



Canada Border
Services Agency

Agence des services
frontaliers du Canada

OTTAWA, December 11, 2015

STATEMENT OF REASONS

**Concerning the preliminary determinations
with respect to the dumping and the subsidizing of**

**CERTAIN CARBON AND ALLOY STEEL LINE PIPE
ORIGINATING IN OR EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, on November 26, 2015, the Canada Border Services Agency made preliminary determinations of dumping and subsidizing respecting certain carbon and alloy steel line pipe originating in or exported from the People's Republic of China.

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

Canada

TABLE OF CONTENTS

SUMMARY OF EVENTS	1
PERIODS OF INVESTIGATION	2
PROFITABILITY ANALYSIS PERIOD	2
INTERESTED PARTIES	2
COMPLAINANTS.....	2
IMPORTERS.....	3
EXPORTERS.....	3
SURROGATE PRODUCERS.....	4
GOVERNMENT OF CHINA.....	4
PRODUCT INFORMATION	4
PRODUCT DEFINITION.....	4
PRODUCTION PROCESS.....	7
CLASSIFICATION OF IMPORTS.....	8
LIKE GOODS AND CLASSES OF GOODS	8
THE CANADIAN INDUSTRY	9
IMPORTS INTO CANADA	9
INVESTIGATION PROCESS	10
DUMPING INVESTIGATION	11
SECTION 20 INQUIRY.....	11
<i>Summary of Chinese Exporter Responses</i>	12
<i>Government of China Response</i>	12
<i>Surrogate Country Responses</i>	12
<i>Preliminary Results of the Section 20 Inquiry</i>	12
GOC Industrial Policies.....	12
National Steel Policy and the Steel Revitalization/Rescue Plan.....	13
12 th Five-Year Development Plans for the Steel Industry.....	14
12 th Five-Year Plan for the Steel Pipe Industry.....	16
GOC Ownership of Suppliers/Producers.....	17
Summary of Government Influence on Domestic Prices.....	18
Chinese Domestic Price Analysis.....	19
<i>Summary of the Preliminary Results of the Section 20 Inquiry</i>	22
PRELIMINARY RESULTS OF THE DUMPING INVESTIGATION.....	22
<i>Normal Values</i>	22
<i>Export Prices</i>	24
<i>Margin of Dumping</i>	24
<i>Representations</i>	24
Use of Pipe Logix.....	24
CBSA Response.....	24
Distributor Margin.....	25
CBSA Response.....	25
PRELIMINARY RESULTS OF THE DUMPING INVESTIGATION BY EXPORTER.....	25
<i>All Other Exporters</i>	29
SUMMARY OF PRELIMINARY RESULTS - DUMPING.....	31
SUBSIDY INVESTIGATION	31
PRELIMINARY RESULTS OF THE SUBSIDY INVESTIGATION.....	33
PRELIMINARY RESULTS OF THE SUBSIDY INVESTIGATION BY EXPORTER.....	34
<i>All Other Exporters</i>	37
SUMMARY OF PRELIMINARY RESULTS – SUBSIDY.....	38
DECISIONS	39
PROVISIONAL DUTY	39
FUTURE ACTION	39
THE CANADA BORDER SERVICES AGENCY.....	39
THE CANADIAN INTERNATIONAL TRADE TRIBUNAL.....	40
RETROACTIVE DUTY ON MASSIVE IMPORTATIONS	40
UNDERTAKINGS	41
PUBLICATION	41
INFORMATION	42
APPENDIX 1 – SUMMARY OF THE ESTIMATED MARGINS OF DUMPING, ESTIMATED AMOUNTS OF SUBSIDY AND PROVISIONAL DUTIES PAYABLE	43
APPENDIX 2 – SUMMARY OF PRELIMINARY FINDINGS FOR NAMED SUBSIDY PROGRAMS	44

SUMMARY OF EVENTS

[1] On July 10, 2015, the Canada Border Services Agency (CBSA) received a written complaint from EVRAZ Inc. NA Canada of Regina, Saskatchewan, and Canadian National Steel Corporation of Camrose, Alberta (collectively “Evraz”) and Tenaris Global Services (Canada) Inc. of Calgary, Alberta, Algoma Tubes Inc. of Sault Ste. Marie, Ontario, and Prudential Steel Inc. of Calgary, Alberta, (collectively “Tenaris Canada”) (hereafter “the complainants”) alleging that imports of certain carbon and alloy steel line pipe originating in or exported from the People’s Republic of China (China) are being dumped and subsidized. The complainants allege that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing these goods.

[2] On July 31, 2015, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainants that the complaint was properly documented. The CBSA also notified the government of China (GOC) that a properly documented complaint had been received and provided the GOC with the non-confidential version of the subsidy complaint. The GOC was invited for consultations prior to the initiation of the investigations, pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*; however, no such consultations took place.

[3] The complainants provided evidence to support the allegations that certain carbon and alloy steel line pipe from China have been dumped and subsidized. The evidence also discloses a reasonable indication that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing like goods.

[4] On August 28, 2015, pursuant to subsection 31(1) of SIMA, the CBSA initiated investigations respecting the dumping and subsidizing of certain carbon and alloy steel line pipe from China.

[5] Upon receiving notice of the initiation of the investigations, the Canadian International Trade Tribunal (CITT) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of certain carbon and alloy steel line pipe originating in or exported from China have caused injury or retardation or are threatening to cause injury to the Canadian industry producing the like goods.

[6] On October 27, 2015, pursuant to paragraph 35(1)(b) of SIMA, the CITT concluded that the evidence does not disclose a reasonable indication that the dumping and subsidizing of the goods covered by its order in Expiry Review No. RR-2012-003 has caused injury or is threatening to cause injury to the domestic industry. Pursuant to paragraph 35(3)(a) of SIMA, the CITT terminated its inquiry with respect to those goods.

[7] On October 27, 2015, pursuant to subsection 37.1(1) of SIMA, the CITT made a preliminary determination that there is evidence that discloses a reasonable indication that the dumping and subsidizing of carbon and alloy steel line pipe originating in or exported from China, in respect of which the preliminary injury inquiry has not been terminated, have caused injury or are threatening to cause injury to the domestic industry.

[8] On November 25, 2015, pursuant to paragraph 35(2)(a) of SIMA, the CBSA partially terminated the investigations with respect to the goods covered by order No. RR-2012-003.

[9] On November 26, 2015, as a result of the CBSA's preliminary investigations and pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping and subsidizing respecting certain carbon and alloy steel line pipe originating in or exported from China.

[10] On November 26, 2015, pursuant to subsection 8(1) of SIMA, provisional duty was imposed on imports of dumped and subsidized goods that are of the same description as any goods to which the preliminary determinations apply, and that are released during the period commencing on the day the preliminary determinations were made and ending on the earlier of the day on which the CBSA causes the investigations to be terminated pursuant to subsection 41(1) of SIMA or the day the CITT makes an order or finding pursuant to subsection 43(1) of SIMA.

PERIODS OF INVESTIGATION

[11] The Period of Investigation (POI) with respect to the dumping investigation covered all subject goods released into Canada from July 1, 2014 to June 30, 2015. With respect to the subsidy investigation, the POI was January 1, 2014 to June 30, 2015.

PROFITABILITY ANALYSIS PERIOD

[12] The Profitability Analysis Period covered domestic sales and costing information for goods sold from July 1, 2014 to June 30, 2015.

INTERESTED PARTIES

Complainants

[13] The complainants account for a major proportion of the domestic production of like goods in Canada, as defined in subsection 2(1) of SIMA. The complainants' goods are produced at manufacturing facilities at various locations in Canada.

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

Canadian National Steel Corporation
5302 39 Street
Camrose, Alberta T4V 2N8

Tenaris Global Services (Canada) Inc.
530 8 Ave. SW, Suite 400
Calgary, Alberta T2P 3S8

Algoma Tubes Inc.
547 Wallace Terrace
Sault Ste Marie, Ontario P6C 1L9

Prudential Steel Inc.
8919 Barlow Trail S. E.
Calgary, Alberta T2C 2N7

[14] Evraz Inc. NA Canada operates electric resistance weld (ERW) and submerged arc weld (SAW) line pipe manufacturing facilities in Regina, Saskatchewan, and in Red Deer, Alberta. The EVRAZ North America group of companies also owns Canadian National Steel Corporation, which operates ERW and SAW line pipe manufacturing facilities in Camrose, Alberta.

[15] Tenaris Canada manufactures line pipe in Canada at its Algoma Tubes Inc. facility in Sault Ste. Marie, Ontario using the seamless process and at its Prudential Steel Inc. facility in Calgary using the ERW process. Tenaris Global Services Inc. acts as commercial agent for Tenaris' sales in Canada.¹

Importers

[16] At the initiation of the investigations, the CBSA identified 67 potential importers of the subject goods based on both information provided by the complainants and CBSA import entry documentation.

[17] The CBSA sent an importer Request for Information (RFI) to all potential importers of the goods. The CBSA received 15 responses to the importer RFI.

Exporters

[18] At the initiation of the investigations, the CBSA identified 68 potential exporters of the subject goods from information provided by the complainants and CBSA import entry documentation. The CBSA sent dumping, subsidy and section 20 RFIs to each of these potential exporters.

[19] The CBSA received nine responses to the exporter dumping RFI, six responses to the exporter section 20 RFI and 25 responses to the exporter subsidy RFI.

¹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 2.

Surrogate Producers

[20] As part of the inquiry to examine the extent of the GOC's involvement in pricing in the steel pipe sector (section 20 inquiry), the CBSA requested that producers in other countries (specifically Japan, the Republic of Korea, the Republic of the Philippines and the United States of America (USA)) provide domestic pricing and costing information concerning line pipe. These countries were selected as they are all major exporters of line pipe to Canada.

[21] The CBSA had received no responses to the Surrogate RFI as of the preliminary determination of dumping.

Government of China

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

[23] The CBSA sent a government subsidy RFI and government section 20 RFI to the GOC. No response, or any other information with respect to the investigations, has been received from the GOC as of the date of the preliminary determinations.

PRODUCT INFORMATION

Product Definition

[24] At the initiation of investigations the subject goods were defined as:

Carbon and alloy steel line pipe originating in or exported from the People's Republic of China, welded or seamless, having an outside diameter from 2.375 inches (60.3 mm) up to and including 24 inches (609.6 mm), including line pipe meeting or supplied to meet any one or several of API 5L, CSA Z245.1, ISO 3183, ASTM A333, ASTM A106, ASTM A53-B or their equivalents, in all grades, whether or not meeting specifications for other end uses (e.g. single-, dual-, or multiple-certified, for use in oil and gas, piling pipe, or other applications), and regardless of end finish (plain ends, beveled ends, threaded ends, or threaded and coupled ends), surface finish (coated or uncoated), wall thickness, or length, excluding galvanized line pipe and excluding stainless steel line pipe (containing 10.5 percent or more by weight of chromium), excluding goods covered by the Canadian International Trade Tribunal's Finding in Inquiry No. NQ-2012-002.

[25] On October 27, 2015, the CITT terminated its inquiry with respect to a subset of the above-mentioned goods because it concluded that the evidence does not disclose a reasonable indication that the dumping and subsidizing of the subset of goods have caused injury or are threatening to cause injury to the domestic industry. The CITT concluded that the evidence does not disclose a reasonable indication that the dumping and subsidizing of goods that are covered by its order in Expiry Review No. RR-2012-003 has caused injury or is threatening to cause injury to the domestic industry.² As a result of the CITT's decision, the CBSA's investigations with respect to these specific products were terminated.

[26] On October 27, 2015, the CITT also determined that there is there is evidence that discloses a reasonable indication that the dumping and subsidizing of carbon and alloy steel line pipe, in respect of which the preliminary injury inquiry has not been terminated, have caused injury or are threatening to cause injury to the domestic industry. The CBSA's preliminary determinations made on November 26, 2015 are with respect to those goods, defined as follows.

[27] Based on the above, the subject goods are now defined as:

Carbon and alloy steel line pipe originating in or exported from the People's Republic of China, welded or seamless, having an outside diameter from 2.375 inches (60.3 mm) up to and including 24 inches (609.6 mm), including line pipe meeting or supplied to meet any one or several of API 5L, CSA Z245.1, ISO 3183, ASTM A333, ASTM A106, ASTM A53-B or their equivalents, in all grades, whether or not meeting specifications for other end uses (e.g. single-, dual-, or multiple-certified, for use in oil and gas, piling pipe, or other applications), and regardless of end finish (plain ends, beveled ends, threaded ends, or threaded and coupled ends), surface finish (coated or uncoated), wall thickness, or length, excluding galvanized line pipe and excluding stainless steel line pipe (containing 10.5 percent or more by weight of chromium), excluding goods covered by the Canadian International Trade Tribunal's Finding in Inquiry No. NQ-2012-002, and goods covered by the Canadian International Trade Tribunal's order in Expiry Review No. RR-2012-003.

