



Canada Border
Services Agency

Agence des services
frontaliers du Canada

OTTAWA, October 5, 2016

LLP 2016 IN

STATEMENT OF REASONS

Dumping and Subsidy Final Determinations

LARGE LINE PIPE FROM CHINA AND JAPAN

DECISION

Pursuant to paragraph 41(1)(a) of the *Special Import Measures Act*, on September 20, 2016, the Canada Border Services Agency made final determinations of dumping with respect to certain welded large diameter carbon and alloy steel line pipe (large line pipe) originating in or exported from the People's Republic of China and Japan, and subsidizing of large line pipe from the People's Republic of China.

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

TABLE OF CONTENTS

SUMMARY OF EVENTS	1
PERIOD OF INVESTIGATION	2
PROFITABILITY ANALYSIS PERIOD	2
INTERESTED PARTIES.....	2
COMPLAINANT.....	2
IMPORTERS	3
EXPORTERS.....	3
SURROGATE PRODUCERS.....	3
GOVERNMENT OF CHINA	4
PRODUCT INFORMATION.....	4
PRODUCT DEFINITION.....	4
ADDITIONAL PRODUCT INFORMATION.....	4
PRODUCTION PROCESS	6
CLASSIFICATION OF IMPORTS	7
LIKE GOODS AND CLASSES OF GOODS	7
THE CANADIAN INDUSTRY	8
IMPORTS INTO CANADA.....	8
INVESTIGATION PROCESS.....	8
DUMPING INVESTIGATION.....	9
RESULTS OF THE DUMPING INVESTIGATION BY COUNTRY.....	11
SECTION 20 INQUIRY	11
SUMMARY OF RESULTS – DUMPING	28
SUBSIDY INVESTIGATION	28
RESULTS OF THE SUBSIDY INVESTIGATION.....	30
SUMMARY OF RESULTS – SUBSIDY	31
DECISIONS	31
FUTURE ACTION.....	32
RETROACTIVE DUTY ON MASSIVE IMPORTATIONS.....	33
PUBLICATION	33
APPENDIX 1 – DUMPING AND SUBSIDY REPRESENTATIONS.....	35
APPENDIX 2 – SUMMARY OF MARGINS OF DUMPING AND	
AMOUNTS OF SUBSIDY.....	42
APPENDIX 3 – SUMMARY OF FINDINGS FOR NAMED	
SUBSIDY PROGRAMS	43

SUMMARY OF EVENTS

[1] On February 5, 2016, the Canada Border Services Agency (CBSA) received a written complaint from EVRAZ Inc. NA Canada (Regina, Saskatchewan) and Canadian National Steel Corporation (Camrose, Alberta) (collectively “Evraz” or the complainant) alleging that imports of certain welded large diameter carbon and alloy steel line pipe (large line pipe), originating in or exported from the People’s Republic of China (China) and Japan are being dumped, and that imports of large line pipe originating in or exported from China are being subsidized. The complainant alleges that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing these goods.

[2] On February 26, 2016, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. The CBSA also notified the government of China (GOC) and the government of Japan that a properly documented complaint had been filed with the CBSA. At that time, the GOC was also provided with a non-confidential version of the subsidy complaint. The GOC was invited for consultations prior to the initiation of the investigations, pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*; however, no such consultations took place.

[3] The complainant provided evidence to support the allegations that large line pipe from China and Japan has 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 March 24, 2016, pursuant to subsection 31(1) of SIMA, the CBSA initiated investigations respecting the dumping of large line pipe from China and Japan, and the subsidizing of large 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 of large line pipe from China and Japan, and the alleged subsidizing of large line pipe from China, have caused injury or retardation or are threatening to cause injury to the Canadian industry producing the like goods.

[6] On May 24, 2016, 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 large line pipe from China and Japan have caused injury or are threatening to cause injury to the domestic industry.

[7] On June 22, 2016, as a result of the CBSA’s preliminary investigations and pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping respecting large line pipe originating in or exported from China and Japan, and of subsidizing respecting large line pipe from China and began imposing provisional duties on imports of the subject goods pursuant to subsection 8(1) of SIMA.

[8] On June 23, 2016, the CITT initiated a full inquiry pursuant to section 42 of SIMA to determine whether the dumping and subsidizing of the above-mentioned goods have caused injury or retardation or are threatening to cause injury to the Canadian industry.

[9] The CBSA continued its investigations and, on the basis of the results, was satisfied that large line pipe originating in or exported from China and Japan have been dumped and that the margins of dumping were not insignificant. Consequently, on September 20, 2016, the CBSA made a final determination of dumping pursuant to paragraph 41(1)(a) of SIMA.

[10] Similarly, the CBSA was satisfied that large line pipe originating in or exported from China have been subsidized and that the amount of subsidy was not insignificant. As a result, on September 20, 2016, the CBSA also made a final determination of subsidizing pursuant to paragraph 41(1)(a) of SIMA.

[11] The CITT's inquiry into the question of injury to the Canadian industry is continuing. Provisional duties will continue to be imposed on the subject goods from China and Japan until the CITT renders its decision. The CITT has announced that it will issue its finding by October 20, 2016.

PERIOD OF INVESTIGATION

[12] The Period of Investigation (POI) with respect to the investigations covered all subject goods released into Canada from July 1, 2014 to December 31, 2015.

PROFITABILITY ANALYSIS PERIOD

[13] The Profitability Analysis Period covered domestic sales and costing information for goods sold from July 1, 2014 to December 31, 2015.

INTERESTED PARTIES

Complainant

[14] The complainant accounts for all domestic production of like goods in Canada, as defined in subsection 2(1) of SIMA. The complainant's goods are produced at manufacturing facilities at two 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

[15] Evraz Inc. NA Canada operates large line pipe manufacturing facilities in Regina, Saskatchewan. The EVRAZ North America group of companies also owns Canadian National Steel Corporation, which operates large line pipe manufacturing facilities in Camrose, Alberta.

Importers

[16] At the initiation of the investigations, the CBSA identified 34 potential importers of the subject goods based on both information provided by the complainant 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 seven responses to the importer RFI.

Exporters

[18] At the initiation of the investigations, the CBSA identified 56 potential exporters of the subject goods from information provided by the complainant and CBSA import entry documentation. The CBSA sent dumping, subsidy and section 20 RFIs to each of the potential exporters in China. Potential exporters in Japan were sent dumping RFIs only.

[19] The CBSA received five substantially complete responses to the dumping RFI from three trading companies and two producers in Japan. No complete responses to the dumping RFI, section 20 RFI or subsidy RFI were received from exporters in China.

[20] One exporter in China, Panyu Chu Kong Steel Pipe Co., Ltd. (Chu Kong), submitted responses to the dumping, subsidy and section 20 RFIs one week after the required due date. The submissions were incomplete because important questions related to cost allocations, sales expense deductions, financial data reconciliation and subsidy amounts for specific programs were left unanswered. These deficiencies were communicated to the company, who went on to submit further information. Even with these subsequent submissions, Chu Kong's responses to the RFIs remained substantially incomplete. Due to the incompleteness of the submissions, Chu Kong's information was not taken into consideration for purposes of determining normal values, export prices and the amount of subsidy.

Surrogate Producers

[21] As part of the section 20 inquiry to examine the extent of the GOC's involvement in pricing in the steel pipe sector, which includes large line pipe, the CBSA requested that producers in other countries (specifically the Republic of Korea, the United States, and the Federal Republic of Germany) provide domestic pricing and costing information concerning large line pipe. These countries were selected as they are all major exporters of large line pipe to Canada. The CBSA received no information from producers in these countries.

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. The CBSA did not receive a response to either RFI from the GOC.

PRODUCT INFORMATION

Product Definition

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

Welded large diameter carbon and alloy steel line pipe originating in or exported from the People’s Republic of China and Japan with an outside diameter greater than 24 inches (609.6 mm), and less than or equal to 60 inches (1524 mm), regardless of wall thickness, length, surface finish (coated or uncoated), end finish (plain end or beveled end), or stencilling and certification (including multiple-stenciled/multiple-certified line pipe for oil and gas transmission and other applications).

For greater certainty, the product definition includes:

- a) line pipe produced to American Petroleum Institute (“API”) specification 5L, in Grades A25, A, B and X grades up to and including X100, or equivalent specifications and grades, including specification CSA Z245.1 up to and including Grade 690;
- b) 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 Japan, 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
- c) non-prime and secondary pipes (“limited service products”).

Additional Product Information

[25] Large line pipe is used in the oil and gas sector primarily in pipelines for the transmission of oil and natural gas products over long distances, but also in a variety of mining applications, including as slurry pipe in oil sands operations.

[26] The Canadian market for large line pipe is governed by applicable line pipe specifications including Canadian Standards Association (CSA) specification Z245.1 for line pipe used in pipeline applications. Oil and gas transmission pipelines must, in turn, for example, conform to CSA Z662 (Oil and Gas Pipeline Systems). That said, international trade in line pipe is governed primarily by API specification 5L. 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. This equivalency applies to other specifications, including International Organization for Standardization (ISO), which means that a particular line pipe may be certified and stenciled as complying with multiple standards if all the requirements of each standard/grade are met (leading to dual-, triple-, and further multiple-stenciled line pipe). Indeed, 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 ordered.

[27] The complainant manufactures or is capable of manufacturing line pipe to API 5L specifications in grades up to and including X100 and to all equivalent grades under CSA Z245.1, and in all outside diameter sizes covered by the product definition.

[28] The product definition covers all large line pipe meeting or supplied to meet the above specifications and grades, as well as equivalent specifications and grades, regardless of whether the line pipe has been multiple-stenciled to indicate that it meets or is supplied to meet additional end-use specifications. For purposes of greater clarity, all large line pipe stenciled or otherwise marked as meeting or supplied to meet API 5L (or equivalent specifications) for use as oil and gas pipelines are included in the product definition regardless of whether the pipe is marked as meeting any other end-uses or is supplied to meet any other end-uses. Line pipe that is manufactured and tested to meet higher API specifications (or equivalent CSA and ISO specifications) automatically conforms to 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.

