



Canada Border
Services Agency

Agence des services
frontaliers du Canada

OTTAWA, July 7, 2016

STATEMENT OF REASONS

Dumping and Subsidy Preliminary Determinations

LARGE LINE PIPE FROM CHINA AND JAPAN

DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, on June 22, 2016, the Canada Border Services Agency made preliminary determinations respecting the dumping of certain welded large diameter line pipe originating in or exported from the People's Republic of China and Japan and the subsidizing of certain welded large diameter line pipe originating in or exported from the People's Republic of China.

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

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SUMMARY OF EVENTS

[1] On February 5, 2016, the Canada Border Services Agency (CBSA) received a written complaint from EVRAZ Inc. NA Canada of Regina, Saskatchewan, and Canadian National Steel Corporation of Camrose, Alberta (collectively “Evraz”) (hereafter “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 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 like goods. These countries will be referred to collectively as “the named countries” throughout this document to represent each country’s respective involvement in the separate dumping and subsidy investigations.

[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 received. The GOC was provided with the non-confidential version of the subsidy complaint and 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 the named countries have been dumped and subsidized. The evidence also discloses a reasonable indication that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing like goods.

[4] On March 24, 2016, pursuant to subsection 31(1) of SIMA, the CBSA initiated investigations respecting the dumping and subsidizing of large line pipe from the named countries.

[5] Upon receiving notice of the initiation of the investigations, the Canadian International Trade Tribunal (CITT) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of large line pipe from the named countries 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 the named countries 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 respecting the dumping and subsidizing of large line pipe originating in or exported from the named countries.

[8] On June 22, 2016, pursuant to subsection 8(1) of SIMA, provisional duty was imposed on imports of dumped and subsidized goods that are of the same description as any goods to which the preliminary determinations apply, and that are released during the period commencing on the day the preliminary determinations were made and ending on the earlier of the day on which the CBSA causes the investigations to be terminated pursuant to subsection 41(1) of SIMA or the day the CITT makes an order or finding pursuant to subsection 43(1) of SIMA.

PERIOD OF INVESTIGATION

[9] 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

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

INTERESTED PARTIES

Complainant

[11] 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

[12] 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

[13] 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.

[14] 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

[15] 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.

[16] The CBSA received five substantially complete responses to the exporter dumping RFI from companies in Japan. No complete responses to the exporter dumping RFI, section 20 RFI or subsidy RFI were received from exporters in China.

[17] 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 the preliminary determination.

Surrogate Producers

[18] As part of the inquiry to examine the extent of the GOC's involvement in pricing in the steel pipe sector, which includes large line pipe (section 20 inquiry), 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.

[19] The CBSA had not received any responses to the surrogate RFI as of the preliminary determination of dumping.

Government of China

[20] 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.

[21] The CBSA sent a government subsidy RFI and government section 20 RFI to the GOC. No response, nor any other information with respect to the investigations, has been received from the GOC as of the date of the preliminary determinations.

PRODUCT INFORMATION

Product Definition

[22] 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

[23] 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.

[24] 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.

[25] 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.

[26] 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.

[27] 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

[28] 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).

[29] 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.

[30] 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.

[31] 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).

[32] 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.

[33] 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).

[34] 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.

[35] 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).

[36] 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

[37] 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

[38] 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

[39] 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.

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

[41] 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.

[42] 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

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

IMPORTS INTO CANADA

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

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

Import Volumes of Large Line Pipe

Country	July 2014 to Dec. 2015 (1.5 years)
China	35.8%
Japan	41.1%
All Other Countries	23.1%
Total Imports	100.0%

INVESTIGATION PROCESS

[46] 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

[47] 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.

[48] 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.

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

[50] 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.

[51] Preliminary determinations are based on the information available to the CBSA at the time of the preliminary determinations. During the final phase of the investigations, additional information may be obtained and selected responding exporters may be verified on-site, the results of which will be incorporated into the CBSA's final decisions, which must be made by September 20, 2016.

