



OTTAWA, March 10, 2016

STATEMENT OF REASONS

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

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

DECISION

Pursuant to paragraph 41(1)(a) of the *Special Import Measures Act*, on February 24, 2016, the Canada Border Services Agency made final determinations of dumping and subsidizing respecting certain carbon and alloy steel line pipe originating in or exported from the People's Republic of China.

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

TABLE OF CONTENTS

SUMMARY OF EVENTS	1
PERIODS OF INVESTIGATION.....	2
PROFITABILITY ANALYSIS PERIOD	2
INTERESTED PARTIES.....	3
COMPLAINANTS	3
IMPORTERS.....	3
EXPORTERS	4
SURROGATE PRODUCERS	4
GOVERNMENT OF CHINA	4
PRODUCT INFORMATION	5
PRODUCT DEFINITION	5
ADDITIONAL PRODUCT INFORMATION	6
PRODUCTION PROCESS	8
CLASSIFICATION OF IMPORTS	9
LIKE GOODS AND CLASSES OF GOODS.....	9
THE CANADIAN INDUSTRY	10
IMPORTS INTO CANADA	10
INVESTIGATION PROCESS.....	10
DUMPING INVESTIGATION.....	12
SECTION 20 INQUIRY	12
RESULTS OF THE DUMPING INVESTIGATION	22
RESULTS OF THE DUMPING INVESTIGATION BY EXPORTER	25
SUMMARY OF RESULTS - DUMPING.....	30
SUBSIDY INVESTIGATION	31
RESULTS OF THE SUBSIDY INVESTIGATION	32
RESULTS OF THE SUBSIDY INVESTIGATION BY EXPORTER.....	34
SUMMARY OF RESULTS – SUBSIDY.....	38
DECISIONS	38
FUTURE ACTION	38
RETROACTIVE DUTY ON MASSIVE IMPORTATIONS	40
PUBLICATION	40
INFORMATION	41
APPENDIX 1 – SUMMARY OF MARGINS OF DUMPING AND AMOUNTS OF SUBSIDY	42
APPENDIX 2 – SUMMARY OF FINDINGS FOR NAMED SUBSIDY PROGRAMS	43
APPENDIX 3 – DUMPING AND SUBSIDY REPRESENTATIONS.....	67
GENERAL REPRESENTATIONS.....	67
EXPORTER SPECIFIC REPRESENTATIONS	72

SUMMARY OF EVENTS

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

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

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

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

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

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

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

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

[9] On November 26, 2015, as a result of the CBSA's preliminary investigations and pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping and subsidizing respecting certain carbon and alloy steel line pipe originating in or exported from China and began imposing provisional duties on imports of the subject goods pursuant to subsection 8(1) of SIMA.

[10] On November 27, 2015, the CITT initiated a full inquiry pursuant to section 42 of SIMA to determine whether the dumping and subsidizing of the above-mentioned goods had caused injury or were threatening to cause injury to the Canadian industry.

[11] The CBSA continued its investigations and, on the basis of the results, was satisfied that certain carbon and alloy steel line pipe originating in or exported from China had been dumped and that the margin of dumping was not insignificant. Consequently, on February 24, 2016, the CBSA made a final determination of dumping pursuant to paragraph 41(1)(a) of SIMA.

[12] Similarly, the CBSA was satisfied that certain carbon and alloy steel line pipe originating in or exported from China had been subsidized and that the amount of subsidy was not insignificant. As a result, on February 24, 2016, the CBSA also made a final determination of subsidizing pursuant to paragraph 41(1)(a) of SIMA.

[13] The CITT's inquiry into the question of injury to the Canadian industry is continuing. Provisional duties will continue to be imposed on the subject goods from China until the CITT renders its decision. The CITT has announced that it will issue its finding by March 25, 2016.

PERIODS OF INVESTIGATION

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

PROFITABILITY ANALYSIS PERIOD

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

INTERESTED PARTIES

Complainants

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

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

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

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

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

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

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

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

Importers

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

[20] The CBSA sent an importer Request for Information (RFI) to all potential importers of the goods. The CBSA received 16 responses to the importer RFI.

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

Exporters

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

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

Surrogate Producers

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

[24] The CBSA did not receive any responses to the surrogate producer RFIs.

Government of China

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

[26] The CBSA sent a government subsidy RFI and government section 20 RFI to the GOC. The CBSA did not receive a response to either RFI from the GOC.

PRODUCT INFORMATION

Product Definition

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

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

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

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

[29] On October 27, 2015, the CITT also determined that there is evidence that discloses a reasonable indication that the dumping and subsidizing of carbon and alloy steel line pipe, in respect of which the preliminary injury inquiry has not been terminated, have caused injury or are threatening to cause injury to the domestic industry. The CBSA's final determinations made on February 24, 2016 are with respect to those goods. The subject goods are defined as follows:

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

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

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

Additional Product Information

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

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

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

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

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

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

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

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

Production Process

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

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

[40] ERW line pipe can also be produced by the stretch-reduction method, where the key difference is that outside diameter and wall thickness is achieved after the tube is formed. Specifically, a formed tube is heated to approximately 1850 degrees Fahrenheit and passed through a series of stretch reduction roll stands until the final outside diameter and wall thickness is achieved.

[41] Seamless pipe production begins with the formation of a central cavity in a solid steel billet to create a shell. The shell is then rolled on a retained mandrel and reduced in a stretch reduction mill to produce the finished size before cooling on a walking beam cooling bed. Once the hot rolling mill has transformed the billet into a tube and the stretch reduction/sizing mill has produced the final dimensions, the pipe is put into inventory where it waits for the next process, either heat treatment, testing, or finishing.

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

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

Classification of Imports

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

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

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

LIKE GOODS AND CLASSES OF GOODS

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

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

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

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

THE CANADIAN INDUSTRY

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

IMPORTS INTO CANADA

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

[52] The following table presents the CBSA’s analysis of imports of certain carbon and alloy steel line pipe for purposes of the final determinations:

Import Volumes of Certain Carbon and Alloy Steel Line Pipe

Country	Dumping POI	Subsidy POI
	July 2014 to June 2015 (1 year)	January 2014 to June 2015 (1½ years)
China	56.8%	51.7%
All Other Countries	43.2%	48.3%
Total Imports	100.0%	100.0%

INVESTIGATION PROCESS

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

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

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

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

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

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

[57] After reviewing the responses to the RFIs, Supplemental RFIs were sent to responding parties to clarify information provided in the submissions and request any additional information needed. In addition, on-site verifications were conducted at the premises of selected exporters during the final phase of the dumping and subsidy investigations.

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

[59] As part of the final stage of the investigations, case briefs and reply submissions were provided by counsel representing the complainants, exporters, and an importer. Details of all representations are provided in **Appendix 3**.

DUMPING INVESTIGATION

Section 20 Inquiry

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

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

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

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

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

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

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

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

Summary of Chinese Exporter Responses

[66] The CBSA received six responses to the exporter section 20 RFI from producers, suppliers and exporters of subject goods. In general, the parties attempted to address each question. However, most responses did not include all of the information requested by the CBSA, such as certain documents specifically requested in the RFI. No exporters provided significant information with respect to the GOC's involvement in the steel pipe sector.

Government of China Response

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

Surrogate Producer Responses

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

Results of the Section 20 Inquiry

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

GOC Industrial Policies

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

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

National Steel Policy & Steel Revitalization/Rescue Plan

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

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

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

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

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

⁷ Exhibit 366 (PRO) – Final Determination Section 20 Report – Attachment 1.

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

12th Five-Year Development Plans for the Steel Industry

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

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

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

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

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

⁹ Exhibit 366 (PRO) – Final Determination Section 20 Report – Attachment 3: 12th Five-Year Plan: Iron and Steel.

¹⁰ Exhibit 366 (PRO) – Final Determination Section 20 Report – Attachment 4: China Daily Article, Steel industry plan forged.

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

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

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

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

¹¹ Exhibit 366 (PRO) – Final Determination Section 20 Report – Attachment 5: Criterion for the Production and Operation of Steel Industry.

¹² Exhibit 366 (PRO) – Final Determination Section 20 Report – Attachment 6: Several Observations of the General Office of the State Council.

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

[82] Should steel enterprises not acquiesce to the GOC’s requirements, laws and industrial policies, there are repercussions which include the withdrawal of steel production licenses and credit support. In respect of new construction or renovation of Chinese steel enterprises, the GOC’s steel development policies also apply.¹⁴

12th Five-Year Plan for the Steel Pipe Industry

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

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

¹³ Exhibit 366 (PRO) – Final Determination Section 20 Report – Attachment 6: Several Observations of the General Office of the State Council.

¹⁴ Exhibit 366 (PRO) – Final Determination Section 20 Report.

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

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

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

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

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

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

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

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

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

GOC Ownership of Suppliers/Producers

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Government Influence on Domestic Prices

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

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

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

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

Chinese Domestic Price Analysis

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

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

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

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

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

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

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

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

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

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

[107] To allow for a proper comparison with the domestic price information contained in the exporter responses, the CBSA calculated the *Pipe Logix* averages based on all available diameters. As the *Pipe Logix* data represents the price of goods from distributors to end users, the price information was adjusted downwards to account for a distributor margin.

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

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

Quarter	2014 Q3	2014 Q4	2015 Q1	2015 Q2
% Surrogate Price above Chinese Price (Welded)	127%	138%	142%	123%
% Surrogate Price above Chinese Price (Seamless)	248%	261%	234%	225%

[109] The results summarized in the table above further demonstrate a significant difference in the price of carbon and alloy steel line pipe in China when compared to the adjusted *Pipe Logix* price. The adjusted price of welded carbon and alloy steel line pipe in the USA, as reported by the publication *Pipe Logix*, was 123% to 142% higher than the price of goods in China during the POI.

[110] The results of the comparison for seamless carbon and alloy steel line pipe are even more significant. The adjusted price of seamless carbon and alloy steel line pipe in the USA, as reported by the publication *Pipe Logix*, was 225% to 261% higher than the price of goods in China during the POI.

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

Summary of the Results of the Section 20 Inquiry

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

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

[113] Based on the above analysis, for the purposes of the final determination, the CBSA affirmed the opinion rendered at the preliminary determination that the conditions described in paragraph 20(1)(a) apply in the steel pipe sector in China, which includes carbon and alloy steel line pipe.²⁹

Results of the Dumping Investigation

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

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

[116] For those exporters where sufficient information was not provided, the normal values of the goods were determined by advancing the export prices by the highest amount by which the normal value exceeded the export price on an individual transaction for an exporter that provided a substantially complete response to the RFI.

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

²⁹ Preliminary Determination Statement of Reasons for Carbon and Alloy Steel Line Pipe; December 11, 2015

Normal Values

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

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

[120] Normal values could not be determined on the basis of domestic selling prices in China or on the full cost of the goods plus a reasonable amount for profits, because the CBSA formed the opinion that the conditions of paragraph 20(1)(a) of SIMA exist in the steel pipe sector, which includes carbon and alloy steel line pipe, in China.

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

[122] Where normal values cannot be determined under paragraph 20(1)(c), SIMA provides an alternative methodology to calculate normal values under paragraph 20(1)(d), using re-sales in Canada of like goods imported from a third country. However, the importers did not provide sufficient re-sale information to enable the CBSA to determine normal values in accordance with this provision.

[123] Accordingly, the CBSA has used an alternative method to determine normal values for the purposes of the final determination, pursuant to a ministerial specification under subsection 29(1) of SIMA.

