



Canada Border  
Services Agency

Agence des services  
frontaliers du Canada

OCTG3 2021 IN

OTTAWA, October 13, 2021

# STATEMENT OF REASONS

**Concerning the preliminary determination with respect to the dumping of**

**CERTAIN OIL COUNTRY TUBULAR GOODS  
ORIGINATING IN OR EXPORTED FROM MEXICO**

## DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, the Canada Border Services Agency made a preliminary determination on September 28, 2021 respecting the dumping of certain oil country tubular goods originating in or exported from Mexico.

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

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Canada

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## **SUMMARY OF EVENTS**

[1] On May 10, 2021, the Canada Border Services Agency (CBSA) received a written complaint from Evraz Inc. NA Canada (Regina, Saskatchewan) and Welded Tube of Canada Corp. (Concord, Ontario) (hereinafter, the Complainants) alleging that imports of certain oil country tubular goods (OCTG) originating in or exported from Mexico are being dumped. The Complainants alleged that the dumping has caused injury and is threatening to cause injury to the Canadian industry producing like goods.

[2] On May 31, 2021, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the Complainants that the complaint was properly documented. The CBSA also notified the Government of Mexico that a properly documented complaint had been received.

[3] The Complainants provided evidence to support the allegations that OCTG from Mexico has been dumped. The evidence also discloses a reasonable indication that the dumping has caused injury and is threatening to cause injury to the Canadian industry producing like goods.

[4] On June 30, 2021, pursuant to subsection 31(1) of SIMA, the CBSA initiated an investigation respecting the dumping of OCTG from Mexico.

[5] Upon receiving notice of the initiation of the investigation, the Canadian International Trade Tribunal (CITT) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the alleged dumping of the above-mentioned goods has caused injury or retardation or is threatening to cause injury to the Canadian industry producing the like goods.

[6] On August 30, 2021, 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 of OCTG from Mexico has caused injury.<sup>1</sup>

[7] On September 28, 2021, as a result of the CBSA's preliminary investigation and pursuant to subsection 38(1) of SIMA, the CBSA made a preliminary determination of dumping of OCTG from Mexico.

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<sup>1</sup> Canadian International Trade Tribunal; Certain Oil Country Tubular Goods Determination and Reasons (August 30, 2021), PI-2021-003.

[8] On September 28, 2021, pursuant to subsection 8(1) of SIMA, provisional duty was imposed on imports of dumped goods that are of the same description as any goods to which the preliminary determination applies, and that are released during the period commencing on the day the preliminary determination was made and ending on the earlier of the day on which the CBSA causes the investigation in respect of any goods 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. Where an exporter's estimated margin of dumping was found to be insignificant, provisional duty does not apply.

### **PERIOD OF INVESTIGATION**

[9] The Period of Investigation (POI) is May 1, 2020 to April 30, 2021.

### **PROFITABILITY ANALYSIS PERIOD**

[10] The Profitability Analysis Period (PAP) is January 1, 2020 to April 30, 2021.

### **INTERESTED PARTIES**

#### **Complainants**

[11] The contact information of the Complainants are as follows:

EVRAZ Inc. NA Canada  
P.O. Box 1670  
100 Armour Road  
Regina, Saskatchewan S0G 5K0

Welded Tube of Canada Corporation  
111 Rayette Road  
Concord, Ontario L4K 2E9

#### **EVRAZ Inc. NA Canada**

[12] EVRAZ Inc. NA Canada (Evraz) is a vertically integrated steel pipe producer with four production facilities that manufacture oil country tubular goods (OCTG) located in Regina, Saskatchewan, as well as in Calgary, Camrose, and Red Deer, Alberta.<sup>2</sup> Evraz has operated in Canada since 2008 when it acquired the facilities formerly owned by IPSCO.<sup>3</sup>

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<sup>2</sup> Exhibit 2 (NC) – OCTG3 Complaint narrative – paragraph 1.

<sup>3</sup> <https://www.evraz.com/en/company/history/>

## **Welded Tube of Canada Corporation**

[13] Welded Tube of Canada Corporation (Welded Tube or WTC) was founded in 1970 as a family-owned business with three facilities in Canada producing and finishing OCTG: a primary production facility located in Concord, Ontario, and two finishing facilities located in Welland and Port Colborne, Ontario. <sup>4</sup>

## **Other Canadian Producers**

[14] The following Canadian producer also manufactures OCTG:

- Algoma Tubes Inc.;
- Prudential Steel ULC (closed in July 2020);<sup>5</sup>
- Tenaris Global Services (Canada) Inc.;
- Hydril Canadian Company LP.