DUMPING INVESTIGATION

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

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

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

Normal Values

[55] For purposes of a preliminary determination, normal values are generally estimated based on the domestic selling prices of like goods in the country of export, in accordance with section 15 of SIMA, or on the aggregate of the cost of production of the goods, a reasonable

amount for administrative, selling and all other costs, plus a reasonable amount for profits, in accordance with paragraph 19(b) of SIMA.

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

Export Prices

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

[58] Where there are sales between associated persons and/or a compensatory arrangement exists, the export price is estimated based on the importer’s resale price 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 are additional to those incurred on the sales of like goods for use in the country of export, all costs included in the resale price 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 as provided for in paragraphs 25(1)(c) and 25(1)(d) of SIMA.

Margin of Dumping

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

Preliminary Results of the Dumping Investigation

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

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

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

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

China

Section 20 Inquiry

[64] 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

[65] 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.

[66] 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.

[67] 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.

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

[68] 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

[69] 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

[70] 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 the information requested by the CBSA, such as certain documents requested in the exporter section 20 RFI.

Government of China Response

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

Surrogate Country Responses

[72] 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 the Germany and the United States of America. No producers located in surrogate countries responded to the RFI.

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

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

[73] 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 could not be used to estimate normal values for exporters in China as the CBSA did not receive cooperation from exporters and producers in China.

Preliminary Results of the Section 20 Inquiry

[74] 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

[75] As part of its section 20 analysis, the CBSA examined the following GOC industrial policies:

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

National Steel Policy and the Steel Revitalization/Rescue Plan

[76] 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 2 (NC) – Large Line Pipe Complaint – Exhibit 6-14.

[77] 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.

[78] 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

[79] 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 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 6-14.

⁶ Exhibit 162 (PRO) – Preliminary Determination Section 20 Report – Attachment 3: 12th Five-Year Plan: Iron and Steel

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

[81] 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.

[82] 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

[83] 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.

⁷ Exhibit 162 (PRO) – Preliminary Determination Section 20 Report – Attachment 4: China Daily Article, Steel industry plan forged

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

[85] 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*).

[86] 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

[87] 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

[88] On June 23, 2011, the Steel Pipe Branch Association (Steel Pipe Branch)¹¹ of the China Steel Construction Society, released the *12th Five-Year Plan for the Steel Pipe Industry* covering the period 2011-2015.¹² The Steel Pipe Branch is supervised by the State-owned Assets Supervision and Administration Commission¹³ (SASAC) of the State Council.¹⁴ The CBSA considers China Steel Construction Society and the Steel Pipe Branch to be “Government” as it is under the administration of SASAC as per its Articles of Association.¹⁵

⁸ Exhibit 162 (PRO) – Preliminary Determination Section 20 Report – Attachment 5: Criterion for the Production and Operation of Steel Industry

⁹ Exhibit 162 (PRO) – Preliminary Determination Section 20 Report – Attachment 6: Several Observations of the General Office of the State Council

¹⁰ Exhibit 162 (PRO) – Preliminary Determination Section 20 Report – Attachment 6: Several Observations of the General Office of the State Council.

¹¹ Steel Pipe Branch Association (Steel Pipe Branch) is a branch association of the China Steel Construction Society which is a non-profit organization under the supervision of the State-owned Assets Supervision and

[89] 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.¹⁶ 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.¹⁷ These issues were addressed in the 12th Five-Year Plan for the Steel Pipe Industry.

[90] 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.¹⁸

[91] 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.¹⁹

[92] The plan also stated that the top 20 Chinese steel enterprises were 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 were largely to be obtained through mergers and acquisitions by the end of 2015.²⁰ These GOC objectives were likely to conflict with the commercial interests of steel pipe producers by affecting production volumes, competition and ultimately prices.