[124] The CBSA examined all information on the record, including information provided by the complainants, information provided by the exporters and publically available information. The CBSA considered that the price data from the publication *Pipe Logix*, as provided by the complainants, was the best information on which to base the methodology for determining normal values. *Pipe Logix* is a trade publication based in the USA which tracks OCTG and line pipe prices. The CBSA is satisfied that pricing data from this source is an appropriate basis to be used in the calculation of normal values when considering the similarities between the USA and Chinese industries. The CBSA finds *Pipe Logix* to be a reliable source of pricing information in this investigation; this is consistent with previous investigations involving tubular products in the oil and gas sector.

[125] The CBSA determined normal values for all goods exported to Canada based on the domestic selling price of the goods as sold by distributors in the USA and reported by the publication *Pipe Logix*. The CBSA determined normal values based on 23 benchmark products reported in *Pipe Logix* for each month of the period reviewed (July 1, 2014 – June 30, 2015). Normal values were determined for the subject goods exported to Canada during the POI by matching the type (Seamless or ERW) and outside diameter of the goods to the corresponding *Pipe Logix* benchmark price. Where an exact match was not possible, the best match was made based on the closest outside diameter of the same type of line pipe found in *Pipe Logix*. Where the outside diameter was exactly half way between that of two products reported, the normal value was based on the larger of the two closest outside diameters.

[126] The *Pipe Logix* data represents the price of goods from distributors to end users. As such, the *Pipe Logix* prices were adjusted to account for a distributor margin. At the preliminary determination, the CBSA found the complainants' estimate of a 10% distributor margin to be reasonable. During the final phase of the investigation, the CBSA examined all information on the record, including new information submitted after the preliminary determination, in order to calculate a distributor margin.

[127] For the final determination, the CBSA calculated a distributor margin equal to the weighted average percentage difference between the import prices paid by Canadian distributors on imported line pipe during the period of investigation and their re-sale prices in Canada of the same products during the same period. This resulted in a distributor margin of 8.2%.

Export Prices

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

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

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

Margin of Dumping

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

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

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

[134] Based on the preceding, 100% of carbon and alloy steel line pipe released into Canada during the POI from China were dumped by a margin of dumping of 243.1%, expressed as a percentage of the export price.

[135] A summary of the margin of dumping determined for each exporter is found in **Appendix 1**.

Results of the Dumping Investigation by Exporter

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

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

[137] Baoshan provided a substantially complete response to the dumping RFI. Baoshan also provided a response to the section 20 RFI.

[138] For the subject goods exported by Baoshan and released into Canada during the POI, normal values were determined using the methodology described in the "Normal Values" section of this document and export prices were determined in accordance with section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[139] The total normal value compared with the total export price results in a margin of dumping of 74.0%, expressed as a percentage of export price, for Baoshan.

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

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

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

[142] HYST provided a substantially complete response to the dumping RFI. No response to the section 20 RFI was provided.

[143] For the subject goods exported by HYST and released into Canada during the POI, normal values were determined using the methodology described in the "Normal Values" section of this document and export prices were determined in accordance with section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[144] The total normal value compared with the total export price results in a margin of dumping of 168.9%, expressed as a percentage of export price, for HYST.

Huludao City Steel Pipe Industrial Co., Ltd.

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

[146] Huludao City provided a substantially complete response to the dumping RFI. The sales and cost information of Bohai was included in the response provided by Huludao City. Neither Huludao City nor its subsidiary Bohai had domestic sales of like goods during the POI. A substantially complete response to the section 20 RFI was provided by Huludao City.

[147] For the subject goods exported by Huludao City and released into Canada during the POI, normal values were determined using the methodology described in the "Normal Values" section of this document and export prices were determined in accordance with section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[148] The total normal value compared with the total export price results in a margin of dumping of 148.2%, expressed as a percentage of export price, for Huludao City.

Jiangsu Changbao Steel Tube Co., Ltd.

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

[150] For the purposes of the preliminary determination, the response to the dumping RFI provided by Changbao was considered incomplete. At that time the company had not provided the requested information with respect to domestic sales. A substantially complete response to the section 20 RFI was provided by Changbao.

[151] During the final phase of the investigation, Changbao provided the requested information with respect to domestic sales. As such, for the purposes of the final determination, the response to the dumping RFI provided by Changbao is considered substantially complete. Therefore, the normal values for the subject goods exported by Changbao were determined based on the methodology described in the "Normal Values" section of this document and export prices were determined in accordance with section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[152] The total normal value compared with the total export price results in a margin of dumping of 156.5%, expressed as a percentage of export price, for Changbao.

Jiangsu Valin Xigang Special Steel Co., Ltd.

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

[154] Jiangsu Valin provided a substantially complete response to the dumping RFI. No response to the section 20 RFI was provided.

[155] For the subject goods exported by Jiangsu Valin to Canada during the POI, normal values were determined using the methodology described in the "Normal Values" section of this document and export prices were determined in accordance with section 24 of SIMA, based on the exporter's selling price less all costs, charges and expenses resulting from the exportation of the goods.

[156] The total normal value compared with the total export price results in a margin of dumping of 319.6%, expressed as a percentage of export price, for Jiangsu Valin.

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

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

[158] Huilitong and Longshenghua (Tianjin Huilitong Group) each provided separate substantially complete responses to the dumping RFI. In addition, a response to the section 20 RFI was provided for Tianjin Huilitong Group.

[159] For the subject goods exported by Tianjin Huilitong Group and released into Canada during the POI, normal values were determined using the methodology described in the “Normal Values” section of this document and export prices were determined in accordance with section 24 of SIMA, based on the exporter’s selling price less all costs, charges and expenses resulting from the exportation of the goods.

[160] The total normal value compared with the total export price results in a margin of dumping of 113.0%, expressed as a percentage of export price.

Wuxi Huayou Special Steel Co., Ltd./ Wuxi Sp.steel Tube Manufacturing Co., Ltd.

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

[162] Wuxi Huayou and Wuxi Sp. Steel provided substantially complete responses to the dumping and section 20 RFIs for the subject goods produced by Wuxi Sp. Steel. However, for the subject goods produced by non-associated manufacturers, the CBSA did not receive a response to the RFI from any of those manufacturers.

[163] For the purposes of the final determination, the normal values for the subject goods produced by Wuxi Sp. Steel were determined based on the methodology described in the “Normal Values” section of this document. For shipments of subject goods produced by non-associated manufacturers, the normal values were determined by advancing the export price by 351.4%, pursuant to a ministerial specification under subsection 29(1) of SIMA based on the methodology explained in the section below entitled “All Other Exporters”.

[164] For the subject goods sold by Wuxi Huayou, export prices were determined in accordance with section 24 based on the exporter’s selling price less all adjusted costs, charges and expenses resulting from the exportation of the goods, where applicable.

[165] The total normal value compared with the total export price results in a margin of dumping of 351.1%, expressed as a percentage of export price, for Wuxi Huayou.

Yangzhou Lontrin Steel Tube Co., Ltd.

[166] Yangzhou Lontrin Steel Tube Co., Ltd. (Lontrin) is a producer and exporter of the subject goods to Canada. The goods exported to Canada by Lontrin were either produced by Lontrin on its premises or are purchased from several non-associated manufacturers

[167] Lontrin provided substantially complete responses to the dumping and section 20 RFIs. However, for the subject goods produced by non-associated manufacturers, the CBSA could not verify which company manufactured the subject goods for each sale to Canada.

[168] For the purposes of the final determination, the normal values for the subject goods produced by Lontrin were determined based on the methodology described in the “Normal Values” section of this document. For shipments of subject goods produced by non-associated manufacturers, the normal values were determined by advancing the export price by 351.4%, pursuant to a ministerial specification under subsection 29(1) of SIMA based on the methodology explained in the section below entitled “All Other Exporters”.

[169] Export prices were determined in accordance with section 24 of SIMA, based on the exporter’s selling price less all costs, charges and expenses resulting from the exportation of the goods.

[170] The total normal value compared with the total export price results in a margin of dumping of 253.9%, expressed as a percentage of export price, for Lontrin.

All Other Exporters

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

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

[173] The CBSA considered that the normal values and export prices determined for the exporters where sufficient information was provided, rather than the information provided in the complaint, was the best information on which to base the methodology for determining normal values since it reflects exporters' trading practices during the POI. The CBSA examined the difference between the normal value and export price of each individual transaction for the exporters where sufficient information was provided in order to obtain an appropriate amount for the normal value methodology. The transactions were also examined to eliminate anomalies from being considered; such anomalies can include low volume shipments, very low value sales, effects of seasonality or other business or environmental factors.

[174] The CBSA considers that the highest amount by which the normal value exceeded the export price found on an individual transaction (expressed as a percentage of the export price), is an appropriate basis for determining normal values. This method of determining normal values is based on information on the record and limits the advantage that an exporter may gain from not providing necessary information requested in a dumping investigation as compared to an exporter that did provide the necessary information. Therefore, the normal values were determined under a ministerial specification pursuant to subsection 29(1) of SIMA, based on the export price as determined under section 24, 25 or 29 of SIMA, plus an amount equal to 351.4% of that export price.

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

[176] Based on the above methodologies, the subject goods exported to Canada by all other exporters were found to be dumped by a margin of dumping of 351.4%, expressed as a percentage of the export price.

Summary of Results - Dumping

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

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

Country	Volume of Dumped Goods as Percentage of Country Imports	Margin of Dumping*	Volume of Country Imports as Percentage of Total Imports	Volume of Dumped Goods as Percentage of Total Imports
China	100%	243.1%	56.8%	56.8%

*Expressed as a percentage of the export price.

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

[179] The margin of dumping of certain carbon and alloy steel line pipe from China is above 2% of the export price of the goods and is, therefore, not insignificant.

SUBSIDY INVESTIGATION

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

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

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

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

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

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

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

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

[186] Financial contributions provided by state-owned enterprises (SOEs) may also be considered to be provided by government for purposes of this investigation. An SOE may be considered to constitute “government” for the purposes of subsection 2(1.6) of SIMA if it possesses, exercises, or is vested with, governmental authority. Without limiting the generality of the foregoing, the CBSA may consider the following factors as indicative of whether the SOE meets this standard: 1) the SOE is granted or vested with authority by statute; 2) the SOE is performing a government function; 3) the SOE is meaningfully controlled by the government; or 4) some combination thereof.

Results of the Subsidy Investigation

[187] In conducting its investigation, the CBSA sent a subsidy RFI to the GOC as well as to potential exporters of certain carbon and alloy steel line pipe located in China that had been identified through CBSA import entry documentation. Exporters who were not the manufacturer of the goods were asked to forward a copy of the RFI to each of the manufacturers concerned. Information was requested in order to establish whether there had been financial contributions made by any level of government including SOEs possessing, exercising or vested with government authority, and, if so, to establish if a benefit had been conferred on persons engaged in the production, manufacture, processing, purchase, distribution, transportation, sale, export or import of carbon and alloy steel line pipe; and whether any resulting subsidy was specific in nature. The GOC was also requested to forward the RFIs to all subordinate levels of government that had jurisdiction over the exporters. The exporters were directed to forward a portion of the RFI to their input suppliers, who were asked to respond to questions pertaining to their legal characterization as SOEs. As such, the GOC and all exporters were given the opportunity to participate in the investigation. They were also notified that failure to submit all required information and documentation, including non-confidential versions, or failure to permit verification of any information, would result in the amount of subsidy on the subject goods exported by their company being based on the facts available to the CBSA. It was further stated that such a decision may be less favourable to their company than if full and verifiable information was made available.

[188] The CBSA received responses to the subsidy RFI from 25 exporters, producers and related suppliers.

