



OTTAWA, March 22, 2024

WR 2024 IN

STATEMENT OF REASONS

Concerning the initiation of an investigation into the dumping of

WIRE ROD

**ORIGINATING IN OR EXPORTED FROM
CHINA, EGYPT AND VIETNAM**

DECISION

Pursuant to subsection 31(1) of the *Special Import Measures Act*, the Canada Border Services Agency initiated an investigation on March 8, 2024, respecting the alleged injurious dumping of wire rod originating in or exported from the People's Republic of China, the Arab Republic of Egypt and the Socialist Republic of Vietnam.

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

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SUMMARY

[1] On January 18, 2024, the Canada Border Services Agency (CBSA) received a written complaint from Ivaco Rolling Mills 2004 LP (Ivaco) (L'Original, ON) (hereinafter, the complainant) alleging that imports of wire rod originating in or exported from the People's Republic of China (China), the Arab Republic of Egypt (Egypt) and the Socialist Republic of Vietnam (Vietnam) have been dumped. The complainant alleged that the dumping has caused injury and is threatening to cause injury to Canadian producers of wire rod.

[2] On February 8, 2024, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. On March 1, 2024, the CBSA informed the Governments of China (GOC), Egypt and Vietnam (GOV), that a properly documented complaint had been filed.

[3] The complainant provided evidence to support the allegations that certain wire rod from China, Egypt and Vietnam have been dumped as well as evidence that discloses a reasonable indication that the dumping has caused injury or is threatening to cause injury to the Canadian industry producing like goods.

[4] On March 8, 2024, pursuant to subsection 31(1) of SIMA, the CBSA initiated an investigation respecting the dumping of wire rod from China, Egypt and Vietnam.

INTERESTED PARTIES

Complainant

[5] The name and address of the complainant is as follows:

Ivaco Rolling Mills 2004 LP
P.O. Box 322,
L'Original, Ontario, K0B 1K0

[6] Ivaco is the largest Canadian producer of wire rod, with operations located in L'Original, Ontario. Ivaco was established in 1971, and in 2004 was acquired by Heico Holdings Inc. Ivaco operates an electric arc furnace to melt scrap metal and to produce steel billets, which Ivaco then uses in the production of wire rod.¹

¹ Exhibit 2 (NC) – WR Complaint – para. 9

Other Producers

[7] The complainant identified one additional producer of wire rod in Canada:²

ArcelorMittal Long Products Canada G.P. (ArcelorMittal)
4000, Routes des Aciéries
Contrecoeur, Quebec, J0L 1C0

[8] The complaint identified Ivaco and ArcelorMittal as the only two producers of wire rod in Canada. The CBSA did its own supplementary research, but could not identify any other producers in Canada.

Trade Union

[9] The complainant identified the United Steelworkers Locals 7940, 8794, and 9740 as the union of which Ivaco employees are members. The complainant identified Unifor as the trade union for members employed at Sivaco. Sivaco is not a producer of wire rod but is related to Ivaco. The complainant identified Syndicat Des Metallos Local 6586 as the trade union with members employed at ArcelorMittal.³

Exporters

[10] The CBSA identified 135 potential exporters and/or producers of the subject goods from CBSA import documentation and from information submitted in the complaint. All of the potential exporters were asked to respond to the CBSA's Dumping Request for Information (RFI). Exporters and producers of subject goods in China were asked to respond to the CBSA's Section 20 RFI.

Importers

[11] The CBSA identified 27 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint. All of the potential importers were asked to respond to the CBSA's Importer RFI.

Government

[12] Upon initiation of the investigation, the GOC was sent the CBSA's Government Section 20 RFI.

² Exhibit 2 (NC) – WR Complaint – paras. 8-13

³ Exhibit 2 (NC) – WR Complaint – paras. 18-20

[13] For the purposes of this investigation, the GOC 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.

PRODUCT INFORMATION

DEFINITION

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

Certain hot-rolled wire rod of carbon steel and alloy steel of circular or approximately circular cross section, in coils, equal to or less than 25.5 mm in actual solid cross-sectional diameter, originating in or exported from the People's Republic of China, the Arab Republic of Egypt and the Socialist Republic of Vietnam, excluding the following products:

- tire cord quality wire rod;
- stainless steel wire rod;
- tool steel wire rod;
- high-nickel steel wire rod;
- ball-bearing steel wire rod; and
- concrete reinforcing bars and rods (also known as rebar).

a) For greater clarity, tire cord quality wire rod is considered to be rod measuring 5.0 mm or more but not more than 6.0 mm in cross-sectional diameter, with an average partial decarburization of no more than 70 micrometers in depth (maximum 200 micrometers); having no non-deformable inclusions with a thickness (measured perpendicular to the rolling direction) greater than 20 micrometers; and, containing by weight the following elements in proportion: 0.68% or more carbon; less than 0.01% of aluminum; 0.04% or less, in aggregate, of phosphorus and sulfur; 0.008% or less of nitrogen, and not more than 0.55% in the aggregate, of copper, nickel and chromium.

b) Stainless steel wire rod is rod containing, by weight, 1.2% or less of carbon and 10.5% or more of chromium, with or without other elements.

c) Tool steel wire rod is considered to be rod containing the following combinations of elements in the quantity by weight respectively indicated: more than 1.2 percent carbon and more than 10.5 percent chromium; or not less than 0.3 percent carbon and 1.25 percent or more but less than 10.5 percent chromium; or not less than 0.85 percent carbon and 1 percent to 1.8 percent, inclusive, manganese; or 0.9 percent to 1.2 percent, inclusive, chromium and 0.9 percent to 1.4 percent, inclusive, molybdenum; or not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or not less than 0.5 percent carbon and not less than 5.5 percent tungsten.

d) High-nickel steel wire rod is considered to be rod containing by weight 24% or more nickel.

e) Ball-bearing steel wire rod is considered to be rod containing iron as well as each of the following elements by weight in the amount specified: not less than 0.95 nor more than 1.13 percent of carbon; not less than 0.22 nor more than 0.48 percent of manganese; none, or not more than 0.03 percent of sulfur; none, or not more than 0.03 percent of phosphorus; not less than 0.18 nor more than 0.37 percent of silicon; not less than 1.25 nor more than 1.65 percent of chromium; none, or not more than 0.28 percent of nickel; none, or not more than 0.38 percent of copper; and none, or not more than 0.09 percent of molybdenum.

f) Concrete reinforcing bar, commonly known as rebar, means a steel bar produced with deformations. It is covered by the existing measures in force.

ADDITIONAL PRODUCT INFORMATION⁴

[15] Wire rod is a semi-finished hot-rolled steel product of approximately circular⁵ cross section (*i.e.*, not exactly round) that typically is produced in nominal fractional diameters of up to 1 inch (25.5 mm), with an out of roundness (OOR) tolerance of ± 0.025 inches (0.60 mm), and a standard size tolerance of $\pm 1/64$ (± 0.016) inches (± 0.40 mm). Wire rod is sold in nominal diameters because it may not be (nor is it expected to be, under ASTM specifications) exactly round. Nominal diameters are typically incremented by $1/64$ (0.016) inches (0.40 mm).

[16] Wire rod is used as an input product for further manufacturing. Specifically, wire rod is commonly drawn through a hole in a die through cold-forming, which results in a virtually round product, namely, wire. Unlike wire rod (which is approximately circular), wire can also be drawn into several different cross-sectional shapes including square, rectangle, and hexagon among others.