Administration Commission. It was established on November 5, 1995. They currently have over 100 members, comprising of nation-wide manufacturers of different types of seamless and welded pipe products. Major functions and activities include facilitation of communication between the steel pipe enterprises and the GOC, the protection of rights and interests of the steel pipe manufacturers, the conduct of research relevant to the steel pipe industry, the formulation and revision of technical standards and the promotion of technical development and cooperation of the steel pipe enterprises. Reference from Piling Pipe – Dumping Exhibit 104 (PRO) – Exhibit 6, page 18.

¹² Final Determination Statement of Reasons for Certain Steel Piling Pipe (November 15, 2012) at para 89.

¹³ 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.

¹⁴ Final Determination Statement of Reasons for Certain Steel Piling Pipe (November 15, 2012) at para 88.

¹⁵ Final Determination Statement of Reasons for Pip Joints (March 27, 2012), at para 89.

¹⁶ Final Determination Statement of Reasons for Certain Steel Piling Pipe (November 15, 2012) at para 89.

¹⁷ Final Determination Statement of Reasons for Certain Steel Piling Pipe (November 15, 2012) at para 89.

¹⁸ Final Determination Statement of Reasons for Certain Steel Piling Pipe (November 15, 2012) at para 90.

¹⁹ Final Determination Statement of Reasons for Certain Steel Piling Pipe (November 15, 2012) at para 92.

²⁰ Final Determination Statement of Reasons for Certain Steel Piling Pipe (November 15, 2012) at para 91.

GOC Ownership of Suppliers/Producers

[93] 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*
- *Circular of the State-Council on Supervision of State-Owned Enterprises to Prevent Loss of State Assets*

State ownership of the steel industry in China

[94] 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.²¹ 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 2020.²²

[95] 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.²³ This indicates that the GOC exerts control over the Chinese steel industry, which includes the steel pipe sector including large line pipe.

[96] Information available from the World Steel Association and publicly available information from companies in China shows that nine of the ten top steel producers in China were state-owned in 2014²⁴.

[97] In regards to large line pipe producers, the complainant provided evidence which estimated that up to 50% in China are state-owned.²⁵

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

²¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Pages 24-25

²² *Final Determination Statement of Reasons for Certain Galvanized Steel Wire* (August 6, 2013) at para 93.

²³ Exhibit 2 (NC) – Large Line Pipe Complaint – Pages 25-26.

²⁴ Exhibit 162 (PRO) – Preliminary Determination Section 20 Report – Attachment 8: Production of Steel by SOEs in China, <http://www.worldsteel.org>, and information from the web sites of individual companies listed by the World Steel Association.

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

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

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

[100] The *Decree of the State Council of the People's Republic of China No.378 (the Decree)*²⁶, 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.

[101] 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

[102] 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".²⁷ 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

²⁶ Exhibit 162 (PRO) – Preliminary Determination Section 20 Report – Attachment 9: *Decree of the State Council of the People's Republic of China No.378*

²⁷ Exhibit 162 (PRO) – Preliminary 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.

- 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

[103] 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 sector.

Summary of Government Influence on Domestic Prices

[104] 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.

[105] 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.

[106] 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*, and its ownership of a significant portion of the steel industry, has resulted in an environment where enterprises have conflicting objectives. The GOC objectives are likely to conflict with the commercial objectives of steel pipe producers, affecting products produced, production volumes and ultimately prices.

[107] 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

[108] 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 a country prescribed by paragraph 20(1)(a) of SIMA 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.

[109] 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 publications 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.

[110] The analysis of domestic prices in China continued during the preliminary phase of the investigation, and the CBSA compared prices of large line pipe in China to prices of large line pipe in other countries where such information was available.

[111] The CBSA did not receive any complete responses to its dumping RFI from exporters or producers of large line pipe in China. As a result, specific pricing information on domestic sales of large line pipe in China is not available.