[29] Large line pipe has notable product characteristics that distinguish it from other pipe products. These include being more resistant to highly corrosive (“sour”) environments, which is accomplished by a secondary refining process in the production of the steel to increase the purity of the steel, thereby making it more resistant to corrosion from sour gas. The grain size of the steel plate used as an input into the production of large line pipe is also more refined, which affects the low-temperature toughness of the steel. Large line pipe also typically is sold in API grades of X70 or greater, which speaks to higher strengths of steel. Finally, large line pipe is characterized by higher deformability and higher pressure-crushing properties.

Production Process

[30] Submerged arc welded (SAW) large line pipe derives its name from the stage in the production process wherein the welding arc is submerged in flux while the welding occurs. The flux protects the steel in the weld area from impurities found in the air when heated to welding temperatures. Double submerged arc welded (DSAW) large line pipe requires both inside and outside welds, which are accomplished in separate processes, hence the “double” prefix. DSAW encompasses both longitudinally welded SAW (LSAW) and helical (or spiral) welded SAW (HSAW).

[31] LSAW large line pipe is most often produced using either the pyramid rolls method (also known as the rolled and welded method) or the U&O method (also known as the “U-O-E” method). The difference between these two processes exists only in the method of forming the steel cylinder. The pyramid rolls method begins with three rolls arranged in a pyramidal structure, between which the steel plate is pressed until it is formed into a cylinder – the time required depends on the grade and thickness of the plate. In the U&O method, the cylinder is first formed into a U shape using a “U” press, then curled into an O shape (i.e., a cylinder) using an “O” press. Under this method, the “E” in the U-O-E descriptor signifies the press process in which the pipe is trade (or “stitch”) welded until further SAW welding is performed.

[32] Once formed, the cylinder is then welded both from the inside and the outside longitudinally along the length of the cylinder using the SAW process, with up to five welding wires, which in the end results in a welded pipe.

[33] Stages in the LSAW production process typically include: cutting and baiting the steel into strips (“skelp”); pre-bending; forming; stitch and pre-welding; internal and external SAW processing; finishing; straightening; cold expanding (for yield strength); demagnetization; seam removal, and bevelling (depending on the order in question).

[34] HSAW (or “spiralweld”) large line pipe is characterized as a steel pipe having a DSAW seam the entire length of the pipe in a spiral form. HSAW is produced using hot-rolled coil that is formed into a hollow cylinder by twisting the skelp as it is unrolled (in the same manner that the cardboard core in a roll of paper towel is formed) and then welded as the edges come together using an automated SAW process both inside the cylinder and outside the cylinder. The end product is a welded pipe.

[35] Stages in the HSAW production process typically include: de-coiling and leveling; skelp end welding for continuous rolling; edge trimming and bevelling; forming and tack welding; cutting to length; skelp and repair welding; inside cleaning of pipe; internal and external SAW; further inside cleaning; weld seam removal at pipe ends; and beveling of pipe ends (depending on the order in question).

[36] Both LSAW and HSAW large line pipe production processes also comprise a number of quality control steps including, but not limited to, the following: skelp and edge ultrasonic testing; sampling and destructive testing; inspection of SAW; tack weld inspection; hydrostatic testing; ultrasonic testing; x-ray weld inspection/filmless radiography; final inspection; and generation of certificates. The complainant employs both the LSAW process and the HSAW process for its production of large line pipe.

[37] Using the U&O method, large line pipe is generally produced in 40-foot lengths (commonly known as “double random lengths” or “DRL”). Using the pyramid roll method, however, large line pipe is most often produced in 20-foot lengths (“single random lengths” or “SRL”) or shorter; this may require producers to girth-weld multiple sections together to achieve greater lengths, as needed. Using the spiral weld method, large line pipe can be rolled into exact lengths up to approximately 115 feet (including “triple random lengths”/“TRL” of 60 feet and “quadruple random lengths”/“QRL” of 80 feet).

[38] Small diameter line pipe (i.e., line pipe with an outside diameter of up to 24 inches) is a separate product, with wholly different costs, production processes and sales considerations. Among other characteristics of distinction, the DSAW, HSAW and LSAW processes used to produce large line pipe are different and distinct from the electric resistance weld (“ERW”) process used to produce small diameter line pipe. Moreover, a significant proportion of small diameter line pipe is sold through distributors, while large diameter line pipe is almost entirely sold directly to end users.

Classification of Imports

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

7305.11.00.21
7305.11.00.29
7305.12.00.20
7305.19.00.21
7305.19.00.29

[40] 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

[41] 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.

[42] With respect to subject goods, like goods consist of all domestically produced large line pipe.

[43] After considering the questions of use, physical characteristics and all other relevant factors, the CBSA was of the opinion that domestically produced large line pipe are like goods to the subject goods. Further, the CBSA is of the opinion that subject goods and like goods constitute only one class of goods.

[44] In its preliminary injury inquiry, the CITT also found that subject goods and like goods constitute only one class of goods.¹

THE CANADIAN INDUSTRY

[45] As previously stated, the complainant accounts for all domestic production of like goods in Canada.

IMPORTS INTO CANADA

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

[47] The following table presents the CBSA's analysis of imports of large line pipe for purposes of the final determinations:

Import Volumes of Large Line Pipe

Country	July 2014 to Dec. 2015 (1.5 years)
China	34.3%
Japan	43.6%
All Other Countries	22.1%
Total Imports	100.0%

INVESTIGATION PROCESS

[48] Regarding the dumping investigation, information was requested from all known and potential exporters, producers, vendors and importers, concerning shipments of large line pipe released into Canada during the dumping POI.

¹ CITT Preliminary Injury Inquiry No. PI-2015-003.

[49] Regarding the section 20 inquiry, information was requested from all known and potential exporters and producers of large line pipe in China and from the GOC. The CBSA also sent surrogate RFIs to all known producers of large line pipe in the Republic of Korea, the United States and the Federal Republic of Germany 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.

[50] 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 large line pipe released into Canada during the subsidy POI.

[51] 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 final phase of the investigations.

[52] 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. In addition, on-site verifications were conducted at the premises of exporters and producers in Japan during the final phase of the dumping investigation.

[53] Details pertaining to the information submitted by the exporters and producers in response to the dumping RFI as well as the results of the CBSA's dumping investigation, including the section 20 inquiry, are provided in the "Dumping Investigation" section of this document. Details pertaining to the results of the CBSA's subsidy investigation are provided in the "Subsidy Investigation" section of this document.

[54] As part of the final stage of the investigations, case briefs and reply submissions were provided by counsel representing the complainant, exporters, producers, and importers. Details of all representations are provided in **Appendix 1**.

DUMPING INVESTIGATION

[55] No complete responses to the dumping RFI or section 20 RFI were received from exporters or producers in China. The GOC did not respond to the section 20 RFI.

[56] The CBSA received substantially complete responses to the dumping RFI from three exporters and two producers of the subject goods located in Japan.

[57] The three exporters in Japan are: Marubeni-Itochu Steel Inc. (Marubeni Steel), Metal One Corporation (Metal One) and Sumitomo Corporation (Sumitomo). The two producing mills are JFE Steel Corporation (JFE) and Nippon Steel & Sumitomo Metal Corporation (Nippon Steel).

Normal Values

[58] Normal values are generally determined 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.

[59] 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 generally determined on the basis of section 20 of SIMA using either the selling prices or costs of like goods in a “surrogate” country.

[60] Where, in the opinion of the CBSA, sufficient information has not been furnished or is not available, normal values are determined pursuant to a ministerial specification in accordance with subsection 29(1) of SIMA.

[61] With respect to the exporters that provided substantially complete responses to the RFI, to the extent possible, company-specific information was used for the final determination in determining the normal values for goods shipped to Canada.

[62] For those exporters that did not provide sufficient information, the normal values of the goods were determined by advancing the export prices 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.

Export Prices

[63] The export price of the goods sold to the importers in Canada is generally 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.

[64] Where there are sales between associated persons or a compensatory arrangement exists, the export price may be determined based on the importer’s resale price of the imported goods in Canada to non-associated purchasers, less deductions for all costs incurred in preparing, shipping and exporting the goods to Canada that are additional to those incurred on the sales of like goods for use in the country of export, all costs that are incurred in reselling the goods (including duties and taxes) or associated with the assembly of the goods in Canada and an amount representative of the average industry profit in Canada, pursuant to paragraphs 25(1)(c) and 25(1)(d) of SIMA. In any cases not provided for under paragraphs 25(1)(c) and 25(1)(d) of SIMA, the export price is determined in such a manner as the Minister specifies, pursuant to paragraph 25(1)(e).

[65] Where, in the opinion of the CBSA, sufficient information has not been furnished or is not available, export prices are determined pursuant to a ministerial specification under subsection 29(1) of SIMA.

Margin of Dumping

[66] The CBSA determined a margin of dumping for each of the exporters by comparing the total normal value with the total export price of the goods. When the total export price was less than the total normal value, the difference was the margin of dumping for that specific exporter.

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

[68] In determining the margin of dumping for the country, the margin of dumping found in respect of each exporter was weighted according to each exporter's volume of subject goods released into Canada during the POI.

[69] Details relating to the margin of dumping for each of the exporters are presented in a summary table in **Appendix 2**, while the margins of dumping for China and Japan can be found in a summary table at the end of this section.

Results of the Dumping Investigation by Country

China

Section 20 Inquiry

[70] 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.² Where section 20 of SIMA is applicable, the normal values of the goods are not determined using domestic prices or costs in that country.

[71] 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.

² China is a prescribed country under section 17.1 of the *Special Import Measures Regulations*.

[72] The CBSA is required to examine whether the government of that country substantially determines domestic prices. 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.