(The above companies are collectively referred to as “Tenaris Canada”):

Tenaris Canada  
530 - 8th Avenue SW, Suite 400  
Calgary, Alberta T2P 3S8

[15] Tenaris Canada along with the Complainants account for all known domestic production.

## **Trade Unions<sup>6</sup>**

[16] The following trade unions were identified for the various facilities producing like goods in Canada.

[17] For Evraz:

United Steel Workers 5890  
26 –395 Park Street  
Regina, Saskatchewan S4N 3V9

United Steel Workers 6673  
2888 Glenmore Trail SE,  
Calgary, Alberta, T2C 4V7

UNIFOR 551  
6215 – 48th Avenue  
Camrose, Alberta T4V 0K4

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<sup>4</sup> Exhibit 2 (NC) – OCTG3 Complaint narrative – paragraph 1.

<sup>5</sup> Exhibit 2 (NC) – OCTG3 Complaint narrative – paragraph 66.

<sup>6</sup> Exhibit 2 (NC) – OCTG3 Complaint (Addendum Letter).

Iron Workers 805  
106, 25 Chisholm Avenue  
St. Albert, Alberta T8N 5A5

[18] For Welded Tube:

United Steel Workers 8328  
25 Cecil Street  
Toronto, Ontario M5T 1N1

UNIFOR 199  
124 Bunting Road  
St. Catharines. Ontario, L2P 3G5

### **Importers**

[19] The CBSA identified two potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint. The potential importers were sent the CBSA's Importer Request for Information (RFI)<sup>7</sup> in respect of imports of OCTG from Mexico. Tenaris Global Services Canada (TGS Canada) provided a response to the Importer RFI.<sup>8</sup>

### **Exporters**

[20] The CBSA identified two potential exporters from CBSA import documentation and from information submitted in the complaint. Both parties were sent the CBSA's Dumping RFI.<sup>9</sup>

[21] Tubos de Acero de Mexico S.A. (TAMSA) of Mexico, provided a response to the CBSA's Dumping RFI,<sup>10</sup> as did its related vendor which facilitates export sales to Canada, Tenaris Global Services S.A. Uruguay (TGS Uruguay).<sup>11</sup>

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<sup>7</sup> Exhibit 11 (NC) – Importer Request for Information (RFI).

<sup>8</sup> Exhibits 34 (PRO), 35 (NC) – Response to Importer RFI from TGS Canada.

<sup>9</sup> Exhibit 12 (NC) – Exporter Request for Information (RFI).

<sup>10</sup> Exhibits 38 (PRO), 39 (NC) – Response to Exporter RFI from Tenaris TAMSA.

<sup>11</sup> Exhibits 69 (PRO), 70 (NC) – Response to Exporter RFI from TGS Uruguay.

## **Related Suppliers**

[22] Four related input suppliers to TAMSA, namely, Servicios Generales Tenaris Tamsa (SEGE),<sup>12</sup> Techgen S.A. de C.V. (Techgen),<sup>13</sup> Exiros B.V. Sucursal Uruguay (Exiros)<sup>14</sup> and Ternium México, S.A. de C.V. (Ternium)<sup>15</sup> also provided information related to their sales and costing of significant factor inputs provided to TAMSA for their production of OCTG.

## **PRODUCT INFORMATION**

### **Product Definition**<sup>16</sup>

[23] For the purpose of this investigation, subject goods are defined as:

*Oil country tubular goods, which are casing, tubing and green tubes made of carbon or alloy steel, welded or seamless, heat treated or not heat treated, regardless of end finish, having an outside diameter from 2 3/8 inches to 13 3/8 inches (60.3 mm to 339.7 mm), meeting or supplied to meet American Petroleum Institute specification 5CT or equivalent and/or enhanced proprietary standards, in all grades, excluding drill pipe, pup joints, couplings, coupling stock and stainless steel casing, tubing or green tubes containing 10.5 percent or more by weight of chromium, originating in or exported from the United Mexican States.*

### **Additional Product Information**<sup>17</sup>

[24] For greater certainty, the term “green tube” refers to unfinished casing, tubing, or other tubular products (including upgradable OCTG that may or may not already be tested, inspected, and/or certified) originating in or exported from Mexico and imported for use in the production or finishing of OCTG meeting final specifications, including grade and connections, required for use downhole. Green tubes, as they are commonly referred to in the OCTG industry, are intermediate or in process tubing and casing which require additional processing, such as threading, heat treatment and testing, before they can be used as fully finished oil and gas well casing or tubing in end-use applications.