[112] Regarding prices of large line pipe in countries other than China, the CBSA did not receive any responses to its RFI sent to producers and vendors in the three surrogate countries. However, producers and exporters in Japan responded to the exporter dumping RFI for purposes of the dumping investigation. The comparison of the domestic pricing information available from those companies in Japan to the available domestic pricing in China is outlined below.

[113] The complainant provided price data for welded line pipe products in various grades for China as well as other countries and regions.²⁸ 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 in the period of investigation.²⁹ Specific price information by diameter is not publicly available.

[114] The information available from Metal Expert shows that prices of X42 grade welded line pipe in Q4 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.

[115] The Metal Expert information provided by the complainant also shows 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 2015.³⁰ 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 4th quarter of 2014, and 23% lower in China than in the Middle East in January 2015.

²⁸ Exhibit 1 (PRO) – Large Line Pipe Complaint – Exhibit 6-30

²⁹ Ibid.

³⁰ Ibid.

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

[117] The CBSA received responses to its dumping RFI from two producers and three exporters in Japan. Some information on the prices of domestic sales of large line pipe in Japan was available from these responses, and that price information showed that the Metal Expert prices in China for line pipe, including large line pipe, were lower than prices of domestic sales of large line pipe reported by the companies in Japan.

[118] Based on available information, prices of large line pipe in the comparison countries/regions were significantly higher than prices in China during the period of investigation.

[119] 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.

[120] Given that line pipe is a commodity product freely traded on the world market, these 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, which applies to both smaller and larger diameter line pipe, 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.

[121] During the final phase of the investigation, the CBSA will consider any available information on the prices of large line pipe in China and other countries. In the event specific price information becomes available during the final phase of the dumping investigation, the CBSA will use such information in its analysis of whether 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 Preliminary Results of the Section 20 Inquiry

[122] 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.

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

All Exporters – China

[124] As the exporters in China did not provide a complete response to the dumping RFI, the normal values and export prices were estimated based on the methodologies explained in the section below entitled “All Other Exporters – Japan”.

[125] Based on these methodologies, the estimated margins of dumping for the exporters in China are equal to 96.7%, expressed as a percentage of export price.

Japan

[126] 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 on this issue, the CBSA has concluded that, for the purposes of the preliminary determinations, the three trading companies are considered to be the exporters of the subject goods.

Marubeni-Itochu Steel Inc.

[127] 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 subject goods it exported to Canada from an unassociated Japanese producer.

[128] Marubeni Steel provided a substantially complete response to the CBSA’s dumping RFI. Since the company did not have domestic sales of like goods during the Profitability Analysis Period (PAP), July 1, 2014 to December 31, 2015, normal values were estimated using the methodology of paragraph 19(b) of SIMA, as the sum of the 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 use the information as necessary for calculating the costs of production. The estimated amount for administrative, selling and all other costs included amounts incurred by both the producer and the exporter. The amount for profits was estimated based on the weighted average profit of two Japanese producers on sales of goods of the same general category that were made in the country of export during the entire POI.

[129] During the POI, Marubeni Steel sold subject goods to its related Canadian importer, Marubeni Itochu Tubulars Canada (Marubeni Canada). Due to the relationship between Marubeni Steel and Marubeni Canada, a reliability test was performed to determine whether the section 24 export prices were reliable as envisaged by SIMA. This test was conducted by comparing the estimated section 24 export prices with the estimated section 25 export prices. The amount for profit used for the section 25 calculations was estimated in accordance with paragraph 22(c) of the *Special Import Measures Regulations (SIMR)*, based on the profit information relating to vendors that operated at a profit during the POI in Canada. The test revealed that the estimated export prices in accordance with section 24 of SIMA were unreliable and, therefore, export prices for sales to Marubeni Canada were estimated in accordance with section 25 of SIMA.

[130] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 20.1% for Marubeni Steel, expressed as a percentage of export price. The CBSA will continue to collect and verify information from the exporter and producer during the final phase of the investigation.