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

[74] The complainant provided information to support these allegations concerning the steel pipe sector, which includes large line pipe. This included evidence of export controls and state-ownership in the steel industry and steel pipe sector. The complainant 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*.³

[75] At the initiation of the investigation, the CBSA had sufficient evidence, supplied by the complainant 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 large 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 large 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 large line pipe.

Summary of Chinese Exporter Responses

[76] The CBSA did not receive any complete responses to the exporter section 20 RFI from producers or exporters of subject goods in China. As previously mentioned, one exporter in China provided a partial response to the exporter section 20 RFI. The exporter's submission was incomplete because most responses did not include all of the information requested by the CBSA.

Government of China Response

[77] An RFI was sent to the GOC requesting information for the purposes of the section 20 inquiry. No response was received from the GOC.

³ Exhibit 2 (NC) – Large Line Pipe Complaint – Pages 20-30.

Surrogate Country Responses

[78] As part of the section 20 inquiry, RFIs were sent to all known producers of large line pipe in the Republic of Korea, the Federal Republic of Germany and the United States of America. No producers located in surrogate countries responded to the RFI.

Responses from Importers with Sales in Canada of Large Line Pipe from Other Countries

[79] As part of the section 20 inquiry, the RFIs sent to importers requested information on re-sales in Canada of large line pipe imported from countries other than China. The CBSA received information from five importers on re-sales in Canada of large line pipe from countries other than China; however, this information was not analysed as the CBSA did not receive substantially complete information from exporters and producers in China.

Results of the Section 20 Inquiry

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

GOC Industrial Policies

[81] 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 & Steel Revitalization/Rescue Plan

[82] 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.⁴ 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.

⁴ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 1.

[83] 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*).⁵ 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.

[84] 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 large line pipe.

12th Five-Year Development Plans for the Steel Industry

[85] The *12th Five-Year Development Plans for the Steel Industry*⁶ 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, which includes the period of investigation, 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.

⁵ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 2, pages 18-24.

⁶ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 3: 12th Five-Year Plan: Iron and Steel.

[86] Included in this plan are minimum requirements for steel production in order to eliminate smaller producers in the market. Through this plan, the GOC is continuing its reform and restructuring of the Chinese steel industry. The GOC's target was 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.

[87] 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.

[88] 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 was projected to have been relocated to the coast.⁷

[89] 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.

[90] As a result of the GOC's administration of steel production capacity, the Chinese steel industry is under the purview of the GOC.

⁷ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 4: *China Daily* Article, Steel industry plan forged.

[91] Together with the GOC's legislation: *Criterion for the Production and Operation of Steel Industry* – GY [2010] No. 105⁸ 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. 34⁹, 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*).

[92] 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.”¹⁰

[93] 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

[94] On June 23, 2011, the Steel Pipe Branch Association (Steel Pipe Branch) of the China Steel Construction Society, released the *12th Five-Year Plan for the Steel Pipe Industry* covering the period 2011-2015.¹¹ The Steel Pipe Branch is supervised by the State-owned Assets Supervision and Administration Commission¹² (SASAC) of the State Council.¹³ The CBSA considers the 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.¹⁴

⁸ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 5: Criterion for the Production and Operation of Steel Industry.

⁹ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 6: Several Observations of the General Office of the State Council.

¹⁰ *Ibid.*

¹¹ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 89.

¹² 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.

¹³ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 88.

¹⁴ *Final Determination Statement of Reasons for Pup Joints* (March 27, 2012), at para 89.

[95] 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 large line pipe.¹⁵ 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.¹⁶ These issues were addressed in the *12th Five-Year Plan for the Steel Pipe Industry*.

[96] 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.¹⁷

[97] 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.¹⁸

[98] 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 2015.¹⁹ 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

[99] As part of its section 20 analysis with respect to the influence of state-owned enterprises, the CBSA examined:

- *State ownership of the steel industry in China;*
- *Decree of the State Council of the People's Republic of China No.378; and*
- *Circular of the State-Council on Supervision of State-Owned Enterprises to Prevent Loss of State Assets.*

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

¹⁶ *Ibid.*

¹⁷ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 90.

¹⁸ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 92.

¹⁹ *Final Determination Statement of Reasons for Certain Steel Piling Pipe* (November 15, 2012) at para 91.

State ownership of the steel industry in China

[100] The complaint provides evidence that eight of the top 10 steel companies in China are state-owned. According to the complainant, these eight state-owned enterprises (SOEs) produce flat steel products and billets, and in turn provide these inputs to large line pipe producers in China.²⁰ As per the *12th Five-Year Development Plans for the Steel Industry*, these companies were expected to reach 60% of total Chinese steel production by 2015 and 70% by 2020.²¹

[101] 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.²² This indicates that the GOC exerts control over the Chinese steel industry, which includes the steel pipe sector including large line pipe.

[102] Information available from the World Steel Association and publicly available information respecting companies in China shows that nine of the ten top steel producers in China were state-owned in 2014.²³

[103] In regards to large line pipe producers, the complainant provided evidence which estimated that up to 50% in China are state-owned.²⁴

[104] The CBSA did not receive complete responses to the dumping or section 20 RFI from any exporters or producers of large line pipe in China. The GOC also did not respond to the section 20 RFI. As such, the CBSA does not have sufficient information to determine the proportion of large line pipe producers in China that are SOEs.

[105] The information provided by the complainant, and available from the World Steel Association and publicly available information respecting steel producers in China, supports the assertion that there is substantial state ownership in the steel industry in China, including the steel pipe sector, which includes large line pipe.

Decree of the State Council of the People's Republic of China No.378

[106] The *Decree of the State Council of the People's Republic of China No.378 (the Decree)*²⁵, promulgated on May 27, 2003, provides the authority for the State Council, the chief administrative authority of China, to control, supervise and manage state-owned enterprises.

²⁰ Exhibit 2 (NC) – Large Line Pipe Complaint – Pages 24-25.

²¹ *Final Determination Statement of Reasons for Certain Galvanized Steel Wire* (August 6, 2013) at para 93.

²² Exhibit 2 (NC) – Large Line Pipe Complaint – Pages 25-26.

²³ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 8: Production of Steel by SOEs in China, www.worldsteel.org, and information from the web sites of individual companies listed by the World Steel Association.

²⁴ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 25.

²⁵ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 9: *Decree of the State Council of the People's Republic of China No.378*.

[107] According to article 12 of the *Decree*, “The State-owned assets supervision and administration authority of the State Council is a specially established authority directly subordinated to the State Council which, on behalf of the State Council, performs the responsibilities of investor, supervises and manages State-owned assets of enterprises.” This indicates that the GOC has significant authority over the actions of state-owned enterprises in China.

Circular of the State-Council on Supervision of State-Owned Enterprises to Prevent Loss of State Assets

[108] On November 10, 2015, the State Council issued the *Circular of the State-Council on Supervision of State-Owned Enterprises to Prevent Loss of State Assets*. According to a summary of the circular released by the GOC, “inside and outside supervision will be strengthened on SOEs”.²⁶ A range of increased supervision efforts were listed in the summary by the GOC, including:

- improving supervision of SOEs’ key departments and subsidiaries in areas of finance, procurement, marketing, and investment
- enhancing supervision of board of directors at SOEs
- establishing audit committee made up of outside directors; and reinforcing board of supervisors
- better oversight by State assets supervisory agencies of SOEs covering investment plans
- restructuring and reorganization
- property rights management
- financial evaluation
- performance appraisal
- employment and promotion, and salary distribution
- regular inspections on all business operations and random inspections on key projects
- improvement of board of external supervisors dispatched by the government to monitor finance, major decisions, operation, managers, and board of directors of SOEs
- improvement of auditing on SOEs, especially during replacement of SOEs’ top executives

[109] Based on the summary of the GOC of its *Circular of the State-Council on Supervision of State-Owned Enterprises to Prevent Loss of State Assets*, the GOC increased its supervision of all SOEs in 2015, which includes SOEs in the steel industry.

²⁶ Exhibit 266 (PRO) – Final Determination Section 20 Report – Attachment 10: GOC summary of Circular of the State-Council on Supervision of State-Owned Enterprises to Prevent Loss of State Assets.

GOC Purchases of Line Pipe

[110] The complainant provided information which suggests the GOC is a significant purchaser of line pipe. As the ultimate owner of PetroChina, a dominant oil and natural gas pipeline transporter in China, the GOC may influence the prices of line pipe through purchases of line pipe.²⁷ The complainant did not specifically indicate the outer diameter of line pipe purchased by PetroChina, but exhibits 6-25 and 6-26 of the complaint are evidence that PetroChina transports oil and natural gas by pipeline, and oil and natural gas pipelines use both small diameter line pipe (gathering lines) and large diameter line pipe (trunk lines).²⁸

GOC Export Controls

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

[112] The GOC export controls include export quotas, export duties and other export related administrative measures and costs. These GOC measures limit or prevent the export of the raw material resulting in an increasing supply in the Chinese domestic market causing downward pressure on domestic prices, while at the same time, increasing world market prices for these materials.²⁹

[113] During the period of investigation for large line pipe, the GOC imposed an export tax of 25% on pig iron, iron and steel granules and powders, steel blooms, steel billets, and steel slab.³⁰ This discourages the export of such iron and steel products which increases their supply in the Chinese domestic market causing downward pressure on domestic prices on such products and products made from them, such as hot-rolled steel, which is the main raw material in the production of welded pipe, including large line pipe.

[114] The GOC has placed tariffs and import taxes on 78 steel products that are produced in the domestic market. The taxes are applied on finished steel materials that are re-exported after further domestic processing. The products subject to this tariff include large line pipe inputs such as hot-rolled coil.³¹

[115] The export controls of the GOC detailed above on steel products, including raw materials used in the manufacture of large line pipe, create an excess supply and therefore lower prices of raw materials for pipe manufactures than would exist in a competitive market without such controls.