[28] For greater certainty, the product definition includes:

- a) unfinished line pipe (including pipe that may or may not already be tested, inspected, and/or certified to line pipe specifications) originating in China and imported for use in the production or finishing of line pipe meeting final specifications, including outside diameter, grade, wall-thickness, length, end finish, or surface finish; and
- b) non-prime and secondary pipes ("limited service products").

² Preliminary Injury Inquiry No. PI-2015-002; Carbon and Alloy Steel Line Pipe, reasons issued on November 16, 2015, paragraphs 24-42.

Additional Product Information

[29] Pipe that is being sold for oil and gas transmission purposes or process piping purposes is line pipe. The subject goods are used by the oil and gas industry in pipelines for the gathering and distribution of oil and gas or as process pipe used in steam generation facilities for steam assisted gravity drainage, petrochemical plants, upgraders, gas transmission facilities, and fabrication of modules.

[30] The Canadian market for oil and gas line pipe is governed by two main design codes depending on whether the line pipe is for pipelines or for process piping. Each code specifies the standards and grades of pipe that are acceptable for use. Together, the complainants manufacture or have the capability to manufacture line pipe under both design codes, in all grades. Pipelines must conform or be equivalent to CSA Z662 (oil and gas pipeline systems), and process piping must conform or be equivalent to ASME B31.1. These systems standards cover multiple pipe standards and can cover multiple grades of pipe. Examples of pipe standards include:

- CSA Z245.1;
- API 5L;
- ISO 3183;
- ASTM A333;
- ASTM A53-B; and
- ASTM A106.

[31] Pipe manufactured to a particular standard may be compatible with the requirements of another standard. This means that a particular pipe may be certified as complying with multiple standards (if all the requirements of each standard/grade are met for that particular pipe). For example, CSA Z245.1 Grade 448 pipe is considered to be equivalent to API 5L Grade X65. The API 5L X grade numbers define the minimum yield strength required of the grade in kilopounds per square inch. Process piping is generally supplied with multiple stencils including API 5L, CSA Z245.1 and ASTM A106.

[32] Equivalent grades of pipe specified under each design code represent products that are equivalent regardless of manufacturing process. As a result, any grade of pipe is considered to be substitutable by a similar grade of pipe designed with a different standard. It is common practice to certify multiple grades of pipe on a mill test report. It is also common practice to substitute grades other than that initially requested by a customer with an equivalent grade. Mill test reports are provided to show that the properties of the supplied pipe meet the requirements of the actual grade supplied.

[33] Line pipe is normally marked or stenciled in paint on the external surface with the API, ASME, or equivalent specifications to which it has been manufactured and tested. The subject goods cover all line pipe meeting or supplied to meet the above specifications, regardless of whether the pipe has been multiple stenciled to indicate that it meets or is supplied to meet additional end use specifications. Line pipe that is manufactured and tested to meet higher API specifications (or equivalent CSA and ISO specifications) is automatically in conformity with lower specifications and may therefore have multiple stencils identifying additional end uses, such as American Society for Testing and Materials (ASTM), and equivalent specifications for end use as standard pipe (for low-pressure conveyance of steam, water, natural gas, air and other liquids in plumbing and heating applications), piling pipe, and other such end uses. Seamless line pipe conforming to API 5L may also be marked as conforming to pressure pipe applications under ASME B31.3. Additionally and for the same reasons, line pipe that is single-stenciled as API 5L may be used in lower specifications absent stencilling identifying that lower specification. All line pipe that is marked as meeting or that is supplied to meet API 5L (or equivalent specifications) for use as oil and gas pipelines or as ASME B31.3 for use as pressure pipe are covered in this investigation as subject goods regardless of whether the pipe is marked as meeting any other end-uses or is supplied to meet any other end-uses.

[34] The subject goods may be manufactured by the seamless or welded process. The typical end finish is a beveled end to allow for welding in the field, although line pipe may also be supplied as plain end (square cut), threaded, and threaded and coupled.

[35] According to the complainants and the producers that support the complaint, since November 12, 2012, the date of the CITT Finding in Inquiry No. NQ-2012-002, steel piling pipe originating in or exported from China (steel piling pipe), the subject goods have been increasingly used in the Canadian market as piling pipe to form deep foundations where soil and ground conditions are not suitable or strong enough to support the structure load, particularly in drilling platforms and other energy installations in Western Canada.

Production Process

[36] Line pipe is made on the same production equipment as oil country tubular goods (OCTG) and other tubular products such as standard pipe and piling pipe. Production may involve either the seamless or the welded process.

[37] ERW line pipe is produced by slitting flat hot-rolled steel in coil form of a pre-determined thickness (called “skelp”) to the proper width required to produce the desired diameter of pipe. The skelp is then sent through a series of forming rolls that bend it into a tubular shape. As the edges of the skelp 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.

[38] ERW line pipe can also be produced by the stretch-reduction method, where the key difference is that 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.

[39] Seamless pipe production 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. Once the hot rolling mill has transformed the billet into a tube and the stretch reduction/sizing mill has produced the final dimensions, the pipe is put into inventory where it waits for the next process, either heat treatment, testing, or finishing.

[40] Tube formed by either the seamless or the ERW methods is then cut to length. The product is sent to the finishing line where it is usually beveled on both ends. Finishing operations also include cooling, straightening, facing, testing, coating, or bundling and could include threading and coupling.

[41] Large diameter line pipe (line pipe with an outside diameter of 26 inches and above) is a separate product with wholly different costs, production processes, and sales considerations. Large diameter line pipe is typically produced using a SAW or double SAW process (DSAW), which is much different from the ERW process used for smaller diameter line pipe and encompasses both helical/spiral submerged arc welding (HSAW) and longitudinal submerged arc welding (LSAW).

Classification of Imports

[42] The subject goods are normally classified under the following Harmonized System (HS) classification numbers:

7304.19.00.11	7305.11.00.11	7305.19.00.11
7304.19.00.12	7305.11.00.19	7305.19.00.19
7304.19.00.21	7305.12.00.11	7306.19.00.10
7304.19.00.22	7305.12.00.19	7306.19.00.90

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

LIKE GOODS AND CLASSES OF GOODS

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

[45] According to the complainants, with respect to subject goods, like goods consist of domestically produced line pipe, both seamless and welded, and domestically produced piling pipe.

[46] At the initiation of the investigations, after considering the questions of use, physical characteristics and all other relevant factors, the CBSA was of the opinion that domestically produced line pipe and piling pipe were like goods to the subject goods. Further, the CBSA was of the opinion that subject goods and like goods constitute only one class of goods.

[47] In the CITT's *Determination and Reasons – Preliminary Injury Inquiry No. PI-2015-002*, issued on November 16, 2015, the CITT found that “steel piling pipe produced in Canada does not constitute like goods in relation to the subject goods”³ and concluded that “domestically produced line pipe, defined in the same manner as the subject goods, constitutes like goods in relation to the subject goods and that there is a single class of goods”.⁴

THE CANADIAN INDUSTRY

[48] As previously stated, the complainants accounts for a major proportion of domestic production of like goods in Canada.

IMPORTS INTO CANADA

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

[50] The following table presents the CBSA's analysis of imports of certain carbon and alloy steel line pipe for purposes of the preliminary determinations:

Import Volumes of Certain Carbon and Alloy Steel Line Pipe

Country	Dumping POI	Subsidy POI
	July 2014 to June 2015 (1 year)	January 2014 to June 2015 (1½ years)
China	56.9%	51.7%
All Other Countries	43.1%	48.3%
Total Imports	100.0%	100.0%

³ Preliminary Injury Inquiry No. PI-2015-002; Carbon and Alloy Steel Line Pipe, reasons issued on November 16, 2015, paragraph 56.

⁴ Preliminary Injury Inquiry No. PI-2015-002; Carbon and Alloy Steel Line Pipe, reasons issued on November 16, 2015, paragraph 64.

INVESTIGATION PROCESS

[51] Regarding the dumping investigation, information was requested from all known and potential exporters, producers, vendors and importers, concerning shipments of certain carbon and alloy steel line pipe released into Canada during the dumping POI of July 1, 2014 to June 30, 2015.

[52] Regarding the section 20 inquiry, information was requested from all known and potential exporters and producers of carbon and alloy steel line pipe in China and from the GOC. The CBSA also sent RFIs to all known producers of carbon and alloy steel line pipe in Japan, the Republic of Korea, the Republic of the Philippines and the USA to gather information to determine normal values under paragraph 20(1)(c) of SIMA. Furthermore, importers were requested to provide information respecting re-sales in Canada of like goods imported from a third country in order to gather information to determine normal values under paragraph 20(1)(d) of SIMA.

[53] Regarding the subsidy investigation, information related to potential actionable subsidies was requested from all known and potential exporters in China. Information was also requested from the GOC, concerning financial contributions made to exporters or producers of certain carbon and alloy steel line pipe released into Canada during the subsidy POI of January 1, 2014 to June 30, 2015.

[54] Several parties requested an extension to respond to the RFIs. The CBSA considered these requests but did not grant extensions as the reasons identified in the request letters did not constitute unforeseen circumstances or unusual burdens that would justify granting an extension of time. At that time, the CBSA indicated that it could not guarantee that submissions received after the due date would be taken into consideration for purposes of the preliminary phase of the investigations.

[55] After reviewing the responses to the RFIs, Supplemental RFIs were sent to responding parties to clarify information provided in the submissions and request any additional information needed.

[56] Preliminary determinations are based on the information available to the CBSA at the time of the preliminary determinations. During the final phase of the investigations, additional information will be obtained and selected responding exporters may be verified on-site, the results of which will be incorporated into the CBSA's final decisions, which must be made by February 24, 2016.

DUMPING INVESTIGATION

Section 20 Inquiry

[57] Section 20 is a provision of SIMA that may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of a prescribed country under paragraph 20(1)(a) of SIMA, it is applied where, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.⁵

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

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

[60] The complainants alleged that the conditions described in section 20 prevail in the steel pipe sector, which includes carbon and alloy steel line pipe, in China. That is, the complainants allege that this industry sector in China does not operate under competitive market conditions and consequently, prices established in the Chinese domestic market for line pipe are not reliable for determining normal values.

[61] The complainants provided information to support these allegations concerning the steel pipe sector, which includes line pipe. This included evidence of export controls and state-ownership in the steel industry and steel pipe sector. The complainants also cited specific GOC policies such as the *National Steel Policy*, the *12th Five-Year Development Plans for the Steel Industry*, and the *12th Five-Year Plan for the Steel Pipe Industry*.⁶

⁵ China is a prescribed country under section 17.1 of the *Special Import Measures Regulations*.

⁶ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 19-31.

[62] At the initiation of the investigation, the CBSA had sufficient evidence, supplied by the complainants and from its own research and past investigation findings, to support the initiation of a section 20 inquiry to examine the extent of GOC involvement in pricing in the steel pipe sector, which includes carbon and alloy steel line pipe. The information indicated that prices in China in this sector have been influenced by various GOC industrial policies. Consequently, the CBSA sent section 20 RFIs to producers and exporters of line pipe in China, as well as to the GOC, to obtain information on the extent to which the GOC is involved with the determination of domestic prices in the steel pipe sector, which includes carbon and alloy steel line pipe.

Summary of Chinese Exporter Responses

[63] The CBSA received six responses to the exporter section 20 RFI from producers, suppliers and exporters of subject goods. In general, the parties who did provide a response did attempt to address each question. However, most responses did not include the information requested by the CBSA, such as certain documents requested in the exporter section 20 RFI. No exporters provided significant information with respect to GOC influence on the steel pipe sector.

Government of China Response

[64] An RFI was sent to the GOC requesting information for the purposes of the section 20 inquiry. No response was received from the GOC as of the date of the preliminary determination of dumping.

Surrogate Country Responses

[65] As part of the section 20 inquiry, surrogate RFIs were sent to all known producers of carbon and alloy steel line pipe in Japan, the Republic of Korea, the Republic of the Philippines and the USA. No producers located in surrogate countries responded to the RFI.

Preliminary Results of the Section 20 Inquiry

[66] The following is the CBSA's analysis of the relevant factors that are present in the steel pipe sector in China, which includes carbon and alloy steel line pipe.