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<sup>12</sup> Exhibits 38 (PRO), 39 (NC) – Response from SEGE to Supplier RFI.

<sup>13</sup> Exhibits 47 (PRO), 48 (NC) – Response from Techgen to Supplier RFI.

<sup>14</sup> Exhibits 51 (PRO), 52 (NC) – Response from Exiros to Supplier RFI.

<sup>15</sup> Exhibits 36 (PRO), 37 (NC) – Response from Ternium to Supplier RFI.

<sup>16</sup> OCTG3 Initiation Statement of Reasons, July 15, 2021; paragraph 15.

<https://www.cbsa-asfc.gc.ca/sima-lms/i-e/octg32021/octg32021-in-eng.html>

<sup>17</sup> OCTG3 Initiation Statement of Reasons, July 15, 2021; paragraph 16.

<https://www.cbsa-asfc.gc.ca/sima-lms/i-e/octg32021/octg32021-in-eng.html>

[25] For greater clarity, the product definition does not include green tubes originating in or exported from Mexico which are upgraded in the manner described above in an intermediate country prior to being exported to Canada for purposes of this dumping investigation. The CBSA considers these high-strength tubing and casing to originate in the intermediate country for purposes of the investigation.

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

[27] Furthermore, accessory products used in conjunction with downhole OCTG tubing and casing strings such as cross-over joints, marker joints, elbows etc. are not covered by the product definition, nor are further manufactured products which use OCTG as inputs to their production such as vacuum insulated tubing (VIT). Coiled tubing is also not part of the product definition.

### **Product Characteristics and Uses**<sup>18</sup>

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

[29] As noted above, subject OCTG may be manufactured by the seamless or welded process. Typical casing and tubing end finishes include plain end, beveled, external upset ends, threaded, or threaded and coupled (including proprietary premium or semi-premium connections).

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

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

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<sup>18</sup> Exhibit 2 (NC) – OCTG3 Complaint narrative – paragraphs 7– 12.

[32] Heat-treated grades are more sophisticated higher strength grades of pipes used in horizontal applications, deeper wells, and more severe environments such as low temperature services, sour service, heavy oil recovery, etc. These grades are made beginning with the use of a specific chemistry in the steel (either in billet for the seamless process or the steel coil in the ERW process) and are further-processed with heat treatment to attain certain combinations of mechanical properties and/or resistance to corrosion and environmental cracking.

[33] For example, maximum strength (N80, P110, Q125), high-strength with lower ductility (normally proprietary enhancements of API grades), or high-strength combined with resistance to corrosion and environmental cracking (L80, C90, C95, C110, T95 and proprietary enhancements).

[34] Semi-premium and premium connections similarly enhance the function of an OCTG string by providing additional performance and/or sealing characteristics which may be required in more demanding applications.

### **Production Process** <sup>19</sup>

[35] OCTG casing and tubing are made on the same production equipment. Production may be by either the seamless or the welded process.

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

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

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

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<sup>19</sup> OCTG3 Complaint narrative – paragraphs 13–20 (NC).

[39] Evraz and Welded Tube both employ the ERW production process. Specifically, Evraz produces specific OCTG products at the following four locations.

[40] In Regina, Saskatchewan, Evraz produces ERW plain-end tubing in sizes ranging from 2.375 inches to 3.5 inches in outside diameter (OD).

[41] In Calgary, Alberta, Evraz produces ERW casing, threaded and coupled with API connections, in sizes ranging from 4.5 inches to 13.375 inches in OD, as well as ERW tubing, threaded and coupled with API connections, in sizes ranging from 2.375 inches to 3.5 inches in OD.

[42] In Camrose, Alberta, Evraz produces ERW plain-end casing in sizes ranging from 6.625 inches to 16 inches in OD.

[43] Finally, in Red Deer, Alberta, Evraz produces ERW casing, threaded and coupled with both API and proprietary (premium and semi-premium) connections, in sizes ranging from 4.5 inches to 12.75 inches in OD.