Metal One Corporation

[131] Metal One Corporation (Metal One) is considered to be an exporter of subject goods and is located in Japan. During the POI, Metal One purchased subject goods it exported to Canada from both of the Japanese producers that responded to the dumping RFI.

[132] Metal One provided a substantially complete response to the CBSA's dumping RFI. Since the company did not have domestic sales of like goods during the PAP, normal values were estimated using the methodology of paragraph 19(b) of SIMA, as the sum of the 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 use the information as necessary for calculating the costs of production. The estimated amount for administrative, selling and all other costs included amounts incurred by both the producer and the exporter. The amount for profits was estimated based on the weighted average profit of two Japanese producers on sales of goods of the same general category that were made in the country of export during the entire POI.

[133] During the POI, Metal One sold subject goods to Canadian importer(s), including a related importer named Cantak Corporation (Cantak). Due to the relationship between Cantak and Metal One, a reliability test was performed to determine whether the section 24 export prices were reliable as envisaged by SIMA. This test was conducted by comparing the estimated section 24 export prices with the estimated section 25 export prices. The amount for profit used for the section 25 calculations was estimated in accordance with paragraph 22(c) of the SIMR, based on the profit information relating to vendors that operated at a profit during the POI in Canada. The test revealed that the estimated export prices in accordance with section 24 of SIMA were unreliable and, therefore, export prices for sales to Cantak were estimated in accordance with section 25 of SIMA.

[134] For subject goods exported by Metal One to non-related importers, export prices were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[135] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 46.2% for Metal One, expressed as a percentage of export price. The CBSA will continue to collect and verify information from the exporter and producers during the final phase of the investigation.

Sumitomo Corporation

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

[137] Sumitomo Corporation provided a substantially complete response to the CBSA's dumping RFI. Since the company did not have domestic sales of like goods during the POI, normal values were estimated using the methodology of paragraph 19(b) of SIMA, as the sum of the 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 use the information as necessary for calculating the costs of production. The estimated amount for administrative, selling and all other costs included amounts incurred by both the producer and the exporter. The amount for profits was estimated based on the weighted average profit of two Japanese producers on sales of goods of the same general category that were made in the country of export during the entire POI.

[138] During the POI, Sumitomo Corporation sold subject goods to Canadian importers, including one related importer, Sumitomo Canada. Due to the relationship between Sumitomo Canada and Sumitomo Corporation, a reliability test was performed to determine whether the section 24 export prices were reliable as envisaged by SIMA. This test was conducted by comparing the estimated section 24 export prices with the estimated section 25 export prices. The amount for profit used for the section 25 calculations was estimated in accordance with paragraph 22(c) of the SIMR, based on the profit information relating to vendors that operated at a profit during the POI in Canada. The test revealed that the estimated export prices in accordance with section 24 of SIMA were unreliable and, therefore, export prices for sales to Sumitomo Canada were estimated in accordance with section 25 of SIMA.

[139] For subject goods that were not exported to the related importer, export prices for Sumitomo Corporation were estimated by using the methodology of section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[140] For the preliminary determination, the total estimated normal value compared with the total estimated export price results in an estimated margin of dumping of 43.0% for Sumitomo Corporation, expressed as a percentage of export price. The CBSA will continue to collect and verify information from the exporter and producer during the final phase of the investigation.

All Other Exporters - Japan

[141] 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.

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

[143] The CBSA considered that the normal values and export prices estimated for the responding exporters, rather than the information provided in the complaint, was the best information on which to base the methodology for estimating normal values. The CBSA examined the difference between the estimated normal value and estimated export price of each individual transaction for the responding exporters in order to obtain an appropriate amount for the normal value methodology. The transactions were also examined to ensure that anomalies were not considered, however, there were no anomalies.

[144] The CBSA considered that the highest amount by which the estimated normal value exceeded the estimated export price found on an individual transaction (expressed as a percentage of the export price) was an appropriate basis for estimating normal values. This method of estimating normal values was 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.