GOC Industrial Policies

[67] As part of its section 20 analysis, the CBSA examined:

- The *National Steel Policy* and the *Steel Revitalization/Rescue Plan*,
- The *12th Five-Year Development Plans for the Steel Industry*, and
- The *12th Five-Year Plan for the Steel Pipe Industry*.

National Steel Policy and the Steel Revitalization/Rescue Plan

[68] As cited in previous section 20 inquiries on steel products, *The Development Policies for the Iron and Steel Industry – Order of the National Development and Reform Commission [No. 35] (National Steel Policy)*, was promulgated on July 8, 2005 and outlines the GOC's future plans for the Chinese domestic steel industry.⁷ The major objectives of the *National Steel Policy* are:

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

[69] On March 20, 2009, the GOC promulgated the *Blueprint for the Adjustment and Revitalization of the Steel Industry* issued by the General Office of the State Council (*Steel Revitalization/Rescue Plan*).⁸ This macro-economic policy was the GOC's response to the global financial crisis and is also the action plan for the steel industry for the 2009 through 2011 period. This plan includes the following major tasks:

- Maintain the stability of the domestic market and improve the export environment;
- Strictly control the total output of steel and accelerate the process of eliminating what is backward (obsolete);
- Enhance enterprise reorganization and improve the industrial concentration level;
- Spend more on technical transformation and promote technical progress;
- Optimize the layout of the steel industry and overall arrangements of its development;
- Adjust the steel product mix and improve the product quality;
- Maintain stable import of iron ore resources and rectify the market order;
- Develop domestic and overseas resources and guarantee the safety of the industry.

[70] There are common measures between these two GOC policies, as the *Steel Revitalization/Rescue Plan* is an acceleration of the major objectives of the *National Steel Policy*. In the *Steel Revitalization/Rescue Plan*, the GOC asserts its strict control over new or additional steel production capacity, promotes new GOC directed mergers and acquisitions to reform the Chinese steel industry into larger conglomerates, along with an increased emphasis on steel product quality. These measures and reforms affect all of the steel industry in China, including the steel pipe sector which includes carbon and alloy steel line pipe.

⁷ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 6-6.

⁸ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 6-6.

12th Five-Year Development Plans for the Steel Industry

[71] The *12th Five-Year Development Plans for the Steel Industry*⁹ is a policy document that was released by the GOC's Ministry of Industry and Information Technology on November 7, 2011. It serves as the guiding document for the development of the Chinese steel industry for the 2011-2015 period and its directives include:

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

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

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

[74] According to the plan, the more highly concentrated steel industry will reduce overcapacity, decrease pollution and will improve Chinese steel producers' bargaining power when negotiating prices on iron ore imports. In addition, through the *12th Five-Year Development Plans for the Steel Industry*, the GOC is progressing with its initiative in the *Steel Revitalization/Rescue Plan* to move Chinese steel production facilities to China's coast. As stated in a China Daily article titled *Steel industry plan forged*, by the end of this GOC directed plan, in 2015, 40% of China's steel production will be relocated to the coast.¹⁰

⁹ Exhibit 206 (PRO) – Preliminary Determination Section 20 Report – Attachment 3: *12th Five-Year Plan: Iron and Steel*

¹⁰ Exhibit 206 (PRO) – Preliminary Determination Section 20 Report – Attachment 4: *China Daily Article, Steel industry plan forged*

[75] In this *12th Five-Year Development Plans for the Steel Industry*, the GOC's policies and measures include:

- Improve the industry management system;
- Create an environment for fair competition, strengthen and improve macro adjustment and control;
- Regulate the production and operation of the steel industry;
- Standardize the operation of the industry;
- Strengthen the macro guidance of the policy;
- Promote international exchange and co-operation;
- Improve industry information flow, capital flow and material flow. Support enterprise groups to establish and improve the information system in different regions;
- Improve planning by regional authorities of industries to develop the steel industry, combine the regional mergers and reconstruction and eliminate obsolete construction. Related enterprises should put forward the planning scheme corresponding to the foregoing plan. The China Iron and Steel Industry should assist and put forward advice on the policy.

[76] The GOC's direction of the steel industry includes enabling regional or provincial governments to combine enterprises across boundaries. Furthermore, as a result of the GOC's administration of steel production capacity, the Chinese steel industry is very much under the purview of the GOC.

[77] Together with the GOC's legislation: *Criterion for the Production and Operation of Steel Industry* – GY [2010] No. 105¹¹ and *Several Observations of the General Office of the State Council on Further Strengthening Energy-saving and Emission Reduction Efforts as well as Accelerating of Restructuring of Steel Industry* – GBF (2010) No. 34¹², these plans set out the detailed requirements for existing production and operations of steel enterprises in China. For construction and renovation projects in the steel industry, the GOC's development policies for the steel industry apply (i.e. the *12th Five-Year Plan Development Plans for the Steel Industry and Steel Revitalization/Rescue Plan*).

¹¹ Exhibit 206 (PRO) – Preliminary Determination Section 20 Report – Attachment 5: Criterion for the Production and Operation of Steel Industry

¹² Exhibit 206 (PRO) – Preliminary Determination Section 20 Report – Attachment 6: Several Observations of the General Office of the State Council

[78] Control of new or additional steel production capacity by the GOC is further confirmed by the above mentioned document *Several Observations of the General Office of the State Council on Further Strengthening Energy-saving and emission Reduction Efforts as well as Accelerating of Restructuring of Steel Industry*. The intent of this legislation is to further support and carry out the *Steel Revitalization/Rescue Plan*, to achieve the energy-saving and emission targets, in addition to the restructuring of the steel industry in China as approved by the State Council. One main objective of the State Council is to “resolutely suppress the excessive growth of steel production capacity” and “strictly implement the approval and review process of steel projects.”¹³

[79] Should steel enterprises not acquiesce to the GOC’s requirements, laws and industrial policies, there are repercussions which include the withdrawal of steel production licenses and credit support. In respect of new construction or renovation of Chinese steel enterprises, the GOC’s steel development policies also apply.

12th Five-Year Plan for the Steel Pipe Industry

[80] On June 23, 2011, the Steel Pipe Branch Association (Steel Pipe Branch)¹⁴ of the China Steel Construction Society, released the *12th Five-Year Plan for the Steel Pipe Industry* covering the period 2011-2015.¹⁵ The Steel Pipe Branch is supervised by the State-owned Assets Supervision and Administration Commission¹⁶ (SASAC) of the State Council.¹⁷ The CBSA considers China Steel Construction Society and the Steel Pipe Branch to be “Government” as it is under the administration of SASAC as per its Articles of Association.¹⁸

¹³ Exhibit 206 (PRO) – Preliminary Determination Section 20 Report – Attachment 6: Several Observations of the General Office of the State Council.

¹⁴ Steel Pipe Branch Association (Steel Pipe Branch) is a branch association of the China Steel Construction Society which is a non-profit organization under the supervision of the State-owned Assets Supervision and Administration Commission. It was established on November 5, 1995. They currently have over 100 members, comprising of nation-wide manufacturers of different types of seamless and welded pipe products. Major functions and activities include facilitation of communication between the steel pipe enterprises and the GOC, the protection of rights and interests of the steel pipe manufacturers, the conduct of research relevant to the steel pipe industry, the formulation and revision of technical standards and the promotion of technical development and cooperation of the steel pipe enterprises. Reference from Piling Pipe – Dumping Exhibit 104 (PRO) – Exhibit 6, page 18.

¹⁵ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 89.

¹⁶ State-owned Assets Supervision and Administration Commission of the State Council (SASAC) is a special commission of the People’s Republic of China, directly under the State Council. It is responsible for managing China’s SOEs, including appointing top executives and approving any mergers or sales of stock or assets, as well as drafting laws related to SOEs.

¹⁷ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 88.

¹⁸ *Final Determination Statement of Reasons for Pup Joints* (March 27, 2012), at para 89.

[81] The *12th Five-Year Plan for the Steel Pipe Industry* is the second five-year plan for the steel pipe industry. In the previous five-year period (2006-2010), the steel pipe industry experienced rapid growth and numerous modern pipe facilities were constructed. The construction of the new facilities allowed the industry to shift production to higher value pipe products, such as submerged arc welded (SAW) pipe, high frequency resistance welded pipe, OCTG and line pipe.¹⁹ However, at the end of the 11th five-year period the steel pipe industry was experiencing excess production capacity, intensified market competition, continued backward production and low industry concentration.²⁰ These issues were addressed in the *12th Five-Year Plan for the Steel Pipe Industry*.

[82] The *12th Five-Year Plan for the Steel Pipe Industry* directs that the output of steel pipe should be controlled at 67-75 million metric tonnes (MT). In addition to controlling the capacity of the steel pipe production, the plan also addresses the issue of overcapacity which was estimated to be 15 million MT, of which 8 million MT is surplus seamless pipe and 7 million MT is surplus welded pipe.²¹

[83] One of the main tasks of the *12th Five-Year Plan for the Steel Pipe Industry* is to control total volume by eliminating obsolete (backward production) and controlling new production capacity.²²

[84] The plan also states that the top 20 Chinese steel enterprises are to be responsible for more than 60% of the aggregate steel pipe output with the top 10 seamless steel pipe producers accounting for 70% of the seamless production and the top 10 welded pipe producers accounting for 50% of the welded production. These industry concentration targets are largely to be obtained through mergers and acquisitions by the end of 2015.²³ These GOC objectives are likely to conflict with the commercial interests of steel pipe producers by affecting production volumes, competition and ultimately prices.

GOC Ownership of Suppliers/Producers

[85] The complaint provides evidence that eight of the top 10 steel companies in China are state-owned. According to the complainants, these eight state-owned enterprises (SOEs) produce flat steel products and billets, and in turn provide these inputs to line pipe producers in China.²⁴ As per the *12th Five-Year Development Plans for the Steel Industry*, these companies are expected to reach 60% of total Chinese steel production by 2015 and 70% by 2020.²⁵

¹⁹ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 89.

²⁰ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 89.

²¹ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 90.

²² *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 92.

²³ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 91.

²⁴ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 27-28

²⁵ *Final Determination Statement of Reasons for Certain Galvanized Steel Wire* (August 6, 2013) at para 93.

[86] The complaint referenced information on the record in the CBSA's Galvanized Steel Wire investigation which indicated that the GOC has continuously pressured state-owned steel mills to avoid cutbacks in bids to maintain economic growth and employment, which in turn has been a contributing factor behind plummeting Chinese steel prices.²⁶ This indicates that the GOC exerts control over the Chinese steel industry, which includes the steel pipe sector including carbon and alloy steel line pipe.

[87] At initiation the complainants provided evidence of SOEs which produce line pipe and cited reports which estimated that up to 50% of line pipe producers in China are state-owned.²⁷

[88] Four exporters have provided responses to the CBSA's dumping RFI indicating that they are SOEs. These companies are: Baoshan Iron & Steel Co., Ltd., Jiangsu Valin Xigang Special Steel Co., Ltd., Hengyang Valin Steel Tube Co., Ltd. and Hengyang Valin MPM Co., Ltd.

[89] The CBSA did not receive responses to the dumping or section 20 RFI from all producers of carbon and alloy steel line pipe. As such, the CBSA does not have sufficient information to determine the proportion of carbon and alloy steel line pipe producers in China that are SOEs. However, during the POI, a significant portion of subject goods imported into Canada from China were sold by the SOEs identified above.

[90] The information provided by the complainants, as well as information collected by the CBSA during the investigation, supports the assertion that there is substantial state ownership in the steel pipe sector in China, which includes carbon and alloy steel line pipe.

Summary of Government Influence on Domestic Prices

[91] Based on the information on the record, the scope of the GOC's macro-economic policies and measures indicates that the GOC is influencing the Chinese steel industry, which encompasses the steel pipe sector including carbon and alloy steel line pipe. The use of such policies and measures can dramatically change the demand and supply balance in the domestic market and could influence the domestic prices of steel products such as steel pipe and line pipe.

²⁶ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 27-28.

²⁷ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 27-28.

[92] In addition to the GOC's actions to eliminate obsolete steel production and reduce energy-emissions, the GOC has clearly identified its plans for mergers and acquisitions. The GOC calls for provincial, autonomous regional and municipal governments to focus on formulating and reporting 2010-2011 iron and steel enterprise merger and restructuring plans to be organized, upon approval by the Ministry of Industry and Information Technology. The GOC directs that the implementation/improvement of policies for promoting mergers and restructuring be improved. These are compelling facts that the GOC is firmly in charge of the reform of the Chinese steel industry which encompasses the steel pipe sector including carbon and alloy steel line pipe.