[44] Plain-end products are finished at either the Red Deer or the Calgary facilities. Finishing activities at these locations include heat treatment, as well as testing, inspection, measurement, and certification. In addition, threading and coupling for API, premium, or semi-premium connections takes place at the Red Deer facility and threading and coupling for API connections takes place at the Calgary facility.

[45] As a result of production at each of these facilities, Evraz is capable of producing ERW OCTG in grades including API 5CT H40, J55, L80, L80 HC, L80 HCI, L80 RY, N80, P110, P110 HC, P110 HCI, P110 RY and other proprietary grades.

[46] Welded Tube produces and finishes OCTG casing for the Canadian market at three production facilities in Canada. Welded Tube's primary pipe production facility is in Concord, Ontario, where it produces, among other products, hollow structure sections and welded OCTG green tube for further processing into finished casing.

[47] The OCTG green tube produced at the Concord facility is transferred to the facility in Welland, Ontario for quenching, tempering, threading and coupling, and other finishing steps such as further testing and inspection. The output of the Welland facility therefore is finished API 5CT casing in sizes ranging from 4.5 inches to 9.625 inches OD, and up to 0.475 inches in wall thickness, in grades including H40, J55, N80, L80, L80 HC, P110, P110 HC, and proprietary grade WTC80, threaded and coupled with API and semi-premium connections.

[48] At its third facility, located in Port Colborne, Ontario, Welded Tube performs threading and coupling operations and other finishing steps such as further testing and inspection. The output of the Port Colborne facility therefore is finished API 5CT casing in sizes ranging from 4.500 inches to 9.625 inches OD, and up to 0.475 inches in wall thickness, in grades including H40, J55, N80, L80, L80 HC, EP L80, CY P110, P110, P110 HC, HP P110, and proprietary grade WTC80, threaded and coupled with API and semi-premium connections.

### **Classification of Imports**

[49] The allegedly dumped goods are normally classified under the following tariff classification numbers:

|               |               |               |
|---------------|---------------|---------------|
| 7304.29.00.11 | 7304.29.00.51 | 7306.29.00.19 |
| 7304.29.00.19 | 7304.29.00.59 | 7306.29.00.21 |
| 7304.29.00.21 | 7304.29.00.61 | 7306.29.00.31 |
| 7304.29.00.29 | 7304.29.00.69 | 7306.29.00.29 |
| 7304.29.00.31 | 7304.29.00.71 | 7306.29.00.39 |
| 7304.29.00.39 | 7304.29.00.79 | 7306.29.00.61 |
| 7304.29.00.41 | 7306.29.00.11 | 7306.29.00.69 |
| 7304.29.00.49 |               |               |

[50] The listing of tariff classification numbers is for convenience of reference only. The tariff classification numbers may include non subject goods. Also, subject goods may fall under tariff classification numbers that are not listed. Refer to the product definition for authoritative details regarding the subject goods.

### **LIKE GOODS AND SINGLE CLASS OF GOODS**

[51] 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 any identical goods, goods the uses and other characteristics of which closely resemble those of the other goods.

[52] In considering the issue of like goods, the CITT typically looks at a number of factors, including the physical characteristics of the goods (such as composition and appearance), their market characteristics (such as substitutability, pricing, distribution channels and end uses) and whether the domestic goods fulfill the same customer needs as the subject goods.

[53] The CITT has consistently determined that welded and seamless OCTG are like goods, and that OCTG of different grades are not separate classes of goods.<sup>20</sup> Welded and seamless OCTG have similar characteristics and generally compete with one another in the domestic market.

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<sup>20</sup> CITT Dumping and Subsidizing *Findings and Reasons* on Oil Country Tubular Goods 2, April 17, 2015, paragraph 42.

[54] In its preliminary injury inquiry, the CITT confirmed that it will conduct its analysis on the basis that OCTG produced in Canada that is of the same description as the subject goods is “like goods” in relation to the subject goods, and that there is one class of goods.<sup>21</sup>

[55] OCTG casing and tubing are made to the same minimum API 5CT specifications and/or to proprietary equivalent/enhanced specifications, and are both used in down hole well applications. Casing and tubing are produced on the same equipment and have the same channels of distribution.

[56] Although the goods produced by the Canadian industry may or may not be considered identical in all respects to the subject goods imported from Mexico, the CBSA has concluded that the Canadian goods closely resemble the subject goods. Further, after reviewing the physical characteristics of the goods, the end-uses and all other relevant factors, the CBSA is of the opinion that the subject goods constitute only one class of goods.