[189] The GOC did not submit a response to the subsidy RFI, which limited the CBSA's ability to determine the amount of subsidy in the prescribed manner as the required information relating to financial contribution, benefit and specificity was not provided. It also limited the CBSA's ability to determine whether producers, or other suppliers of goods and services, are public bodies.

[190] Due to a lack of government response, subsidy amounts for all exporters were determined pursuant to subsection 30.4(2) of SIMA, based on a ministerial specification.

[191] For each of the exporters that provided sufficient information in response to the subsidy RFI, an individual amount of subsidy was determined under ministerial specification, based on the information provided in response to the RFI and obtained during the on-site verification or desk audit.

[192] For exporters that did not provide sufficient information in response to the RFI, amounts of subsidy were determined under a ministerial specification on the basis of facts available.

[193] At the initiation of the subsidy investigation, the CBSA identified 135 potential subsidy programs in the following seven categories:

- I. Special Economic Zones (SEZ) and other Designated Areas Incentives;
- II. Preferential Loans and Loan Guarantees;
- III. Grants and Grant Equivalents;
- IV. Preferential Tax Programs;
- V. Relief from Duties and Taxes on Inputs, Materials and Machinery;
- VI. Goods/Services Provided by the Government at Less than Fair Market Value; and
- VII. Equity Programs.

[194] Details regarding these potential subsidies were provided in the *Statement of Reasons* issued for the initiation and preliminary determination of this investigation. This document is available through the CBSA's website at the following address: www.cbsa-asfc.gc.ca/sima-lmsi.

[195] During the preliminary phase of the investigation, the CBSA identified 24 additional programs. A further review during the final phase of the investigation resulted in 18 additional programs being identified. These programs were identified in the exporters' responses to the RFIs as well as through verification visits or desk audits.

[196] In total, 177 programs were investigated for purposes of this investigation. In the final phase of this investigation, 16 of these programs were removed from the investigation. Information concerning these 177 programs is provided in **Appendix 2**.

Results of the Subsidy Investigation by Exporter

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

[197] Baoshan Iron & Steel Co., Ltd. (Baoshan) is a producer and exporter of the subject goods and provided a substantially complete response to the subsidy RFI. In addition, six related suppliers provided substantially complete responses to the subsidy RFI.

[198] Baoshan was found to have benefited from 22 subsidy programs. The amount of subsidy for Baoshan is 31.35 RMB/MT, or 0.63%, expressed as a percentage of the export price.

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

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

[200] HYST was found to have benefited from 18 subsidy programs. The amount of subsidy for HYST is 34.51 RMB/MT, or 0.64%, expressed as a percentage of the export price.

Huludao City Steel Pipe Industrial Co., Ltd.

[201] Huludao City Steel Pipe Industrial Co., Ltd. (Huludao City) is a producer and exporter of the subject goods and provided a substantially complete response to the subsidy RFI. One related supplier, Huludao Bohai Oil Steel Pipe Co., Ltd. (Bohai), also provided a substantially complete response to the subsidy RFI.

[202] Huludao City was found to have benefitted from three subsidy programs. The amount of subsidy for Huludao City is 12.10 RMB/MT, or 0.38%, expressed as a percentage of the export price.

Jiangsu Changbao Steel Tube Co., Ltd.

[203] Jiangsu Changbao Steel Tube Co., Ltd. (Changbao) is a producer and exporter of the subject goods and provided a substantially complete response to the subsidy RFI.

[204] Changbao was found to have benefitted from 18 subsidy programs. The amount of subsidy for Changbao is 267.30 RMB/MT, or 4.51%, expressed as a percentage of the export price.

Jiangsu Valin Xigang Special Steel Co., Ltd.

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

[206] Jiangsu Valin was found to have benefited from seven subsidy programs. The amount of subsidy for Jiangsu Valin is 289.93 RMB/MT, or 7.97%, expressed as a percentage of the export price.

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

[207] Tianjin Huilitong Steel Tube Co., Ltd. (Huilitong) is a producer of subject goods. Tianjin Longshenghua Import & Export Trade Co., Ltd. (Longshenghua) is the exporting arm of Huilitong that is used for the vast majority of export transactions during the POI. Both companies provided substantially complete responses to the subsidy RFI.

[208] Tianjin Huilitong Group was found to have benefitted from three subsidy programs. The amount of subsidy for Tianjin Huilitong Group is 51.85 RMB/MT, or 1.48%, expressed as a percentage of the export price.

Wuxi Huayou Special Steel Co., Ltd.

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

[210] Wuxi Huayou and Wuxi Sp.Steel provided substantially complete responses to the subsidy RFI. Three related companies, including Wuxi Huamo Steel Pipe Co., Ltd., Wuxi Longtai Steel Pipe Co., Ltd., and Wuxi Huashi Steel Pipe Co., Ltd. also provided substantially complete responses to the subsidy RFI. However, for the subject goods produced by the non-associated manufacturers, the CBSA did not receive a response to the subsidy RFI from any of those manufacturers.

[211] An individual amount of subsidy was determined for the subject goods produced by Wuxi Sp. Steel and shipped to Canada by Wuxi Huayou. For goods purchased by Wuxi Huayou and shipped to Canada, the amount of subsidy was determined in accordance with the methodology set out in the "All Other Exporters" section below.

[212] The goods produced by Wuxi Sp. Steel and exported by Wuxi Huayou were found to have benefitted from eight subsidy programs with an amount of subsidy equal to 287.31 RMB/MT.

[213] The goods exported by Wuxi Huayou that were purchased from other producers were found to have an amount of subsidy equal to 989.97 RMB/MT.

[214] All subject goods shipped by Wuxi Huayou were found to have a weighted average amount of subsidy of 986.85 RMB/MT, or 15.50%, expressed as a percentage of the export price.

Yangzhou Lontrin Steel Tube Co., Ltd.

[215] Yangzhou Lontrin Steel Tube Co., Ltd. (Lontrin) is a producer and exporter of the subject goods to Canada. The subject goods shipped to Canada by Lontrin were produced by Lontrin and several non-associated manufacturers.

[216] Lontrin provided a substantially complete response to the subsidy RFI. However, for the goods produced by other manufacturers, the CBSA could not verify which goods were purchased from which manufacturers.

[217] An individual amount of subsidy was determined for the subject goods produced and exported to Canada by Lontrin. For the subject goods purchased from non-associated manufacturers and exported to Canada by Lontrin, the amount of subsidy was determined in accordance with the methodology set out in the "All Other Exporters" section below.

[218] The goods produced and exported by Lontrin were found to have benefitted from 12 subsidy programs with an amount of subsidy equal to 52.67 RMB/MT.

[219] The goods exported by Lontrin and purchased from other producers were found to have an amount of subsidy equal to 989.97 RMB/MT.

[220] All subject goods exported by Lontrin were found to have a weighted average amount of subsidy of 260.44 RMB/MT, or 6.01%, expressed as a percentage of the export price.

All Other Exporters

[221] For all other exporters in China where, in the opinion of the CBSA, sufficient information was not provided, the amount of subsidy was determined under a ministerial specification pursuant to subsection 30.4(2) of SIMA on the basis of facts available.

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

[223] The amounts of subsidy were determined under a ministerial specification pursuant to subsection 30.4(2) of SIMA, on the basis of the following methodology:

- i) the highest amount of subsidy for each of the 72 programs, as found at the final determination for the responding exporters, plus;
- ii) the simple average of the amounts of subsidy for the 72 programs referenced in (i), applied to each of the remaining 89 potentially actionable subsidy programs for which sufficient information was not available or had not been provided at the final determination.

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

[225] Using the above methodology, the amount of subsidy for all other exporters is 989.97 RMB/MT, or 17.32%, expressed as a percentage of the total export price.

[226] The overall weighted average amount of subsidy for China is equal to 7.6%, when expressed as a percentage of the total export price of the subject goods.

[227] Based on the preceding, 100% of certain carbon and alloy steel line pipe originating in or exported from China were subsidized. A summary of the amount of subsidy applicable to all named exporters is provided in **Appendix 1**.

Summary of Results – Subsidy

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

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

Country	Volume of Subsidized Goods as Percentage of Country Imports	Amount of Subsidy*	Volume of Country Imports as Percentage of Total Imports	Volume of Subsidized Goods as Percentage of Total Imports
China	100%	7.6%	51.7%	51.7%

* expressed as a percentage of export price.

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

[230] The amount of subsidy of certain carbon and alloy steel line pipe originating in or exported from China is above 1% and is, therefore, not insignificant.

DECISIONS

[231] On the basis of the results of the dumping investigation, the CBSA is satisfied that certain carbon and alloy steel line pipe originating in or exported from China have been dumped and that the margin of dumping is not insignificant. Consequently, on February 24, 2016, the CBSA made a final determination of dumping pursuant to paragraph 41(1)(a) of SIMA.

[232] On the basis of the results of the subsidy investigation, the CBSA is satisfied that certain carbon and alloy steel line pipe originating in or exported from China have been subsidized and that the amount of subsidy is not insignificant. Consequently, on February 24, 2016, the CBSA made a final determination of subsidizing pursuant to paragraph 41(1)(a) of SIMA.

FUTURE ACTION

[233] The provisional period began on November 26, 2015, and will end on the date the CITT issues its finding. The CITT is expected to issue its decision by March 25, 2016. Subject goods imported during the provisional period will continue to be assessed provisional duties as determined at the time of the preliminary determinations. For further details on the application of provisional duties, refer to the *Statement of Reasons* issued for the preliminary determinations, which is available through the CBSA's website at www.cbsa-asfc.gc.ca/sima-lmsi/menu-eng.html.

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

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

[236] The importer in Canada shall pay all applicable duties. If the importers of such goods do not indicate the required SIMA code or do not correctly describe the goods in the customs documents, an administrative monetary penalty could be imposed. The provisions of the *Customs Act* apply with respect to the payment, collection or refund of any duty collected under SIMA.³⁰ As a result, failure to pay duty within the prescribed time will result in the application of interest.

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

[238] Exporters of subject goods who did not provide sufficient information in the dumping investigation will have normal values established by advancing the export price by 351.4% based on a ministerial specification pursuant to subsection 29(1) of SIMA. Anti-dumping duty will apply based on the amount by which the normal value exceeds the export price of the subject goods. Similarly, exporters of subject goods who did not provide sufficient information in the subsidy investigation will be subject to a countervailing duty amount of 989.97 Renminbi per metric tonne, based on a ministerial specification pursuant to subsection 30.4(2) of SIMA.

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

³⁰ *Customs Act* R.S.C. 1985

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

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

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

PUBLICATION

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

INFORMATION

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

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

Telephone: Jody Grantham: 613-954-7405
Sean Robertson: 613-948-8581
Ted Chester: 613-954-7170

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

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



Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate

ATTACHMENTS

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

APPENDIX 1 – SUMMARY OF MARGINS OF DUMPING AND AMOUNTS OF SUBSIDY

Exporter	Margin of Dumping*	Amount of Subsidy*	Amount of Subsidy per MT (RMB)
Baoshan Iron & Steel Co., Ltd. / Baosteel America Inc.	74.0%	0.63%	31.35
Hengyang Steel Tube Group International Trading Inc. / Hengyang Valin Steel Tube Co., Ltd. / Hengyang Valin MPM Co., Ltd.	168.9%	0.64%	34.51
Huludao City Steel Pipe Industrial Co., Ltd.	148.2%	0.38%	12.10
Jiangsu Changbao Steel Tube Co., Ltd.	156.5%	4.51%	267.30
Jiangsu Valin Xigang Special Steel Co., Ltd.	319.6%	7.97%	289.93
Tianjin Huilitong Steel Tube Co., Ltd. / Tianjin Longshenghua Import & Export Trade Co., Ltd.	113.0%	1.48%	51.85
Wuxi Huayou Special Steel Co., Ltd.	351.1%	15.50%	986.85
Yangzhou Lontrin Steel Tube Co., Ltd.	253.9%	6.01%	260.44
All other exporters	351.4%	17.32%	989.97

* expressed as a percentage of the export price.