²⁷ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 26 at paragraph 80.

²⁸ <http://www.cepa.com/about-pipelines/types-of-pipelines> and <http://itz.severstal.com/eng/customers/products/document788.phtml>.

²⁹ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 26 at paragraphs 82 and 83.

³⁰ www.platts.com/latest-news/metals/singapore/china-keeps-export-duty-on-semis-long-steel-products-26962149 and www.bloomberg.com/news/articles/2015-12-09/china-to-cut-some-steel-export-taxes-in-2016-amid-worsening-glut.

³¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 26 at paragraph 83.

Summary of Government Influence on Domestic Prices

[116] 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 large 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 large line pipe.

[117] 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 large line pipe.

[118] 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*, its ownership of a significant portion of the steel industry and export controls on steel products and steel inputs have 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.

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

Chinese Domestic Price Analysis

[120] In order to determine normal values pursuant to section 20 of SIMA, in addition to the requirement that the CBSA be of the opinion that the government of the prescribed country substantially determines domestic prices, the CBSA must be of the opinion that there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.

[121] At initiation, the CBSA did not have access to domestic price data for large line pipe in China. Given the absence of publicly available domestic price data, the CBSA relied on information provided by the complainant. This information consisted of a publication which included price data for line pipe products, including large line pipe, in various grades for China as well as other countries and regions. The information provided by the complainant represented the domestic prices of these goods in the respective home markets. Prices were provided by grade and expressed in USD per metric tonne.

[122] The analysis of domestic prices in China continued during the final phase of the investigation. The following explains the CBSA's analysis of domestic prices in China.

[123] The CBSA did not receive any complete responses to its dumping RFI from exporters or producers of large line pipe in China. However, Chu Kong, a Chinese exporter of subject goods, provided incomplete submissions in response to the CBSA's RFIs. These submissions contained price information on the company's domestic sales of large line pipe.

[124] Regarding prices of large line pipe in countries other than China, the CBSA did not receive any responses to its RFI sent to producers in the three surrogate countries. However, two producers in Japan responded to the RFI for purposes of the dumping investigation. Some information on the domestic selling prices of large line pipe in Japan was available from these responses and was used to compare with information available on selling prices in China from Chu Kong. The CBSA compared Chu Kong's average domestic selling price of large line pipe in China to the average of domestic selling prices of large line pipe reported by the two producers in Japan, and found significant differences.

[125] In addition to the comparison of large line pipe prices above, the CBSA also considered the information provided by the complainant respecting price data for welded line pipe products in various grades for China as well as other countries and regions.³² The complaint provided information from the publication Metal Expert which includes prices for grades X42, X52 and in some cases other grades of welded line pipe for the fourth quarter of 2014 and January 2015, which are within the period of investigation.³³ Specific price information by diameter was not publicly available.

[126] The information available from Metal Expert showed that prices of X42 grade welded line pipe in the fourth quarter of 2014 were between 18% and 29.5% higher in the comparison countries/regions of the United States, Russia, and the European Union when compared to prices in China. In January 2015, prices for such goods were between 25% and 37.5% higher in the comparison countries/regions.

[127] The Metal Expert information provided by the complainant also showed prices for grade X52 LSAW (longitudinally submerged arc welded) line pipe in China and the Middle East in the fourth quarter of 2014 and January 2015.³⁴ The prices for grade X52 LSAW line pipe were quoted by Metal Expert as 22% lower in China than in the Middle East in the fourth quarter of 2014, and 23% lower in China than in the Middle East in January 2015.

[128] The CBSA also compared the average of the price of large line pipe in Japan reported by two producers in Japan to the prices reported in Metal Expert for sales in China of line pipe, including large line pipe, and found significant differences.

[129] The Metal Expert pricing information provided by the complainant consists of averages for all diameters of line pipe, including larger diameters.

³² Exhibit 1 (PRO) – Large Line Pipe Complaint – Exhibit 6-30.

³³ Exhibit 1 (PRO) – Large Line Pipe Complaint – Exhibit 6-30.

³⁴ *Ibid.*

[130] The CBSA acknowledges certain limitations in the price analysis contained above, such as that average price information in China and other countries from Metal Expert is only available at the grade level for line pipe (grades X42 and X52) and not by diameter.

[131] Given that line pipe, including large line pipe, is a commodity product freely traded on the world market, these price discrepancies are evidence that domestic prices of line pipe, including large line pipe, in China are not being determined under competitive market conditions. The information discussed above supports the conclusion that the domestic prices of large line pipe in China are not substantially the same as they would be if they were determined in a competitive market.

Summary of the Results of the Section 20 Inquiry

[132] The wide range and material nature of the GOC measures have resulted in significant influence on the steel pipe sector in China, which includes large 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.

[133] Based on the above analysis, for the purposes of the final determination, the CBSA affirmed the opinion rendered at the preliminary determination that the conditions described in paragraph 20(1)(a) apply in the steel pipe sector in China, which includes large line pipe.³⁵

All Exporters – China

[134] As the exporters in China did not provide complete responses to the dumping RFI, the normal values and export prices were determined based on a ministerial specification pursuant to subsection 29(1) of SIMA based on the methodologies explained in the section below entitled “All Other Exporters – Japan”.

[135] Based on these methodologies, the margins of dumping for the exporters in China are equal to 95.0%, expressed as a percentage of export price.

Japan

[136] Further to a comprehensive review of the responses from both the producers and the trading companies in Japan, and in consideration of relevant jurisprudence and policy guidelines regarding the identification of the exporter, the CBSA concluded that, for the purposes of the final determination, the three trading companies are the exporters of the subject goods.

³⁵ Preliminary Determination *Statement of Reasons* for Large Line Pipe; July 7, 2016.

Marubeni Steel

[137] Marubeni Itochu Steel Inc. (Marubeni Steel) is considered to be an exporter of subject goods and is located in Japan. During the POI, Marubeni Steel purchased the subject goods that it exported to Canada from an unassociated Japanese producer.

[138] Marubeni Steel provided a substantially complete response to the CBSA's dumping RFI. Supplemental RFIs were sent to Marubeni Steel to gather additional information and to seek clarification for certain questions. The producer of the goods provided the CBSA with information on the production of the subject goods exported by Marubeni Steel, including complete responses to the CBSA's dumping RFI and supplemental RFIs. Officers of the CBSA met with representatives of Marubeni Steel and the producer of the goods at their offices in Japan to verify the information provided.

[139] Marubeni Steel did not have domestic sales of like goods during the PAP. Normal values were determined in accordance with paragraph 19(b) of SIMA, as the sum of cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The CBSA received a complete response from the producer and was able to calculate the cost of production of the goods. An amount for administrative, selling and all other costs was calculated for both the producer and the exporter in accordance with subsection 11(3) of SIMR. Amounts for profits were calculated in accordance with subparagraph 11(1)(b)(vi) of the SIMR, based on the weighted average profits of two Japanese producers on sales of welded line pipe that were made in the country of export during the PAP.

[140] During the POI, Marubeni Steel sold subject goods to its related Canadian importer, Marubeni Itochu Tubulars Canada (Marubeni Canada). Due to the relationship between the two companies, a reliability test was performed to determine whether the prices between the companies were reliable as envisaged by SIMA. This test was conducted by comparing the section 24 export prices with the section 25 export prices. In accordance with paragraph 22(c) of SIMR, the CBSA used profit information provided by vendors of large line pipe and other products in Canada. The test revealed that the export prices determined in accordance with section 24 of SIMA were reliable and, therefore, export prices for sales to Marubeni Canada were determined in accordance with section 24 of SIMA.

[141] For the final determination, the total normal value compared with the total export price resulted in a margin of dumping of 22.1% for Marubeni Steel, expressed as a percentage of export price.

Metal One

[142] Metal One is considered to be an exporter of subject goods and is located in Japan. During the POI, Metal One purchased the subject goods that it exported to Canada from unassociated Japanese producers.

[143] Metal One provided a substantially complete response to the CBSA's dumping RFI. Supplemental RFIs were sent to Metal One to gather additional information and to seek clarification for certain questions. The producers of the goods provided the CBSA with information on the production of the subject goods exported by Metal One, including complete responses to the CBSA's dumping RFI and supplemental RFIs. Officers of the CBSA met with representatives of Metal One and the producers of the goods at their offices in Japan to verify the information provided.

[144] Metal One did not have domestic sales of like goods during the PAP. Normal values were determined in accordance with paragraph 19(b) of SIMA, as the sum of cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The CBSA received a complete response from the producers and was able to calculate the cost of production of the goods. An amount for administrative, selling and all other costs was calculated for both the producer and the exporter in accordance with subsection 11(3) of SIMR. Amounts for profits were calculated in accordance with subparagraph 11(1)(b)(vi) of the SIMR, based on the weighted average profits of two Japanese producers on sales of welded line pipe that were made in the country of export during the PAP.

[145] During the POI, Metal One sold subject goods to four Canadian importers, Cantak Corporation (Cantak), Edgen Murray Corporation, CFP Industries Inc. and NOV Wilson. The majority of subject goods exported to Canada by the exporter were sold to Cantak, a related importer. Due to the relationship between the two companies, a reliability test was performed to determine whether the prices between the companies were reliable as envisaged by SIMA. This test was conducted by comparing the section 24 export prices with the section 25 export prices. The test revealed that the section 24 export prices were unreliable and, therefore, export prices for sales to Cantak were determined in accordance with paragraph 25(1)(c) of SIMA which is based on the importer's resale prices of the imported goods in Canada to unrelated purchasers, less deductions for all costs incurred in preparing, shipping and exporting the goods to Canada that were additional to those incurred on sales of like goods for use in the country of export, all costs included in the resale prices that were incurred in reselling the goods in Canada (including duties and taxes) and an amount representative of the average industry profit in Canada. The amount for profit was determined in accordance with paragraph 22(c) of SIMR, using profit information provided by vendors of large line pipe and other products in Canada.