⁴ Exhibit 2 (NC) – WR Complaint – paras. 22-39

⁵ As explained in detail below, the material input for steel wire rod is a steel billet, which can have a square or near square cross-section to start. Once the billet is heated, it goes through a geometric transformation to become a round or near round rod. In this sense, while wire rod is always circular, such that it does not have corners, it may not be a perfect circle.

[17] Wire rod is sold in wound coils for ease of use as an input in downstream production. One of the key features of wire rod is its continuous form such that, if one end is fed into a machine, the balance of the material will feed continuously – a feature common to all long products.

[18] The North American market for wire rod is governed by applicable ASTM wire rod specifications including ASTM A-510 and ASTM A-1040 for end use suitability. ASTM A-510 is the standard specification for general requirements for wire rods and coarse round wire made of carbon and alloy, whereas ASTM A-1040 sets out standard grades for carbon, low-alloy, and alloy steels. Together, these ASTM specifications provide clarity on physical characteristics (i.e., surface quality, coating, dimensions) and chemical characteristics (i.e., grade, residual content etc.). Ivaco manufactures or is capable of manufacturing wire rod to all ASTM A-510 and ASTM A-1040 specifications and grades.

[19] There are five notable product characteristics that distinguish various types of wire rod: (1) surface quality; (2) steel grade; (3) residual chemical composition; (4) diameter, and (5) whether the rod is “green” (i.e., not further processed after coming off the hot-rolling line) or “processed” (i.e., further processed after hot-rolling, e.g., by acid-washing/pickling the rod to remove impurities such as rust or scale, and by coating the rod with suitable lubrication for ready-use in wire drawing).

[20] First, with respect to surface quality, this differs based on detectable defects on the surface of the rod, which are called surface defect depths or seam depths. Whereas ASTM A-510 requires only that wire rod is to be free of “detrimental surface imperfections, tangles, and sharp kinks,” customers accept surface defect depths only up to a given maximums, based on the ultimate end use of wire rod. Ivaco therefore provides product warranties for maximum acceptable surface defect depths according to rod quality designations.

[21] The Ivaco warranty for Cold Heading Quality, High Carbon Quality, Welding Quality, Industrial Quality and Mesh Quality is measured as a percent of surface defect depth. Ivaco does not sell wire rod that has a surface defect depth exceeding a certain percent of the diameter. As the acceptable depth of defects decreases, cost of production increases given more stringent requirements for the input raw material (i.e., higher quality scrap must be used), additional testing and quality control work required, and reduced prime yields.

[22] Second, steel grade is controlled as early as in the production process of raw materials (i.e., billets). Billets produced to customer specifications often conform to certain chemical characteristics that meet ASTM specifications. Table 2 of ASTM A-1040 outlines standardized chemical compositions that different grades of wire rod must conform to, which in turn require input billets to conform to the same chemical compositions. It is common, however, for customers to specify their own steel chemical composition in their own specifications for their own end use. Ivaco produces wire rod to meet customer grade and chemistry specifications.

[23] Third, customers may also ask wire rod producers to confirm the residual chemical components of the steel. Although wire rod may be produced to an ASTM grade, steel with given target levels of residual chemical components not otherwise specified by an ASTM grade will ordinarily attract higher pricing in the market. The minimum and maximum residual components defined by the customer may include copper, nickel, chromium, molybdenum, tin, vanadium, and nitrogen, depending on the customer. The degree of inclusion of each element varies among different types/grades of wire rod. The cost of production of wire rod increases, all other things being equal, the higher the level of control over residual chemical components is.

[24] Fourth, wire rod size/diameter will be specified by the customer based on end use. Ivaco can produce wire rod in diameters up to 1 inch (25.5 mm), with an OOR tolerance of ± 0.025 inch (0.60 mm) and a size tolerance of $\pm 1/64$ inches (i.e., ± 0.016 inches or ± 0.40 mm). Wire rod is normally sold in size increments of $1/64$ inches (i.e., 0.016 inches or 0.40 mm). Typically, at the outer ranges of diameters (i.e., the smallest and largest diameters), costs of production increases.

[25] Finally, wire rod is produced and sold as either green rod or processed rod. Green rod is the default end product in wire rod production after it passes through its final hot-rolling process. Green rod normally is covered with an oxide iron scale that results from the hot-rolling process. The scale must be removed through further processing before the rod is put to its intended end use. Most wire rod is processed (i.e., the oxide iron layer is removed through acid-pickling or mechanical descaling, and, if applicable, an annealing cycle, and a lubricant or polymer added) before it is put to its intended end use in the manufacture of wire or other products. When processed, the oxide layer is removed, then the rod may go into an annealing cycle to modify its mechanical properties, and then rod may be coated with zinc, phosphate, lime, borax, lube, or polymer. Some customers have their own processing equipment and thus purchase green rod. Others do not have some equipment, and thus purchase rod that has already been processed. Given that these processing steps are additional and subsequent to the hot-rolling of the wire rod, the cost of production of processed rod by definition is higher than the cost of production of green rod.

[26] Wire rod sold in North America is generally marketed by quality according to the ultimate end use. There are five main quality designations for wire rod based on suitability for intended end use: (1) industrial quality (low carbon); (2) mesh quality (low carbon); (3) welding quality; (4) high carbon quality; and (5) cold heading quality. The first two quality designations for wire rod typically have a carbon content less than 0.25 percent. Wire rod of higher quality (e.g., cold heading quality) is typically downward substitutable for wire rod of lower quality (e.g., industrial quality). Multiple factors contribute to the substitutability of one type of wire rod for another including the overall chemistry, size variation, OOR, allowable surface discontinuities, and steel cleanliness. However, in many cases, higher quality low- and medium- carbon wire rod can be downward substitutable for lower quality wire rod. Indeed, for example, it is possible to produce cold heading quality wire rod with a carbon content of below 0.25 percent, which would make it suitable for use in an industrial quality application requiring a similar carbon content.

[27] In terms of the quality designations, industrial quality (IQ) rod connotes suitability for end use in the production of cold drawn products with non-critical applications, e.g.: spring wire, shaped wire, general purpose springs, nails and other simple fasteners, chains, bailing wire, display racks, warehouse shelving, animal cages, fencing products, and concrete snap ties (used to form concrete walls).

[28] Mesh quality LC rod connotes suitability for end use in the production of products primarily used in the construction industry, e.g.: concrete wire mesh, as well as deformed wire (i.e., wire products that have deformations similar to rebar). Both IQ and mesh quality LC may also be grouped together as IQ in industry or sales discussions.

[29] Welding quality rod connotes more carefully controlled steel chemistry and steel mechanical properties targeting end use in the production of welding wire. Specifically, welding quality rod is produced to be drawn into wire to form stick electrodes or to be drawn into wire to form spools (for continuous feed applications) of either solid welding wire or flux-cored welding wire such as that used in, e.g., automated/robotic automotive assembly lines or the production of submerged arc welded steel pipe products (e.g., large diameter line pipe, etc.). The chemistry of welding quality rod is important to ensure that the weld material fuses with the surrounding parent metal being joined, and that it has post-solidification mechanical properties that are compatible with the parent metal.

[30] High carbon (HC) quality rod connotes carbon content exceeding 0.45 percent up to and including 1.03 percent (i.e., ASTM grade 1095). Further, HC quality rod also connotes suitability for drawing into wire but, at the same time, connotes rod that has sufficient strength to serve in more demanding end products such as springs, music wire, and stranded cables. More demanding billet casting and tighter-controlled cooling parameters impart a more consistent microstructure throughout the drawn wire.

[31] Finally, cold heading quality (CHQ) rod connotes suitability for end use in production processes involving the cold heading (forming) of products, including fasteners, spark plugs, and other engineered products with tight dimensional tolerances such as in the automotive, shipbuilding, and aerospace sectors. All other things being equal, the superior quality demanded for CHQ wire rod makes it downward substitutable for use in applications requiring IQ wire rod.