NOTE: The margins of dumping reported in this table were determined by the CBSA for purposes of the final determination of dumping. These margins do not reflect the amount of anti-dumping duty to be levied on future importations of dumped goods. In the event of an injury finding by the CITT, normal values and amounts of subsidy for future shipments to Canada have been provided to the exporters that provided complete responses to the CBSA RFI. These normal values and amounts of subsidy would come into effect the day after an injury finding. Information regarding normal values of the subject goods and amounts of subsidy should be obtained from the exporters. Imports from exporters that did not provide complete information to the CBSA during the dumping investigation will be subject to an anti-dumping duty rate of 351.4%, expressed as a percentage of the export price, in accordance with a ministerial specification. Imports from exporters that did not provide complete information to the CBSA during the subsidy investigation will also be subject to a countervailing duty rate of 989.97 RMB per MT, in accordance with a ministerial specification. Please consult the [SIMA Self-Assessment Guide](#) for more detailed information explaining how to determine the amount of SIMA duties owing.

APPENDIX 2 – SUMMARY OF FINDINGS FOR NAMED SUBSIDY PROGRAMS

As noted in the body of this document, the GOC did not submit a response to the subsidy RFI, and therefore did not provide the required information relating to the financial contribution, benefit and specificity. This limited the CBSA's ability to determine the amount of subsidy in the prescribed manner as the required information relating to financial contribution, benefit and specificity was not provided. It also limited the CBSA's ability to determine whether producers, or other suppliers of goods and services, are public bodies.

Due to this lack of information, subsidy amounts for all exporters have been determined under a ministerial specification pursuant to subsection 30.4(2) of SIMA based on the best information available to the CBSA. In consideration of the level of cooperation received from the exporters that provided substantially complete responses to the subsidy RFI, an individual amount of subsidy has been determined for each exporter using information provided in the exporter's submission.

Subsidy Programs Used by the Responding Exporters

The CBSA has used the best information available to describe the potentially actionable subsidy programs used by each of the responding exporters who provided sufficient information to determine an amount of subsidy. This includes using information obtained from CBSA research on potential subsidy programs in China, information provided by the responding exporters and descriptions of programs that the CBSA has previously publicly published in recent *Statement of Reasons* relating to subsidy investigations involving China. Since the GOC did not submit a response to the subsidy RFI, the information available to identify the legal instruments pertaining to the programs is limited and such references may be inaccurate or incomplete.

I. Special Economic Zones (SEZ) and other Designated Areas Incentives

Program 147: Preferential Tax Policies of Zhangjiagang Free Trade Zone

During the POI, one of the named exporters benefitted from preferential tax policies as a result of being located in the Zhangjiagang Free Trade Zone. On the basis of the information available, this program has been granted by the Zhangjiagang Free Trade Zone Logistics & Trade Development Bureau.

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

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

II. Preferential Loans and Loan Guarantees

Program 21: Preferential Loans from State-Owned Banks

During the POI, four of the named exporters benefited from preferential loans from state-owned banks.

When exporters or producers of subject goods receive preferential loans at preferential interest rates from SOEs and those SOEs are considered to be possessing, exercising, or vested with governmental authority, a subsidy may be found to exist.

For the purposes of this investigation, there were three key concepts considered in determining whether this program was applicable:

- whether the exporters or producers of subject goods to Canada received preferential loans from SOEs;
- whether the SOEs that supplied these preferential loans are considered to be possessing, exercising, or vested with governmental authority; and
- the market interest rates of loans provided by SOEs.

In terms of the first concept, the CBSA requested information from the exporters regarding information on their loans, banking information, interest rates, and maturity dates. Based on the information in their submissions, the four responding exporters have received loans from state-owned banks.

Due to the lack of cooperation from the GOC, detailed information for all of the state-owned banks was not available, however, information was found on one state-owned bank, the Export-Import Bank of China (EXIM Bank).

In terms of the second concept, the following analysis considers whether EXIM Bank could be regarded as "government" for the purpose of subsection 2(1) of SIMA. SOEs may be considered to constitute "government" if they possess, exercise or are vested with government authority, which may be indicated by the following factors:

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

According to its website, "the Export-Import Bank of China is a state bank solely owned by the Chinese government and under the direct leadership of the State Council." Furthermore, the mission of EXIM Bank "is to facilitate the export and import of Chinese mechanical and electronic products, complete sets of equipment and new- and high-tech products, assist Chinese companies with comparative advantages in their offshore project contracting and outbound investment, and promote international economic cooperation and trade."³¹ Based on the above evidence, the CBSA considers that the EXIM Bank constitutes "government" for the purpose of subsection 2(1) of SIMA as it was found to have exercised government functions.

The third concept considered was the market interest rates of the loans provided by SOEs. A comparison of the interest rates at which the loans were provided by the government with the market interest rates of loans in China was required for the purpose of evaluating whether the interest rates on the loans were preferential.

In order to assess whether or not there was a financial contribution, the CBSA established a benchmark to which it could compare the loan interest rates submitted by the exporters. The CBSA determined the loan benchmark interest rate issued by the People's Bank of China (PBC)³² for RMB denominated loans was an appropriate benchmark interest rate for this purpose. Where the exporter's loan interest rate was below the PBC rate, the CBSA considered the difference to constitute a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA; i.e., amounts that would otherwise be owing and due to the government are exempted or deducted or amounts that are owing and due to the government are forgiven or not collected. The above confers a benefit to the exporter by way of reducing its financial costs upon obtaining loans from a financial institution, and the benefit is equal to the amount of the exemption/deduction.

Due to the lack of a response by the GOC and the lack of details provided by the exporters, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that the subsidy is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information this program does not appear to be generally available to all enterprises in China.

The amounts of subsidy were calculated under ministerial specification pursuant to subsection 30.4(2) of SIMA, by distributing the benefit amount received by the exporters over the total quantity of goods to which the benefit was attributable.

III. Grants and Grant Equivalents

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

³¹ Exhibit 305 (PRO) – Carbon and Alloy Steel Line Pipe – Subsidy Research.

³² Exhibit 305 (PRO) – Carbon and Alloy Steel Line Pipe – Subsidy Research.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether these programs are specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that these programs are not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information these programs do not appear to be generally available to all enterprises in China.

Program 24: Advanced Science / Technology Enterprise Grant

During the POI, one of the named exporters received a grant in the form of an award for high tech products. On the basis of the information available, this program has been granted by the Science and Technology Bureau of Jiangdu District, Yangzhou City.

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

During the POI, one of the named exporters received a grant in the form of an award as its products qualified as “Well-Known Trademarks of China” or “Famous Brands of China”. On the basis of the information available, this program has been granted by the Shanghai Economic and Information Commission.

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

During the POI, one of the named exporters received a grant in the form of an award for brand development as it had overseas registered brands. On the basis of the information available, this program has been granted by the Jiangsu Provincial Government through the Commerce Bureau.

Program 33: Emission Reduction and Energy-saving Award

During the POI, one of the named exporters received several grants for several environmental projects, such as emission reduction, environmental protection and obsolete technology reconstruction. This program was administered by the Shanghai Environmental Protection Bureau and the Shanghai Economic and Information Commission.

Program 36: Energy-saving Technology Renovation Fund

During the POI, one of the named exporters received a grant for energy-saving through technology.

Program 40-1: Export Assistance Grant – Jiangdu District

During the POI, one of the named exporters received a grant to help the exporter attend an international exhibition. On the basis of the information available, this program has been granted by the Commerce Bureau of Jiangdu District, Yangzhou City.

Program 40-2: Export Assistance Grant – Tianjin

During the POI, one of the named exporters received a grant to help cover advertising expenditures for the promotion of foreign development and services. On the basis of the information available, this program has been granted at the local level by the Tianjin Bureau of Finance.

Program 40-3: Export Assistance Grant – Municipality A

During the POI, one of the named exporters received a grant to help encourage export sales. On the basis of the information available, this program has been granted at the local level by the municipal government.

Program 41-1: Export Brand Development Fund – Tianjin

During the POI, one of the named exporters received a grant to help develop exporting enterprises with international brands. On the basis of the information available, this program has been granted at the local level by the Tianjin Commission of Commerce.

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

During the POI, one of the named exporters received a grant to help develop export brands.

Program 41-3: Export Brand Development Fund – Allocation of Changzhou for Foreign Trade Market Development and Export Brands

During the POI, one of the named exporters received a grant to help develop export brands. To qualify for this program, the applying company should attend an international fair, expand its international market by means of e-commerce, or set up export sales. On the basis of the information available, this program has been granted at the local level by the Bureau of Finance in Qishuyan District, Changzhou City.

Program 42-1: Financial Subsidy – Shanghai

During the POI, one of the named exporters received a grant in the form of several financial subsidies. This program was administered at the local level by the Financial Bureau of Shanghai and its districts.

Program 42-2: Financial Subsidy – Changzhou

During the POI, one of the named exporters received a grant in the form of a financial subsidy. To qualify for this program, the applying company should have a project for energy saving and recycling. On the basis of the information available, this program has been granted at the local level by the Bureau of Finance in Qishuyan District, Changzhou City.

Program 42-3: Financial Subsidy – Municipality A

During the POI, one of the named exporters received a grant in the form of several financial subsidies. On the basis of the information available, this program has been granted at the local level by the municipal government.

Program 42-4: Financial Subsidy – Municipality B

During the POI, one of the named exporters received a grant in the form of several financial subsidies. On the basis of the information available, this program has been granted at the local level by the municipal government.

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

During the POI, one of the named exporters received a grant in the form of an import interest subsidy. This program was jointly administered at the federal level by the Ministry of Finance and Ministry of Commerce.

Program 50: Grant – Cleaning-production Qualified Enterprise Reward

During the POI, one of the named exporters received multiple grants for cleaning production audit fees. On the basis of the information available, this program has been granted by the Shanghai Environmental Protection Bureau.

Program 54-1: Grant – Patent Application Assistance - Shanghai

During the POI, one of the named exporters received multiple grants in the form of subsidies for patent fees. On the basis of the information available, this program has been granted by the Shanghai Intellectual Property Administration.

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

During the POI, one of the named exporters received multiple grants in the form of supporting funds for patent assistance.

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

During the POI, one of the named exporters received a grant in the form of a supporting fund for patent assistance. On the basis of the information available, this program has been granted at the local level by the municipality's Science and Technology Bureau.

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

During the POI, one of the named exporters received a grant in the form of a supporting fund for trade dispute expenses.

Program 57-1: Grant – Resources Conservation and Environment Protection Grant – Yangzhou

During the POI, one of the named exporters received a grant in the form of a pollution prevention and environmental protection subsidy. On the basis of the information available, this program has been granted at the local level by the Environmental Protection Bureau of Jiangdu District, Yangzhou City.

Program 57-2: Grant – Resources Conservation and Environment Protection Grant – Municipality A

During the POI, one of the named exporters received several grants for the purpose of treating sewage and pollution, as well as protecting the environment. On the basis of the information available, this program has been granted at the local level by the municipal government.

