vietnam, to determine whether the conditions of section 20 exist in the OCTG sector. Where sufficiently available, information from the named countries may be used to determine normal values of the subject goods from Vietnam in the event that the President of the CBSA forms an opinion that the evidence in this investigation demonstrates that section 20 conditions apply in the OCTG sector in Vietnam.

[259] The CBSA also requested information from the government of each of the named countries (with the exception of the government of Chinese Taipei) and all potential exporters in the named countries (with the exception of potential exporters in Chinese Taipei) to determine whether or not subject goods imported into Canada, during the period of investigation of January 1, 2013 to March 31, 2014, were subsidized. The information requested will be used to determine the amounts of subsidy.

[260] All parties have been clearly advised of the CBSA's information requirements and the time frames for providing their responses.

FUTURE ACTION

[261] The Canadian International Trade Tribunal (Tribunal) will conduct preliminary inquiries to determine whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of the goods have caused or are threatening to cause injury to the Canadian industry. The Tribunal must make its decisions on or before the 60th day after the date of the initiation of the investigations. If the Tribunal concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigations will be terminated.

[262] If the Tribunal finds that the evidence discloses a reasonable indication of injury to the Canadian industry and should the CBSA preliminary investigations reveal that the goods have been dumped and/or subsidized, the CBSA will make a preliminary determination of dumping and/or a preliminary determination of subsidizing within 90 days after the date of the initiation of the investigations, by October 20, 2014. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigations.

[263] If, in respect of subject goods of any country, the CBSA investigation(s) reveal that imports of the subject goods have not been dumped and/or subsidized, that the margin of dumping and/or amount of subsidy is insignificant or that the actual and potential volume of dumped or subsidized goods is negligible, the investigation(s) will be terminated.

[264] Imports of subject goods released by the CBSA on and after the date of preliminary determinations of dumping and/or subsidizing may be subject to provisional duty in an amount not greater than the estimated margin of dumping or the estimated amount of subsidy on the imported goods.

[265] Should the CBSA make preliminary determinations of dumping and/or subsidizing, the investigations will be continued for the purpose of making final determinations within 90 days after the date of the preliminary determinations.

[266] If final determinations of dumping and/or subsidizing are made, the Tribunal will continue its inquiries and hold public hearings into the question of material injury to the Canadian industry. The Tribunal is required to make findings with respect to the goods to which the final determinations of dumping and/or subsidizing apply, not later than 120 days after the CBSA's preliminary determinations.

[267] In the event of injury findings by the Tribunal, imports of subject goods released by the CBSA after that date will be subject to anti-dumping duty equal to the applicable margin of dumping and countervailing duty equal to the amount of subsidy on the imported goods. Should both anti-dumping and countervailing duties be applicable to subject goods, the amount of any anti-dumping duty may be reduced by the amount that is attributable to an export subsidy.

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[268] When the Tribunal conducts its inquiries concerning injury to the Canadian industry, it may consider if dumped and/or subsidized goods that were imported close to or after the initiation of an investigation constitute massive importations over a relatively short period of time and have caused injury to the Canadian industry.

[269] Should the Tribunal issue such findings, anti-dumping and countervailing duties may be imposed retroactively on subject goods imported into Canada and released by the CBSA during the period of 90 days preceding the day of the CBSA making preliminary determinations of dumping and/or subsidizing.

[270] 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, as explained in the previous “Evidence of Subsidizing” section. In such a case, the amount of countervailing duty applied on a retroactive basis will be equal to the amount of subsidy on the goods that is a prohibited subsidy.

UNDERTAKINGS

[271] After a preliminary determination of dumping by the CBSA, an exporter may submit a written undertaking to revise selling prices to Canada so that the margin of dumping or the injury caused by the dumping is eliminated. An acceptable undertaking must account for all or substantially all of the exports to Canada of the dumped goods.

[272] Similarly, after a preliminary determination of subsidizing by the CBSA, a foreign government may submit a written undertaking to eliminate the subsidy on the goods exported or to eliminate the injurious effect of the subsidy, by limiting the amount of the subsidy or the quantity of goods exported to Canada. Alternatively, exporters with the written consent of their government may undertake to revise their selling prices so that the amount of the subsidy or the injurious effect of the subsidy is eliminated.

[273] Interested parties may provide comments regarding the acceptability of undertakings within nine days of the receipt of an undertaking by the CBSA. The CBSA will maintain a list of parties who wish to be notified should an undertaking proposal be received. Those who are interested in being notified should provide their name, telephone and fax numbers, mailing address and e-mail address to one of the officers identified in the “Information” section of this document.