[93] The cumulative impact of the GOC's numerous macro-economic policies and measures, including the *National Steel Policy*, the *Steel Revitalization/Rescue Plan*, the *12th Five-Year Development Plans for the Steel Industry* and the *12th Five-Year Plan for the Steel Pipe Industry*, has resulted in an environment where enterprises have conflicting objectives. The GOC objectives are likely to conflict with the commercial objectives of steel pipe producers, affecting products produced, production volumes and ultimately prices.

[94] The cumulative impact of these GOC measures and control indicate that prices of line pipe in China are being indirectly determined by the GOC.

Chinese Domestic Price Analysis

[95] At initiation, the CBSA did not have access to domestic price data for carbon and alloy steel line pipe in China. Given the absence of publicly available domestic price data, the CBSA relied on information provided by the complainants. This information consisted of publications which included price data for welded and seamless line pipe products in various grades for China as well as other countries and regions. The information provided by the complainants represented the domestic prices of these goods in the respective home markets. Prices were provided by grade and expressed in USD per metric tonne. Specific price information by diameter is not publicly available.

[96] At initiation the CBSA requested specific data regarding the domestic price of carbon and alloy steel line pipe in China from producers and exporters in that country. The CBSA received several responses to the dumping and section 20 RFIs from producers and exporters of carbon and alloy steel line pipe in China. These responses included information regarding the domestic price of these goods in China.

[97] The CBSA also sent RFIs to producers in surrogate countries requesting domestic price information in their respective countries. The CBSA did not receive any responses from producers of carbon and alloy steel line pipe in the surrogate countries. As such, other than the publications identified above, the CBSA has limited information regarding the domestic prices of carbon and alloy steel line pipe in countries other than China.

[98] As mentioned above, the complainants provided information from Metal Expert which includes prices for certain grades of seamless and welded line pipe for the months of November and December 2014, and January 2015.²⁸ Based on this information, prices of line pipe in Q4 2014 were significantly higher in the comparison countries when compared to prices in China.

[99] The CBSA calculated the average monthly domestic price of seamless and welded line pipe in China, based on information provided in the RFI responses of exporters that provided sufficient information. These average monthly prices were then used to calculate the quarterly average domestic prices for Q3 and Q4 2014, and Q1 and Q2 2015.

[100] The CBSA then compared the quarterly average domestic price of seamless and welded line pipe in China, to the Metal Expert price information. This comparison demonstrated a significant difference in the domestic price of line pipe in China compared to the other countries and/or regions. For example, the average domestic price of welded line pipe in the comparison countries was 31.1% to 38.4% higher than the domestic price of welded line pipe in China, during Q4 2014.

[101] The CBSA acknowledges certain limitations in the price analysis contained above. Specifically, the price information contained in the RFI responses of certain exporters does not contain average price information by grade or diameter. Average price information is only available for the categories of seamless and welded line pipe. As such, the price information may include certain grades of line pipe which are of higher or lower quality than the Metal Expert comparison products.

[102] In addition to the Metal Expert publication, the complainants provided price data from the publication *Pipe Logix*. The *Pipe Logix* information represents the domestic selling price of the goods as sold by distributors in the USA. The complainants have provided this surrogate price information for the dumping POI (July 1, 2014 to June 30, 2015).

[103] For the purposes of the section 20 domestic price analysis, the CBSA calculated a quarterly average price for seamless and welded line pipe, based on the surrogate price information from the publication *Pipe Logix*. This quarterly average was calculated for the purposes of a comparison with the domestic price information contained in the RFI responses of certain exporters.

²⁸ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Confidential Exhibit 6-21.

[104] The domestic price information contained in the exporter responses is not available on the basis of grade or diameter. To allow for a proper comparison, the CBSA calculated the *Pipe Logix* average based on all available diameters. The *Pipe Logix* data represents the price of goods from distributors to end users. As such, the price information was adjusted downward by 10% to account for a distributor margin. In the complaint, the complainants estimated a 10% distributor margin to be reasonable.²⁹ For preliminary determination, the CBSA continues to find this estimate to be reasonable.

[105] The CBSA compared the adjusted *Pipe Logix* quarterly average price data with the quarterly average price data found in the RFI responses of certain exporters. The results of this comparison are found in the table below:

Quarterly Average Price Comparison – Pipe Logix vs. Exporter Response Data

Quarter	2014 Q3	2014 Q4	2015 Q1	2015 Q2
% Surrogate Price above Chinese Price (Welded)	122%	133%	137%	118%
% Surrogate Price above Chinese Price (Seamless)	241%	254%	227%	218%

[106] The results summarized in the table above further demonstrate a significant difference in the price of carbon and alloy steel line pipe in China when compared to the adjusted *Pipe Logix* price. The adjusted price of welded carbon and alloy steel line pipe in the USA, as reported by the publication *Pipe Logix*, was 118% to 137% higher than the price of those goods in China during the POI.

[107] The results of the comparison for seamless carbon and alloy steel line pipe are even more significant. The adjusted price of seamless carbon and alloy steel line pipe in the USA, as reported by the publication *Pipe Logix*, was 218% to 254% higher than the price of those goods in China during the POI.

[108] Given that line pipe is a commodity product freely traded on the world market this discrepancy further supports the complainants' allegation that domestic prices of line pipe in China are not being determined under competitive market conditions. Further, the information discussed above supports the conclusion that the domestic prices of carbon and alloy steel line pipe in China are not substantially the same as they would be if they were determined in a competitive market.

²⁹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 32.

Summary of the Preliminary Results of the Section 20 Inquiry

[109] The wide range and material nature of the GOC measures have resulted in significant influence on the steel pipe sector in China, which includes carbon and alloy steel line pipe. Based on the preceding, the CBSA is of the opinion that:

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

[110] During the final stage of the dumping investigation, the CBSA will continue the section 20 inquiry and further verify and analyze relevant information. The CBSA may reaffirm its opinion that the conditions of section 20 of SIMA exist in the steel pipe sector, which includes carbon and alloy steel line pipe, as part of the final phase of the investigation, or conclude that the determination of normal values may be made using domestic selling prices and costs in China.

Preliminary Results of the Dumping Investigation

[111] The CBSA received substantially complete responses to the dumping RFI from nine exporters and producers of the subject goods.

[112] With respect to the exporters that provided substantially complete responses to the RFI, to the extent possible, company-specific information was used for the preliminary determination in estimating export prices for goods shipped to Canada.

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

[114] In calculating the estimated margin of dumping for China, the estimated margin of dumping found in respect of each exporter was weighted according to each exporter's volume of subject goods exported to Canada during the POI.

[115] Estimated margin of dumping details relating to each of the exporters that provided a response to the RFI are presented in a summary table in **Appendix 1** while estimated margin of dumping details for China can be found in a summary table at the end of this section.

Normal Values

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

[117] In the case of a prescribed country such as China, if, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market, the normal values are estimated on the basis of section 20 of SIMA using either the selling prices or costs of like goods in a “surrogate” country.

[118] For purposes of this preliminary determination, normal values could not be estimated on the basis of domestic selling prices in China or on the full cost of goods plus profit, because the CBSA formed the opinion that the conditions of paragraph 20(1)(a) of SIMA exist in the steel pipe sector, which includes carbon and alloy steel line pipe, in China.

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

[120] Where normal values cannot be determined under paragraph 20(1)(c), SIMA provides an alternative methodology to calculate normal values under paragraph 20(1)(d), using re-sales in Canada of like goods imported from a third country. The CBSA determined that for the purposes of the preliminary determination, sufficient re-sale information was not provided by the importers so this provision could also not be used.

[121] In absence of this information, the CBSA examined all information on the record, including information provided by the complainants, information provided by the exporters and publically available information. The CBSA considered that the price data from the publication *Pipe Logix*, as provided by the complainants, was the best information on which to base the methodology for estimating normal values. *Pipe Logix* is a trade publication based in the USA which tracks OCTG and line pipe prices. The CBSA has found *Pipe Logix* to be a reliable source in previous investigations involving tubular products in the oil and gas sector.

[122] The CBSA, therefore, estimated normal values for representative benchmark products based on the domestic selling price of the goods as sold by distributors in the USA and reported by the publication *Pipe Logix*. The CBSA estimated normal values for the benchmark products for each month of the period reviewed (July 1, 2014 – June 30, 2015). Where the CBSA could not find an exact match for the outer diameter of a benchmark product, the CBSA estimated a normal value for a range of outer diameters based on an average of the normal values of the closest benchmark products.

[123] The *Pipe Logix* data represents the price of goods from distributors to end users. As such, the *Pipe Logix* prices were adjusted to account for a distributor margin. At initiation, the CBSA found the complainants’ estimate of a 10% distributor margin to be reasonable. The CBSA continues to find this estimate to be reasonable for the purposes of the preliminary determination. During the final phase of the investigation the CBSA will endeavour to calculate a distributor margin based on information collected from distributors of goods in Canada.

Export Prices

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

Margin of Dumping

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

Representations

Use of *Pipe Logix*

[126] On October 29, 2015, counsel for Evraz made representations to the CBSA concerning the methodology to be used for estimating normal values for the preliminary determination.³⁰ Counsel submitted that the CBSA should find that the conditions of section 20 exist and that there will likely not be sufficient information to estimate normal values under this section. Therefore, counsel has suggested estimating normal values under a section 29 methodology, using the pricing published in *Pipe Logix*, a recognized energy sector report containing average spot prices of line pipe in the USA.

CBSA Response

[127] For the purpose of the preliminary determination, the CBSA has formed the opinion that section 20 conditions exist and that there is insufficient evidence to estimate normal values using a section 20 methodology. The CBSA, therefore, estimated normal values for representative benchmark products based on the domestic selling price of the goods as sold by distributors in the USA and reported by the publication *Pipe Logix*. The CBSA will continue to collect and analyze information related to this methodology during the final phase of the investigation.

³⁰ Exhibit 160 (NC) – Correspondence from counsel for Evraz concerning the application of section 20 and subsection 29(1) of SIMA.

Distributor Margin

[128] On November 5, 2015, counsel for Evraz made representations to the CBSA concerning the methodology to be used for estimating normal values for the preliminary determination.³¹ Counsel reiterated that *Pipe Logix* should be used to estimate normal values. Additionally, as the *Pipe Logix* data represents the price of goods from distributors to end users and because the normal values estimated at initiation were adjusted to account for a distributor margin, counsel also submitted information on an actual distributor's margin and suggested that it is a more appropriate adjustment value.

CBSA Response

[129] In the complaint, the complainants estimated a 10% distributor margin to be reasonable. For preliminary determination, the CBSA continues to find this estimate to be reasonable. During the final phase of the investigation the CBSA will endeavor to calculate a distributor margin based on information collected from distributors of goods in Canada, which may include the information submitted by counsel.

Preliminary Results of the Dumping Investigation by Exporter

Baoshan Iron & Steel Co., Ltd. / Baosteel America Inc.

[130] Baoshan Iron & Steel Co., Ltd. (Baoshan) is a producer and exporter of the subject goods. Baoshan is part of a large group of companies under the holding company Shanghai Baosteel Group Corporation Ltd. (Baosteel Group). During the POI, Baoshan exported subject goods to Canada through the related trading company Baosteel America Inc. (Baosteel America).

[131] Baoshan provided a substantially complete response to the Dumping RFI. Included in the response was a database of domestic sales of like goods during the POI. Baoshan also provided a response to the section 20 RFI. The CBSA will continue to collect and verify information from Baoshan for purposes of the final decision.

[132] For the subject goods exported by Baoshan to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[133] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 71.0%, expressed as a percentage of export price, for Baoshan.

³¹ Exhibit 164 (NC) – Correspondence from Evraz - distributor margin.

Hengyang Steel Tube Group International Trading Inc. / Hengyang Valin Steel Tube Co., Ltd. / Hengyang Valin MPM Co., Ltd.

[134] Hengyang Steel Tube Group International Trading Inc., Hengyang Valin Steel Tube Co., Ltd., and Hengyang Valin MPM Co., Ltd. (collectively referred to as HYST), are related companies producing and exporting the subject goods to Canada.

[135] Hengyang Valin Steel Tube Co., Ltd. and Hengyang Valin MPM Co., Ltd. are the producers of the subject goods and Hengyang Steel Tube Group International Trading Inc. is responsible for exporting the goods to Canada. HYST is part of a large group of companies under the holding company Valin Holdings which is majority owned and controlled by the State-owned Assets Supervision and Administration Commission of Hunan Province. During the POI, another company of this group, Jiangsu Valin Xigang Special Steel Co., Ltd., produced subject goods that were exported to Canada. Details with respect to this company are discussed later in this document.