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

During the POI, one of the named exporters received a grant for the commercialization of technological innovation and research findings. This program was administered at the local level by the Science and Technology Bureau of Jiangdu District, Yangzhou City.

Program 61: Grant – Subsidy from Water Saving Office

During the POI, one of the named exporters received a grant because the exporter took efforts to improve upon how it saved water and applied for a grant under this program, which was subsequently awarded. On the basis of the information available, this program has been granted at the local level by the Changzhou Municipal Water-saving Office.

Program 67: Grants for Export Increasing

During the POI, one of the named exporters received a grant for increasing its exports.

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

During the POI, one of the named exporters received a grant in the form of two different awards for having good technology and innovative development. This program was jointly administered by the Science and Technology Bureau and Commission of Economy and Information Technology of Jiangdu District, Yangzhou City.

Program 80-1: Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees - Changzhou

During the POI, one of the named exporters received a grant because the exporter applied to receive a reimbursement of export credit insurance expenses. The eligibility criterion for this program is that the applying company has purchased and incurred export credit insurance expenses. On the basis of the information available, this program has been granted by the Finance Bureau of Changzhou City.

Program 80-2: Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees - Provincial

During the POI, one of the named exporters received a grant in the form of a reimbursement of export credit insurance expenses. On the basis of the information available, this program has been granted by the local provincial government.

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

During the POI, two of the named exporters received multiple grants for having hi-tech products, achieving technology integration, improving cost performance, and researching and utilizing new technology. On the basis of the information available, this program has been granted at the federal level by the Ministry of Science and Technology of the People's Republic of China.

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

During the POI, two of the named exporters received a grant in the form of preferential export credit insurance.

Program 88: Product Quality Grant

During the POI, one of the named exporters received a grant the form of a bonus for contributing to the province's quality standard. On the basis of the information available, this program has been granted by the local provincial government.

Program 89: Provincial Government – Equipment Grant

During the POI, two of the named exporters received a grant under this program in the form of financial support for the procurement of infrastructure and equipment. On the basis of the information available, this program has been granted by the local provincial government.

Program 91: Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices

During the POI, one of the named exporters received a grant in the form of a reduction in land related fees.

Program 93-1: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments – Shanghai

During the POI, one of the named exporters received a grant in the form of the reimbursement of expenses incurred in anti-dumping and countervailing investigations. On the basis of the information available, this program has been granted by the Commerce Commission of Shanghai.

Program 93-2: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments – Municipality A

During the POI, one of the named exporters received a grant in the form of the reimbursement of expenses incurred in anti-dumping and countervailing investigations. On the basis of the information available, this program has been granted at the local level.

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

During the POI, one of the named exporters received several grants for a variety of R&D uses, such as analyzing product characteristics, developing new technology, and optimizing design and engineering. On the basis of the information available, this program has been granted by the Ministry of Science and Technology of China.

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

During the POI, one of the named exporters received several grants for a variety of R&D uses, such as developing high performance products, researching new technology, and optimizing design and engineering. On the basis of the information available, this program has been granted by the Shanghai Science and Technology Committee.

Program 98-1: Subsidy for the Technology Development – Shanghai

During the POI, one of the named exporters received several grants for a variety of uses, such as factory renovations and purchasing new equipment. On the basis of the information available, this program has been granted by the Shanghai Economic and Information Committee.

Program 98-2: Subsidy for the Technology Development – Municipality A

During the POI, one of the named exporters received several grants for the purpose of subsidizing various technology expenses.

Program 102: Technical Renovation Loan Interest Discount Fund

During the POI, one of the named exporters received several grants in the form of interest support. On the basis of the information available, this program has been granted at the local level by the municipal government.

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

During the POI, one of the named exporters received a grant for the purchase of advanced equipment. On the basis of the information available, this program has been granted by the Commission of Economy and Information Technology of Jiangdu District, Yangzhou City, Jiangsu Province.

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

During the POI, one of the named exporters received a grant for employing talented individuals, such as doctors or professors. On the basis of the information available, this program has been granted by the Organization Department of Jiangsu Province.

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

During the POI, one of the named exporters received a grant for employing talented individuals, such as doctors or professors. On the basis of the information available, this program has been granted by the Organization Department of Yangzhou City.

Program 137: Promoting the Construction of R&D Institution

During the POI, one of the named exporters received a grant to help with the construction of an R&D institution. To qualify for this program, the applying company should have a R&D institution or be in the process of building a R&D institution. On the basis of the information available, this program has been granted by the Bureau of Finance in Qishuyan District, Changzhou City.

Program 138: Grant – Development of Strategic Emerging Industry

During the POI, one of the named exporters received a grant intended for companies involved in developing a strategic emerging industry. To qualify for this program, the applying company should have an innovative and advanced project that promotes industry transformation and upgrading. On the basis of the information available, this program has been granted by the Bureau of Finance in Qishuyan District, Changzhou City.

Program 139: Grant for National Development, Energy Conservation, Resource-saving, and Industrial Pollution Control Projects

At the Preliminary Determination, this program was referred to as: “Investment Plan for Energy Conservation Projects”. This program has been renamed for the Final Determination as this title more accurately reflects the nature of the grant received. During the POI, one of the named exporters received grants intended for companies involved in energy conservation, national development, resource saving, and industrial pollution control projects. On the basis of the information available, this program has been granted by the Bureau of Finance in Qishuyan District, Changzhou City.

Program 140-1: Financial Support for Foreign Trade – Changzhou

During the POI, one of the named exporters received a grant for foreign trade support as the exporter had import and export transactions in 2013. On the basis of the information available, this program has been granted by the Office of Finance in Dingyan Sub district, Qishuyan District, Changzhou City.

Program 140-2: Financial Support for Foreign Trade – Wuxi

During the POI, one of the named exporters received a grant for foreign trade support. On the basis of the information available, this program is administered jointly by the Commercial Bureau and Financial Bureau of Wuxi City.

Program 142: Financial Aid for Excellent Performance of Enterprises in Quality Control

During the POI, one of the named exporters received a grant that provided financial aid for enterprises with excellent performance and strict product quality control and reliable product quality. On the basis of the information available, this program has been granted by the Changzhou Municipal Bureau of Finance.

Program 143: Technology Creation Award

During the POI, one of the named exporters received a grant in the form of an award for technology creation. To qualify for this program, the applying company should have a technologically innovative product or project. On the basis of the information available, this program has been granted by the Bureau of Finance in Qishuyan District, Changzhou City.

Program 144: Export Credit Insurance Supporting Fund

During the POI, one of the named exporters received a grant in the form of a supporting fund given in a lump sum to an exporter to encourage exporters to use insurance programs offered by China Export and Credit Insurance Corporation for export credit insurance. On the basis of the information available, this program has been granted by the Commercial and Financial Bureau of Wuxi City.

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

During the POI, one of the named exporters received a grant given as a lump sum payment that was intended to help stimulate and support the development of local industry and service. On the basis of the information available, this program has been granted by the Wuxi City Economic Development Zone Management Committee.

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

During the POI, one of the named exporters received a grant given as a lump sum payment that was intended to help stimulate and support energy conservation and emission reduction of local industry. On the basis of the information available, this program has been granted by the Finance Bureau of New District Administration Committee of Wuxi City.

Program 148: Subsidy for Employing Disabled Employees

During the POI, one of the named exporters received a grant for employing disabled employees.

Program 149: Special fund on Shanghai master studio (Chenjie)

During the POI, one of the named exporters received a grant under this program. On the basis of the information available, this program has been granted by the Ministry of Human Resource and Social Security of the People's Republic of China.

Program 150-1: Special Funds on Talents – Shanghai

During the POI, one of the named exporters received a grant under this program. On the basis of the information available, this program has been granted by the Shanghai Municipal Human Resource and Social Security Bureau.

Program 150-2: Special Funds on Talents – Federal

During the POI, one of the named exporters received a grant under this program to support the development of that exporter. On the basis of the information available, this program has been granted by the Ministry of Commerce of the People's Republic of China.

Program 151: Dispersed Employment Subsidy

During the POI, one of the named exporters received a grant under this program. On the basis of the information available, this program has been granted by Labor Services of Disabled of Baoshan District.

Program 152: Government Subsidy

During the POI, one of the named exporters received a grant under this program.

IV. Preferential Tax Programs

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

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether these programs are specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that these programs are not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information these programs do not appear to be generally available to all enterprises in China.

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

During the POI, two of the named exporters paid a reduced amount of corporate income tax. Under this program it appears that new high-technology enterprise are eligible to pay a reduced corporate income tax rate of 15%. This benefit is equal to the difference in taxes paid at the reduced rate versus the amount that would be paid under the regular rate. On the basis of the information available, this program has been granted by government at the federal level.

Program 153: Tax Policies for the Deduction of Research and Development Expenses
During the POI, three of the named exporters paid a reduced amount of corporate income tax. Under this program it appears that certain enterprises may claim an additional 50% of research and development expenses when calculating their income for income tax purposes, provided that the projects fall within New and High Tech Sectors receiving primary supports from the State. This program is detailed in the *Enterprise Income Tax Law of the People's Republic of China* and was granted by the State Administration of Taxation.

Program 154: Tax Policies for the Deduction of Income of the Disabled
During the POI, two of the named exporters paid a reduced amount of corporate income tax. Under this program it appears that enterprises that employ and pay salaries to employees with disabilities can make a deduction to their income tax payable. This program is detailed in the *Enterprise Income Tax Law of the People's Republic of China* and was granted by the State Administration of Taxation.

Program 155: Reduction and Calculation of Revenue from Comprehensive Utilization of Resources
During the POI, one of the named exporters paid a reduced amount of corporate income tax due to the exporter's comprehensive use of resources. This program is detailed in the *Enterprise Income Tax Law of the People's Republic of China* and was granted by the State Administration of Taxation.

Program 156: Offset and Exemption of Dedicated Equipment
During the POI, one of the named exporters received a tax offset and exemption for dedicated equipment. This program is detailed in the *Enterprise Income Tax Law of the People's Republic of China* and was granted by the State Administration of Taxation.

Program 157: Income Tax Offset for the Purchase of Energy-saving and Water-saving Equipment
During the POI, one of the named exporters received a tax offset and exemption for dedicated equipment. To qualify for this program, the exporter purchased water-saving and energy-saving equipment. On the basis of the information available, this program has been granted by the State Administration of Taxation.

Program 158: Exemption of Flood-proofing Fund Payment
During the POI, two of the named exporters received an exemption on the payment of taxes towards the local government's flood-proofing fund. On the basis of the information available, this program has been granted by Jiangsu Province.

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

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

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

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

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that this program is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information this program does not appear to be generally available to all enterprises in China.

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

On the basis of available information, these programs under goods/services provided by the government at less than fair market value constitute a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA, i.e., the government provides goods or services, other than general governmental infrastructure.

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether these programs are specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that these programs are not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information these programs do not appear to be generally available to all enterprises in China.

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

During the POI, six of the named exporters received a benefit under this program. This program appears to have been granted by government at the federal level.

For the purpose of assessing whether this subsidy exists; the CBSA investigated the acquisition of steel inputs, namely steel billet for seamless line pipe and hot-rolled coil for welded line pipe, given the significance of the cost of steel in proportion to the overall cost of production and sale of the subject goods. State-owned enterprises (SOEs) or state-invested enterprises (SIEs) that are steel suppliers may be considered to constitute “government” pursuant to the definition in subsection 2(1) of SIMA if they possess, exercise or are vested with government authority, which may be indicated by the following factors:

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

In order to determine whether the exporters acquired raw materials from SOEs or SIEs, the CBSA requested detailed information from the exporters regarding their acquisition of raw materials. The subsidy RFI also contained a short-form questionnaire intended for the domestic steel suppliers. The exporters were instructed to forward this questionnaire to their domestic steel suppliers. This questionnaire requested information regarding the ownership status of the supplier and other relevant information with respect to assessing whether the supplier is considered an SOE. Further, information was also requested from the GOC with respect to the ownership status of the steel producers and with respect to governmental measures affecting the steel industry as a whole, in order to assess whether SOEs are “government”.