[274] If an undertaking were to be accepted, the investigations and the collection of provisional duties would be suspended. Notwithstanding the acceptance of an undertaking, an exporter may request that the CBSA’s investigations be completed and that the Tribunal complete its injury inquiries.

PUBLICATION

[275] Notice of the initiation of these investigations is being published in the Canada Gazette pursuant to subparagraph 34(1)(a)(ii) of SIMA.

INFORMATION

[276] Interested parties are invited to file written submissions presenting facts, arguments, and evidence that they feel are relevant to the alleged dumping and subsidizing. Written submissions should be forwarded to the attention of one of the officers identified below.

[277] To be given consideration in this phase of these investigations, all information should be received by the CBSA by August 27, 2014.

[278] Any information submitted to the CBSA by interested parties concerning these investigations is considered to be public information unless clearly marked “confidential”. Where the submission by an interested party is confidential, a non-confidential version of the submission must be provided at the same time. This non-confidential version will be made available to other interested parties upon request.

[279] Confidential information submitted to the President will be disclosed on written request to independent counsel for parties to these proceedings, subject to conditions to protect the confidentiality of the information. Confidential information may also be released to the Tribunal, any court in Canada, or a WTO/NAFTA dispute settlement panel. Additional information respecting the Directorate’s policy on the disclosure of information under SIMA may be obtained by contacting one of the officers identified below or by visiting the CBSA’s Web site.

[280] The investigation schedules and a complete listing of all exhibits and information are available at www.cbsa-asfc.gc.ca/sima-lmsi/i-e/menu-eng.html. The exhibits listing will be updated as new exhibits and information are made available.

[281] 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
Trade and Anti-dumping Programs Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th floor
Ottawa, Ontario K1A 0L8
Canada

Telephone: Andrew Manera 613-946-2052
Barbara Chouinard 613-954-7399

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



Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate

Attachment: Description of Identified Programs and Incentives

APPENDIX 1 - DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES

INDIA

- Program 1. Duty-Free Importation of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material in Special Economic Zones (SEZs)
- Program 2. Export Income Tax Exemptions in SEZs
- Program 3. Exemption in SEZs from Minimum Alternate Tax
- Program 4. Exemption in SEZs from Payment of Central Sales Tax on Purchases of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts and Packing Material
- Program 5. Exemption in SEZs from Service Tax
- Program 6. Discounted Land Fees and Leases in SEZs
- Program 7. Discounted Electricity Rates in SEZs
- Program 8. Exemption in SEZs from State Sales Tax and Other Levies as Extended by State Governments
- Program 9. Duty-Free Importations for Companies Designated as Export Oriented Units (EOUs)
- Program 10. Reimbursement to EOUs of Central Sales Tax
- Program 11. Duty Drawback for EOUs on Fuel Procured from Domestic Oil Companies
- Program 12. Credit for Service Tax paid by EOUs
- Program 13. Exemptions from Income Tax for EOUs
- Program 14. Assistance to States for Developing Export Infrastructure and Allied Activities
- Program 15. Market Access Initiative
- Program 16. Market Development Assistance
- Program 17. Brand Promotion and Quality
- Program 18. Focus Product Scheme
- Program 19. Pre-Shipment, Post-Shipment and Other Preferential Financing
- Program 20. Export Promotion Capital Goods Scheme
- Program 21. Duty Exemption/Remission Schemes
- Program 22. Purchase of Iron Ore From State-owned Enterprises for Less Than Fair Market Value
- Program 23. Purchase of Hot-rolled Steel and Billets From State-owned Enterprises for Less Than Fair Market Value
- Program 24. 80-IB Income Deduction Program
- Program 25. 80-IA Income Tax Deduction Program
- Program 26. Steel Development Fund Loans
- Program 27. Steel Development Fund R&D Grants
- Program 28. Exemption from Electricity Duty through the State Government of Maharashtra (SGOM)
- Program 29. Refund from the SGOM of Octroi duty or entry tax (in lieu of Octroi)
- Program 30. Special Incentives of the SGOM for Mega Projects
- Program 31. Exemption through the SGOM from Sales Tax and Other Levies