PRODUCTION PROCESS⁶

[32] Notwithstanding the wide variety of end uses of wire rod, all wire rod products share a basic manufacturing process that consists of steelmaking, casting, hot-rolling, coiling, and cooling.

⁶ Exhibit 2 (NC) – WR Complaint – paras. 40-45

[33] The first step in wire rod production process is steelmaking or production of raw materials (i.e., blooms or billets by melting steel scrap). In North America and other parts of the world, raw steel is produced by one of two processes: the integrated steelmaking process, which employs blast furnaces and basic oxygen furnaces, or the non-integrated steelmaking process, which utilizes electric arc furnaces (EAF). For its part, Ivaco uses an EAF to make steel billets from multiple metal scrap types. To create specific chemical properties, items may be added to the EAF, which reaches temperatures as high as 3,050 degrees Celsius. Once the expected chemical composition is met, the molten steel is poured from the EAF into a ladle and is then moved to the ladle metallurgy furnace. At the ladle metallurgy furnace stage of the process, the steel chemistry is further refined, as needed, with the addition of other elements such as alloys.

[34] When the precise chemistry and temperature are obtained, the ladle is transferred by crane to the continuous casting operation (i.e., caster). At Ivaco, the steel is poured from the ladle into the tundish, which is a distributor used to deliver molten metal. There are various methods of casting steel; with the production process being chosen based on the required quality and the grade sensitivity to oxygen contact. Each strand of molten steel is slowly drawn downward through a curved arrangement of support rolls as a water-cooling spray system helps solidify the steel, forming the shape of the billets. After emerging horizontally from the discharge end of the caster, the billets are straightened through a set of rolls and cut to length using oxygen torches. At this point, each billet is already assigned to a specific customer and is awaiting conversion into wire rod. Once made, billets are transferred for cooling and storage in the indoor billet yard. When needed for production, billets are picked up by overhead crane and delivered to a charging table where a final check is done to ensure full order traceability.

[35] Upon final check, billets are transferred to Ivaco's hot-rolling process. This production method is called "hot-rolling" because the steel billet is first reheated in a reheat furnace before it passes through a number of rolling stands, generally referred to as "roughing," "intermediate," and "finishing" passes. The rolling stands form and compress the hot billet in a vertical and horizontal manner, thus turning a relatively shorter billet with a roughly square or rectangular cross-section with a larger width, into a relatively longer rod product with a roughly circular cross-section, with a smaller diameter.

[36] After the hot-rolling stage of production, the resulting wire rod must be cooled. This is generally accomplished by air cooling. After cooling, the coils are inspected. By the time a given coil reaches the end of the production line, it has been trimmed, shaped, tested, compacted, weighed, and tagged in accordance with the industry standards (i.e., applicable ASTM specifications).

[37] Chemical composition, scrap steel mix, and alloying elements, along with rolling passes on specific rolling stands and cooling speeds, all determine the specific quality of wire rod produced. That being said, the manufacturing equipment, handling equipment, direct labour, and production facilities remain the same for all wire rod products.

CLASSIFICATION OF IMPORTS

[38] The allegedly dumped goods are normally imported under the following tariff classification numbers:

7213.91.00.42	7213.99.00.11	7227.20.00.20
7213.91.00.43	7213.99.00.12	7227.20.00.90
7213.91.00.49	7213.99.00.31	7227.90.00.60
7213.91.00.50	7213.99.00.32	7227.90.00.70
7213.91.00.60	7213.99.00.51	7227.90.00.81
7213.91.00.70	7213.99.00.52	7227.90.00.82
		7227.90.00.83

[39] The listing of tariff classification numbers is for convenience of reference only. The tariff classification numbers 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 CLASS OF GOODS⁷

[40] Subsection 2(1) of SIMA defines “like goods” in relation to any other goods as “... (a) goods that are identical in all respects to the other goods, or (b) in the absence of any such goods..., goods the uses and other characteristics of which closely resemble those of the other goods.” In considering the issue of like goods, the Canadian International Trade Tribunal (CITT) typically looks at a number of factors, including the physical characteristics of the goods, their market characteristics, and whether the domestic goods fulfill the same customer needs as the subject goods.

[41] With respect to the definition of like goods, the complainant stated that like goods are those goods described in the product definition. That is, domestically produced wire rod, which meets the product definition, and does not include domestically produced goods which are specifically excluded from the product definition.

[42] The domestic industry produces, or has the ability to produce, the whole range of wire rod products included in the scope of the complaint. While the qualities of the subject goods may differ depending on the given end-use specifications, the complainant submits that the subject goods fall within a continuum of like goods within a single class.

[43] The complainant notes that wire rod of similar quality is interchangeable in a given end-use application. All wire rod is generally manufactured in the same facilities using the same processes and is sold using the same distribution channels.

[44] For the purposes of this analysis, like goods consist of domestically produced wire described in the product definition.

⁷ Exhibit 2 (NC) – WR Complaint – paras. 59-64

[45] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that subject goods and like goods constitute only one class of goods.

THE CANADIAN INDUSTRY

DOMESTIC PRODUCERS

[46] In addition to the complainant, there is one other wire rod producer in Canada that was identified by the complainant, ArcelorMittal Long Products Canada G.P. (ArcelorMittal). ArcelorMittal expressed support of the complaint.⁸

ESTIMATES OF DOMESTIC PRODUCTION

[47] The complaint includes the annual production of like goods from January 1, 2021 through December 31, 2023 for both Ivaco and ArcelorMittal.⁹

[48] The complainant, together with the supporting producer, accounted for 100% of the production of wire rod in Canada in 2023.¹⁰

STANDING

[49] Pursuant to subsection 31(2) of SIMA, the following conditions must be met in order for an investigation to be initiated:

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

[50] Based on an analysis of information provided in the complaint, as well as the information gathered by the CBSA, the CBSA is satisfied that the standing requirements of subsection 31(2) of SIMA have been met.

THE CANADIAN MARKET

[51] The complainant, using data from Statistics Canada and Global Affairs Canada¹¹, estimated the total value of imports of wire rod from China, Egypt and Vietnam, and all other countries from January 1, 2020 to December 31, 2023.

⁸ Exhibit 2 (NC) – WR Complaint – Exhibit 1-01

⁹ Exhibit 2 (NC) – WR Complaint – Exhibit 7-03

¹⁰ Exhibit 2 (NC) – WR Complaint – paras. 14-17

¹¹ Exhibit 2 (NC) – WR Complaint – Exhibit 7-03

[52] The CBSA conducted its own independent review of imports of wire rod from the CBSA’s Facility Information Retrieval Management (FIRM) database using the tariff classification numbers under which the subject goods are imported from China, Egypt and Vietnam and all other countries. In addition, the CBSA reviewed its Accelerated Commercial Release Operations Support System (ACROSS) data to correct any errors and remove non-subject imports.

[53] Detailed information regarding the sales from domestic production by the complainant and supporting producer as well as the volume of imports of subject goods cannot be divulged for confidentiality reasons.

[54] The CBSA’s estimate of the apparent Canadian market for like goods, using the CBSA’s estimates of imports and information concerning domestic production for domestic consumption found on the administrative record, is as follows:

Table 1: CBSA’s Estimate of Canadian Market
(expressed as % of the volume in MT)

	2021	2022	2023
Total domestic production sold in Canada	37.9%	35.5%	37.5%
Imports from China	4.2%	5.4%	10.5%
Imports from Egypt	2.5%	7.2%	7.8%
Imports from Vietnam	23.3%	22.6%	19.4%
Imports from all other countries	32.1%	29.3%	24.8%
Total Apparent Canadian Market	100%	100%	100%

[55] The CBSA will continue to gather and analyze information on the volume of imports during the Period of Investigation (POI) of January 1, 2023 to December 31, 2023 as part of the preliminary phase of the dumping investigation and will refine these estimates.