Responding exporters identified, to the best of their knowledge, which of their suppliers as well as the steel manufacturers, are known SOEs and which are not. The CBSA also received several responses to the questionnaires from the steel suppliers, but did not receive a response to the subsidy RFI from the GOC.

Where possible, the CBSA used the information provided by the steel suppliers to support the exporters’ identification of which suppliers were SOEs. However, the lack of cooperation by the GOC limited the CBSA’s ability to assess whether the SOEs that supplied or produced the steel used by the exporters in their production of carbon and alloy steel line pipe possess, exercise or are vested with government authority as described in the above mentioned factors.

Nevertheless, the CBSA determined that the conclusions reached in the context of the section 20 inquiry were quite relevant to this analysis as well. Although the inquiry was conducted for a different purpose, the CBSA considers this information relevant and applicable for the purpose of determining if the raw material suppliers identified as SOEs are “government”, particularly since the analysis focused on the GOC’s control and influence over the primary steel industry. For instance, as discussed in the section above regarding the section 20 inquiry, the GOC continues to direct, and administer the Chinese steel industry through its five-year plans on iron and steel, as well as steel pipe.

Additionally, as provided in Article 36 of the Law of the People's Republic of China on the State-owned Assets of Enterprises, SIEs must comply with all national industrial policies.³³ On the basis of this information, SIEs are effectively performing a public policy function through their pursuit of state plans and industrial and economic policies, thus supporting the indication that SIEs and SOEs are in fact performing governmental functions.

A further analysis of the Law of State-Owned Assets of the Enterprises reveals that the GOC is the only entity that may determine who is eligible to be a director or supervisor within SIEs in China, regardless of the extent of the GOC's ownership of the SIE. The GOC sets the criteria against which management of an SIE is evaluated, measures the performance of management against the criteria, and determines the standards of remuneration for management. SIEs must also submit to audits conducted directly by the GOC.

Accordingly, the CBSA determined that there is sufficient evidence that the GOC exercises meaningful control over state-owned steel suppliers and producers. Therefore, there is reason to believe that the SOE suppliers of raw materials are "government" as they possess, exercise or are vested with government authority, as described in the factors above.

As a result, there is a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA, i.e. the government provides good or services, other than general governmental infrastructure, or purchases goods. The CBSA examined whether the financial contribution conferred a benefit to these exporters. Pursuant to section 36 of the *Special Import Measures Regulations* (SIMR), a benefit exists if the price at which the goods or services were provided by the government is lower than the fair market value of the goods or services in the territory of that government.

In order to determine if exporters benefited under this program, the CBSA compared the price at which the goods were provided by the government with the fair market value of the goods.

³³ Exhibit 305 (PRO) – Carbon and Alloy Steel Line Pipe – Subsidy Research.

In this investigation, and in other past investigations involving goods from China, the CBSA determined that the Chinese steel industry is heavily dominated by SOEs and that domestic prices in China are not being determined under competitive market conditions. Of particular relevance to this investigation is the re-investigation of certain hot-rolled carbon and alloy steel sheet and strip (concluded on October 28, 2015) in which the CBSA found that domestic prices in the Chinese flat-rolled steel sector were not substantially the same as they would be if they were determined in a competitive market.³⁴ The Chinese flat-rolled steel sector includes hot-rolled coil, which is used in the production of welded line pipe. Regarding billet, without complete responses from the GOC, the CBSA was unable to accurately determine whether the SOE billet producers would form the majority of billets produced in China. However, the analysis resulting from the section 20 inquiry noted that a number of GOC industrial policies in relation to the Chinese steel industry would likely have a material impact on the prevailing price of billets in China. Accordingly, the CBSA determined that the domestic selling prices of both hot-rolled coil and steel billet are not appropriate for the purposes of determining the fair market value of these goods.

In the absence of appropriate domestic benchmark prices of hot-rolled coil and billet in China, and since none of the cooperative exporters reported acquiring these inputs from sources outside China, the CBSA determined that the world hot-rolled coil and billet prices reported by *Metal Bulletin*³⁵ are the most appropriate for the purpose of establishing the fair market value of these products in China. Benchmark prices were created for each month by taking the average monthly selling price for each country that was reported on an FOB basis (excluding China). The CBSA then calculated the difference between the acquisition price of the producer's purchases and the benchmark prices and multiplied the difference by the volume, and then expressed the amount on a per MT basis. Given that there is roughly one MT of hot-rolled steel or billet in one MT of subject goods, the benefit per MT of raw material could easily be allocated to the subject goods.

The benchmark price used at the final determination differs from the benchmark price used for the preliminary determination, which was based on the weighted average purchase price of inputs by the producers from non-SOEs. For the reasons described above, the CBSA believes this is a more appropriate benchmark.

The amount of subsidy was calculated under ministerial specification pursuant to subsection 30.4(2) of SIMA, by distributing the benefit amount received by the exporter over the total quantity of goods to which the benefit was attributable.

³⁴ Notice of conclusion of Re-investigation for Flat Hot-rolled Carbon and Alloy Steel Sheet and Strip (October 28, 2015).

³⁵ Exhibit 305 (PRO) – Carbon and Alloy Steel Line Pipe – Subsidy Research.

Program 130: Provision of Land for Less Than Adequate Remuneration by Jiangsu Province

During the POI, one of the named exporters purchased land in Jiangsu Province for less than adequate remuneration. On the basis of the information available, this program has been granted by the provincial government of Jiangsu Province. The exporter received a benefit equal to the difference between the actual purchase price of the land and the benchmark land price provided by the exporter.

Other Potentially Actionable Subsidy Programs

The following 89 programs were also included in the current investigation. Questions concerning these programs were included in the RFI sent to the GOC and to all known exporters of the goods in China. The exporters that provided a response to the RFI reported not using these programs during the subsidy POI. Without a response to the subsidy RFI from the GOC and all known exporters, the CBSA does not have sufficient information to determine that any of these programs do not constitute actionable subsidies. In other words, the CBSA does not have sufficient information to determine that any of the following programs should be removed from the investigation for purposes of the final determination.

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

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

II. Preferential Loans and Loan Guarantees

- Program 12: Debt Forgiveness
- Program 13: Discounted Loans for Export-oriented Enterprises
- Program 14: Export Buyer's Credit Provided by the Export-Import Bank of China
- Program 15: Export Guarantees Provided by the GOC
- Program 16: Export Seller's Credit Provided by the Export-Import Bank of China
- Program 17: Import Credit Provided by the Export-Import Bank of China
- Program 18: Loan From Local Finance Bureau
- Program 19: Loans and Interest Subsidies provided under the Northeast Revitalization Program
- Program 20: Onlending Support Provided by the Export-Import Bank of China through Loan Guarantees or Loan Repayment
- Program 22: Trade Financing Services Provided by the Export-Import Bank of China

III. Grants and Grant Equivalents

- Program 23: Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin
- Program 26: Assistance for Technology Innovation - R&D Project
- Program 27: Award of Taxpayers in Yanghang Industrial Park
- Program 29: Business Bureau 2012 Market Monitoring System of Subsidies
- Program 31: Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)
- Program 32: Changzhou Technology Plan (Jiangsu)
- Program 34: Energy Saving Grant 2008
- Program 35: Energy-Saving Technique Special Fund
- Program 37: Enterprise Innovation Award of Qishuyan District (Jiangsu)
- Program 38: Enterprise Technology Centers
- Program 39: Environment Protection Award (Jiangsu)
- Program 44: Foreign Trade Development Fund Program – VAT Refunds
- Program 45: Fund for Urban Public Utilities
- Program 46: Government Export Subsidy and Product Innovation Subsidy
- Program 47: Government of Shijiazhuang City Export Award
- Program 48: Grant – Changzhou City Key Supporting Industry Upgrading Special Fund
- Program 49: Grant – Changzhou Five Major Industries Development Special Fund
- Program 52: Grant – Jiangsu Province Finance Supporting Fund
- Program 53: Grant – Large Taxpayer Award
- Program 56: Grant – Provisional Industry Promotion Special Fund
- Program 58: Grant – Special Fund for Fostering Stable Growth of Foreign Trade in 2009
- Program 60: Grant – State Service Industry Development Fund
- Program 62: Grant - Water Pollution Control Special Fund for Taihu Lake
- Program 66: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 68: Grants for International Certification
- Program 69: Grants to Privately-Owned Export Enterprises
- Program 71: Guangdong – Hong Kong Technology Cooperation Funding Scheme
- Program 72: Guaranteed Growth Fund
- Program 73: Innovative Experimental Enterprise Grant
- Program 74: Innovative Small and Medium-Sized Enterprise Grants

- Program 77: International Market Fund for Small- and Medium-sized Export Companies
- Program 79: Liaoning High-Tech Products & Equipment Export Interest Assistance
- Program 81: Modern Service Grant
- Program 82: Municipal Government – Exhibition Grant
- Program 83: Municipal Government – Export Grant
- Program 84: Municipal Government – Insurance Fee Grant
- Program 86: National Innovation Fund for Technology Based Firms
- Program 90: Provincial Scientific Development Plan Fund
- Program 95: Repaying Foreign Currency Loan by Returned VAT
- Program 97: Science and Technology Award
- Program 99: Superstar Enterprise Grant
- Program 104: The “Torch Project”
- Program 105: Venture Investment Fund of Hi-Tech Industry
- Program 106: Water Fund Refund/Exemption 2008
- Program 107: Water Saving Enterprise

IV. Preferential Tax Programs

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

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

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

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

Program 128: Acquisition of Government Assets at Less than Fair Market Value

Program 131: Provision of Land for Less Than Adequate Remuneration within the Wuxi High-tech Development Zone

Program 132: Provision of Land within the Economic and Technology Development Zone for Less Than Adequate Remuneration

Program 133: Utilities Provided by Government at Less than Fair Market Value

VII. Equity Programs

Program 134: Debt-to-Equity Swaps

Program 135: Exemptions for SOEs from Distributing Dividends to the State

Subsidy Programs Removed from this Investigation

Program 25. Allowance to Pay Loan Interest (Zhongshan City, Guangdong)

In the CBSA's investigation of the subsidizing of stainless steel sinks from China, this program was found to have been granted by the Zhongshan Municipal government in Guangdong Province.³⁶ The CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 30. Business Development Overseas Support Fund (Foshan)

In the CBSA's investigation of the subsidizing of stainless steel sinks from China, this program was found to have been granted by the Foshan Shunde Finance Bureau.³⁷ This granting authority is located within the municipality of Foshan in the province of Guangdong and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 51. Grant – Financial Subsidies from Wei Hai City Gao Cun Town Government

In the CBSA's investigation of the subsidizing of oil country tubular goods from China, this program was found to have been granted by the Gaocun Town People's Government.³⁸ The CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

³⁶ *Final Determination Statement of Reasons for Certain Stainless Steel Sinks* (May 9, 2012), Appendix 2.

³⁷ *Final Determination Statement of Reasons for Certain Stainless Steel Sinks* (May 9, 2012), Appendix 2.

³⁸ *Final Determination Statement of Reasons for Certain Oil Country Tubular Goods* (March 9, 2010), Appendix 2.