- Program 32. Reimbursement of the Cost of Land in Industrial Estates and Development Areas under the State Government of Andhra Pradesh Industrial Investment Promotion Policy (SGOAP IIPP)
- Program 33. Reimbursement of Power Costs under the SGOAP IIPP
- Program 34. Subsidy for Expenses Incurred for Quality Certification under the SGOAP IIPP
- Program 35. Subsidy for Expenses Incurred in Patent Registration under the SGOAP IIPP
- Program 36. Subsidy for Cleaner Production Measures under the SGOAP IIPP
- Program 37. Reimbursement of Stamp Duty and Transfer Duty Paid for the Purchase of Land and Buildings and Obtaining Financial Deeds and Mortgages under the SGOAP IIPP
- Program 38. Reimbursement of Value Added Tax, CST, and State Goods and Services Tax under the SGOAP IIPP
- Program 39. Provision by the SGOAP IIPP of Infrastructure for Industries Located More than 10 Kilometers from Existing Industrial Estates or Development Areas at less than Fair Market Value
- Program 40. Subsidies from the SGOAP IPP for Mega Projects
- Program 41. Andhra Pradesh Industrial Investment's Allotment of Land for Less than Fair Market Value by the Andhra Pradesh Industrial Infrastructure Corporation (APIIC)
- Program 42. APIIC Provision of Deposit Works other than General Governmental Infrastructure
- Program 43. State Government of Gujarat (SGOG) Exemptions and Deferrals on Sales Tax for Purchases of Goods
- Program 44. SGOG VAT Remission Scheme
- Program 45. SGOG Critical Infrastructure Project
- Program 46. SGOG Scheme for Assistance to Industrial Parks/Industrial Estates Set Up by Private Institutions
- Program 47. Reduced VAT Rates for Inputs and Raw Materials from the State Government of Haryana (SGOH)
- Program 48. SGOH Preferential Loans for Large Scale Industries Located in Industrial Estates

INDONESIA

- Program 1. Tax Deduction to Labour Intensive Industries in the Upstream Oil and Gas Sector
- Program 2. Deferral of Import Income Tax on Imported Capital Goods, Equipment and Raw Materials for Production Destined for Export (Bonded Zone Location)
- Program 3. Tax Holiday Package for the Large Pioneer Sector Investments
- Program 4. Reduction of Net Income of 30% of the Investment, Charged for Six Years Respectively at 5 Percent Each Year under Regulation No. 144 of 2012 (Reg.144)
- Program 5. Accelerated Depreciation Under Reg.144
- Program 6. Reduction of Foreign Dividend Income Tax Under Reg.144
- Program 7. Extension of Loss Carry-forward Allowances Under Reg.144

- Program 8. Five Percent Income Tax Reduction for Certain Publicly Traded Companies
- Program 9. Import Duty Exemption for Companies Using Machines With Qualifying Local Content
- Program 10. Coal Provided at Less Than Fair Market Value Through Domestic Market Obligation to Industries Such as Steel and Cement Companies
- Program 11. Electricity Provided at Less Than Fair Market Value Through Domestic Market Obligation by State Owned Electricity Company

THE PHILIPPINES

- Program 1. Exemption of Taxes in Special Economic Zones (SEZs)
- Program 2. Provision of Land for Less than Fair Market Value in SEZs
- Program 3. Exemptions from VAT in SEZs for Purchases from Suppliers in the Customs Territory
- Program 4. Exemption from Real Property Tax in SEZs
- Program 5. Exemption in SEZs from Import Taxes and Duties on Importation of Raw Material, Supplies and all other Articles Including Finished Goods
- Program 6. Exemption in SEZs from Import Taxes and Duties on Importation of Machinery, Equipment, Supplies and all other Articles including Finished Goods
- Program 7. Exemption in SEZs from Branch Profit Remittance Tax of 15%
- Program 8. Income Tax Holiday Provided by the Board of Investment (BOI)
- Program 9. Exemption from Taxes and Duties on Imported Capital Equipment, Spare Parts and Accessories Provided by the BOI
- Program 10. Exemption from Wharfage Dues and Any Export Tax, Duty, Impost and Fee Provided by the BOI
- Program 11. Tax Credits for BOI Registered Companies
- Program 12. Tax Deductions for BOI Registered Companies for Labour Expenses

REPUBLIC OF KOREA

- Program 1. Sale of State Assets at less than Fair Market Value
- Program 2. Relocation Support from Government of North Jeonla Province
- Program 3. Facilities Investment Support from Government of North Jeonla Province
- Program 4. Training Support from Government of North Jeonla Province
- Program 5. Establishment of Gas Plant and Provision of Gas at less than Fair Market Value
- Program 6. Tax Benefits to Companies Located in Industrial Complexes
- Program 7. Discounted Land for Plants in Asan Bay
- Program 8. Grants for Companies in Asan Bay
- Program 9. Excessive Exemption of Asan Bay Harbour Fee
- Program 10. Electricity Consumption Adjustment Subsidy Program
- Program 11. Provision of Discounted Electricity to the Korean Steel Industry
- Program 12. Subsidies under the “Towards High-end Steel Products and Commercializing Know-hows of Steel Mill Constructions” Strategy
- Program 13. Corporate Bond Stabilization Policy