EVIDENCE OF DUMPING

[56] The complainant alleged that the subject goods from China, Egypt and Vietnam have been injuriously dumped into Canada. Dumping occurs when the normal value of the goods exceeds the export price to importers in Canada.

[57] Normal values are generally based on the domestic selling price of like goods in the country of export where competitive market conditions exist or as 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.

[58] The complainant made the allegation that the wire rod sector in China may not be operating under competitive market conditions and as such, the domestic market for wire rod may not be relied upon for the purpose of determining normal values. Accordingly, the complainant submitted that normal values should be determined under section 20 of SIMA.

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

[60] Estimates of normal values and export prices by both the complainant and the CBSA are discussed below.

NORMAL VALUE

Complainant's Estimates of Normal Value

Section 15

[61] The complaint included home market pricing for wire rod in China based on data obtained from Fastmarkets. However, based on the information in the complaint, when the selling prices from Fastmarkets are compared to the quarterly costs of production estimated for purposes of the paragraph 19(b) normal values, the costs of production are higher than the Fastmarkets pricing data in each quarter. As such, the complainant submits that the domestic price information from China should not be considered for the purposes of estimating normal values pursuant to section 15 of SIMA.¹²

[62] The complaint did not include estimates of normal values pursuant to section 15 of SIMA for Egypt or Vietnam. The complainant explained that sufficient information was not available to estimate normal values pursuant to section 15 of SIMA. Further, the complainant argued that section 15 would not be appropriate for China and Vietnam as, according to the complainant, the conditions of section 20 of SIMA prevail in the market for subject goods in China and Vietnam.¹³

Section 19(b)

[63] The complainant estimated normal values using a constructed cost approach based on the methodology in paragraph 19(b) of SIMA. The calculation was based on the aggregate of estimates of the cost of production of the subject goods, a reasonable amount for administrative selling and all other costs, and a reasonable amount for profits.

¹² Exhibit 2 (NC) – WR Complaint – paras. 73-77

¹³ Exhibit 2 (NC) – WR Complaint – para. 57

[64] The complainant stated that information with respect to the costs of production for producers of wire rod from subject countries was not available. Instead, the complainant estimated the cost of production of the subject goods from subject countries based on the following methodology:

- For raw material costs, the complainant used billet pricing published by Fastmarkets for the country in question. As Fastmarkets billet pricing was not available for Vietnam, the complainant used an average of billet pricing from India and the Philippines. The complainant submits that these countries are appropriate surrogates given their geographic proximity to Vietnam and their similar levels of development. The complainant calculated a quarterly average steel billet price based on the Fastmarkets information for each country for the purposes of estimating normal values.¹⁴
- For labour costs the complainant used a weighted average of the per tonne labour cost reported by both domestic producers (Ivaco and ArcelorMittal) on a quarterly basis in relation to the production of like goods. These labour costs were then adjusted to reflect conditions in the subject countries.¹⁵
- The complainant used a weighted average of the two domestic producers' per tonne overhead costs in relation to the production of like goods on a quarterly basis. To account for the labour component of overhead, the complainant adjusted the portion for indirect labour costs in the same manner as direct labour costs.¹⁶

[65] To estimate a reasonable amount for administrative, selling, and other costs, and a reasonable amount for profit for the subject goods from the named countries, the complainant relied on publicly available financial reports of wire rod producers in each subject country. Using this information, the complainant estimated a reasonable amount for administrative, selling and other costs, and a reasonable amount for profit for each named country. The table below includes the specific amounts for each subject country.¹⁷

Table 2: Amounts for SG&A, Financial Expense, and Profit

	China	Egypt	Vietnam
SG&A	3.20%	4.6%	3.3%
Financial Expense	4.50%	31.0%	2.1%
Amount for Profit	2.30%	5.9%	5.5%

¹⁴ Exhibit 2 (NC) – WR Complaint – paras. 80, 86, 92 & 97

¹⁵ Exhibit 2 (NC) – WR Complaint – paras. 80, 87, 93 & 98

¹⁶ Exhibit 2 (NC) – WR Complaint – paras. 80, 87, 93 & 98

¹⁷ Exhibit 2 (NC) – WR Complaint – paras. 88, 94 & 99

[66] Based on the methodology described above, the complainant estimated quarterly normal values for subject goods based on paragraph 19(b) of SIMA, for the period of October 1, 2022 to December 31, 2023. The complainant submits that it is appropriate to estimate a single quarterly normal value per country for a number of reasons, namely, that the estimates of normal values are based on raw material costs that do not distinguish the grade and, according to the complainant, the cost components of labour and overhead do not fluctuate significantly with changes in product characteristics.¹⁸

[67] The complainant submits that there is typically a lag of up to three months between when a sale is concluded at a given price and when that purchase arrives in Canada and is accounted for as a customs entry. Based on this information, according to the complainant the value of goods imported likely reflects costs and pricing from three months prior to the goods landing in Canada. As such, the complainant has estimated the margins of dumping for each of the subject countries by comparing the quarterly estimated export price with the estimated normal value from the previous quarter.¹⁹

Section 20

[68] The complainant submitted that domestic selling prices of wire rod in China and Vietnam are substantially influenced by government policies and should not be used in the calculation of normal values since the prices are not reflective of competitive market conditions. As a result, the complainant also estimated normal values for exporters in China and Vietnam using the methodology of section 20 based on surrogate country information.

[69] The complainant submits that Egypt would be an appropriate surrogate country.²⁰ The complainant further submits that an average of price data for steel wire rod from the United States, Northern Europe, and Southern Europe would be the most appropriate alternative surrogate. To support this assertion, the complainant noted that the United States and the European Union are, in addition to China, the largest global markets for steel wire rod.²¹

[70] The section 20 surrogate normal values estimated by the complainant for Egypt are calculated in the same manner as the section 19 normal values discussed above. With respect to the alternative surrogate normal values from the United States, Northern Europe and Southern Europe, the complainant has provided wire rod pricing data from Fastmarkets.²²

¹⁸ Exhibit 2 (NC) – WR Complaint – paras. 88-83

¹⁹ Exhibit 2 (NC) – WR Complaint – paras. 110-111

²⁰ Exhibit 2 (NC) – WR Complaint – para. 108

²¹ Exhibit 2 (NC) – WR Complaint – para. 109

²² Exhibit 2 (NC) – WR Complaint – para. 109

CBSA's Estimate of Normal Value

[71] Given the absence of domestic price information with respect to wire rod in Egypt and Vietnam, the CBSA was unable to estimate normal values following the methodology described in section 15 of SIMA. While the complaint did include information concerning the domestic prices of wire rod in China, the CBSA finds the complainants assertion that these prices appear to be below the cost of production to be reasonable and well supported. Accordingly, the CBSA finds that this information can not be used for the purposes of estimating normal values pursuant to section 15 of SIMA.

[72] With respect to the complainant's allegations that the conditions of section 20 prevail in the wire rod sector in China, the CBSA will endeavor to gather additional information from exporters, the GOC, and other relevant sources in order to enable the CBSA to form an opinion as to whether the conditions of section 20 exist in the domestic market for wire rod in China.