Program 63. Grant – Wendeng Government (Shandong)

In the CBSA's investigation of the subsidizing of oil country tubular goods from China, this program was found to have been granted by the local Wendeng government.³⁹ This granting authority is located within Wendeng District, Weihei City, Shandong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 64. Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan

In the CBSA's investigation of the subsidizing of carbon steel welded pipe from China, this program was found to have been granted by the Municipal Economic and Trade Bureau of Zhongshan.⁴⁰ This granting authority is located within Zhongshan City in Guangdong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 65. Grant for Market Promotion and Trade Development

In the CBSA's investigation of the subsidizing of oil country tubular goods from China, this program was found to have been granted by the Dongying District Finance Bureau.⁴¹ This granting authority is located within Dongying City in Shandong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 70. Grants under the Information Technology Program of Feicheng

In the CBSA's investigation of the subsidizing of concrete reinforcing bar from China, this program was found to have been administered by Science and Technology Bureau of Feicheng.⁴² This government bureau is located within Feicheng City, Tai'an City, Shandong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that this program is administered outside this region. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

³⁹ *Final Determination Statement of Reasons for Certain Oil Country Tubular Goods* (March 9, 2010), Appendix 2.

⁴⁰ *Final Determination Statement of Reasons for Certain Carbon Steel Welded Pipe* (August 5, 2008), page 70.

⁴¹ *Final Determination Statement of Reasons for Certain Oil Country Tubular Goods* (March 9, 2010), Appendix 2.

⁴² *Final Determination Statement of Reasons for Certain Concrete Reinforcing Bar* (December 23, 2014), Appendix 2.

Program 75. Interim Measures of Fund Management of Allowance for Zhongshan Enterprises to Attend Domestic and Overseas Fair (Zhongshan)

In the CBSA's investigation of the subsidizing of stainless steel sinks from China, this program was found to have been issued by the Zhongshan Municipal People's Government office.⁴³ This office is located in Zhongshan City, Guangdong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 76. International Market Fund for Export Companies (Jiangmen City)

In the CBSA's investigation of the subsidizing of stainless steel sinks from China, this program was found to have been administered by Local Finance Funds in Jianghai District, Jiangmen City.⁴⁴ This government bureau is located within Jianghai District, Jiangmen City, Guangdong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that this program is administered outside this region. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 92. Refund from Government for Participating in Trade Fair (Foshan)

In the CBSA's investigation of the subsidizing of stainless steel sinks from China, this program was found to have been granted by the Foshan Shunde Economic Promotion Bureau.⁴⁵ This granting authority is located in Foshan City, Guangdong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 94. Reimbursement of Foreign Affairs Services Expenses (Foshan)

In the CBSA's investigation of the subsidizing of stainless steel sinks from China, this program was found to have been granted by Foshan Shunde Treasury Payment Center.⁴⁶ This granting authority is located in Foshan City, Guangdong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that the granting authority for this program has changed. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

⁴³ *Final Determination Statement of Reasons for Certain Stainless Steel Sinks* (May 9, 2012), Appendix 2.

⁴⁴ *Final Determination Statement of Reasons for Certain Stainless Steel Sinks* (May 9, 2012), Appendix 2.

⁴⁵ *Final Determination Statement of Reasons for Certain Stainless Steel Sinks* (May 9, 2012), Appendix 2.

⁴⁶ *Final Determination Statement of Reasons for Certain Stainless Steel Sinks* (May 9, 2012), Appendix 2.

Program 100. Supporting Fund for Non-refundable Export Tax Loss on Mechanical & Electrical Product and High-tech Product (Jiangmen City)

In the CBSA's investigation of the subsidizing of stainless steel sinks from China, this program was found to have been administered by the Jiangmen Bureau of Foreign Economic & Trade Development in conjunction with the Finance Bureau of Jianghai District, Jiangmen City.⁴⁷ These bureaus are located within Jiangmen City, Guangdong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that this program is administered outside this region. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 101. Supportive Fund Provided by the Government of Xuyi County, Jiangsu

In the CBSA's investigation of the subsidizing of seamless casing from China, this program was found to have been administered by the Government of Xuyi County.⁴⁸ Xuyi County is located in Huai'an City, Jiangsu Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that this program is administered outside this region. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 103. Training Program for Rural Surplus Labour Force Transfer Employment

In the CBSA's investigation of the subsidizing of aluminum extrusions from China, this program was found to have been administered by the Labour and Social Security Bureau of Taishan City.⁴⁹ This Bureau is located within Taishan City, Jiangmen City, Guangdong Province and the CBSA could find no evidence that there are line pipe producers located within this municipality and no new evidence was presented indicating that this program is administered outside this region. Therefore the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

Program 121. Two Free, Three Half Tax Exemptions for the Productive FIEs

Evidence found in the CBSA's investigation of the subsidizing of oil country tubular goods indicates that this program was terminated by the GOC on January 1, 2008, however companies receiving benefits under this program at that time could still receive benefits under it for the following five years.⁵⁰ As this program appears to have expired and no evidence was received to the contrary and no exporters who provided information in this investigation have benefited from this program during the POI, the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

⁴⁷ *Final Determination Statement of Reasons for Certain Stainless Steel Sinks* (May 9, 2012), Appendix 2.

⁴⁸ *Final Determination Statement of Reasons for Certain Seamless Carbon or Alloy Steel Oil and Gas Well Casing* (February 22, 2008), page 56.

⁴⁹ *Final Determination Statement of Reasons for Certain Aluminum Extrusions* (March 3, 2009), Appendix 2.

⁵⁰ *Final Determination Statement of Reasons for Certain Oil Country Tubular Goods* (March 9, 2010), Appendix 2.

Program 141. Fund for Industry and IT Transformation and Promotion

This program was found to have benefited one of the named exporters at the preliminary determination of this investigation. However, further evidence received in the final phase of this investigation has revealed that this program is not applicable to the subject goods. Therefore, the CBSA removed this program from its list of potentially actionable subsidy programs for the purpose of the final determination.

APPENDIX 3 – DUMPING AND SUBSIDY REPRESENTATIONS

Representations were received before the close of record on behalf of one exporter, Wuxi Huayou Special Steel Co., Ltd. (Wuxi Huayou)⁵¹, and one importer, Bri-Steel Manufacturing (Bri-Steel).⁵²

Case briefs were received on behalf of the complainants: EVRAZ Inc. NA Canada (Evraz)⁵³ and Prudential Steel ULC and Algoma Tubes Inc. (Tenaris)⁵⁴; on behalf of exporters: Baoshan Iron & Steel Co., Ltd. (Baoshan)⁵⁵ and Wuxi Huayou⁵⁶; and on behalf of one importer: Bri-Steel.⁵⁷

Reply submissions were received on behalf of the complainants, Evraz⁵⁸ and Tenaris⁵⁹, and on behalf of one importer, Bri-Steel.⁶⁰

General Representations

Mother Tube

Counsel for Wuxi Huayou submitted in its representation that mother tube are not goods subject to this investigation as they are not like goods nor are they unfinished pipe and that there is no domestic industry for mother tube. Mother tube undergo a thermal expansion process and they do not become unfinished line pipe until after this process is complete. Wuxi Huayou further argued that unfinished line pipe should not have been included in the product definition as these goods are not like products to line pipe.⁶¹

Counsel for Tenaris submitted in its case brief that mother tube are subject goods and that unfinished goods are, and should be, subject to this investigation. Counsel for Tenaris pointed out that the CBSA often extends findings to unfinished goods in order to prevent circumvention. Tenaris also submitted that documents related to Bri-Steel's imports found in Bri-Steel's RFI response are determinative of this issue.⁶²

Counsel for Wuxi Huayou submitted in its case brief the same arguments regarding the subjectivity of mother tube that it provided in its previously mentioned representation.⁶³

⁵¹ Exhibits 338 (PRO) and 339 (NC) – Wuxi Huayou Representation.

⁵² Exhibits 333 (PRO) and 334 (NC) – Bri-Steel Representation.

⁵³ Exhibits 356 (PRO) and 357 (NC) – Complainant Case Brief (EVRAZ).

⁵⁴ Exhibits 358 (PRO) and 359 (NC) – Complainant Case Brief (Tenaris).

⁵⁵ Exhibits 365 (PRO) and 352 (NC) – Baoshan Case Brief.

⁵⁶ Exhibit 353 (NC) – Wuxi Huayou Case Brief.

⁵⁷ Exhibits 354 (PRO) and 355 (NC) – Bri-Steel Case Brief.

⁵⁸ Exhibits 360 (PRO) and 361 (NC) – Complainant Reply Submission (Evraz).

⁵⁹ Exhibit 362 (NC) – Complainant Reply Submission (Tenaris).

⁶⁰ Exhibits 363 (PRO) and 364 (NC) – Bri-Steel Reply Submission.

⁶¹ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 7-15.

⁶² Exhibits 358 (PRO) and 359 (NC) – Complainant Case Brief (Tenaris), pages 5-7.

⁶³ Exhibit 353 (NC) – Wuxi Huayou Case Brief, pages 4-6.

Counsel for Bri-Steel submitted in its case brief that mother tube are not subject goods as they are not finished or even unfinished line pipe and cannot be used for line pipe applications. Counsel also argued that Bri-Steel is a Canadian producer of line pipe and mother tube is the raw material used in its manufacturing process and that they do not become unfinished line pipe until after substantial transformation, such as heating and expansion.⁶⁴

Counsel for Tenaris submitted in its reply submission that there is confidential evidence on the record that conclusively indicates whether or not these goods are subject.⁶⁵

Counsel for Bri-Steel submitted in its reply submission that finished and unfinished line pipe need to meet the specifications in the product definition to be considered subject and the outside diameter and wall thickness combinations of mother tube do not appear on a standard ASME pipe schedule. Bri-Steel again stated that mother tube are a raw materials and if they are considered unfinished line pipe by virtue that they will one day become line pipe, then billet and hot-rolled coil should also be considered unfinished line pipe. Counsel for Bri-Steel also argued that the evidence Tenaris claimed is determinative in its case brief is merely a description on the commercial sales documents used so that all parties involved in the transaction would know what specifications the line pipe produced from the mother tube would be made to.⁶⁶

CBSA's Response

The CBSA considered the information provided by the parties and the definition of the subject goods. The inclusion of the term “for use in the production” in the product definition indicates that “unfinished line pipe” also covers tubular inputs at earlier stages of the line pipe production process. It is the CBSA's opinion that mother tubes are unfinished line pipe and are therefore subject to this investigation.

Section 20 Conditions Exist

Counsel for Evraz submitted in its case brief that section 20 conditions exist in China's steel pipe sector and that there is evidence to suggest that China maintains a non-market economy in the steel sector and that the GOC has a number of industrial policies that determine domestic prices.⁶⁷

Counsel for Tenaris also submitted in its case brief that section 20 conditions exist in China's steel pipe sector and pointed to evidence on the record supporting this.⁶⁸

⁶⁴ Exhibits 354 (PRO) and 355 (NC) – Bri-Steel Case Brief, pages 4-7.

⁶⁵ Exhibit 362 (NC) – Complainant Reply Submission (Tenaris), page 3.

⁶⁶ Exhibit 364 (NC) – Bri-Steel Reply Submission, pages 4-8.

⁶⁷ Exhibit 357 (NC) – Complainant Case Brief (EVRAZ), pages 1-4.

⁶⁸ Exhibit 359 (NC) – Complainant Case Brief (Tenaris), pages 3-5.