[146] For subject goods that were not sold to the related importer, export prices were determined in accordance with section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, less all costs, charges and expenses resulting from the exportation of the goods.

[147] For the final determination, the total normal value compared with the total export price results in a margin of dumping of 43.1% for Metal One, expressed as a percentage of export price.

Sumitomo

[148] Sumitomo is considered to be an exporter of subject goods and is located in Japan. During the POI, Sumitomo purchased the subject goods that it exported to Canada from an unassociated Japanese producer.

[149] Sumitomo provided a substantially complete response to the CBSA's dumping RFI. Supplemental RFIs were sent to Sumitomo to gather additional information and seek clarification. The producer of the goods provided the CBSA with information on the production of the subject goods exported by Sumitomo, including complete responses to the CBSA's dumping RFI and supplemental RFIs. Officers of the CBSA met with representatives of Sumitomo and with representatives of the producer of the goods at their offices in Japan to verify the information provided.

[150] Sumitomo did not have domestic sales of like goods during the PAP. Normal values were determined in accordance with paragraph 19(b) of SIMA, as the sum of cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The CBSA received complete responses to the RFI and supplemental RFIs from the producer and was able to calculate the cost of production of the goods. An amount for administrative, selling and all other costs was calculated for both the producer and the exporter in accordance with subsection 11(3) of SIMR. Amounts for profits were calculated in accordance with subparagraph 11(1)(b)(vi) of the SIMR, based on the weighted average profits of two Japanese producers on sales of welded line pipe that were made in the country of export during the POI.

[151] During the POI, Sumitomo sold subject goods to two Canadian importers, including one related importer, Sumitomo Canada Limited (Sumitomo Canada). Due to the relationship between the two companies, a reliability test was performed to determine whether the prices between the companies were reliable as envisaged by SIMA. This test was conducted by comparing the section 24 export prices with the section 25 export prices. The test revealed that the section 24 export prices were unreliable and, therefore, export prices for sales to Sumitomo Canada were determined in accordance with paragraph 25(1)(c) of SIMA which is based on the importer's resale prices of the imported goods in Canada to unrelated purchasers, less deductions for all costs incurred in preparing, shipping and exporting the goods to Canada that were additional to those incurred on sales of like goods for use in the country of export, all costs included in the resale prices that were incurred in reselling the goods in Canada (including duties and taxes) and an amount representative of the average industry profit in Canada. The amount for profit was determined in accordance with paragraph 22(c) of SIMR, using profit information provided by vendors of large line pipe and other products in Canada.

[152] For subject goods that were not sold to the related importer, export prices were determined in accordance with section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, less all costs, charges and expenses resulting from the exportation of the goods.

[153] The total normal value compared with the total export price results in a margin of dumping of 44.6%, expressed as a percentage of export price, for Sumitomo.

All Other Exporters – Japan

[154] At the initiation of the investigation, all known and potential exporters were sent a dumping 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. 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, may 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 would be less favourable to their company than if complete and verifiable information were made available.

[155] Where, in the opinion of the CBSA, sufficient information regarding the subject goods was not provided, normal values and export prices were determined under a ministerial specification pursuant to subsection 29(1) of SIMA on the basis of facts available. In establishing the methodology for determining normal values and export prices under the ministerial specification, the CBSA examined all information on the record, including information from the complaint, information provided by exporters, publicly available information and customs documentation.

[156] The CBSA considered that the normal values and export prices determined for the exporters where sufficient information was provided, rather than the information provided in the complaint, was the best information on which to base the methodology for determining normal values since it reflects exporters' trading practices during the POI. The CBSA examined the difference between the normal value and export price of each individual transaction for the exporters where sufficient information was provided in order to obtain an appropriate amount for the normal value methodology. The transactions were also examined to ensure that anomalies were not considered; such anomalies can include low volume shipments, very low value sales, effects of seasonality or other business or environmental factors. However, no anomalies were identified.

[157] The CBSA considers that the highest amount by which the normal value exceeded the export price found on an individual transaction (expressed as a percentage of the export price), is an appropriate basis for determining normal values. This method of determining 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. Therefore, the normal values were determined under a ministerial specification pursuant to subsection 29(1) of SIMA, based on the export price as determined under section 24, 25 or 29 of SIMA, plus an amount equal to 95.0% of that export price.

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

[159] Based on the above methodologies, the subject goods exported to Canada by all other exporters were found to be dumped by a margin of dumping of 95.0%, expressed as a percentage of the export price.

Summary of Results – Dumping

[160] A summary of the 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 December 31, 2015)

Country	Volume of Dumped Goods as Percentage of Country Imports	Margin of Dumping*	Volume of Dumped Goods as Percentage of Total Imports
China	100%	95.0%	34.3%
Japan	100%	48.1%	43.6%

* Expressed as a percentage of the export price.

[161] Under paragraph 41(1)(a) of SIMA, the CBSA shall make a final determination of dumping when it is satisfied that the goods have been dumped and that the margin of dumping of the goods of a country is not insignificant. Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price of the goods is defined as insignificant.

[162] The margins of dumping of large line pipe from China and Japan are above 2% of the export price of the goods and are, therefore, not insignificant.

SUBSIDY INVESTIGATION

[163] 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.

[164] 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.

[165] 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.

[166] 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.

[167] 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/or
- (d) the manner in which discretion is exercised by the granting authority indicates that the subsidy is not generally available.

[168] 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.

[169] 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.

Results of the Subsidy Investigation

[170] At the initiation of the investigation, the CBSA sent subsidy RFIs to the GOC, as well as to all known exporters/producers of large 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 large 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. Information was requested respecting 160 programs identified at the initiation of the investigation, as listed in **Appendix 3**.

[171] As such, the GOC and all exporters were given the opportunity to participate in the investigation. They were also 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 amount of subsidy on the subject goods exported by their company being based on the facts available to the CBSA. It was further stated that such a decision may be less favourable to their company than if complete and verifiable information was made available.

[172] The GOC did not submit a response to the subsidy RFI.

[173] One exporter from China, Chu Kong, provided a partial response to the subsidy RFI after the required due date. The exporter's submission was incomplete because questions related to subsidy amounts for specific programs were left unanswered. Due to the incompleteness of Chu Kong's responses, the response to the subsidy RFI was not taken into consideration for the purposes of the final determination.

[174] At the initiation of the subsidy investigation, the CBSA identified 160 potential subsidy programs. During the preliminary and the final phases of the investigation, no additional programs were identified and no programs were removed from the listing. A list of these 160 programs is provided in **Appendix 3**.

All Exporters in China

[175] The CBSA is unable to calculate specific subsidy amounts on a per program basis for exporters in China because they did not provide sufficient information. As such, the amounts of subsidy have been determined under a ministerial specification, pursuant to subsection 30.4(2) of SIMA on the basis of the facts available.

[176] In establishing the methodology for determining the amount of subsidy, the CBSA examined all information on the record, including information from the complaint and publically available information. Given the lack of information, the CBSA considered that the methodology used at the initiation of the investigation was the most appropriate. Therefore, the amount of subsidy was based on the difference between the cost of production, as determined by the CBSA, and the selling prices reported in customs entry documents of subject goods sold to importers in Canada. The CBSA determined these costs based on the complainant's costs, adjusted to reflect the difference in wages between Canada and China. Since the subsidy programs are believed to significantly lower the cost of production of the subject goods, this was a reasonable method to calculate the amount of subsidy.

[177] Using the above methodology, the amount of subsidy for all exporters is 30.3%, expressed as a percentage of the export price.

Summary of Results – Subsidy

[178] The following table summarizes the results of the subsidy investigation respecting all subject goods released into Canada during the POI:

Summary of Results – Subsidy
Period of Investigation (July 1, 2014 to December 31, 2015)

Country	Volume of Subsidized Goods as Percentage of Country Imports	Amount of Subsidy*	Volume of Subsidized Goods as Percentage of Total Imports
China	100%	30.3%	34.3%

* expressed as a percentage of export price.

[179] In making a final determination of subsidizing under paragraph 41(1)(a) of SIMA, the CBSA must be satisfied that the subject goods have been subsidized and that the amount of subsidy on the goods of a country is not insignificant. According to subsection 2(1) of SIMA, an amount of subsidy that is less than 1% of the export price of the goods is considered insignificant.

[180] The amount of subsidy of large line pipe originating in or exported from China is above 1% and is, therefore, not insignificant.

DECISIONS

[181] On the basis of the results of the dumping investigation, the CBSA is satisfied that large line pipe originating in or exported from China and Japan have been dumped and that the margins of dumping are not insignificant. Consequently, on September 20, 2016, the CBSA made a final determination of dumping pursuant to paragraph 41(1)(a) of SIMA.

[182] On the basis of the results of the subsidy investigation, the CBSA is satisfied that large line pipe originating in or exported from China have been subsidized and that the amount of subsidy is not insignificant. Consequently, on September 20, 2016, the CBSA made a final determination of subsidizing pursuant to paragraph 41(1)(a) of SIMA.

FUTURE ACTION

[183] The provisional period began on June 22, 2016, and will end on the date the CITT issues its finding. The CITT is expected to issue its decision by October 20, 2016. Subject goods imported during the provisional period will continue to be assessed provisional duties as determined at the time of the preliminary determinations. For further details on the application of provisional duties, refer to the *Statement of Reasons* issued for the preliminary determinations, which is available through the CBSA's website at: www.cbsa-asfc.gc.ca/sima-lmsi/menu-eng.html.

[184] If the CITT finds that the dumped and subsidized goods have not caused injury and do not threaten to cause injury, all proceedings relating to these investigations will be terminated. In this situation, all provisional duties paid or security posted by importers will be returned.

[185] If the CITT finds that the dumped and subsidized goods have caused injury, the anti-dumping and/or countervailing duties payable on subject goods released by the CBSA during the provisional period will be finalized pursuant to section 55 of SIMA. Imports released by the CBSA after the date of the CITT's finding will be subject to anti-dumping duty equal to the margin of dumping and countervailing duty equal to the amount of subsidy.