### **THE CANADIAN INDUSTRY**

[57] The domestic industry is comprised of 3 producers: the Complainants and Tenaris Canada, which is divided into Algoma Tubes (Sault Ste. Marie, Ontario) and Tenaris Hydril (Nisku, Alberta). Prudential Steel was also part of the Tenaris Canada group of companies until it was closed in July 2020.<sup>22</sup>

### **IMPORTS INTO CANADA**

[58] During the preliminary phase of the investigation, the CBSA refined the estimated volume and value of imports based on information from CBSA import entry documentation and other information received from RFI responses.

[59] The following table presents the CBSA’s analysis of imports of OCTG for the purposes of the preliminary determination:

**Imports of Certain OCTG**  
(May 1, 2020 – April 30, 2021)

| <b>Country of Origin or Export</b> | <b>Estimated % of Total Imports (by Volume)</b> |
|------------------------------------|---|
| Mexico                             | 26.1%   |
| All Other Countries                | 73.9%   |
| <b>Total Imports</b>               | <b>100%</b>                                     |

<sup>21</sup> CITT Dumping and Subsidizing *Determination and Reasons* on Oil Country Tubular Goods 3 (PI-2021-003), September 13, 2021, paragraph 22.

<sup>22</sup> OCTG 3 Complaint narrative – paragraph 66 (NC).

## **INVESTIGATION PROCESS**

[60] Regarding the investigation, information was requested from all known and potential exporters, producers, vendors and importers, concerning shipments of OCTG released into Canada during the POI.

[61] Exporters/producers and importers were 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 margins of dumping and the assessment of anti-dumping 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 favorable to them than if complete, verifiable information was made available.

[62] After reviewing the RFI responses, supplemental RFIs (SRFIs) were sent to respondents who submitted complete submissions in order to clarify information provided in the responses and request additional information, where necessary.

[63] The preliminary determination is based on the information available to the CBSA at the time of the preliminary determination. During the final phase of the investigation, additional information may be obtained and responding parties information may be verified, the results of which will be incorporated into the CBSA's final decision, which must be made by December 24, 2021.

## **PRELIMINARY RESULTS OF THE DUMPING INVESTIGATION**

[64] The following presents the preliminary results of the investigation into the dumping of OCTG from Mexico.

### **Normal Value**

[65] Normal values are generally estimated based on the domestic selling prices of like goods in the country of export, in accordance with the methodology of section 15 of SIMA which relies on domestic prices, or one of the methodologies of section 19. Where the methodology of subsection 19(b) is used, it is based 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.

## **Export Price**

[66] The export price of goods sold to importers in Canada is generally estimated in accordance with the methodology of section 24 of SIMA based on the lesser of the adjusted exporter's sale price for the goods 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.

[67] 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**

[68] 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 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.

[69] Further information regarding each respondent who submitted a response is detailed below.

## **Mexico**

### ***Tubos de Acero de Mexico S.A.***

[70] Tubos de Acero de Mexico S.A. (TAMSA) is a producer and exporter of subject goods, located in Veracruz, Mexico. TAMSA is 100% directly or indirectly owned by Tenaris S.A. (Luxembourg).

[71] Exports of subject goods by TAMSA represent over 99% of the value of subject goods shipped to Canada during the POI. All subject goods exported by TAMSA were to TGS Canada, its related importer.

[72] Both TAMSA and TGS Canada provided a substantially complete responses to the CBSA's Dumping RFIs. Supplemental RFIs were sent to both parties to gather additional information and seek clarification regarding their original responses.

[73] During the POI, for some models, normal values were estimated based on the methodology of section 15 of SIMA, using domestic sales of like goods. For the remaining models, there were insufficient sales of like goods that met the conditions of sections 15 and 16 of SIMA, as such, normal values were estimated using the methodology of paragraph 19(b) of SIMA, based on the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The cost of production was estimated in accordance with paragraph 11(1)(a) of the *Special Import Measures Regulations* (SIMR), based on TAMSA's unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on the profits earned by TAMSA on its domestic sales of goods of the same general category during the PAP.

[74] Due to the relationship between the parties involved in the export sales, a preliminary 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 section 24 export prices with the section 25 "deductive" export prices based on the importer's resale prices of the imported goods to unrelated purchasers in Canada, less deductions for all additional costs incurred in preparing, shipping and exporting the goods to Canada, all costs included in the resale prices that were incurred in reselling the goods in Canada (including duties and taxes) and an amount for profit.