[145] Therefore, the normal values were estimated based on the estimated export price, plus an amount equal to 96.7% of that estimated export price.

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

[147] Based on the above methodologies, the estimated margin of dumping for the subject goods exported to Canada by all other exporters is 96.7%, expressed as a percentage of the export price.

Representations

[148] Counsel for the complainant provided comments to the CBSA concerning each of the separate RFI responses submitted by exporters and producers. The comments focussed on suggested deficiencies pertaining to the specific responses, as well as various areas of the RFI responses where further information could be sought by way of supplemental RFIs and possible on-site verifications.

[149] The CBSA will take these comments into consideration when developing any supplemental RFIs and on-site verification questions during the final phase of the investigation.

Summary of Preliminary Results - Dumping

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

Summary of Results - Dumping Period of Investigation (July 1, 2014 to December 31, 2015)

Country	Estimated Volume of Dumped Goods as Percentage of Country Imports	Estimated Margin of Dumping*	Estimated Volume of Dumped Goods as Percentage of Total Imports
China	100%	96.7%	35.8%
Japan	100%	51.0%	41.1%

* Expressed as a percentage of the export price.

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

[152] Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price is defined as insignificant and a volume of dumped goods is considered negligible if it accounts for less than 3% of the total volume of goods that are released into Canada from all countries that are of the same description as the dumped goods.

[153] The volume of dumped goods from China, estimated to be 35.8% of total imports from all countries, is greater than the threshold of 3% and is therefore not considered negligible. The margin of dumping, estimated to be 96.7% of the export price, is greater than the threshold of 2% and is therefore not considered insignificant.

[154] The volume of dumped goods from Japan, estimated to be 41.1% of total imports from all countries, is greater than the threshold of 3% and is therefore not considered negligible. The margin of dumping, estimated to be 51.0% of the export price, is greater than the threshold of 2% and is therefore not considered insignificant.

SUBSIDY INVESTIGATION

[155] 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.

[156] 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.

[157] 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.

[158] 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.

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

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

[160] 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.

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

Preliminary Results of the Subsidy Investigation

[162] The following presents the preliminary results of the investigation into the subsidizing of large line pipe originating in or exported from China.

[163] 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 2**.

[164] The GOC and the exporters/producers were also notified that failure to submit all required information and documentation, including non-confidential versions, failure to comply with all instructions contained in the RFI, failure to permit verification of any information or failure to provide documentation requested during the verification visits may result in the amount of subsidy and the assessment of countervailing duties on subject goods being based on facts available to the CBSA. Further, they were notified that a determination on the basis of facts available could be less favourable to their firm than if complete, verifiable information was made available.

[165] The GOC did not provide a response to the CBSA's government subsidy RFI.

[166] No complete responses to the CBSA's exporter subsidy RFI were received.

[167] One exporter in China, Chu Kong, provided a partial response to the subsidy RFI one week later than the required due date. The exporter's submission was incomplete because questions related to subsidy amounts for specific programs were left unanswered. As a result, the CBSA was unable to estimate an amount of subsidy for Chu Kong. Therefore, its response to the subsidy RFI was not taken into consideration for the purposes of the preliminary determination.

[168] No additional programs have been identified during the preliminary phase of the investigation; however, the CBSA may consider any other potential subsidy programs that have not yet been identified.

All Exporters in China

[169] Given the lack of complete information, the CBSA considered that the methodology used to estimate the amounts of subsidy applicable to subject goods from China at the initiation of the investigation was the best information on which to base the methodology for estimating the amounts of subsidy for the preliminary determination.

[170] The CBSA estimated the amount of subsidy conferred to exporters of the subject goods in China by calculating the difference between the cost of production, as estimated by the CBSA, and the selling prices reported in customs entry documents of subject goods sold to importers in Canada. The CBSA estimated 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 calculation is a reasonable estimate of the amount of subsidy.