[73] As the CBSA acknowledges that there is evidence that the conditions of section 20 exist in the wire rod sector in China, the CBSA finds the methodology of section 20 to be a reasonable basis for estimating normal values for wire rod from China at this stage. As such, the CBSA has estimated normal values for China based on the methodology of section 20 of SIMA, based on surrogate country data from Egypt.

[74] The CBSA finds the surrogate country data from Egypt to be the best information available at the time of initiation. Where possible, in accordance with section 20 of SIMA, the CBSA will estimate normal values based on data from a single surrogate country. The normal values estimated for Vietnam, pursuant to 19(b) of SIMA, include raw material pricing data from India and the Philippines. In comparison, the normal values estimated for Egypt are based on country specific billet pricing. While Vietnam may later be found to be an appropriate surrogate country, at this stage, for the purposes of estimating normal values pursuant to section 20 of SIMA, the CBSA finds the surrogate data from Egypt to be the best information available as these estimates do not include third country cost data.

[75] For Egypt and Vietnam, the CBSA estimated normal values using a constructed cost approach based on the methodology in paragraph 19(b) of SIMA, calculated based on the aggregate of estimates of the cost of production of the subject goods, a reasonable amount for administrative selling and other costs and a reasonable amount for profits.

[76] In estimating normal values for subject goods from Egypt and Vietnam based on the methodology of paragraph 19(b) of SIMA, the CBSA:

- Used the direct material costs of subject goods as estimated by the complainant.
- Estimated direct and indirect labour costs based on information available in the complaint as it represented the best available data.

- Estimated a reasonable amount for selling, administrative and all other costs as described earlier in this document based on the financial information provided in the complaint for producers of wire rod in the subject countries. These amounts are provided in **Table 2**.
- Estimated a reasonable amount for financial expenses based on information provided in the complaint for the subject countries. Given the considerably high financial expense ratio identified for Egypt, the CBSA closely examined the financial statements provided for wire rod producer El EZZ Dekheila Steel-Alexandria SAE and its parent company EZZ Steel Company . The CBSA noted that a major proportion of the financial expense, incurred by both companies, relates to foreign exchanges losses in 2023. These losses appear to stem from the significant devaluation of the Egyptian pound during 2023. While the CBSA does note that the financial expense ratio provided in the complaint is significant, given that the devaluation of currency would likely impact all producers of wire rod in Egypt in some manner, the CBSA found this amount to be reasonable and the best information available for the purposes of estimating normal values.
- Estimated a reasonable amount for profits based on the publicly available profit data for steel producers in the subject countries as included in the complaint. These amounts are provided in **Table 2**.

EXPORT PRICE

Complainant's Estimates of Export Price

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

[78] The complainant estimated export prices of subject wire rod from Statistics Canada import data for the applicable tariff classification numbers and from Global Affairs Canada's steel import permit data for wire rod, for the period of January 1, 2023 to December 31, 2023 for all subject countries.²³

CBSA's Estimates of Export Price

[79] In order to confirm export prices and determine the volume and value of imports of subject goods into Canada from the subject countries, the CBSA relied on information available through FIRM, ACROSS and import entry documents.

²³ Exhibit 2 (NC) – WR Complaint – paras. 69-70 & Exhibit 6-02

[80] In conducting the review of commercial documentation, the CBSA adjusted the quantity and the value for duty amounts reported in FIRM by removing non subject goods as shown in the customs entry documentation. In addition, errors respecting quantity and value were also corrected.

[81] To estimate export prices for the subject countries, the CBSA used the quarterly average value for duty data as declared on the customs documentation and reported in FIRM for shipments imported during the period reviewed, January 1, 2023 to December 31, 2023.

ESTIMATED MARGINS OF DUMPING

[82] The CBSA estimated the margin of dumping for subject goods from the named countries by comparing the estimated quarterly export price with estimated normal value from the previous quarter for the period reviewed (January 1, 2023 to December 31, 2023). Based on these estimates, the CBSA arrived at margins of dumping of 41.3% from China, 47.5% from Egypt, and 14.8% from Vietnam, expressed as a percentage of the export price for subject goods from each named country respectively.

SECTION 20 ALLEGATIONS

[83] 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.²⁴

[84] The provisions of section 20 are applied on a sector basis rather than on the country as a whole. The sector reviewed will normally only include the industry producing and exporting the goods under investigation.

[85] The CBSA initiates dumping investigations on the presumption that section 20 is not applicable to the sector under investigation unless there is information that suggests otherwise.

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

²⁴ China is a prescribed country under Section 17.1 of the *Special Import Measures Regulations*.

[87] The complainant alleges that the conditions described in section 20 of SIMA prevail in the wire rod industry sectors in China and Vietnam. That is, the complainant alleges that these industry sectors in China and Vietnam do not operate under competitive market conditions and consequently, prices of wire rod established in the domestic markets in China and Vietnam, would not be reliable for determining normal values.²⁵

[88] The complainant provided a variety of evidence in Annex A of the complaint to support the claim that the GOC and GOV substantially determine domestic prices of wire rod in their respective countries and that the prices are substantially different than they would be in a competitive market. Specifically, the complainant cited specific policies implemented by the GOC and GOV and provided evidence of state-ownership and subsidization in the steel industry and wire rod sector.

[89] The CBSA has reviewed the information provided in the complaint and conducted its own research. Based on this information, the CBSA finds that there is insufficient evidence to support an inquiry into the allegations that the measures taken by the GOV substantially influence prices in the wire rod sector in Vietnam. As such, the CBSA did not initiate a section 20 inquiry as part of the initiation of the investigation.

[90] With respect to the section 20 allegations concerning the wire rod sector in China, based on its own analysis, the CBSA believes that there is reasonable evidence to support an inquiry into the allegations that the measures taken by the GOC substantially influence prices in the wire rod sector in China, and that the prices are substantially different than they would be in a competitive market.

[91] Consequently, on March 8, 2024, the CBSA included in its investigation, a section 20 inquiry in order to determine whether the conditions set forth in paragraph 20(1)(a) of SIMA prevail in the wire rod sector in China.

[92] As part of this section 20 inquiry, the CBSA sent section 20 RFIs to all potential producers and exporters of wire rod in China, as well as to the GOC, requesting detailed information related to the wire rod sector in China.

[93] In cases where conditions of section 20 exist, pursuant to paragraph 20(1)(c), the normal value can be determined based on profitable selling prices or full costs of production and an amount for profit on goods sold domestically in a surrogate country, to which the conditions described in section 20 of SIMA are not applicable.

[94] Given that the complaint contains allegations of dumping concerning countries for which the CBSA has not initiated a section 20 inquiry (Egypt and Vietnam), and given the difficulties in collecting sufficient information from surrogate countries not included in the complaint, the CBSA finds it reasonable to select Egypt and Vietnam as potential surrogate countries at this stage.

²⁵ Exhibit 2 (NC) – WR Complaint – Para. 101-109 & Annex A

[95] In the event that the CBSA does not receive sufficient information from producers and exporters of subject goods in Egypt or Vietnam for the purposes of determining normal values pursuant to section 20, the CBSA may identify other surrogate countries at a later date.

[96] Importers will be requested to provide information on sales of like goods produced in the surrogate countries, in the event that normal values must be determined under paragraph 20(1)(d) of SIMA.

[97] In the event that the CBSA forms an opinion that domestic prices of wire rod in China are substantially determined by the government, and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be if they were determined in a competitive market, the normal values of the goods under investigation will be determined, pursuant to paragraph 20(1)(c) of SIMA, where such information is available, on the basis of the domestic selling prices or the aggregate of the cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits of like goods sold by producers in any country designated by the CBSA and adjusted for price comparability; or, pursuant to paragraph 20(1)(d) of SIMA, where such information is available, on the basis of the selling price in Canada of like goods produced and imported from any country designated by the CBSA and adjusted for price comparability.