[186] The importer in Canada shall pay all applicable duties. If the importers of such goods do not indicate the required SIMA code or do not correctly describe the goods in the customs documents, an administrative monetary penalty could be imposed. The provisions of the *Customs Act* apply with respect to the payment, collection or refund of any duty collected under SIMA.³⁶ As a result, failure to pay duty within the prescribed time will result in the application of interest.

[187] In the event of an injury finding by the CITT, normal values have been provided to the named exporters for future shipments to Canada and these normal values would come into effect the day after an injury finding. Information regarding normal values of the subject goods should be obtained from the exporter.

³⁶ *Customs Act* R.S.C. 1985.

[188] Exporters of subject goods who did not provide sufficient information in the dumping investigation will have normal values established by advancing the export price by 95.0% based on a ministerial specification pursuant to subsection 29(1) of SIMA. Anti-dumping duty will apply based on the amount by which the normal value exceeds the export price of the subject goods. Similarly, exporters of subject goods who did not provide sufficient information in the subsidy investigation will be subject to a countervailing duty amount of 1,657.11 Renminbi per metric tonne, based on a ministerial specification pursuant to subsection 30.4(2) of SIMA.

[189] For purposes of the preliminary determination of dumping or subsidizing, the CBSA is responsible for determining whether the actual and potential volume of goods is negligible. After the preliminary determination of dumping or subsidizing, the CITT, 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

[190] 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.

[191] 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.

PUBLICATION

[192] A notice of these final determinations of dumping and subsidizing will be published in the *Canada Gazette* pursuant to paragraph 41(3)(a) of SIMA.

INFORMATION

[193] This *Statement of Reasons* has been provided to persons directly interested in these proceedings. It is also available through 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: Wayne Tian: 613-946-2574
Laura Fast: 613-954-7370
Laurie Trempe-Kermoud: 613-954-7337

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

1. Appendix 1 - Dumping and Subsidy Representations
2. Appendix 2 - Summary of Margins of Dumping and Amounts of Subsidy
3. Appendix 3 - Summary of Findings for Named Subsidy Programs

APPENDIX 1 – DUMPING AND SUBSIDY REPRESENTATIONS

Case briefs were received on behalf of:

- Evraz Canada (Evraz) (complainant)³⁷;
- JFE Steel Corporation (JFE) (producer)³⁸;
- Nippon Steel & Sumitomo Metal Corporation (Nippon Steel) (producer)³⁹;
- Sumitomo Corporation (Sumitomo) (exporter) and Sumitomo Canada Limited (Sumitomo Canada) (related importer)⁴⁰; and,
- Metal One Corporation (Metal One) (exporter) and Cantak (related importer).⁴¹

Reply submissions were received on behalf of:

- Evraz⁴²;
- JFE⁴³;
- Nippon Steel⁴⁴;
- Sumitomo and Sumitomo Canada⁴⁵; and,
- Metal One and Cantak.⁴⁶

Identification of the exporter

In their case briefs, Sumitomo and Nippon Steel submitted that the exporter of the subject goods produced by Nippon Steel and sold to importers in Canada was Nippon Steel. The reasons provided in support of that position include: the relevance of certain information on sales, shipping and customs documents, the identity of the “principal player” in the export transaction (that being the determinative factor), the party with the power to ship the goods to Canada on its own account (rather than in service to another) and how contracts between the parties affect such power, communication between the producer and importers and end-users in Canada, the function of vendors as “sogo shosha” (a Japanese term for trading company that provides certain sales services) to facilitate the export of goods on behalf of producers, that had knowledge that the goods would be shipped to Canada, and differences between the facts in this case and facts in *EMCO Electric International – Electrical Resource International v. President of the Canada Border Services Agency (“EMCO”)*⁴⁷ and the decision of the Federal Court in *J.B. Multi-National Trade Inc. v. Deputy M.N.R.C.E.*⁴⁸

³⁷ Exhibit 234 (NC) – Complainant Case Brief (EVRAZ).

³⁸ Exhibit 225 (NC) – JFE Steel Corporation Case Brief.

³⁹ Exhibit 229 (NC) – Nippon Steel & Sumitomo Metal Corporation Case Brief.

⁴⁰ Exhibit 227 (NC) – Sumitomo Corporation/Sumitomo Canada Limited Case Brief.

⁴¹ Exhibit 230 (NC) – Metal One Corporation/Cantak Case Brief.

⁴² Exhibit 243 (NC) – Complainant Reply Submission (Evraz).

⁴³ Exhibit 247 (NC) – JFE Steel Corporation reply submission.

⁴⁴ Exhibit 249 (NC) – Nippon Steel & Sumitomo Metal Corporation reply submission.

⁴⁵ Exhibit 245 (NC) – Sumitomo Corporation/Sumitomo Canada Limited reply submission.

⁴⁶ Exhibit 251 (NC) – Metal One Corporation/Cantak reply submission.

⁴⁷ (2009), AP-2008-010, 2009 CanLII 43145 (CITT).

⁴⁸ *J.B. Multi-National Trade Inc. v. The Deputy Minister of National Revenue for Customs and Excise* (April 28, 1994) AP-93-055 (CITT) [“*J.B. Multi-National*”].

In its case brief, JFE submitted that they are the exporter of the subject goods. Counsel for JFE submitted that trading houses and their Canadian affiliates act as sales agents for JFE, pursuant to agreements between JFE and individual trading companies. Counsel further argued that trading companies are facilitators in the export of the pipe to Canada and that JFE is the principal in the transactions rather than the trading houses.

In its case brief, Evraz argued that Sumitomo, Metal One and Marubeni-Itochu Steel Inc. (Marubeni Steel) were the exporters of the subject goods produced in Japan, and provided reasons in support of that position, including assertions respecting the ownership of the goods at the time the goods were sent to Canada, the identification of the principals in the transactions, the location of the trading companies in the country of export, that the relationships between the Japanese producers and the trading companies were at arms' length, and other assertions that were designated as confidential.

In their reply submissions, Sumitomo and Nippon Steel challenged statements made by Evraz in its case brief on the issue of the identity of the exporter and submitted that in its case brief Evraz treated "the trading companies' collectively as though they were a single entity with identical commercial realities" and argued that "evidence is not transferrable and interchangeable across the companies."

Counsel for JFE submitted in its reply submission that goods are sent to Canada when the ship leaves the port, and that the owner of the goods is the Canadian importer. JFE also argued that trading companies are not responsible for exploring business opportunities, determining which supplier they should source goods from, and bear no risk of the export transaction.

In its reply submission, Evraz challenged statements made by Sumitomo and Nippon Steel on the issue of the identity of the exporter. Evraz made other arguments in its reply submission that include information designated as confidential.

In the reply submission, counsel for Metal One disputed arguments made by Evraz on the issue of the identity of the exporter and maintained its position that the producer is the exporter based on the information submitted on the records.

CBSA's Response

In examining the evidence available on the record, the CBSA considered the arguments made by the parties to the investigation. The CBSA examined the evidence available for each group of companies individually.

The CBSA determined that Sumitomo, Metal One and Marubeni Steel were the exporters of the subject goods, based on the following considerations, the details of which are confidential:

- 1) the roles of the parties as they relate to exercising the power to send the goods to Canada:
 - a) ownership of the goods including ownership at the time the goods were sent to Canada
 - b) the parties that incurred costs for logistics services and insurance
 - c) the roles of the parties in designating the vessel on which the goods were shipped to Canada
 - d) information on commercial invoices
 - e) information on bills of lading
 - f) information on export permits
 - g) information in contracts
 - h) statements of the parties in relation to the above

- 2) the roles of the parties in determining prices to Canada:
 - a) ownership of the goods including ownership at the time the goods were sent to Canada
 - b) information on commercial invoices
 - c) information in contracts
 - d) the roles of the parties in securing sales to Canada
 - e) the roles of the parties in communicating with customers in Canada
 - f) statements of the parties in relation to the above

A reasonable amount for profits pursuant to subparagraph 19(b)(iii) of SIMA

Sumitomo argued that if the CBSA disagrees that Nippon Steel is the exporter of certain subject goods and finds Sumitomo to be the exporter of those goods, the amount for profits should be determined pursuant to subparagraph 11(1)(b)(ii) of SIMR, which should be calculated using “the profit earned by Sumitomo on domestic sales reflected in Sumitomo’s revised Appendix 2 filed in response to SRFI #3.”

Sumitomo argued that if for any reason the CBSA does not use the information it provided to determine an amount for profits, the CBSA should determine an amount for profits using information provided by Nippon Steel in its Appendix 2.3 database of domestic sales and “verifiable sales of other producers of the same category of goods in accordance with SIMR section 11(1)(b)(iii).”

Counsel for JFE submitted in their case brief and reply submission that the profit amount used to calculate normal values under paragraph 19(b) should be based on domestic sales of all welded pipe.

Evraz argued that the CBSA should determine an amount for profits pursuant to subparagraph 11(1)(b)(iv) of SIMR using information provided by Japanese producers on sales in Japan of welded carbon and alloy steel line pipe, and that such goods should be considered goods of the same general category; however, Evraz argued that if the CBSA determines amount for profit pursuant to subparagraphs 11(1)(b)(v) or 11(1)(b)(vi) of SIMR, "...welded steel pipe that are not line pipe should not be included in the CBSA's categorization of the 'largest category of goods'."⁴⁹

In its reply submission, Nippon Steel argued with the proposal of Evraz regarding the scope of goods to be included in goods of the next largest group pursuant to subparagraph 11(1)(b)(vi) of SIMR.

In its reply submission, Evraz argued that the CBSA cannot use subparagraphs 11(1)(b)(i), (ii) and (iii) of SIMR to determine a reasonable amount for profits.