[171] Using the above methodology, the estimated amount of subsidy for all exporters in China is 30.3%, expressed as a percentage of the total estimated export price.

Summary of Preliminary Results – Subsidy

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

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

Country	Estimated Subsidized Goods as Percentage of Country Imports	Estimated Amount of Subsidy*	Estimated Volume of Subsidized Goods as Percentage of Total Imports
China	100%	30.3%	35.8%

* Expressed as a percentage of the export price.

[173] Under section 35 of SIMA, if, at any time before the CBSA makes a preliminary determination, the CBSA is satisfied that the amount of subsidy on the goods of a country is insignificant or the actual and potential volume of subsidized goods of a country is negligible, the CBSA must terminate the investigation with respect to that country.

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

[175] The estimated amount of subsidy of large line pipe for China is above 1% and is therefore not insignificant.

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

DECISIONS

[177] On June 22, 2016, pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping and subsidizing respecting large line pipe originating in or exported from the named countries.

PROVISIONAL DUTY

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

[179] Provisional duty is based on the estimated margin of dumping and the estimated amount of subsidy, expressed as a percentage of the export price of the goods. **Appendix 1** contains the estimated margins of dumping, estimated amounts of subsidy and the rates of provisional duty payable on subject goods released from the CBSA on and after June 22, 2016.

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

FUTURE ACTION

The Canada Border Services Agency

[181] The CBSA will continue its investigations of the dumping and subsidizing and will make final decisions by September 20, 2016.

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

The Canadian International Trade Tribunal

[183] The CITT has begun its inquiry into the question of injury to the Canadian industry. The CITT is expected to issue its finding by October 20, 2016.

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

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

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

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

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

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[189] 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.

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

UNDERTAKINGS

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

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

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

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

PUBLICATION

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

INFORMATION

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

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

Telephone: Wayne Tian: 613-946-2574
Laurie Trempe-Kermoud: 613-954-7337
Laura Fast: 613-954-7370

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

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



Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate

Attachments

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

The following table lists the estimated margins of dumping, the estimated amounts of subsidy, and the provisional duty by exporter as a result of the decisions mentioned above. Imports of subject goods released from the Canada Border Services Agency, on or after June 22, 2016, will be subject to provisional duties at the rates specified below.

Exporter	Estimated Margin of Dumping*	Estimated Amount of Subsidy*	Provisional Duty Payable*
Japan - Marubeni-Itochu Steel Inc.	20.1%	N/A	20.1%
Japan - Metal One Corporation	46.2%	N/A	46.2%
Japan - Sumitomo Corporation	43.0%	N/A	43.0%
Japan - All other exporters	96.7%	N/A	96.7%
China - All exporters	96.7%	30.3%	127.0%

* As a percentage of export price

APPENDIX 2 – SUMMARY OF PRELIMINARY FINDINGS FOR NAMED SUBSIDY PROGRAMS

As noted in the body of this document, the government of China (GOC) did not submit a response to the subsidy Request for Information (RFI) and no exporters in China submitted a complete response to the subsidy RFI. This situation has limited the Canada Border Services Agency's (CBSA) ability to conduct a proper analysis of the programs for the preliminary determination. As such, the CBSA used the facts available at initiation in estimating an amount for subsidy for purposes of the preliminary determination.

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. In other words, the CBSA has, to date, not determined if any of these programs should be removed from the investigation. The CBSA will continue to investigate these programs in the final phase of the investigation.

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

- Program 1: Corporate Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 2: Exemption/Reduction of Special Land Tax and Land Use Fees in SEZs and Other Designated Areas
- Program 3: Income Tax Refund for Enterprises Located in Tianjin Jinnan Economic Development Area
- Program 4: Income Tax Refund where Profits Re-invested in SEZs and other Designated Areas
- Program 5: Local Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 6: Preferential Costs of Services and/or Goods Provided by Government or 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 Equivalents

- 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