EVIDENCE OF INJURY

[98] The complainant alleges that the subject goods have been dumped and that such dumping has caused and is threatening to cause material injury to the wire rod industry in Canada.

[99] SIMA refers to material injury caused to the domestic producers of like goods in Canada. The CBSA has concluded that wire rod produced by the domestic industry are like goods to the subject goods from China, Egypt and Vietnam.

[100] In support of their allegations, the complainant provided evidence of:

- Increased subject imports and an adverse impact on market share;
- Price undercutting;
- Price depression and price suppression;
- Adverse impact on profitability;
- Adverse impact on sales volumes, production volumes & capacity utilization;
- Adverse impact on employment, wages, and operations; and
- Adverse impact on investment and ability to raise capital.²⁶

²⁶ Exhibit 2 (NC) – WR Complaint – paras. 112-161

INCREASED SUBJECT IMPORTS AND AN ADVERSE IMPACT ON MARKET SHARE

[101] Given concerns with respect to the confidentiality of the information of the domestic producers, the CBSA is limited in its ability to discuss certain information contained in the complaint concerning the relative changes in the volume of subject imports when compared to domestic production and changes in market share. However, the complaint alleges that the volume of subject good imports has increased significantly in recent years in both absolute and relative terms and this increase has had an adverse impact on the market share of the domestic industry.

[102] The CBSA's analysis of import data supports the allegation of an increase in the import volume of the allegedly dumped goods on an absolute basis from 2020 to 2023 and on a relative basis from 2021 to 2023. Based on the CBSA's estimate of imports, from 2020 to 2023, the volume of imported goods from the subject countries increased by 279.1%. At the same time, imports from other countries dropped by 53.7%.

[103] On a relative basis, imports from the subject countries have increased relative to domestic production. From 2021 to 2023, the volume of subject imports increased significantly in relation to domestic production for domestic consumption. Further, while the total apparent Canadian market for wire rod decreased from 2021 to 2023, imports from the subject countries decreased by a significantly lower amount.

[104] The CBSA's analysis of market share found that during the period of 2021-2023, imports of subject goods from the subject countries gained 7.6% market share, increasing from 2021 to 2023. At the same time the market share of domestic production remained stable.

[105] Based on above, the CBSA finds that the injury factors of increased volume of subject goods and an adverse impact on market share are sufficiently supported and linked to the allegedly dumped goods.

PRICE UNDERCUTTING

[106] The complainant argues that the allegedly dumped goods have captured market share by undercutting the prices of the Canadian producers. To support this allegation the complainant has provided import pricing data for the subject countries for all subject products for the years 2021 to 2023. Further, in an effort to control the product mix, the complaint also includes evidence of price undercutting specific to IQ and Mesh Quality Wire Rod Containing Less than 0.25 Percent Carbon which, according to evidence in the complaint, is the most common type of wire rod sold in Canada.

[107] The evidence of price undercutting provided by the complainant compares the average unit value of the subject goods as calculated based on Statistics Canada data, adjusted to include inland freight cost from the port to the customer in Canada, against the weighted average of the complainant's, and supporting producer's, ex works average unit price during the same period. The result of this comparison demonstrates significant price undercutting from all subject countries on both an individual and cumulated basis.

[108] In addition to the evidence discussed above, the complainant provided specific examples of sales offers for which prices from the subject countries were less than that of the complainant's. The information with respect to the import offers support the allegation that subject good prices for these offers were lower than the complainant's prices.²⁷

[109] The CBSA has examined the complainant's allegations of price undercutting by comparing the complainant's and supporting producer's weighted average price per/MT for wire rod to the CBSA's estimated unit import prices for subject goods during the period of 2021 to 2023. The CBSA calculated the average per/MT prices for each subject country as well as a weighted average per/MT price for the three subject countries combined. The CBSA also included the complainant's estimated cost of freight to ensure the most conservative comparison.

[110] The average prices calculated by the CBSA reveal a trend similar to that described by the complainant. From 2021 until 2023, the average price of subject goods has been significantly less than the complainant's, and supporting producer's, weighted average unit selling price.

[111] The CBSA also notes that, based on average per/MT prices, imports from the subject countries also undercut imports from all other countries for 2021, 2022 and 2023.

[112] Based on the above, and the CBSA's analysis of the information contained in the complaint, the CBSA finds the claim of price undercutting to be supported and sufficiently linked to the allegedly dumped goods.

PRICE DEPRESSION AND PRICE SUPPRESSION

[113] The complainant submits that the price undercutting discussed above have resulted in price depression and price suppression during the period of review.²⁸ To support the allegations of price depression, the complainant has provided domestic industry pricing data as well as account specific evidence of instances of price depression and price suppression.²⁹

[114] Based on the information contained in the complaint, as well as the CBSA's analysis, the CBSA finds the claims of price depression and price suppression to be well supported and sufficiently linked to the allegedly dumped goods.

²⁷ Exhibit 2 (NC) – WR Complaint – para. 131

²⁸ Exhibit 2 (NC) – WR Complaint – paras. 132-138

²⁹ Exhibit 2 (NC) – WR Complaint – para. 135

AVERSE IMPACT ON PROFITABILITY³⁰

[115] The complainant alleges that the injurious impact of the dumped goods is demonstrated by an adverse impact on profitability. To support this allegation, the complainant has provided both separate and consolidated income statements for the two domestic producers of wire rod for the period of 2021 to 2023. According to the complainant, competition from subject imports have had an adverse impact on the profitability of the domestic producers through lost sales, price suppression and price depression.

[116] As noted above, the complaint includes data with respect to the financial performance of the two domestic producers of wire rod for the period of 2021 to 2023. The complainant argues that this data demonstrates the adverse impact that the subject imports have had on the profitability and financial performance of the domestic producers.

[117] The CBSA has reviewed the financial information contained in the complaint and finds that the information supports the complainant's allegation of impacted financial results and reduced profitability. The CBSA finds it reasonable to assume that the presence of the other injury factors would have some impact on the financial results of the domestic industry, and that the information in the complaint has sufficiently linked the allegedly dumped goods to the complainant's impacted financial results.

ADVERSE IMPACT ON SALES VOLUMES, PRODUCTION VOLUMES & CAPACITY UTILIZATION³¹

[118] With respect to an adverse impact on sales volumes, the complainant submits that the information in the complaint demonstrates that the domestic producers' sales volumes have been adversely impacted as the volume of imports from the subject countries has increased.

[119] The complaint includes data with respect to the capacity utilization and production volumes of the domestic producers of wire rod. The data provided supports the complainant's allegations of an adverse impact on capacity utilization.

[120] Based on the CBSA's analysis of information concerning the consolidated sales and capacity utilization of the domestic producers, as well as the CBSA's estimate of imports and market share, the CBSA finds the complainant's claim of an adverse impact on sales volumes, production volumes, and capacity utilization, to be reasonable and well supported. As such, the CBSA is of the opinion that this injury factor is sufficiently supported and linked to the allegedly dumped goods.

³⁰ Exhibit 2 (NC) – WR Complaint – paras. 145-155

³¹ Exhibit 2 (NC) – WR Complaint – paras. 139-144

ADVERSE IMPACT ON EMPLOYMENT, WAGES, AND OPERATIONS³²

[121] The complainant submits that the adverse impact on sales and production volumes caused by subject imports has had a negative impact on employment, wages, and operations. These allegations are supported by quarterly labour hour information for the complainant. The complaint does not include labour hour information for the supporting producer.