CBSA's Response

After considering the information provided by all parties, the CBSA used domestic sales of welded line pipe made by Japanese producers to determine an amount for profits pursuant to subparagraph 19(b)(iii) of SIMA and subparagraph 11(1)(b)(vi) of SIMR, because it is the best information available after taking into account the requirements of sections 15 and 16 of SIMA as required by paragraph 13(a) of SIMR. In addition, such sales permit a proper comparison as required by paragraph 11(1)(b) of SIMR. Sales of other types of pipe were not included in the determination of amounts for profits as the selling prices and costs, and therefore the amounts for profits, were not comparable to large line pipe.

A reasonable amount for administrative, selling and all other costs pursuant to subparagraph 19(b)(ii) of SIMA

In its case brief, Nippon Steel argued that the CBSA should determine an amount for administrative, selling and all other costs for Nippon Steel pursuant to subparagraph 19(b)(ii) of SIMA using the "POI Allocation Cost" in verification exhibit 20 of Nippon Steel.

In its case brief, Sumitomo argued that for purposes of determining an amount for administrative, selling and all other costs, including an amount for interest expense, pursuant to subparagraph 19(b)(ii) of SIMA, the CBSA should use the amounts contained in the company's Appendix 1 database of sales of subject goods to Canada.

⁴⁹ Exhibit 234 (NC) – Complainant Case Brief (Evraz), paragraph 56.

On August 9, 2016, Sumitomo submitted a revised Appendix 2 listing of domestic sales that included a method, designated confidential, for calculating administrative, selling and all other costs different from the method in its previous version of Appendix 2.⁵⁰ In notes accompanying the revised Appendix 2, Sumitomo explained that the previous method was inaccurate for a reason that was designated confidential.

In its case brief, Evraz argued that the CBSA should not accept the revised allocation for administrative, selling and all other costs contained in the Appendix 2 database of Sumitomo because additional information would be required, because the method used “runs contrary to the CBSA’s instructions” in the RFI, because “Sumitomo is not substantially in the market of selling domestic line pipe” and another reason designated as confidential.

In its reply submission, Sumitomo argued that Evraz had incorrectly alleged that the allocation for administrative, selling and all other costs contained in the Appendix 2 database of Sumitomo is an allocation based on selling prices, and that the company used two non-sales “value based” allocation methodologies.

In its reply submission, Evraz disagreed with the argument made by Nippon Steel that certain amounts should not be included in the allocation of an amount for administrative, selling and all other costs pursuant to subparagraph 19(b)(ii) of SIMA.

CBSA’s Response

In examining the evidence available on the record, the CBSA considered the arguments made by the parties to the investigation.

In determining an amount for administrative, selling and all other costs for Nippon Steel, including an amount for interest expenses, the CBSA made adjustments for some of the items as requested by Nippon Steel in its verification exhibit 20; the CBSA considered the remaining items to be reasonably attributable to sales of line pipe.

In determining an amount for administrative, selling and all other costs, including an amount for interest expenses, for sales of subject goods by Sumitomo, the CBSA used the method provided by Sumitomo in its Appendix 1 database.

In determining an amount for administrative, selling and all other costs, including an amount for interest expenses, for sales made in Japan as contained in the Appendix 2 database of sales provided by Sumitomo, the CBSA did not use the method provided by Sumitomo in its revised Appendix 2 database because the CBSA disagreed with the method provided and was not able to verify the information on which it was based; instead, the CBSA used other verified information provided by Sumitomo as a reasonable amount for amount for administrative, selling and all other costs.

⁵⁰ Exhibit 211 (NC) – Response to Supplementary RFI #3 from Sumitomo Corporation.

Industry profit in Canada pursuant to section 22 of SIMR

In its case brief, Sumitomo argued that the CBSA should continue to calculate the profit deduction under section 22 of SIMR based on information provided by vendors identified in the CBSA's "Industry Profit Memo".

In its case brief, Evraz argued that the sales between the related parties are unreliable and that the CBSA should determine an amount for industry profit pursuant to section 29 of SIMA. Evraz submitted that the profit ratio of Canadian pipe vendors, as reported by Statistics Canada, is the best information available on the record for determining an amount for industry profit.

In its reply submission, Sumitomo disagreed with the submission of Evraz on the calculation of an amount for profit pursuant to section 22 of SIMR, arguing that the CBSA has obtained sufficient information to calculate the amount for profit based on information provided by vendors in Canada.

CBSA's Response

In examining the evidence available on the record, the CBSA considered the arguments made by the parties to the investigation.

The CBSA obtained sufficient information to calculate the amount for profit based on information provided by vendors in Canada. This information was found to be the best information available that met the requirements of section 22 of SIMR, and the CBSA used that information to determine an amount of profit in Canada pursuant to paragraph 22(c) of SIMR.

Date of sale and application of subsection 27(1.1) of SIMA

In its case brief, Nippon Steel argued that the date of sale reported in its revised Appendices are based on the date when the material terms of sale are settled based on a certain point in the sales process which has been designated confidential by Nippon Steel.

In its case brief, Evraz argued that the date of sale for export and domestic sales should be the date when material terms such as prices and volumes are determined. Evraz argued that if the CBSA finds that the date of sale of subject goods occurred significantly before the payment for subject goods, then downward adjustments to the export prices may be warranted pursuant to subsection 27(1.1) of SIMA. Evraz provided a method to make such an adjustment.

In its reply submission, Sumitomo agreed that the CBSA should determine the date of sale of goods to be the date that the "prices and volumes are locked in", and provided a confidential argument on the point in the sales process when this occurs.

Counsel for JFE submitted in its reply submission that JFE determined the date of sale based on the how date of sale is defined in the CBSA's RFI and that this was not disputed during the onsite verification.

Counsel for Metal One submitted in its reply submission that the invoice date is considered to be the date of sale.

CBSA's Response

In examining the evidence available on the record, the CBSA considered the arguments made by the parties to the investigation.

In selecting dates of sale for subject goods and goods sold in Japan, the CBSA accepted the dates provided by the exporters and producers as the available evidence demonstrated that such dates were when the material terms of sale were finalized.

Ocean freight

In its case brief, Sumitomo argued that the amounts for ocean freight included in its revised Appendix 1 listing of sales to Canada should be used in the determination of export prices pursuant to sections 24 and 25 of SIMA, and that the CBSA should not use information from secondary sources in making such determinations.

CBSA's Response

In determining export prices pursuant to sections 24 and 25 of SIMA, the CBSA calculated ocean freight using the information provided by Sumitomo in its revised Appendix 1.

Other issues

Evraz also submitted arguments in its case brief and reply submission relating to using a higher dumping and subsidy rate for all non-cooperative Chinese exporters, and argued that cost information for Marubeni Steel was missing.

The CBSA has determined the dumping and subsidy rate for all Chinese exporters based on the information on the record and is satisfied with the completeness of the information submitted by Marubeni Steel during the investigation.

APPENDIX 2 – SUMMARY OF MARGINS OF DUMPING AND AMOUNTS OF SUBSIDY

Exporters	Margin of Dumping as % of Export Price*	Amount of Subsidy per MT (RMB)
China – All Exporters	95.0%	1,657.11
Japan – Marubeni Steel	22.1%	
Japan – Metal One	43.1%	
Japan – Sumitomo	44.6%	
Japan – All Other Exporters	95.0%	

* expressed as a percentage of the export price.

NOTE: The margins of dumping reported in the table above are the margins determined by the CBSA for purposes of the final determination of dumping. These margins do not reflect the amount of anti-dumping duty to be levied on future importations of dumped goods. In the event of an injury finding by the CITT, normal values for future shipments to Canada have been provided to the exporters that provided sufficient information to the CBSA during the dumping investigation. These normal values would come into effect the day after an injury finding. Imports from exporters/producers that did not provide sufficient information to the CBSA during the dumping and subsidy investigations and who are not specifically named in the table above will be subject to the All Other Exporters anti-dumping duty rate of 95.0%, expressed as a percentage of the export price, and in respect of imports of subject goods from China, countervailing duty of 1,657.11 RMB per MT, pursuant to a ministerial specification. Please consult the [SIMA Self-Assessment Guide](#) for more detailed information explaining how to determine the amount of SIMA duties owing.

APPENDIX 3 – SUMMARY OF FINDINGS FOR NAMED SUBSIDY PROGRAMS

As noted in the body of this document, the government of China did not submit a response to the subsidy Request for Information (RFI) and no exporters in China submitted a complete response to the subsidy RFI. This situation has limited the CBSA's ability to conduct its analysis of the programs. As such, the CBSA used the facts available at initiation to determine an amount of subsidy under a ministerial specification, pursuant to subsection 30.4(2) of SIMA.

This appendix consists of a listing of the potentially actionable subsidy programs identified by the CBSA.

POTENTIALLY ACTIONABLE SUBSIDY PROGRAMS

The following programs are 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 and exporters, 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.