[136] HYST provided a substantially complete response to the Dumping RFI. Included in the response was a database of domestic sales of like goods during the POI. No response to the section 20 RFI was provided. The CBSA will continue to collect and verify information from HYST for purposes of the final decision.

[137] For the subject goods exported by HYST to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[138] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 171.7%, expressed as a percentage of export price, for HYST.

Huludao City Steel Pipe Industrial Co., Ltd.

[139] Huludao City Steel Pipe Industrial Co., Ltd. (Huludao City) is a producer and exporter of the subject goods. Huludao City owns Huludao Bohai Oil Steel Pipe Co., Ltd. (Bohai), which during the POI produced subject goods that were exported to Canada by Huludao City.

[140] Huludao City provided a substantially complete response to the Dumping RFI. The sales and cost information of Bohai is included in the response provided by Huludao City. Neither Huludao City nor its subsidiary Bohai had domestic sales of like goods during the POI. One substantially complete response to the section 20 RFI was provided by Huludao City. The CBSA will continue to collect and verify information from Huludao City and Bohai for purposes of the final decision.

[141] For the subject goods exported by Huludao City to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[142] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 132.1%, expressed as a percentage of export price, for Huludao City.

Jiangsu Changbao Steel Tube Co., Ltd.

[143] Jiangsu Changbao Steel Tube Co., Ltd. (Changbao) is a producer and exporter of the subject goods and is a publicly traded company listed on the Shenzhen Stock Exchange.

[144] Changbao did not provide a substantially complete response to the Dumping RFI as it did not include any of the required information for domestic sales. One substantially complete response to the section 20 RFI was provided from Changbao. The CBSA will continue to collect and verify information from Changbao for purposes of the final decision.

[145] For the subject goods exported by Changbao to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[146] As Changbao did not provide a substantially complete response to the Dumping RFI, the normal values were estimated based on the methodology explained in the section below entitled "All Other Exporters". For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 361.7%, expressed as a percentage of export price, for Changbao.

Jiangsu Valin Xigang Special Steel Co., Ltd.

[147] Jiangsu Valin Xigang Special Steel Co., Ltd. (Jiangsu Valin) is a producer and exporter of the subject goods. Jiangsu Valin is part of a large group of companies under the holding company Valin Holdings which is majority owned and controlled by the State-owned Assets Supervision and Administration Commission of Hunan Province. As previously mentioned, during the POI, another company of this group, HYST produced subject goods that were exported to Canada.

[148] Jiangsu Valin provided a substantially complete response to the Dumping RFI. Included in the response was a database of domestic sales of like goods during the POI. No response to the section 20 RFI was provided. The CBSA will continue to collect and verify information from Jiangsu Valin for purposes of the final decision.

[149] For the subject goods exported by Jiangsu Valin to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[150] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 309.7%, expressed as a percentage of export price, for Jiangsu Valin.

Tianjin Huilitong Steel Tube Co., Ltd. / Tianjin Longshenghua Import & Export Trade Co., Ltd.

[151] Tianjin Huilitong Steel Tube Co., Ltd. (Huilitong) is a producer and exporter of the subject goods. Tianjin Longshenghua Import & Export Trade Co., Ltd. (Longshenghua) is the exporting arm of Huilitong that is used for the vast majority of export transactions during the POI and located at the same address as Huilitong. All of the exports of subject goods to Canada were sold through an unrelated Hong Kong based trading company named Spat Steel International (H.K.) Limited.

[152] Huilitong and Longshenghua (collectively referred to as Tianjin Huilitong Group) each provided separate substantially complete responses to the Dumping RFI. In addition, a response to the section 20 RFI was provided for Tianjin Huilitong Group. The CBSA will continue to collect and verify information from Tianjin Huilitong Group for purposes of the final decision.

[153] For the subject goods exported by Tianjin Huilitong Group to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[154] For purposes of the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 143.1%, expressed as a percentage of export price, for Tianjin Huilitong Group.

Wuxi Huayou Special Steel Co., Ltd.

[155] Wuxi Huayou Special Steel Co., Ltd (Wuxi Huayou) is a trading company and exporter of subject goods to Canada. The goods exported to Canada by Wuxi Huayou are produced by its related manufacturing company, Wuxi Sp.steel Tube Manufacturing Co., Ltd. (Wuxi Tube) as well as several non-associated manufacturers.

[156] Wuxi Huayou provided substantially complete responses to the dumping and section 20 RFIs for subject goods produced by its associated producer. However, for subject goods produced by non-associated producers, the CBSA did not receive any responses to the RFIs from the manufacturers.

[157] For the subject goods exported by Wuxi Huayou to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[158] For exports of subject goods produced by non-associated producers, the normal values were estimated by advancing the export price by 361.7%, based on the methodology explained in the section below entitled "All Other Exporters". For exports of subject goods produced by its associated producer, normal values were estimated based on the methodology described in the Normal Values section of this document.

[159] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 360.8%, expressed as a percentage of export price, for Wuxi Huayou.

Yangzhou Lontrin Steel Tube Co., Ltd.

[160] Yangzhou Lontrin Steel Tube Co., Ltd. (Lontrin) is a producer and exporter of the subject goods. Some of the subject goods exported by Lontrin were purchased from non-associated manufacturers.

[161] Lontrin provided substantially complete responses to the dumping and section 20 RFIs. Included in the response was a database of domestic sales of like goods during the POI. However, for subject goods produced by non-associated producers, the CBSA did not receive any responses to the RFIs from the manufacturers. The CBSA will continue to collect and verify information from Lontrin for purposes of the final decision.

[162] For the subject goods exported by Lontrin to Canada during the POI, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[163] For exports of subject goods produced by non-associated producers, the normal values were estimated by advancing the export price by 361.7%, based on the methodology explained in the section below entitled "All Other Exporters". For exports of subject goods produced by Lontrin, normal values were estimated based on the methodology described in the Normal Values section of this document.

[164] The total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 256.9%, expressed as a percentage of export price, for Lontrin.

All Other Exporters

[165] At the initiation of the investigation, all known and potential exporters were sent an exporter and a section 20 RFI in order to solicit information required for purposes of determining normal values and export prices of subject goods in accordance with the provisions of SIMA. Exporters who were not the manufacturer of the goods were asked to forward a copy of the RFI to each of the manufacturers concerned. As such, all exporters were given the opportunity to participate in the investigation. In the RFI, the exporters were notified that failure to submit all required information and documentation, including non-confidential versions, or failure to permit verification of any information, would result in the normal values of the subject goods exported by their company being based on the facts available. It was further stated that such a decision may be less favourable to their company than if full and verifiable information were made available.

[166] For exporters who did not provide sufficient information in response to the dumping and section 20 RFIs, normal values and export prices were estimated on the basis of facts available. In establishing the methodologies for determining these estimates, the CBSA examined all information on the record, including information from the complaint, information provided by exporters, publically available information and customs documentation.

[167] The CBSA considered that the normal values and export prices estimated for the responding exporters was the best information on which to base the methodology for estimating normal values since it was the best information available. The CBSA examined the difference between the estimated normal value and estimated export price of each individual transaction for the responding exporters in order to obtain an appropriate amount for the normal value methodology. The transactions were also examined to eliminate anomalies from being considered; such anomalies can include low volume shipments, very low value sales, effects of seasonality or other business or environmental factors.

[168] The CBSA considers that the highest amount by which the estimated normal value exceeded the estimated export price found on an individual transaction (expressed as a percentage of the export price) is an appropriate basis for estimating normal values. This method of estimating normal values is based on information on the record and limits the advantage that an exporter may gain from not providing necessary information requested in a dumping investigation as compared to an exporter that did provide the necessary information.

[169] Therefore, the normal values were estimated based on the estimated export price, plus an amount equal to 361.7% of that estimated export price.

[170] The CBSA considered that the information submitted on the CBSA customs entry documentation was the best information on which to estimate the export price of the goods as it reflects actual import data. This information is more comprehensive than what was available in the complaint.

[171] Based on the above methodologies, the estimated margin of dumping for the subject goods exported to Canada by all other exporters is of 361.7%, expressed as a percentage of the export price.

Summary of Preliminary Results - Dumping

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

Summary of Results - Dumping Period of Investigation (July 1, 2014 to June 30, 2015)

Country	Estimated Volume of Dumped Goods as Percentage of Country Imports	Estimated Margin of Dumping*	Estimated Volume of Country Imports as Percentage of Total Imports	Estimated Volume of Dumped Goods as Percentage of Total Imports
China	100%	245.5%	56.9%	56.9%

* Expressed as a percentage of the export price.

[173] Under subsection 35(1) of SIMA, the CBSA is required to terminate an investigation prior to the preliminary determination if the CBSA is satisfied that the margin of dumping of the goods of a country is insignificant or that the volume of dumped goods of a country is negligible.

[174] 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.

[175] The estimated margin of dumping of certain carbon and alloy steel line pipe from China is above 2% and is therefore not insignificant.

[176] The volume of dumped imports from China is above 3% of the total volume of goods released into Canada from all countries. Based on the definition above, the volume of dumped imports from China is not negligible.

SUBSIDY INVESTIGATION

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

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

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

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

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

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

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

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

[183] Financial contributions provided by SOEs may also be considered to be provided by the government for purposes of this investigation. A 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.

Preliminary Results of the Subsidy Investigation

[184] The following presents the preliminary results of the investigation into the subsidizing of certain carbon and alloy steel line pipe originating in or exported from China.

[185] At the initiation of the investigation, the CBSA sent subsidy RFIs to the GOC, as well as to all known exporters/producers of carbon and alloy steel line pipe in China. Information was requested in order to establish whether there had been financial contributions made by any level of government, including SOEs possessing, exercising or vested with government authority, and, if so, to establish if a benefit has been conferred on persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of certain carbon and alloy steel line pipe; and whether any resulting subsidy was specific in nature. The GOC was also requested to forward the RFIs to all subordinate levels of government that had jurisdiction over the exporters. The exporters/producers were requested to forward a portion of the RFI to their input suppliers, who were asked to respond to questions pertaining to their legal characterization as SOEs.

[186] In conducting its investigation, the CBSA requested information respecting 135 identified programs, as listed in **Appendix 2**. During the preliminary phase of the investigation, the CBSA identified 24 additional programs.

[187] The CBSA received responses to the subsidy RFI from 25 exporters, producers and related suppliers. The GOC did not provide a response to the subsidy RFI. The programs used by the responding exporters are listed in **Appendix 2**.

[188] The CBSA will continue to analyze the companies’ information during the final phase of the investigation. The CBSA may also consider any other potential subsidy programs that have not yet been identified.

[189] Estimated amounts of subsidy relating to each of the exporters that provided a response to the RFI are presented in a summary table in **Appendix 1** while the estimated amount of subsidy for China can be found in a summary table at the end of this section.

Preliminary Results of the Subsidy Investigation by Exporter

Baoshan Iron & Steel Co., Ltd. / Baosteel America Inc.

[190] Baoshan Iron & Steel Co., Ltd. (Baoshan) is a producer and exporter of the subject goods and provided a substantially complete response to the subsidy RFI. The related supplier Baosteel Resources Co., Ltd (Baosteel Resources) also provided substantially complete responses to the subsidy RFI.

[191] For purposes of the preliminary determination, Baoshan was found to have benefited from 12 subsidy programs.

[192] The estimated amount of subsidy for Baoshan is 0.16%, expressed as a percentage of the estimated export price.

Hengyang Steel Tube Group International Trading Inc. / Hengyang Valin Steel Tube Co., Ltd. / Hengyang Valin MPM Co., Ltd.

[193] Hengyang Steel Tube Group International Trading Inc., Hengyang Valin Steel Tube Co., Ltd., and Hengyang Valin MPM Co., Ltd. (collectively referred to as HYST), are related companies producing and exporting the subject goods to Canada. HYST provided a substantially complete response to the subsidy RFI. Five related suppliers, Hunan Valin Xiangtan Iron & Steel Co., Ltd., Hunan Valin Lianyuan Iron & Steel Co., Ltd., Hunan Valin Steel Co., Ltd., Yueyang Xingang Logistics Co., Ltd. and Xianggang Xiangtan Industry and Trading Co., Ltd. also provided substantially complete responses to the subsidy RFI.