[122] The available evidence supports the complainant's claim of an adverse impact on employment, wages, and operations. The CBSA finds that this injury factor is sufficiently supported and reasonably linked to the allegedly dumped goods.

ADVERSE IMPACT ON INVESTMENT AND ABILITY TO RAISE CAPITAL³³

[123] The complaint includes allegations that the allegedly dumped goods have had an adverse impact on investment and ability to raise capital. The complainant has provided confidential information to support this allegation.

[124] After reviewing the information provided in the complaint, and in consideration of the presence of the other injury factors discussed above, the CBSA finds that this injury factor is sufficiently supported and linked to the information provided in the complaint.

CBSA'S CONCLUSION—INJURY

[125] Overall, based on the evidence provided in the complaint, and supplementary data available to the CBSA through its own research and customs documentation, the CBSA finds that the evidence discloses a reasonable indication that the dumping of the subject goods from China, Egypt and Vietnam has caused injury to the wire rod industry in Canada in the form of:

- Increased subject imports and an adverse impact on market share;
- Price undercutting;
- Price depression and price suppression;
- Adverse impact on profitability;
- Adverse impact on sales volumes, production volumes & capacity utilization;
- Adverse impact on employment, wages, and operations; and
- Adverse impact on investment and ability to raise capital.³⁴

THREAT OF INJURY

[126] The complainant alleges that the dumped goods threaten to cause further material injury to the domestic producers of wire rod. The complainant provided the following information to support the allegation that imports of subject goods threaten to cause further injury to the Canadian industry.

³² Exhibit 2 (NC) – WR Complaint – paras. 155-156

³³ Exhibit 2 (NC) – WR Complaint – paras. 158

³⁴ Exhibit 2 (NC) – WR Complaint – paras. 112-161

INTERNATIONAL MARKET CONDITIONS ARE LIKELY TO RESULT IN INCREASED EXPORTS TO CANADA³⁵

[127] According to the complainant, international market conditions make it likely that the subject countries, collectively and individually, will export large volumes of wire rod to Canada at low prices over the next 12 to 24 months. To support this allegation the complaint includes data with respect to a number of market conditions which, according to the complainant, will make Canada an attractive market for the continued export of subject goods. These conditions include:

- Global macroeconomic conditions;
- Conditions in the global market for steel; and
- Subject imports face challenging conditions in key export markets.

[128] The CBSA has reviewed the extensive information contained in the complaint with respect to market conditions and the potential impact on demand for wire rod globally and in Canada. With respect to the information in the complaint concerning global macroeconomic conditions, the CBSA found this to be general in nature and not sufficiently linked to wire rod, the demand for wire rod in Canada, or the attractiveness of the Canadian market for wire rod.

[129] The CBSA finds that certain other market conditions outlined in the complaint do reasonably support the allegation that producers and exporters of wire rod in the subject countries may view Canada as an attractive market for future exports. Notably, the CBSA recognizes that the presence of trade remedies in other jurisdictions may impact the propensity to continue to export wire rod to Canada. Additionally, the CBSA finds that reduced global demand for wire rod may reasonably be expected to increase competition in global markets and incentivize exporters to export subject goods to Canada.

SUBJECT COUNTRY MARKET CONDITIONS WILL ENCOURAGE EVEN GREATER EXPORTS TO CANADA³⁶

[130] The complaint includes information with respect to market conditions in each subject country and notes how these conditions may encourage greater exports of subject goods to Canada.

China

[131] The complaint includes a significant volume of information related to market conditions in China. Notably, the complainant refers to an ongoing economic crisis in China and how this has impacted construction projects which are a driver of demand for wire rod. Additionally, the complaint includes evidence with respect to the export orientation of Chinese steel producers, the increasing volume of exports of wire rod from China, and the immense production capacity of Chinese steel producers.

³⁵ Exhibit 2 (NC) – WR Complaint – paras. 162-191

³⁶ Exhibit 2 (NC) – WR Complaint – paras. 164-208

Egypt

[132] The complaint includes a significant volume of information related to market conditions in Egypt. Specifically, the complainant refers to the devaluation of the Egyptian pound and the incentive this provides for exporters to export goods to raise foreign capital. Further, the complaint includes evidence with respect to the reduced demand for wire rod in Egypt associated with project delays, inflation, and high interest rates. Finally, the complaint includes evidence which suggests Egyptian steel producers are experiencing low capacity utilization rates.

Vietnam

[133] The complaint includes a significant volume of information related to market conditions in Vietnam. Similar to the other subject countries, the complainant suggests delays and cancellations of construction projects have led to reduced demand for steel products. Additionally, the complaint includes information with respect to the considerable production capacity of Vietnamese wire rod producers and suggests these producers are experiencing low capacity utilization rates due to decreased domestic demand. Finally, according to the complainant, in spite of this low demand, the steel market in Vietnam has seen an increase in imports of steel products from China.

[134] Based on the market conditions in the subject countries as discussed in the complaint and outlined above, the complainant suggests producers and exporters of wire rod will be encouraged to export even greater quantities of subject goods to Canada in the future.

[135] The CBSA has reviewed the information in the complaint and finds that some of the market conditions noted by the complainant are general in nature and do not constitute a threat of material injury to domestic producers of wire rod. For example, information with respect to general economic difficulties caused by the COVID-19 pandemic or contractions in GDP growth do not necessarily create market conditions which encourage exports of wire rod to Canada. However, the CBSA does find that certain other market conditions do reasonably encourage producers to seek export markets for subject goods, including but not limited to, devaluation of local currency, extensive excess production capacity, and the export orientation of steel producers in the subject countries.

CANADA REMAINS AN ATTRACTIVE MARKET FOR DUMPED SUBJECT GOODS³⁷

[136] The complainant submits that Canada will remain an attractive market for dumped subject goods over the next 24 months due to a number of factors, including: strong economic performance relative to other developed countries, steady end-use demand for wire rod relative to 2023 and other countries, and higher prices relative to other markets.

³⁷ Exhibit 2 (NC) – WR Complaint – paras. 209-219

[137] The complainant notes that the steady end use demand for wire rod relative to other countries may make Canada an attractive market for exporters and that continued pressure from unfairly priced imports will result in further material injury.

[138] The CBSA does not find that the information provided with respect to the general economic conditions in Canada is sufficient to reasonably establish that Canada will remain a more attractive wire rod market than any other country in the following 24 months. However, a review of the CBSA's estimates of imports and export prices does suggest a trend of increasing imports of subject goods to Canada at prices well below those offered by the domestic producers. Further, when paired with the information provided in the complaint which suggests that wire rod prices in Canada remain relatively higher than other countries, and that market demand for wire rod in Canada may remain stable, the CBSA acknowledges the likelihood that Canada may remain an attractive market for dumped subject goods.

SUBJECT IMPORTS ARE LIKELY TO CAUSE SIGNIFICANT ADVERSE PRICE EFFECTS³⁸

[139] As described in the Injury section, the complainant alleges that the subject imports have caused material injury to the domestic industry in the form of price undercutting, price suppression and price depression. The complainant submits that these injurious pricing effects are likely to continue over the next 24 months as market pressures encourage exporters of subject goods to continue to export to Canada. According to the complainant, given the trend of price undercutting, there is no indication that this behaviour is likely to subside in the next 24 months.

[140] As discussed in the respective sections, the CBSA finds the complainant's allegations of price undercutting, price depression, and price suppression to be well documented, well supported and reasonable. Further, the CBSA finds that the continued presence of these conditions threaten to cause further injury to the domestic industry.