[75] The amount for profit was estimated in accordance with paragraph 22(a) of the SIMR based on the financial information relating to vendors that operated at a profit during the POI. The test revealed that the export prices in accordance with section 24 of SIMA were reliable and, therefore, export prices for TAMSA were estimated in accordance with section 24 of SIMA.

[76] For purposes of the preliminary determination, the total estimated normal value compared to the total estimated export price resulted in an estimated margin of dumping of 51.1% for TAMSA, expressed as a percentage of the export price.

### ***All Other Exporters***

[77] For exporters of subject goods originating in or exported from Mexico that did not provide a response to the Dumping RFI, the normal values and export prices were estimated on the basis of facts available. In establishing the methodology for estimating normal values and export prices, the CBSA analyzed all the information on the administrative record, including the complaint, the CBSA's estimates at the initiation of the investigation and information submitted by the exporter during the investigation.

[78] The CBSA decided that the normal values estimated for the exporter whose submissions were substantially complete for the preliminary determination, rather than the information provided in the complaint or estimated at initiation, would be used to establish the methodology for estimating normal values since it reflects exporters' actual trading practices during the POI.

[79] The CBSA considered whether the information from the exporter of OCTG in Mexico, who provided substantially complete information was appropriate to use as the basis for estimating the margin of dumping for all other exporters. The CBSA examined the difference between the estimated normal value and the estimated export price for each individual transaction of TAMSA, and considered that the highest amount (expressed as a percentage of the export price), was an appropriate basis for estimating normal values. This methodology relies on information related to goods that originated in Mexico 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.

[80] As a result, based on the facts available, for exporters that did not provide a substantially complete response to the Exporter dumping RFI, normal values of subject goods originating in or exported from Mexico were estimated based on the highest amount by which an estimated normal value exceeded the estimated export price, on an individual transaction for TAMSA during the POI. The transactions were examined to ensure that no anomalies were considered, such as very low volume and value, effects of seasonality or other business factors.

[81] 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.

[82] Using the above methodologies, for the preliminary determination, the estimated margin of dumping for all other exporters, excluding anomalies, is 128.4%, expressed as a percentage of the export price.

## Summary of Preliminary Results

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

### **Summary of Preliminary Results** Period of Investigation (May 1, 2020 – April 30, 2021)

| <b>Country of Origin or Export</b> | <b>Estimated % Volume of Subject Goods (% of Total Imports)</b> | <b>Estimated Margin of Dumping (% of Export Price)</b> |
|------------------------------------|---|--|
| <b>Mexico</b>                      | <b>26.1%</b>  | <b>N/A</b>   |
| Tubos de Acero de Mexico S.A.      | 25.9%   | 51.1%  |
| All Others – Mexico                | 0.2%  | 128.4%   |
| All Other Countries                | <b>73.9%</b>  | <b>N/A</b>   |
| <b>All Countries</b>               | <b>100%</b>   | <b>N/A</b>   |

[84] In conducting the negligibility test, the CBSA relied upon the volume reported in the FIRM database<sup>23</sup> for OCTG from non-subject countries, since it was available for all imports during the POI.

[85] Under section 35 of SIMA, if at any time before making a preliminary determination the CBSA is satisfied that the actual and potential volume of goods of a country is negligible, the CBSA is required to terminate the investigation with respect to goods of that country.

[86] Pursuant to subsection 2(1) of SIMA, the volume of goods of a country 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 goods.

[87] The volume of subject goods from Mexico is above 3% of the total volume of goods released into Canada from all countries. Based on the definition above, the volumes of subject goods from Mexico are therefore not negligible.

[88] If, in making a preliminary determination, the CBSA determines that the margin of dumping of the goods of a particular exporter is insignificant pursuant to section 38 of SIMA, the investigation will continue in respect of those goods but provisional duties will not be imposed on goods of the same description imported during the provisional period.

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<sup>23</sup> Facility for Information Retrieval Management (FIRM).

[89] Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price of the goods is defined as insignificant. The estimated margin of dumping for exporters from Mexico, expressed as a percentage of the export price, is above 2% and is, therefore, not insignificant. In respect of these goods, provisional anti-dumping duty will be imposed on goods of the same description imported during the provisional period.