[194] For purposes of the preliminary determination, HYST was found to have benefited from 15 subsidy programs.

[195] The estimated amount of subsidy for HYST is 0.44%, expressed as a percentage of the export price.

Huludao City Steel Pipe Industrial Co., Ltd.

[196] Huludao City Steel Pipe Industrial Co., Ltd. (Huludao City) is a producer and exporter of the subject goods and provided a response to the subsidy RFI. One related supplier, Huludao Bohai Oil Steel Pipe Co., Ltd. (Bohai), also provided a response to the subsidy RFI. However, the responses did not include certain information required by the CBSA to estimate an exporter specific amount of subsidy.

[197] The exporter did not provide sufficient supporting information related to the subsidy programs that it benefited from. As this information should be reasonably available to the exporter, its response to the subsidy RFI was found to be incomplete for the purposes of the preliminary determination. Therefore the amount of subsidy was estimated based on the methodology explained in the section below entitled "All Other Exporters". Further information has been requested and if provided will be considered for the purposes of the final decision, provided sufficient time is available to verify and analyze this information.

[198] The estimated amount of subsidy for Huludao City is 34.73%, expressed as a percentage of the estimated export price.

Jiangsu Changbao Steel Tube Co., Ltd.

[199] Jiangsu Changbao Steel Tube Co., Ltd. (Changbao) provided a response to the subsidy RFI. However, the response did not include certain information required by the CBSA to estimate an exporter specific amount of subsidy.

[200] The exporter did not provide sufficient supporting information related to the subsidy programs that it benefited from. As this information should be reasonably available to the exporter, its response to the subsidy RFI was found to be incomplete for the purposes of the preliminary determination. Therefore the amount of subsidy was estimated based on the methodology explained in the section below entitled "All Other Exporters". Further information has been requested and if provided will be considered for the purposes of the final decision, provided sufficient time is available to verify and analyze this information.

[201] The estimated amount of subsidy for Changbao is 34.73%, expressed as a percentage of the estimated export price.

Jiangsu Valin Xigang Special Steel Co., Ltd.

[202] Jiangsu Valin Xigang Special Steel Co., Ltd. (Jiangsu Valin) is a producer and exporter of the subject goods and provided a substantially complete response to the subsidy RFI. Five related suppliers; Hunan Valin Xiangtan Iron & Steel Co., Ltd., Hunan Valin Lianyuan Iron & Steel Co., Ltd., Hunan Valin Steel Co., Ltd., Yueyang Xingang Logistics Co., Ltd. and Xianggang Xiangtan Industry and Trading Co., Ltd. also provided substantially complete responses to the subsidy RFI.

[203] For purposes of the preliminary determination, Jiangsu Valin was found to have benefited from seven subsidy programs.

[204] The estimated amount of subsidy for Jiangsu Valin is 0.32%, expressed as a percentage of the estimated export price.

Tianjin Huilitong Steel Tube Co., Ltd. / Tianjin Longshenghua Import & Export Trade Co., Ltd.

[205] Tianjin Huilitong Steel Tube Co., Ltd. (Huilitong) is a producer of subject goods. Tianjin Longshenghua Import & Export Trade Co., Ltd. (Longshenghua) is the exporting arm of Huilitong that is used for the vast majority of export transactions during the POI. Both companies (collectively referred to as Tianjin Huilitong Group) provided responses to the subsidy RFI. However, certain information required by the CBSA to estimate an exporter specific amount of subsidy was missing.

[206] The exporter did not provide sufficient supporting information related to the subsidy programs that it benefited from. As this information should be reasonably available to the exporter, its response to the subsidy RFI was found to be incomplete for the purposes of the preliminary determination. Therefore the amount of subsidy was estimated based on the methodology explained in the section below entitled “All Other Exporters”. Further information has been requested and if provided will be considered for the purposes of the final decision, provided sufficient time is available to verify and analyze this information.

[207] The estimated amount of subsidy for Tianjin Huilitong Group is 34.73%, expressed as a percentage of the estimated export price.

Wuxi Huayou Special Steel Co., Ltd.

[208] Wuxi Huayou Special Steel Co., Ltd (Wuxi Huayou), and its related companies, including Wuxi Tube (manufacturer), Wuxi Huamo Steel Pipe Co., Ltd. (domestic sales), Wuxi Longtai Steel Pipe Co., Ltd. (domestic sales), and Wuxi Huasi Steel Pipe Co., Ltd. (raw materials) provided substantially complete responses to the subsidy RFI. The CBSA did not receive any responses to the subsidy RFI from the non-associated producers.

[209] For purposes of the preliminary determination, Wuxi Huayou was found to have benefitted from four subsidy programs. As sufficient information was not received respecting exports of subject goods produced by non-associated producers, the amount of subsidy for these goods was estimated based on the methodology explained below in the section entitled “All Other Exporters”.

[210] The estimated amount of subsidy for Wuxi Huayou is 34.64%, expressed as a percentage of the estimated export price.

Yangzhou Lontrin Steel Tube Co., Ltd.

[211] Yangzhou Lontrin Steel Tube Co., Ltd. (Lontrin) is a producer and exporter of the subject goods and provided a substantially complete response to the subsidy RFI. Some of the subject goods exported by Lontrin were purchased from non-associated manufacturers.

[212] For purposes of the preliminary determination, Lontrin was found to have benefited from 11 subsidy programs. As sufficient information was not received respecting exports of subject goods produced by non-associated manufacturers, the amount of subsidy for these goods was estimated based on the methodology explained below in the section entitled “All Other Exporters”.

[213] The estimated amount of subsidy for Lontrin is 10.37%, expressed as a percentage of the estimated export price.

All Other Exporters

[214] For all other exporters in China that did not provide sufficient information or did not provide information in a timely fashion, the CBSA estimated an amount of subsidy on the basis of facts available.

[215] In establishing the methodology for estimating amounts of subsidy, the CBSA examined all information on the record, including information from the complaint, information provided by exporters and publically available information. The CBSA considered that the information provided by exporters who provided sufficient information in response to the CBSA's RFI, as well as the information on the potentially actionable subsidy programs that were identified in the investigation was the best information on which to base the methodology for estimating amounts of subsidy. These amounts of subsidy were estimated on the basis of the following methodology:

- 1) the highest amount of subsidy for each of the 53 subsidy programs, as found at the preliminary determination, for the named exporters, plus;
- 2) the average of the amounts of subsidy for the 53 programs referenced in (1), applied to each of the remaining 106 potentially actionable subsidy programs for which sufficient information is not available or has not been provided at the preliminary determination.

[216] The CBSA considers that this is an appropriate basis for estimating the amounts of subsidy since the information available supports that the potentially actionable subsidy programs outlined in **Appendix 2** may be available to exporters and producers of the subject goods in China. Without a complete response to the subsidy RFI from the GOC and all known exporters, the CBSA does not have sufficient information to determine that any of these programs should be removed from the investigation for purposes of the preliminary determination. Furthermore, the amount of subsidy applied to each of these potentially actionable subsidy programs is based on the benefits received by the responding exporters. This method of estimating the amounts of subsidy is based on information on the record and limits the advantage that an exporter may gain from not providing necessary information requested in a subsidy investigation as compared to an exporter that did provide the necessary information.

[217] Using the above methodology, the estimated amount of subsidy for all other exporters is 34.73%, expressed as a percentage of the total estimated export price. The estimated overall weighted average amount of subsidy for China is equal to 25.87% of the total estimated export price of the subject goods.

Summary of Preliminary Results – Subsidy

[218] A summary of the preliminary results of the subsidy investigation respecting all subject goods released into Canada during the subsidy POI follows:

Summary of Results - Subsidy Period of Investigation (January 1, 2014 to June 30, 2015)

Country	Estimated Subsidized Goods as Percentage of Country Imports	Estimated Amount of Subsidy*	Estimated Volume of Country Imports as Percentage of Total Imports	Estimated Volume of Subsidized Goods as Percentage of Total Imports
China	100%	25.87%	51.7%	51.7%

* Expressed as a percentage of the export price.

[219] Under subsection 35(1) of SIMA, if, at any time before the CBSA makes a preliminary determination, the CBSA 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 CBSA must terminate the investigation with respect to that country.

[220] Pursuant to subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the export price 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 subsidized goods that are released into Canada from all countries that are of the same description as the subsidized goods.

[221] According to section 41.2 of SIMA, the CBSA is required to take into account Article 27.10 of the *WTO Agreement on Subsidies and Countervailing Measures (ASCM)* when conducting a subsidy investigation. Under Article 27.10 of the ASCM, special consideration must be given to developing countries regarding negligibility and insignificance. Neither the ASCM nor SIMA define or provide any guidance regarding the determination of a “developing country” for purposes of Article 27.10. As an administrative alternative, the CBSA refers to the [Development Assistance Committee List of Official Development Assistance Recipients \(DAC List of ODA Recipients\)](#)³² for guidance. The CBSA’s policy as of August 4, 2015, is to refer to the DAC List of ODA Recipients and consider a country as developing if it is listed as a least developed country, other low income country or lower middle income country or territory. As China is not on these lists, it is not considered to be a developing country for the purposes of this investigation.

[222] The estimated amount of subsidy of certain carbon and alloy steel line pipe for China is above 1% and is therefore not insignificant.

³² <http://www.oecd.org/dac/stats/daclist.htm>.

[223] The volume of subsidized imports from China is above 3% of the total volume of goods released into Canada from all countries. Based on the definition above, the volume of subsidized imports from China is not negligible.

DECISIONS

[224] On November 26, 2015, pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping and subsidizing respecting certain carbon and alloy steel line pipe originating in or exported from China.

PROVISIONAL DUTY

[225] Pursuant to subsection 8(1) of SIMA, provisional duty payable by the importer in Canada will be applied to dumped and subsidized imports of certain carbon and alloy steel line pipe that are released during the period commencing on the day the preliminary determinations are made and ending on the earlier of the day on which the CBSA causes the investigations to be terminated, in accordance with subsection 41(1), or the day on which the CITT makes an order or finding. The CBSA considers that the imposition of provisional duty is needed to prevent injury. As noted in the CITT's preliminary determination, there is evidence that discloses a reasonable indication that the dumping and subsidizing of certain carbon and alloy steel line pipe have caused injury or are threatening to cause injury to the domestic industry.

[226] Provisional duty is based on the estimated margin of dumping and the estimated amount of subsidy, expressed as a percentage of the export price of the goods. **Appendix 1** contains the estimated margins of dumping, estimated amounts of subsidy and the rates of provisional duty payable on subject goods released from the CBSA on and after November 26, 2015.

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

FUTURE ACTION

The Canada Border Services Agency

[228] The CBSA will continue its investigations of the dumping and subsidizing and the CBSA will make final decisions by February 24, 2016.

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

The Canadian International Trade Tribunal

[230] The CITT has begun its inquiry into the question of injury to the Canadian industry. The CITT is expected to issue its finding by March 25, 2016.

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

[232] If the CITT makes a finding that the dumping has caused injury, retardation or is threatening to cause injury, anti-dumping duty in an amount equal to the margin of dumping will be levied, collected and paid on imports of certain carbon and alloy steel line pipe.

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

[234] If the CITT makes a finding that the subsidizing has caused injury, retardation or is threatening to cause injury, countervailing duties in the amount equal to the amount of subsidy on the imported goods will be levied, collected and paid on imports of certain carbon and alloy steel line pipe.

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

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

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

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

UNDERTAKINGS

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

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

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

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

PUBLICATION

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

INFORMATION

[243] This *Statement of Reasons* has been provided to persons directly interested in these proceedings. It is also posted on the CBSA's website 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: Shawn Ryan: 416-952-0114
Jody Grantham: 613-954-7405
Ted Chester: 613-954-7170

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

Website: www.cbsa-asfc.gc.ca/sima-lmsi



Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate

Attachments

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

The following table lists the estimated margins of dumping, the estimated amounts of subsidy, and the provisional duty by exporter as a result of the decisions mentioned above. Imports of subject goods released from the Canada Border Services Agency, on or after November 26, 2015, will be subject to provisional duties at the rates specified below.