LIKELY IMPACT OF SUBJECT GOODS ON THE DOMESTIC INDUSTRY³⁹

[141] As discussed in the Injury section, the complainant submits that the significantly increasing volumes of dumped subject imports have caused material injury to the domestic industry. The complainant alleges that the price effects of the subject imports include: adversely impacted sales volumes, production volumes, market share, profitability and capacity utilization. The complainant argues that all indications are that these adverse impacts are likely to continue and may grow as subject import volumes increase, threatening to cause further injury to the domestic industry.

³⁸ Exhibit 2 (NC) – WR Complaint – paras. 231-237

³⁹ Exhibit 2 (NC) – WR Complaint – paras. 238-245

[142] As discussed in the respective sections, the CBSA finds the complainant's allegations that the subject imports have adversely impacted the domestic industry to be reasonable and well supported. Specifically, the CBSA finds that the complainant has provided sufficient evidence to reasonably link the allegations of adversely impacted sales volumes, production volumes, market share, profitability and capacity utilization, to the allegedly dumped goods. Further, the CBSA finds that the continued presence of the allegedly dumped goods threaten to cause further injury to the domestic industry.

THE MAGNITUDE OF THE MARGIN OF DUMPING IS SIGNIFICANT⁴⁰

[143] The complainant states that the magnitude of alleged dumping of the subject goods demonstrates a real threat to the domestic industry. The complainant argues that the evidence demonstrates that importers and exporters of subject goods are willing to resort to substantial margins of dumping in order to secure sales in the Canadian market.

[144] The CBSA has found that sufficient evidence exists that the subject goods are being dumped, and that the margin of dumping is not insignificant. The CBSA recognizes that the dumping of subject goods could significantly impact the trade of subject goods.

CBSA'S CONCLUSION—THREAT OF INJURY

[145] The complaint contains evidence that discloses a reasonable indication that there is a threat of injury to the wire rod industry in Canada. The information provided by the complainant indicates that the following factors are collectively posing a threat to the Canadian industry:

- International market conditions are likely to result in increased exports to Canada
- Subject country market conditions will encourage even greater exports to Canada
- Canada remains an attractive market for dumped subject goods
- Subject imports are likely to cause significant adverse price effects
- Likely impact of subject goods on the domestic industry
- The magnitude of the margin of dumping is significant

CAUSAL LINK—DUMPING AND INJURY/THREAT OF INJURY

[146] The CBSA finds that the complainant has sufficiently linked the injury it has suffered to the alleged dumping of the subject goods imported into Canada. This injury includes:

- Increased subject imports and an adverse impact on market share;
- Price undercutting;
- Price depression and price suppression;
- Adverse impact on profitability;
- Adverse impact on sales volumes, production volumes & capacity utilization;
- Adverse impact on employment, wages, and operations; and

⁴⁰ Exhibit 2 (NC) – WR Complaint – para. 246

- Adverse impact on investment and ability to raise capital.

[147] The complainant submitted that the continued dumping of goods from China, Egypt and Vietnam will cause further injury to the Canadian domestic industry in the future. As discussed above, the CBSA is of the opinion that this allegation of threat of injury is reasonably supported.

[148] In summary, the CBSA is of the opinion that the information provided in the complaint has disclosed a reasonable indication that the alleged dumping has caused injury and is threatening to cause injury to the Canadian domestic industry.

SCOPE OF THE INVESTIGATION

[149] The CBSA is conducting an investigation to determine whether the subject goods have been dumped.

[150] The CBSA has requested information from all potential exporters and importers to determine whether or not subject goods imported into Canada during the POI of January 1, 2023 to December 31, 2023 were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any. The CBSA also requested information from the GOC with respect to the possibility that the conditions of section 20 of SIMA exist in the wire rod sector in China.

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

FUTURE ACTION

[152] The CITT will conduct a preliminary inquiry to determine whether the evidence discloses a reasonable indication that the alleged dumping of the goods has caused or is threatening to cause injury to the Canadian industry. The CITT must make its decision on or before the 60th day after the date of the initiation of the investigation. If the CITT concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigation will be terminated.

[153] If the CITT finds that the evidence discloses a reasonable indication of injury to the Canadian industry and the CBSA's preliminary investigation reveals that the goods have been dumped, the CBSA will make a preliminary determination of dumping within 90 days after the date of the initiation of the investigation, by June 6, 2024. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigation.

[154] Under section 35 of SIMA, if, at any time before making a preliminary determination, the CBSA is satisfied that the volume of goods of a country is negligible, the investigation will be terminated with respect to goods of that country.

[155] Imports of subject goods released by the CBSA on and after the date of a preliminary determination of dumping, other than goods of the same description as goods in respect of which a determination was made that the margin of dumping of the goods is insignificant, may be subject to provisional duty in an amount not greater than the estimated margin of dumping on the imported goods.

[156] Should the CBSA make a preliminary determination of dumping, the investigation will be continued for the purpose of making a final decision within 90 days after the date of the preliminary determination.

[157] After the preliminary determination, if, in respect of goods of a particular exporter, the CBSA's investigation reveals that imports of the subject goods from that exporter have not been dumped, or that the margin of dumping is insignificant, the investigation will be terminated in respect of those goods.

[158] If a final determination of dumping is made, the CITT will continue its inquiry and hold public hearings into the question of material injury to the Canadian industry. The CITT is required to make a finding with respect to the goods to which the final determination of dumping applies, not later than 120 days after the CBSA's preliminary determination.

[159] In the event of an injury finding by the CITT, imports of subject goods released by the CBSA after that date will be subject to anti-dumping duty equal to the applicable margin of dumping on the imported goods.

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[160] When the CITT conducts an inquiry concerning injury to the Canadian industry, it may consider if dumped goods that were imported close to or after the initiation of the investigation constitutes massive importations over a relatively short period of time and have caused injury to the Canadian industry.

[161] Should the CITT issue such a finding, anti-dumping duties may be imposed retroactively on subject goods imported into Canada and released by the CBSA during the period of 90 days preceding the day of the CBSA making a preliminary determination of dumping.

UNDERTAKINGS

[162] After a preliminary determination of dumping by the CBSA, other than a preliminary determination in which a determination was made that the margin of dumping of the goods is insignificant, 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.

[163] An acceptable undertaking must account for all or substantially all of the exports to Canada of the dumped goods. 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 number, mailing address and email address to one of the officers identified in the “Information” section of this document.

[164] If an undertaking 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

[165] Notice of the initiation of this investigation is being published in the Canada Gazette pursuant to subparagraph 34(1)(a)(ii) of SIMA.

INFORMATION

[166] Interested parties are invited to file written submissions presenting facts, arguments, and evidence that they feel are relevant to the alleged dumping. Written submissions should be forwarded to the attention of the SIMA Registry and Disclosure Unit.

[167] To be given consideration in this investigation, all information should be received by the CBSA by July 15, 2024, at noon.

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

[169] Confidential information submitted to the CBSA will be disclosed on written request to independent counsel for parties to these proceedings, subject to conditions to protect the confidentiality of the information. Confidential information may also be released to the CITT, any court in Canada, or a WTO or Canada-United States-Mexico Agreement (CUSMA) dispute settlement panel. Additional information respecting the CBSA’s policy on the disclosure of information under SIMA may be obtained by contacting one of the officers identified below or by visiting the CBSA’s website.

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

[171] This *Statement of Reasons* is available through the CBSA's website at the address below. For further information, please contact the officers identified as follows:

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

Telephone: Shawn Ryan 902-943-9978
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Email: simaregistry-depotlmsi@cbsa-asfc.gc.ca

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Doug Band
Director General
Trade and Anti-dumping Programs Directorate