[90] A summary of the estimated margins of dumping and provisional duties by exporter is presented in **Appendix 1**.

## **DECISION**

[91] On September 28, 2021, pursuant to subsection 38(1) of SIMA, the CBSA made a preliminary determination of dumping respecting OCTG originating in or exported from Mexico.

## **PROVISIONAL DUTY**

[92] Pursuant to subsection 8(1) of SIMA, provisional duty payable by the importer in Canada will be applied to dumped imports of OCTG that are released from the CBSA during the period commencing on the day the preliminary determination is made and ending on the earlier of the day on which the CBSA causes the investigation in respect of any goods 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 of OCTG has caused injury to the domestic industry.

[93] Imports of OCTG from the Mexico released by the CBSA on or after September 28, 2021, will be subject to provisional duties equal to the estimated margin of dumping, expressed as a percentage of the export price of the goods per exporter. **Appendix 1** contains the estimated margins of dumping and the rates of provisional duty.

[94] 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.

[95] In the event that goods from an exporter, other than TAMSAs in Mexico, are released from customs after September 28, 2021, provisional anti-dumping duty will be assessed at a rate of 128.4%, as a percentage of the export price of the goods. The 128.4% represents the highest amount by which the normal value exceeded the export price on an individual transaction for any substantially complete exporter during the POI, excluding anomalies.

## **FUTURE ACTION**

### **The Canada Border Services Agency**

[96] The CBSA will continue its investigation and will make final decision by December 24, 2021.

[97] If the CBSA is satisfied that the goods were dumped, and that the margins of dumping were not found to be insignificant, a final determination will be made. Otherwise, the CBSA will terminate the investigation in respect of those goods and any provisional duty paid or security posted will be refunded to importers, as appropriate.

### **The Canadian International Trade Tribunal**

[98] The CITT has begun its inquiry into the question of injury to the Canadian industry. The CITT is expected to issue its finding by January 26, 2022.

[99] 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 anti-dumping duty collected or security posted will be refunded.

[100] 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 OCTG that are of the same description as goods described in the CITT's finding.

[101] For purposes of the preliminary determination of dumping, the CBSA has responsibility for determining whether the actual and potential volume of goods is negligible. After a preliminary determination of dumping, 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 goods from a country is negligible.

## **RETROACTIVE DUTY ON MASSIVE IMPORTATIONS**

[102] Under certain circumstances, anti-dumping 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 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 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 duty.

## **UNDERTAKINGS**

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

[104] 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 determination of dumping. 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](http://www.cbsa-asfc.gc.ca/publications/dm-md/d14/d14-1-9-eng.html).

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

[106] If undertakings were to be accepted, the investigation and the collection of provisional duties would be suspended. Notwithstanding the acceptance of an undertaking, an exporter may request that the CBSA's investigation be completed and that the CITT complete its injury inquiry.

## **PUBLICATION**

[107] A notice of this preliminary determination of dumping will be published in the *Canada Gazette* pursuant to paragraph 38(3)(a) of SIMA.

## **INFORMATION**

[108] This *Statement of Reasons* is 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, 11<sup>th</sup> floor  
Ottawa, Ontario K1A 0L8  
Canada

**Telephone:** Andrew Manera 343-553-1868

**Email:** [simaregistry@cbsa-asfc.gc.ca](mailto:simaregistry@cbsa-asfc.gc.ca)

**Web site:** [www.cbsa-asfc.gc.ca/sima\\_lmsi](http://www.cbsa-asfc.gc.ca/sima_lmsi)



Doug Band  
Director General  
Trade and Anti-dumping Programs Directorate

**APPENDIX 1**  
**SUMMARY OF ESTIMATED MARGINS OF DUMPING**  
**AND PROVISIONAL DUTIES PAYABLE**

The following table lists the estimated margins of dumping and the provisional duty by exporter as a result of the decision mentioned above. Imports of subject goods released from the Canada Border Services Agency on or after September 28, 2021, will be subject to provisional duties at the rates specified below.

| <b>Originating in or Exported from</b> | <b>Estimated Margin of Dumping<br/>(% of Export Price)</b> | <b>Total Provisional Duty Payable<br/>(% of Export Price)</b> |
|--|--|---|
| <b>Mexico</b>                          |  |   |
| Tubos de Acero de Mexico S.A.          | 51.1%  | 51.1%   |
| All Other Exporters                    | 128.4%   | 128.4%  |