CBSA's Response

As stated in the Section 20 section of this SOR, the CBSA is of the opinion that domestic prices are substantially determined by the GOC and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market. Therefore the CBSA affirmed the opinion rendered at the preliminary determination that the conditions described in paragraph 20(1)(a) apply in the steel pipe sector in China, which includes carbon and alloy steel line pipe.

Use of Pipe Logix

Counsel for Wuxi Huayou and Bri-Steel submitted in their representations that the CBSA should use a different price list published in *Pipe Logix* than the one used for the preliminary determination.⁶⁹

Counsel for Evraz submitted in its case brief that for the preliminary determination, the CBSA found that the information provided in *Pipe Logix* was the best information available at the time and that no better information has since been submitted. Additionally, Evraz submitted that *Pipe Logix* is based on prices in the USA, which is a reasonable surrogate country and that this publication has been used in past investigations by the CBSA as the best information available.⁷⁰

Counsel for Baoshan submitted in its case brief that *Pipe Logix* should not be used as a basis for normal values as prices reported in *Pipe Logix* are not accurate and are higher than those reported in other publications. Baoshan pointed to the fact that *Pipe Logix* is a small publication and relies on monthly surveys for its information. Instead, Baoshan suggested that the CBSA use prices provided by Global Trade Information Services, Inc. (GTIS) or Metal Bulletin Review (MBR). Baoshan submits that GTIS data is more reliable than *Pipe Logix* as it collects worldwide data from government agencies and MBR is more reliable than *Pipe Logix* as it is comparable to Baoshan's selling prices.⁷¹

Counsel for Evraz submitted in its reply submission that *Pipe Logix* is the best information available to the CBSA, contrary to Baoshan's assertions. Evraz submitted that although Baoshan argued that *Pipe Logix* is unreliable for a number of reasons, it did not provide evidence to support them. Evraz also pointed out that one of Baoshan's arguments for using MBR data, that it is closer to Baoshan's actual sales prices, is irrelevant as the reason for using an out of country normal value is because prices within the country of export are considered unreliable.⁷²

⁶⁹ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 20-21 and Exhibit 334 (NC) – Bri-Steel Representation, pages 5-7.

⁷⁰ Exhibit 357 (NC) – Complainant Case Brief (EVRAZ), pages 4-6.

⁷¹ Exhibit 352 (NC) – Baoshan Case Brief, pages 4-6.

⁷² Exhibit 361 (NC) – Complainant Reply Submission (Evraz), pages 1-3.

Counsel for Tenaris submitted in its reply submission that the *Pipe Logix* information used by the CBSA at the preliminary determination is an appropriate basis for normal values as the CBSA should use domestic sales data as the basis for normal value and not import sales data as domestic sales data is what is required first under section 20 of SIMA.⁷³

Counsel for Bri-Steel submitted in its reply submission that the publications mentioned in Baoshan's case brief warrant serious consideration. Bri-Steel also submitted that, while section 20 requires the CBSA to first look at domestic sales when determining normal value, the normal values for the case will likely be determined under section 29, which contains no such requirement, instead the CBSA should use the selling prices that provide a proper comparison as the basis for determining normal values. Bri-Steel submitted that *Pipe Logix* spot market prices based on imports of line pipe in a certain market segment of the USA are an appropriate basis.⁷⁴

CBSA's Response

For the purposes of the final determination, the CBSA has formed the opinion that the conditions of paragraph 20(1)(a) of SIMA exist in the steel pipe sector, which includes carbon and alloy steel line pipe, in China.

The CBSA did not receive sufficient information to allow for normal values to be determined pursuant to paragraph 20(1)(c) or paragraph 20(1)(d) of SIMA. Therefore, since sufficient information is not available to the CBSA to determine normal values using either of these two methods, normal values were determined under subsection 29(1) of SIMA.

The CBSA has considered the representations made by interested parties and is of the opinion that the sales information as provided by the publication *Pipe Logix*, constitutes the best available information for the purposes of determining normal values.

Further explanation with respect to the CBSA's determination of normal values, export prices and margin of dumping can be found in the "Dumping Investigation" section of this document.

Adjustments to Normal Value

Counsel for Wuxi Huayou and Bri-Steel submitted in their representation that the CBSA should make adjustments to the normal value pursuant to section 5 of the SIMR to take into account the difference in quality between mother tube and finished line pipe and pursuant to section 7 of the SIMR to take into account the difference in delivery costs.⁷⁵ Bri-Steel's representation also included several factors that it believes should be applied when converting *Pipe Logix* prices for comparability purposes with mother tube.⁷⁶

⁷³ Exhibit 362 (NC) – Complainant Reply Submission (Tenaris), pages 3-5.

⁷⁴ Exhibit 364 (NC) – Bri-Steel Reply Submission, pages 9-10.

⁷⁵ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 21-23 and Exhibit 334 (NC) – Bri-Steel Representation, pages 8-14.

⁷⁶ Exhibit 334 (NC) – Bri-Steel Representation, page 14.

Counsel for Evraz submitted in its case brief that the 10% adjustment used at the preliminary determination was a conservative estimate and that the CBSA should use certain evidence on the record to recalculate this amount. In this case brief, Evraz also included a distributor margin it had calculated based on evidence on the record.⁷⁷

Counsel for Baoshan submitted in its case brief that if *Pipe Logix* prices are used as a basis for normal values, then the 10% adjustment used at the preliminary determination to take into account differences in trade levels is insufficient and a further downward adjustment is needed.⁷⁸

Counsel for Evraz submitted in its reply submission that the 10% distributor margin used for the preliminary determination is not insufficient as Baoshan claims. Counsel also submitted that the CBSA should use a distributor margin calculated using information on the record from actual distributors.⁷⁹

Counsel for Bri-Steel submitted in its reply submission that if the CBSA uses the same normal value methodology for the final determination as it did for the preliminary determination, then certain adjustments should be made. Specifically: an adjustment under section 5 of the SIMR should be made to take into account the difference in quality and conditions of sale between mother tube and line pipe; an adjustment under section 7 of the SIMR should be made to take into account the cost of delivery from the factory in Wuxi, China to the domestic market in the USA; an adjustment under section 9 of the SIMR should be made to take into account the difference in trade levels between the importer in Canada and the purchasers in the sales detailed in *Pipe Logix*; and an adjustment under section 10 of the SIMR should be made to take into account any taxes included on domestic sales as reported in *Pipe Logix*. With regard to the trade level adjustment, Bri-Steel submits that the CBSA should deduct profits made by trading companies, national distributors and regional distributors and that the amount calculated by Evraz in its case brief should have included the trading company profits of two international companies, not just their distributor profits. Bri-Steel provided a distributor margin it had calculated based on evidence on the record.⁸⁰

CBSA's Response

The CBSA considered the information provided by all parties and adjusted the prices found in *Pipe Logix* to arrive at normal values that reflect the producer level price. This adjustment was based upon the information contained on the record for actual distributors and trading companies. The CBSA considered all information on the record and determined that this methodology is based on the best information available.

⁷⁷ Exhibit 357 (NC) – Complainant Case Brief (EVRAZ), pages 7-10.

⁷⁸ Exhibit 352 (NC) – Baoshan Case Brief, pages 6-7.

⁷⁹ Exhibit 361 (NC) – Complainant Reply Submission (Evraz), pages 3-4.

⁸⁰ Exhibit 364 (NC) – Bri-Steel Reply Submission, pages 10-16.

Non-produced Subject Goods

Counsel for Wuxi Huayou submitted in its representation that it should not be penalized for the fact that its suppliers did not provide the information required by the CBSA as this is beyond the control of Wuxi Huayou and Wuxi Huayou did endeavour to provide all information that it could. Additionally, counsel argued that information from the supplier will not be needed if normal values are determined under section 20 of SIMA. Wuxi Huayou submitted that it should be issued two sets of normal values, one for goods it produces and one for goods it purchases.⁸¹

CBSA's Response

Where exporters were not the producers of the subject goods, the CBSA requested information from the actual producer of the goods. For subject goods that were produced by the exporter or where the CBSA received complete information relating to those goods sold to Canada, the CBSA determined normal values under subsection 29(1) using the methodology described in the "Normal Values" section of this SOR. For subject goods that were purchased by the exporter and where the CBSA did not receive complete information relating to those goods sold to Canada, the CBSA determined normal values under subsection 29(1) using the methodology described in the "All Other Exporters" section of this SOR.

Exporter Specific Representations

The exporter, Wuxi Huayou, submitted representations on a number of exporter specific issues that are addressed below.

Information Submitted at Verification

Counsel for Wuxi Huayou submitted in its representation that corrections submitted during verification should be used in the final determination, regardless of whether the CBSA verified this information or not. Additionally, counsel submitted that the CBSA requested information that is not normally kept in Wuxi Huayou's accounting system so the CBSA should accept the information that Wuxi Huayou was able to provide.⁸²

CBSA's Response

The CBSA considered the information provided by Wuxi Huayou at verification to the extent possible for the final determination, considering that this information could not be verified.

⁸¹ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 16-19.

⁸² Exhibit 339 (NC) – Wuxi Huayou Representation, pages 24-26.

Export Price Deductions

Counsel for Wuxi Huayou submitted in its representation that certain confidential expenses are not export price deductions under section 24 of SIMA and therefore should not be deducted from the export price.⁸³

CBSA's Response

When determining export prices under section 24 of SIMA, the CBSA must deduct from the exporter's sales price: the costs, charges and expenses incurred in preparing the goods for shipment to Canada; any duty or tax imposed on the goods by a law of Canada; and all other costs, charges and expenses resulting from the exportation of the goods to Canada. The CBSA deducted the relevant expenses.

Financial Support for Foreign Trade – Wuxi

Counsel for Wuxi Huayou submitted in its representation that a subsidy Wuxi Huayou benefited from regarding a trade exhibition in Brazil should not have been applied to all exported goods as it is not applicable to goods sold to Canada.⁸⁴

CBSA's Response

The CBSA considered the information provided by Wuxi Huayou in its submissions and found that program 140-2 did provide a benefit to the goods sold to Canada.

Exemption of Flood-Proofing Fund Payment

Counsel for Wuxi Huayou submitted in its representation that the exemption of flood-proofing fund should not be considered a subsidy program as it is a fund set up by the government that private enterprises contribute to and is therefore not funded by the GOC.⁸⁵

CBSA's Response

Based on the information available to the CBSA, program 158 appears to be provided by a government as defined in section 2 of SIMA.

Subsidy Program for Disabled Employees

Counsel for Wuxi Huayou submitted in its representation that the subsidy program for employing disabled persons is generally available to all enterprises and is therefore not specific.⁸⁶

⁸³ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 23-24.

⁸⁴ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 26-27.

⁸⁵ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 27-28.

⁸⁶ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 28-29.

CBSA's Response

Due to the lack of a response by the GOC, there is not sufficient information on the record to determine whether this program is specific pursuant to subsection 2(7.2) or subsection 2(7.3) of SIMA; nor is there sufficient information to indicate that this program is not specific pursuant to the criteria set out in subsection 2(7.1). On the basis of the available information this program does not appear to be generally available to all enterprises in China.

Export Credit Insurance Supporting Fund

Counsel for Wuxi Huayou submitted in its representation that this subsidy program is not a prohibited subsidy under section 2 of SIMA and is simply an insurance program. Therefore counsel argues that it is not a prohibited subsidy and its benefits are not countervailable.⁸⁷

CBSA's Response to Representations

This subsidy program found by the CBSA is not an insurance program, but rather a program where enterprises are reimbursed their insurance fees, receive a lower insurance rate, or receive free insurance.

⁸⁷ Exhibit 339 (NC) – Wuxi Huayou Representation, pages 29-31.