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 State-owned Enterprises (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: Preferential Tax Policies of Zhangjiagang Free Trade Zone
- Program 11: Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and other Designated Areas
- Program 12: VAT Exemptions for the Central Region

II. Preferential Loans and Loan Guarantees

- Program 13: Debt Forgiveness
- Program 14: Discounted Loans for Export-oriented Enterprises
- Program 15: Export Buyer's Credit Provided by the Export-Import Bank of China
- Program 16: Export Guarantees Provided by the GOC
- Program 17: Export Seller's Credit Provided by the Export-Import Bank of China
- Program 18: Import Credit Provided by the Export-Import Bank of China
- Program 19: Loan From Local Finance Bureau
- Program 20: Loans and Interest Subsidies provided under the Northeast Revitalization Program
- Program 21: On lending Support Provided by the Export-Import Bank of China through Loan Guarantees or Loan Repayment
- Program 22: Preferential Loans from State-Owned Banks
- Program 23: Trade Financing Services Provided by the Export-Import Bank of China

III. Grants and Grant Equivalentents

- Program 24: Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin
- Program 25: Advanced Science / Technology Enterprise Grant
- Program 26: Allowance to Pay Loan Interest (Zhongshan City, Guangdong)
- Program 27: Assistance for Technology Innovation - R&D Project
- Program 28: Award of Taxpayers in Yanghang Industrial Park
- Program 29: Awards to Enterprises Whose Products Qualify for "Well-Known Trademarks of China" or "Famous Brands of China"
- Program 30: Business Bureau 2012 Market Monitoring System of Subsidies
- Program 31: Business Development Overseas Support Fund (Foshan)
- Program 32: Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)
- Program 33: Changzhou Technology Plan (Jiangsu)
- Program 34: Compensation from relocation
- Program 35: Contribution Award for the development of Industry and Society
- Program 36: Dispersed Employment Subsidy
- Program 37: Emission Reduction and Energy-saving Award
- Program 38: Energy Saving Grant 2008
- Program 39: Energy-Saving Technique Special Fund
- Program 40: Energy-saving Technology Renovation Fund
- Program 41: Enterprise Innovation Award of Qishuyan District (Jiangsu)
- Program 42: Enterprise Technology Centers
- Program 43: Environment Protection Award (Jiangsu)
- Program 44: Export Assistance Grant
 - a. Provided by Jiangdu District
 - b. Provided by city of Tianjin
 - c. Provided by Municipality A
- Program 45: Export Brand Development Fund
 - a. Provided by city of Tianjin
 - b. Provided by Municipality A
 - c. Allocation of Changzhou for Foreign Trade Market Development and Export Brands

- Program 46: Export Credit Insurance Supporting Fund
- Program 47: Financial Aid for Excellent Performance of Enterprises in Quality Control
- Program 48: Financial Subsidy
- a. Provided by city of Shanghai
 - b. Provided by city of Changzhou
 - c. Provided by Municipality A
 - d. Provided by Municipality B
- Program 49: Financial Support for Foreign Trade
- a. Provided by city of Changzhou
 - b. Provided by city of Wuxi
- Program 50: Five Points, One Line Strategy in Liaoning Province
- Program 51: Foreign Trade Development Fund Program – VAT Refunds
- Program 52: Fund for Urban Public Utilities
- Program 53: Government Export Subsidy and Product Innovation Subsidy
- Program 54: Government of Shijiazhuang City Export Award
- Program 55: Grant – Changzhou City Key Supporting Industry Upgrading Special Fund
- Program 56: Grant – Changzhou Five Major Industries Development Special Fund
- Program 57: Grant – Cleaning-production Qualified Enterprise Reward
- Program 58: Grant – Development of Strategic Emerging Industry
- Program 59: Grant – Financial Subsidies from Wei Hai City Gao Cun Town Government
- Program 60: Grant – Jiangsu Province Finance Supporting Fund
- Program 61: Grant – Large Taxpayer Award
- Program 62: Grant – Patent Application Assistance
- a. Provided by city of Shanghai
 - b. Provided by Municipality A
 - c. Provided by Municipality B
- Program 63: Grant – Provincial Foreign Economy and Trade Development Special Fund
- Program 64: Grant – Provisional Industry Promotion Special Fund
- Program 65: Grant – Resources Conservation and Environment Protection Grant
- a. Provided by city of Yangzhou
 - b. Provided by Municipality A
- Program 66: Grant – Special Fund for Fostering Stable Growth of Foreign Trade in 2009
- Program 67: Grant – Special Supporting Fund for Commercialization of Technological Innovation and Research Findings
- Program 68: Grant – State Service Industry Development Fund
- Program 69: Grant – Subsidy from Water Saving Office
- Program 70: Grant - Water Pollution Control Special Fund for Taihu Lake
- Program 71: Grant – Wendeng Government (Shandong)
- Program 72: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 73: Grants for Export Increasing
- Program 74: Grants for International Certification
- Program 75: Grants for Key Enterprises in Equipment Manufacturing Industry of Zhongshan
- Program 76: Grant for Market Promotion and Trade Development
- Program 77: Grants for National Development, Energy Conservation, Resource-saving, and Industrial Pollution Control Projects
- Program 78: Grants to Privately-Owned Export Enterprises

- Program 79: Grants under the Information Technology Program of Feicheng
- Program 80: Guangdong – Hong Kong Technology Cooperation Funding Scheme
- Program 81: Guaranteed Growth Fund
- Program 82: Innovative Experimental Enterprise Grant
- Program 83: Innovative Small and Medium-Sized Enterprise Grants
- Program 84: Interim Measures of Fund Management of Allowance for Zhongshan Enterprises to Attend Domestic and Overseas Fair (Zhongshan)
- Program 85: International Market Fund for Export Companies (Jiangmen City)
- Program 86: International Market Fund for Small- and Medium-sized Export Companies
- Program 87: Jiangdu City Industrial Economy Performance Award (Jiangsu)
- Program 88: Liaoning High-Tech Products & Equipment Export Interest Assistance
- Program 89: Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees
- a. Provided by city of Changzhou
 - b. Provided by Provincial government
- Program 90: Modern Service Grant
- Program 91: Municipal Government – Exhibition Grant
- Program 92: Municipal Government – Export Grant
- Program 93: Municipal Government – Insurance Fee Grant
- Program 94: National High-Tech R&D Program (Also Known as the 863 Program)
- Program 95: National Innovation Fund for Technology Based Firms
- Program 96: Promoting the Creation of R&D Institution
- Program 97: 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
- Program 98: Product Quality Grant
- Program 99: Provincial Government – Equipment Grant
- Program 100: Provincial Scientific Development Plan Fund
- Program 101: Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices
- Program 102: Refund from Government for Participating in Trade Fair (Foshan)
- Program 103: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments
- a. Provided by city of Shanghai
 - b. Provided by Municipality A
- Program 104: Reimbursement of Foreign Affairs Services Expenses (Foshan)
- Program 105: Repaying Foreign Currency Loan by Returned VAT
- Program 106: Research & Development (R&D) Assistance Grant
- a. Provided by the Central Government
 - b. Provided by Municipal
- Program 107: Science and Technology Award
- Program 108: Special fund on Shanghai master studio (Chenjie)
- Program 109: Special Funds on Talents
- a. Provided by city of Shanghai
 - b. Provided by the Central Government
- Program 110: Subsidy for Employing Disabled Employees
- Program 111: Subsidy for infrastructure
- Program 112: Subsidy for Key industries revival and comprehensive technological revamping

- Program 113: Subsidy for Supporting Energy Conservation and Emission Reduction of Local Industry
- Program 114: Subsidy for the Technology Development
 - a. Provided by city of Shanghai
 - b. Provided by Municipality A
- Program 115: Superstar Enterprise Grant
- Program 116: Supporting Fund for Non-refundable Export Tax Loss on Mechanical & Electrical Product and High-tech Product (Jiangmen City)
- Program 117: Supportive Fund Provided by the Government of Xuyi County, Jiangsu
- Program 118: Technical Renovation Loan Interest Discount Fund
- Program 119: Technology Creation Award
- Program 120: Talent Reward – Purchase of Advanced Equipment
 - a. Provided by Provincial Government
 - b. Provided by Municipal Government
- Program 121: The “Torch Project”
- Program 122: Training Program for Rural Surplus Labour Force Transfer Employment
- Program 123: Venture Investment Fund of Hi-Tech Industry
- Program 124: Water Fund Refund/Exemption 2008
- Program 125: Water Saving Enterprise

IV. Preferential Tax Programs

- Program 126: Corporate Income Tax Reduction for New High-Technology Enterprises
- Program 127: Deed Tax Exemptions For Land Transferred through Merger or Restructuring
- Program 128: Exemption from City Maintenance and Construction Taxes and Education Fee Surcharges for FIEs
- Program 129: Exemption of Flood-proofing Fund Payment
- Program 130: Income Tax Offset for the Purchase of Energy-saving and Water-saving Equipment
- Program 131: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors
- Program 132: Municipal Government – Preferential Tax Program
- Program 133: Offset and Exemption of Dedicated Equipment
- Program 134: Preferential Tax Policies in the Western Regions
- Program 135: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose
- Program 136: 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 137: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
- Program 138: Preferential Tax Policies for Foreign Invested Export Enterprises
- Program 139: Preferential Tax Policies for the Research and Development of FIEs
- Program 140: Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period not Less Than Ten Years
- Program 141: Reduction and Calculation of Revenue from Comprehensive Utilization of Resources
- Program 142: Stamp Tax Exemption on Share Transfers under Non-tradable Share Reform

- Program 143: Tax preference available to companies that operate at a small profit
Program 144: Tax Policies for the Deduction of Income of the Disabled
Program 145: Tax Policies for the Deduction of Research and Development Expenses
Program 146: VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps
Program 147: VAT Exemptions for State-authorized Enterprise Technical Centers

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

- Program 148: Exemption of Tariff and Import VAT for the Imported Technologies and Equipment
Program 149: Import tariff and VAT exemptions for FIEs and certain domestic enterprises using imported equipment in encouraged industries
Program 150: Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs
Program 151: VAT Reduction and Exemption for Recycled Products
Program 152: VAT Refunds to FIEs Purchasing Domestically-Produced Equipment

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

- Program 153: Acquisition of Government Assets at Less than Fair Market Value
Program 154: Input Materials Provided by Government at Less than Fair Market Value
Program 155: Provision of Land for Less Than Adequate Remuneration by Jiangsu Province
Program 156: Provision of Land for Less Than Adequate Remuneration within the Wuxi High-tech Development Zone
Program 157: Provision of Land within the Economic and Technology Development Zone for Less Than Adequate Remuneration
Program 158: Utilities Provided by Government at Less than Fair Market Value

VII. Equity Programs

- Program 159: Debt-to-Equity Swaps
Program 160: Exemptions for SOEs from Distributing Dividends to the State