Exporter	Estimated Margin of Dumping*	Estimated Amount of Subsidy*	Provisional Duty Payable*
Baoshan Iron & Steel Co., Ltd.	71.0%	0.16%	71.16%
Hengyang Valin Steel Tube Co. Ltd. / Hengyang Valin MPM Co., Ltd.	171.7%	0.44%	172.14%
Huludao City Steel Pipe Industrial Co., Ltd.	132.1%	34.73%	166.83%
Jiangsu Changbao Steel Tube Co., Ltd.	361.7%	34.73%	396.43%
Jiangsu Valin Xigang Special Steel Co., Ltd.	309.7%	0.32%	310.02%
Tianjin Huilitong Steel Tube Co., Ltd. / Tianjin Longshenghua Import & Export Trade Co., Ltd.	143.1%	34.73%	177.83%
Wuxi Huayou Special Steel Co., Ltd.	360.8%	34.64%	395.44%
Yangzhou Lontrin Steel Tube Co., Ltd.	256.9%	10.37%	267.27%
All other exporters	361.7%	34.73%	396.43%

* As a percentage of export price

APPENDIX 2 – SUMMARY OF PRELIMINARY FINDINGS FOR NAMED SUBSIDY PROGRAMS

As noted in the body of this document, the government of China (GOC) did not submit a response to the subsidy Request for Information (RFI), which has limited the Canada Border Services Agency's (CBSA) ability to conduct a proper analysis of the programs for the preliminary determination. However, in recognition of the amount of cooperation and the volume of information provided by the responding companies, the CBSA has estimated the amounts of subsidy where possible, based on the information provided in the responses to the subsidy RFI.

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

Potentially Actionable Subsidy Programs Used by the Responding Exporters

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

II. Preferential Loans and Loan Guarantees

Program 21: Preferential Loans From State-Owned Banks

This program relates to government loans at a preferential rate of interest. The benefit provided in this case is a lower rate of interest than would otherwise be available if the enterprise had to obtain a non-guaranteed commercial loan (i.e. the benchmark non-guaranteed commercial loan). Financial institutions may be considered to constitute "government" if they possess, exercise or are vested with governmental authority, which may be indicated by the following factors:

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

Given the lack of response by the GOC, the CBSA lacked information on the financial sector in China to conclusively determine whether the financial institutions may be considered to constitute “government”. In the absence of complete information, for the purposes of the preliminary determination, the CBSA considered all state-owned banks as “government”. During the final stage of the investigation, the CBSA will attempt to obtain further information respecting the financial sector in China.

In order to assess whether or not there was a financial contribution, for the purposes of the preliminary determination, the CBSA used the benchmark interest rate provided by the one responding exporter who benefited from this program.

The CBSA considered the difference between the exporter’s loan interest rates that are below the benchmark rate to constitute a financial contribution pursuant to paragraph 2(1.6)(b) of the *Special Import Measures Act* (SIMA); i.e. 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. The above conferred a benefit to the exporter by way of reducing their financial costs upon obtaining loans from a financial institution.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether the subsidy is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA. On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

III. Grants and Grant Equivalents

On the basis of the available information, the following programs under grants and grant-equivalents constitute a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA; i.e., a practice of government that involves a direct transfer of funds. These grants confer a direct benefit equal to the amount of the grant provided.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether these programs are specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA. On the basis of the available information, these programs do not appear to be generally available to all enterprises in China and thus appear to be specific.

Program 24: Advanced Science / Technology Enterprise Grant

During the POI, one of the named exporters received a benefit under this program from the Science and Technology Bureau of Jiangdu in the form of an award for high tech products.

Program 28-1: Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” or “Famous Brands of China” – Municipal

During the POI, one of the named exporters received a benefit under this program in the form of an award under this program as its products qualified as “Well-Known Trademarks of China” or “Famous Brands of China”. This program was granted at the municipal government level.

Program 28-2: Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” or “Famous Brands of China” – Jiangsu Province

During the POI, one of the named exporters received a benefit under this program in the form of an award as its products qualified as “Well-Known Trademarks of China” or “Famous Brands of China”. This program was granted by the Commerce Bureau of Jiangsu Province.

Program 33: Emission Reduction and Energy-saving Award

During the POI, one of the named exporters received a benefit under this program in the form of grants for several environmental projects, such as emission reduction, environmental protection and obsolete technology reconstruction. This program was granted at the municipal government level.

Program 36: Energy-saving Technology Renovation Fund

During the POI, one of the named exporters received a benefit under this program in the form of a grant for energy-saving through technology.

Program 40-1: Export Assistance Grant – Jiangdu District

During the POI, one of the named exporters received a benefit under this program in the form of a grant from the Commerce Bureau of Jiangdu District, Jiangsu Province. This grant appears to have been awarded to help allow the exporter to attend an international exhibition.

Program 40-2: Export Assistance Grant – Tianjin

During the POI, one of the named exporters received a benefit under this program from the Tianjin Bureau of Finance. This grant was awarded to help cover advertising expenditures for the promotion of foreign development and services.

Program 40-3: Export Assistance Grant – Municipality A³³

During the POI, one of the named exporters received a benefit under this program from the government of Municipality A. This grant appears to have been awarded to help encourage export sales.

Program 41-1: Export Brand Development Fund – Tianjin

During the POI, one of the named exporters received a benefit under this program from the Tianjin Commission of Commerce. This grant appears to have been awarded to help develop exporting enterprises with international brands located in Tianjin.

Program 41-2: Export Brand Development Fund – Municipality A

During the POI, one of the named exporters received a benefit under this program from the government of Municipality A. This grant appears to have been awarded to help develop export brands.

Program 41-3: Export Brand Development Fund – Municipality B

During the POI, one of the named exporters received a benefit under this program from the government of Municipality B. This grant appears to have been awarded to help develop export brands.

Program 42-1: Financial Subsidy – Municipality A

During the POI, one of the named exporters received a benefit under this program in the form of a financial subsidy from the government of Municipality A.

Program 42-2: Financial Subsidy – Municipality B

During the POI, one of the named exporters received a benefit under this program in the form of a financial subsidy from the government of Municipality B.

Program 42-3: Financial Subsidy – Municipality C

During the POI, one of the named exporters received a benefit under this program in the form of a financial subsidy from the government of Municipality C.

³³ Information that is confidential to an exporter has been substituted with an alphabetical identifier in the program name and description.

Program 42-4: Financial Subsidy – Municipality D

During the POI, one of the named exporters received a benefit under this program in the form of a financial subsidy from the government of Municipality D.

Program 43: Five Points, One Line Strategy in Liaoning Province

During the POI, one of the named exporters received a benefit under this program in the form of an interest subsidy. This program appears to have been granted by the Ministry of Finance and Ministry of Commerce.

Program 50: Grant – Cleaning-production Qualified Enterprise Reward

During the POI, one of the named exporters received a benefit under this program. It appears that under this program an exporter may receive a grant for cleaning production audit fees. This program appears to be granted at the municipal level.

Program 54-1: Grant – Patent Application Assistance - Municipality A

During the POI, one of the named exporters received a benefit under this program in the form of several grants provided for patent applications. This program appears to be granted by the government of Municipality A.

Program 54-2: Grant – Patent Application Assistance - Municipality B

During the POI, one of the named exporters received a benefit under this program in the form of several grants provided for assistance with patent applications. This program appears to be granted by the government of Municipality B.

Program 54-3: Grant – Patent Application Assistance - Municipality C

During the POI, one of the named exporters received a benefit under this program in the form of a supporting fund for patents. This program appears to be granted by the government of Municipality C.

Program 55: Grant – Provincial Foreign Economy and Trade Development Special Fund

During the POI, one of the named exporters received a benefit under this program. This program appears to have been granted by the provincial government.

Program 57: Grant – Resources Conservation and Environment Protection Grant

During the POI, two of the named exporters received a benefit under this program in the form of one or more grants. These grants were used for a variety of resource conservation and environmental protection uses, such as pollution prevention, environmental protection, and sewage treatment. This program appears to have been granted at the municipal government level.

Program 59: Grant – Special Supporting Fund for Commercialization of Technological Innovation and Research Findings

During the POI, one of the named exporters received a benefit under this program. It appears that the exporter received a special supporting fund for the commercialization of technological innovation and research findings. This program appears to have been granted by the Science and Technology Bureau of Jiangdu District, Jiangsu Province.

Program 61: Grant – Subsidy from Water Saving Office

During the POI, one of the named exporters received a benefit under this program. The exporter took efforts to improve upon how it saved water and applied for a grant under this program, which was subsequently awarded. This program appears to have been granted by the Changzhou Municipal Water-saving Office.

Program 67: Grants for Export Increasing

During the POI, one of the named exporters appears to have received a benefit under this program.

Program 78: Jiangdu City Industrial Economy Performance Award (Jiangsu)

During the POI, one of the named exporters received a benefit under this program in the form of two different awards. These awards appear to have been granted for having good technology and innovative development. This program was granted by the government of Jiangdu District, Jiangsu Province.

Program 80: Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees

During the POI, two of the named exporters received a benefit under this program. Under this program an exporter may apply to receive a reimbursement of export credit insurance expenses. The eligibility criterion is that the applying company has purchased and incurred export credit insurance expenses. This program appears to have been granted at the local level.

Program 85: National High-Tech R&D Program (Also Known as the 863 Program)

During the POI, two of the named exporters received a benefit under this program in the form of multiple grants. These grants appear to have been given for having hi-tech products, achieving technology integration, improving cost performance, and researching and utilizing new technology. This program appears to have been granted at the federal level.

Program 87: Preferential Export Credit Insurance Provided by the China Export and Credit Insurance Corporation, Including Grants Provided by the GOC to Cover Export Credit Insurance Fees

During the POI, two of the named exporters received a benefit under this program in the form of preferential export credit insurance.

Program 88: Product Quality Grant

During the POI, one of the named exporters received a benefit under this program in the form of a bonus for contributing to the province's quality standard.

Program 89: Provincial Government – Equipment Grant

During the POI, two of the named exporters received a benefit under this program in the form of financial support for the procurement of infrastructure and equipment. This program appears to have been granted at the municipal level.

Program 93: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments

During the POI, two of the named exporters received a benefit under this program in the form of the reimbursement of expenses incurred in anti-dumping and countervailing investigations. This program appears to have been granted at the local level.

Program 96-1: Research & Development (R&D) Assistance Grant – Federal

During the POI, one of the named exporters received a benefit under this program in the form of several grants. These grants were provided for a variety of R&D uses, such as analyzing product characteristics, developing new technology, and optimizing design and engineering. This program appears to have been granted by the Ministry of Science and Technology of China.

Program 96-2: Research & Development (R&D) Assistance Grant – Municipal

During the POI, one of the named exporters received a benefit under this program in the form of several grants. These grants were provided for a variety of R&D uses, such as developing high performance products, researching new technology, and optimizing design and engineering. This program appears to have been granted by the municipal government.

Program 98: Subsidy for the Technology Development

During the POI, two of the named exporters received a benefit under this program in the form of several grants. These grants were provided for a variety of uses, such as factory renovations and purchasing new equipment. This program appears to have been granted by the municipal government.

Program 102: Technical Renovation Loan Interest Discount Fund

During the POI, one of the named exporters received a benefit under this program in the form of interest support.

Program 136-1: Talent Reward – Purchase of Advanced Equipment

During the POI, one of the named exporters received a benefit under this program. This program appears to have been used for the purchase of advanced equipment and was granted by the Commission of Economy and Information Technology of Jiangdu District, Jiangsu Province.

Program 136-2: Talent Reward – Provided by Provincial Government

During the POI, one of the named exporters received a benefit under this program. This program appears to provide a grant to companies that employ talented individuals, such as doctors or professors. This program was granted by the Organization Department of Jiangsu Province.

Program 136-3: Talent Reward – Provided by Municipal Government

During the POI, one of the named exporters received a benefit under this program. This program appears to provide a grant to companies that employ talented individuals, such as doctors or professors. This program was granted by the Organization Department of Yangzhou City, Jiangsu Province.

Program 137: Promoting the Construction of R&D Institution

During the POI, one of the named exporters appears to have received a benefit under this program, which appears to have been granted by the Bureau of Finance in Qishuyan District, Changzhou.

Program 138: Grant – Development of Strategic Emerging Industry

During the POI, one of the named exporters received a benefit under this program. This program appears to provide a grant to companies involved in developing a strategic emerging industry and appears to have been granted by the Bureau of Finance in Qishuyan District, Changzhou.

Program 139: Investment Plan for Energy Conservation Projects

During the POI, one of the named exporters received a benefit under this program. This program appears to provide a grant to companies involved in energy conservation projects and appears to have been granted by the Bureau of Finance in Qishuyan District, Changzhou.

Program 140: Financial Support for Foreign Trade

During the POI, one of the named exporters received a benefit under this program. This program appears to provide financial support for foreign trade and appears to have been granted by the Office of Finance in Dingyan Sub district, Qishuyan District, Changzhou.