- Program 14. Subsidies Provided under the Root Industry Promotion Plan
- Program 15. Subsidies to Exporters through Support of Affiliated Shipping Companies
- Program 16. Korea Export-Import Bank Short-Term Export Credit
- Program 17. Korea Export-Import Bank Export Factoring
- Program 18. Korea Export-Import Bank Export Loan Guarantees
- Program 19. Preferential Financing through the Korea Development Bank
- Program 20. Preferential Financing through the Industrial Bank of Korea
- Program 21. Korea Trade Insurance Corporation Export Insurance
- Program 22. Korea Trade Insurance Corporation Export Credit Guarantees
- Program 23. Tax Benefits under the *Restriction of Special Taxation Act* Article 26
- Program 24. Tax Credits for Research and Human Resources Development for “New Growth Engines”
- Program 25. Tax Credits for Research and Human Resources Development for “Original Technologies”
- Program 26. Corporation Tax Exemption on Dividend Income from Investment in Overseas Resource Development
- Program 27. Targeted Facilities Subsidies through Korea Finance Corporation
- Program 28. Government of Korea Green and New Growth Finance Subsidies
- Program 29. Promotion of Specialized Enterprises for Parts and Materials

THAILAND

- Program 1. Exemption or Reduction of Duties on Imports of Machinery
- Program 2. Reduction of Import Duties for Raw or Essential Materials
- Program 3. Exemption from Corporate Income Tax
- Program 4. Exemption of payment of surcharge under the Industrial Estate Authority of Thailand Act on import duty
- Program 5. Exemption of payment of surcharge under the Industrial Estate Authority of Thailand Act on value added tax on machinery, equipment, tools and supplies
- Program 6. Excess VAT refund on export of goods
- Program 7. Export packing credits

TURKEY

- Program 1. Investment Encouragement Program – Exemption of Customs Duties on Imported Machinery and Equipment
- Program 2. Investment Encouragement Program – Exemption of Value-added Tax on Domestic and Imported Machinery and Equipment
- Program 3. Investment Encouragement Program – Interest Support
- Program 4. Investment Encouragement Program – Social Security Premium Support
- Program 5. Investment Encouragement Program – Corporate or Income Tax Reduction
- Program 6. Investment Encouragement Program – Land Allocation
- Program 7. Turk Eximbank – Pre-shipment Export Credit Program
 - Including Sub-programs:
 - a. Priority Development Areas Export Credit Program

- b. Free Trade Zone Pre-shipment Foreign Currency Export Credit Program
- Program 8. Turk Eximbank Pre-shipment TL Export Credits
- Program 9. Turk Eximbank Pre-shipment FX Export Credits
- Program 10. Turk Eximbank – Foreign Trade Companies Short-term TL Export Credit Program
- Program 11. Turk Eximbank – Foreign Trade Companies Short-term FX Export Credit Program
- Program 12. Turk Eximbank – Pre-export TL Credit Program
Including Sub-program:
 - a. Free Trade Zone Pre-export Foreign Currency Export Credit Program
- Program 13. Turk Eximbank – Pre-export Credit TL & FX Programs for Small and Medium-scale Enterprises
- Program 14. Turk Eximbank – Short-term Export Credit Discount Program
- Program 15. Turk Eximbank – Short-term Pre-shipment Rediscount Program
- Program 16. Turk Eximbank – Specific Export Credit Program
- Program 17. Turk Eximbank – International Transportation Marketing Credit Program
- Program 18. Turk Eximbank – Credit Program for Participating in Overseas Trade Fairs
- Program 19. Turk Eximbank – International Islamic Trade Finance Corporation-backed Production Finance Credit Program
- Program 20. Turk Eximbank – Export Finance Intermediation Loan Agreement
- Program 21. Turk Eximbank – The European Investment Bank Credit Program
- Program 22. Turk Eximbank – Buyers' Credit and Guarantee Program
- Program 23. Turk Eximbank – Short-term Export Credit Insurance Program
- Program 24. Turk Eximbank – Medium & Long-term Export Credit Insurance Program
- Program 25. Regional Based Organized Industrial Zone (OIZ) and Free Zone (FZ) Energy Support Program
- Program 26. OIZ and FZ Law 5084 - Withholding of Income Tax on Wages and Salaries
- Program 27. OIZ and FZ Law 5084 – Incentive for Employers’ Share in Insurance Premiums
- Program 28. OIZ and FZ Law 5084 – Allocation of Free Land
- Program 29. OIZ and FZ Law 5084 – Provision of Electricity for Less Than Adequate Remuneration
- Program 30. OIZ – Exemption from Property Tax, and Other Exemptions
- Program 31. OIZ –Waste Water Charges
- Program 32. OIZ – Exemptions from Customs Duties, Value-added Tax, and Payments for Public Housing Fund
- Program 33. OIZ – Credits for Research and Development Investments, Environmental Investments, Certain Technology Investments
- Program 34. OIZ – Exemption from Building and Construction Charges
- Program 35. OIZ – Exemption from Amalgamation and Allotment Transaction Charges
- Program 36. Free Zones Law – Provision of Buildings and Land Use Rights for Less Than Adequate Remuneration
- Program 37. Free Zones Law – Corporate Income Tax Exemption