Program 141: Fund for Industry and IT Transformation and Promotion

During the POI, one of the named exporters received a benefit under this program. This program appears to provide a grant for the purposes of transforming and promoting industry and IT and appears to have been granted by the Bureau of Finance in Qishuyan District, Changzhou.

Program 142: Financial Aid for Excellent Performance of Enterprises

During the POI, one of the named exporters received a benefit under this program. This program appears to provide financial aid for enterprises with excellent performance and appears to have been granted by the Changzhou Municipal Bureau of Finance.

Program 143: Technology Creation Award

During the POI, one of the named exporters received a benefit under this program. This program appears to provide an award for technology creation and appears to have been granted by the Bureau of Finance in Qishuyan District, Changzhou.

Program 144: Export Credit Insurance Supporting Fund

During the POI, one of the named exporters received a benefit under this program. This program appears to be a supporting fund given in a lump sum to an exporter to encourage exporters to use insurance programs offered by China Export and Credit Insurance Corporation for export credit insurance. This program appears to have been granted by the Commercial and Financial Bureau of Wuxi City.

Program 145: Contribution Award for the development of Industry and Service

During the POI, one of the named exporters received a benefit under this program. This program appears to be a grant given as a lump sum payment that is intended to help stimulate and support the development of local industry and service. This program appears to have been granted by the Wuxi City Economic Development Zone Management Committee.

Program 146: Subsidy for Supporting Energy Conservation and Emission Reduction of Local Industry

During the POI, one of the named exporters received a benefit under this program. This program appears to be a grant given as a lump sum payment that is intended to help stimulate and support energy conservation and emission reduction of local industry. This program appears to have been granted by the Finance Bureau of New District Administration Committee of Wuxi City.

IV. Preferential Tax Programs

Program 108: Corporate Income Tax Reduction for New High-Technology Enterprises

During the POI, two of the named exporters received a benefit under this program in the form of reduced corporate income tax. Under this program it appears that new high-technology enterprise are eligible to pay a reduced corporate income tax rate of 15%. This benefit is equal to the difference in taxes paid at the reduced rate versus the amount that would be paid under the regular rate.

On the basis of available information, this program constitutes a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, i.e., amounts that would otherwise be owing and due to the government are reduced or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this subsidy is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA. On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

V. Relief from Duties and Taxes on Inputs, Materials and Machinery

Program 123: Exemption of Tariff and Import VAT for the Imported Technologies and Equipment

During the POI, one of the named exporters received a benefit under this program in the form of an exemption of import taxes paid on imported technologies and equipment. This program appears to have been granted by the federal government.

On the basis of available information, this program constitutes a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, i.e., amounts that would otherwise be owing and due to the government are reduced or exempted, and confers a benefit to the recipient equal to the amount of the reduction/exemption.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this subsidy is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA. On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

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

Program 129: Input Materials Provided by Government at Less than Fair Market Value

This program relates to the provision, by the government, of goods or services at prices lower than the fair market value of the goods or services in the territory of the government providing the subsidy. Specifically, the CBSA investigated the acquisition of inputs from SOEs or state-controlled enterprises used in the production of subject goods. State-owned or state-controlled suppliers may be considered to constitute “government” if they possess, exercise or are vested with government authority, which may be indicated by the following factors:

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

In order to determine whether the exporter acquired its raw material from “government”, the CBSA requested detailed information from the exporters regarding their acquisition of input materials. The Subsidy RFI also contained a small questionnaire intended for the domestic suppliers with instructions for the exporters to forward such questionnaire to their domestic suppliers. This questionnaire requested information regarding the ownership status of the supplier and other relevant information with respect to assessing whether the supplier is considered “government”.

Information was requested from exporters with respect to the ownership status of their raw material suppliers. Responding exporters indicated that a significant amount of their purchases of inputs were from SOEs. Further, information was also requested from the GOC with respect to the ownership status of the steel producers and with respect to governmental measures affecting the steel industry as a whole. As indicated previously, the GOC has not responded to the subsidy RFI.

This lack of cooperation has limited the CBSA’s ability to properly assess whether the suppliers are “government” or to corroborate the information provided by the exporters. Based on the information provided by the exporters, in addition to other publically available information, the CBSA finds that the prevalence of SOEs has significant influence in the hot rolled steel industry in China, and that exporters of subject goods to Canada acquired hot rolled steel coils and billets from SOEs in China.

Due to the lack of cooperation by the GOC and the limited information available regarding state-owned raw material suppliers, the CBSA has not been able to perform the in-depth level of analysis necessary to determine whether all suppliers that provided hot rolled steel coil or steel billet to the exporters of subject goods are SOEs, and whether the SOEs are considered to be possessing, exercising, or vested with governmental authority. Notwithstanding, the CBSA will attempt to obtain further evidence in this regard during the final stage of the investigation.

Nevertheless, based on the information on the record concerning the section 20 inquiry, the CBSA has determined that there is evidence that the GOC exercises influence over the steel industry, which includes producers of raw materials. Accordingly, for the purposes of the preliminary determination, the CBSA is of the opinion that the government exercises meaningful control over the steel industry, and therefore all SOE suppliers are considered “government” for the purpose of the preliminary determination.

The CBSA compared the price at which the goods were provided by the government with the fair market value of the goods in China. The domestic purchases from non-SOE suppliers provided by the exporters were considered to be an appropriate benchmark. The CBSA compared the average purchase price of inputs from government and non-government suppliers on a monthly basis. When the purchase price from government suppliers was less than the purchase price from non-government suppliers for a month, the exporter was found to have benefited from this program for that month. The total benefit for the POI for each exporter was then calculated and a weighted average benefit per metric tonne was established. This benchmark will be further examined during the final stage of the investigation.

It was found that this program conferred a benefit to four of the named exporters, equal to the amount obtained using the above methodology.

On the basis of available information, this program constitutes a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA, i.e., the government provides goods or services, other than general infrastructure, or purchases goods.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this subsidy is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA. On the basis of the available information, this program does not appear to be generally available to all enterprises in China and thus appears to be specific.

OTHER POTENTIALLY ACTIONABLE SUBSIDY PROGRAMS

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

I. Special Economic Zone (SEZ) Incentives and Other Designated Areas Incentives

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

II. Preferential Loans and Loan Guarantees

- Program 12. Debt Forgiveness
- Program 13. Discounted Loans for Export-oriented Enterprises
- Program 14. Export Buyer's Credit Provided by the Export-Import Bank of China
- Program 15. Export Guarantees Provided by the GOC
- Program 16. Export Seller's Credit Provided by the Export-Import Bank of China
- Program 17. Import Credit Provided by the Export-Import Bank of China
- Program 18. Loan From Local Finance Bureau
- Program 19. Loans and Interest Subsidies provided under the Northeast Revitalization Program

- Program 20. Onlending Support Provided by the Export-Import Bank of China through Loan Guarantees or Loan Repayment
- Program 22. Trade Financing Services Provided by the Export-Import Bank of China

III. Grants and grant equivalents

- Program 23. Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin
- Program 25. Allowance to Pay Loan Interest (Zhongshan City, Guangdong)
- Program 26. Assistance for Technology Innovation - R&D Project
- Program 27. Award of Taxpayers in Yanghang Industrial Park
- Program 29. Business Bureau 2012 Market Monitoring System of Subsidies
- Program 30. Business Development Overseas Support Fund (Foshan)
- Program 31. Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)
- Program 32. Changzhou Technology Plan (Jiangsu)
- Program 34. Energy Saving Grant 2008
- Program 35. Energy-Saving Technique Special Fund
- Program 37. Enterprise Innovation Award of Qishuyan District (Jiangsu)
- Program 38. Enterprise Technology Centers
- Program 39. Environment Protection Award (Jiangsu)
- Program 44. Foreign Trade Development Fund Program – VAT Refunds
- Program 45. Fund for Urban Public Utilities
- Program 46. Government Export Subsidy and Product Innovation Subsidy
- Program 47. Government of Shijiazhuang City Export Award
- Program 48. Grant – Changzhou City Key Supporting Industry Upgrading Special Fund
- Program 49. Grant – Changzhou Five Major Industries Development Special Fund
- Program 51. Grant – Financial Subsidies from Wei Hai City Gao Cun Town Government
- Program 52. Grant – Jiangsu Province Finance Supporting Fund
- Program 53. Grant – Large Taxpayer Award
- Program 56. Grant – Provisional Industry Promotion Special Fund
- Program 58. Grant – Special Fund for Fostering Stable Growth of Foreign Trade in 2009
- Program 60. Grant – State Service Industry Development Fund
- Program 62. Grant – Water Pollution Control Special Fund for Taihu Lake
- Program 63. Grant – Wendeng Government (Shandong)
- Program 64. Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan
- Program 65. Grant for Market Promotion and Trade Development
- Program 66. Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 68. Grants for International Certification
- Program 69. Grants to Privately-Owned Export Enterprises
- Program 70. Grants under the Information Technology Program of Feicheng
- Program 71. Guangdong – Hong Kong Technology Cooperation Funding Scheme
- Program 72. Guaranteed Growth Fund
- Program 73. Innovative Experimental Enterprise Grant
- Program 74. Innovative Small and Medium-Sized Enterprise Grants
- Program 75. Interim Measures of Fund Management of Allowance for Zhongshan Enterprises to Attend Domestic and Overseas Fair (Zhongshan)
- Program 76. International Market Fund for Export Companies (Jiangmen City)

- Program 77. International Market Fund for Small- and Medium-sized Export Companies
- Program 79. Liaoning High-Tech Products & Equipment Export Interest Assistance
- Program 81. Modern Service Grant
- Program 82. Municipal Government – Exhibition Grant
- Program 83. Municipal Government – Export Grant
- Program 84. Municipal Government – Insurance Fee Grant
- Program 86. National Innovation Fund for Technology Based Firms
- Program 90. Provincial Scientific Development Plan Fund
- Program 91. Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices
- Program 92. Refund from Government for Participating in Trade Fair (Foshan)
- Program 94. Reimbursement of Foreign Affairs Services Expenses (Foshan)
- Program 95. Repaying Foreign Currency Loan by Returned VAT
- Program 97. Science and Technology Award
- Program 99. Superstar Enterprise Grant
- Program 100. Supporting Fund for Non-refundable Export Tax Loss on Mechanical & Electrical Product and High-tech Product (Jiangmen City)
- Program 101. Supportive Fund Provided by the Government of Xuyi County, Jiangsu
- Program 103. Training Program for Rural Surplus Labour Force Transfer Employment
- Program 104. The “Torch Project”
- Program 105. Venture Investment Fund of Hi-Tech Industry
- Program 106. Water Fund Refund/Exemption 2008
- Program 107. Water Saving Enterprise

IV. Preferential Tax Programs

- Program 109. Deed Tax Exemptions for Land Transferred through Merger or Restructuring
- Program 110. Exemption from City Maintenance and Construction Taxes and Education Fee Surcharges for FIEs
- Program 111. Income Tax Refund for Re-investment of FIE Profits by Foreign Investors
- Program 112. Municipal Government – Preferential Tax Program
- Program 113. Preferential Tax Policies in the Western Regions
- Program 114. Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose
- Program 115. Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment
- Program 116. Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
- Program 117. Preferential Tax Policies for Foreign Invested Export Enterprises
- Program 118. Preferential Tax Policies for the Research and Development of FIEs
- Program 119. Stamp Tax Exemption on Share Transfers under Non-tradable Share Reform
- Program 120. Tax preference available to companies that operate at a small profit
- Program 121. Two Free, Three Half Tax Exemptions for the Productive FIEs
- Program 122. VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps

V. Relief from Duties and Taxes on Inputs, Materials and Machinery

- Program 124. Import tariff and VAT exemptions for FIEs and certain domestic enterprises using imported equipment in encouraged industries
- Program 125. Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs
- Program 126. VAT Reduction and Exemption for Recycled Products
- Program 127. VAT Refunds to FIEs Purchasing Domestically-Produced Equipment

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

- Program 128. Acquisition of Government Assets at Less than Fair Market Value
- Program 130. Provision of Land for Less Than Adequate Remuneration by Jiangsu Province
- Program 131. Provision of Land for Less Than Adequate Remuneration within the Wuxi High-tech Development Zone
- Program 132. Provision of Land within the Economic and Technology Development Zone for Less Than Adequate Remuneration
- Program 133. Utilities Provided by Government at Less than Fair Market Value

VII. Equity Programs

- Program 134. Debt-to-Equity Swaps
- Program 135. Exemptions for SOEs from Distributing Dividends to the State