- Program 38. Free Zones Law – Stamp Duties and Fees Exemptions
- Program 39. Free Zones Law – Customs Duties Exemptions
- Program 40. Free Zones Law – Value-added Tax Exemptions
- Program 41. Goods/Services Provided by the Government of Turkey at Less than Fair Market Value - Provision of Natural Gas
- Program 42. Goods/Services Provided by the Government of Turkey at Less than Fair Market Value - Provision of Coal
- Program 43. Research and Development – Tax Breaks and Other Assistance
- Program 44. Research and Development – Product Development Support – UFT
- Program 45. Social Security Grant Program
- Program 46. Deduction from Taxable Income for Export Revenue
- Program 47. Inward Processing Certificate Exemption
- Program 48. National Restructuring Plan & Subsidies to Vertically Integrated & Associated OCTG producers Under the National Restructuring Plan
- Program 49. Provision of Hot-rolled Steel for Less than Fair Market Value
- Program 50. Deduction from Taxable Income for Export Revenue – Preferential Benefits for Turkish OCTG Producers in Located in Free Zones
- Program 51. VAT and Customs Duties Exemptions on Investment

UKRAINE

- Program 1. Acquisition of State Assets at Less than Fair Market Value
- Program 2. The 2013 Government of Ukraine Stimulus Plan for US\$5 billion
- Program 3. Limits to Increases in Electricity Tariffs Under the 2013 Rescue Plan for Steel and Mining Companies (2013 Rescue Plan)
- Program 4. Limits to Increases in Transportation Fees Under the 2013 Rescue Plan
- Program 5. Implementation of Measures to Expand Markets Under the 2013 Rescue Plan
- Program 6. Provision of State Guarantees for Private Projects Under the 2013 Rescue Plan
- Program 7. Dniprosteel Rescue Fund
- Program 8. State Program for Enhancement of Economic Development in 2013-2014
- Program 9. Provision of Electricity at Less than Fair Market Value

VIETNAM

- Program 1. Land-Use Levy Exemptions or Reductions
- Program 2. Land Rent Exemptions or Reductions
- Program 3. Tax Exemptions and Reductions for Encouraged Sectors
- Program 4. Tax Exemptions and Reductions for Investment in Disadvantaged Regions
- Program 5. Tax Exemptions and Reductions for Investments in Economic Zones or High-Tech Industrial Parks
- Program 6. Tax Exemptions and Reductions for Foreign-Invested Enterprises
- Program 7. Additional Income Tax Preferences for Exporters
- Program 8. Accelerated Depreciation of Fixed Assets

- Program 9. Preferential Provisions for Carry-forward of Losses
- Program 10. Exemption of Import Tax on Equipment and Machinery Imported to Create Fixed Assets
- Program 11. Export Support Loans at Preferential Rates
- Program 12. Excessive Duty Exemptions for Imported Raw Materials for Exported Goods
- Program 13. Import Duty Exemption on Equipment and Machinery Imported to Create Fixed Assets
- Program 14. Interest Rate Support Program under the State Bank of Vietnam
- Program 15. Preferential Lending under the VietBank Export Loan Program
- Program 16. Grants to Firms that Employ More than 50 Employees
- Program 17. Assistance to Enterprises Facing Difficulties due to Objective Reasons
Acquisition of State Assets at Less Than Fair Market Value