



OTTAWA, April 8, 2016

STATEMENT OF REASONS

**Concerning the initiation of investigations into the dumping of
Certain Welded Large Diameter Line Pipe
Originating in or Exported from the People's Republic of China and Japan
and the subsidizing of
Certain Welded Large Diameter Line Pipe
Originating in or Exported from the People's Republic of China**

DECISION

Pursuant to subsection 31(1) of the *Special Import Measures Act*, the Canada Border Services Agency initiated investigations on March 24, 2016 respecting the alleged injurious dumping of certain welded large diameter line pipe originating in or exported from the People's Republic of China and Japan and the alleged injurious subsidizing of certain welded large diameter line pipe originating in or exported from the People's Republic of China.

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

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SUMMARY

[1] On February 5, 2016, EVRAZ Inc. NA Canada of Regina, Saskatchewan and Canadian National Steel Corporation of Camrose, Alberta (collectively, “Evraz”) (hereafter “the complainant”) filed a complaint with the Canada Border Services Agency’s (CBSA) Trade and Anti-dumping Programs Directorate alleging that imports of certain welded large diameter line pipe (large line pipe) originating in or exported from the People’s Republic of China (China) and Japan are being dumped, and that certain large line pipe originating in or exported from China are being subsidized. The complainant alleges that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing like goods. These countries will be referred to collectively as “the names countries” throughout this document.

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

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

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

INTERESTED PARTIES

Complainant

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

[6] The name and addresses of the complainant are as follows:

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

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

[8] According to the complainant, there are no other producers of large line pipe in Canada. The CBSA conducted research to determine if there are other Canadian producers of like goods. According to available information, the complainant is the sole producer of like goods in Canada.

Exporters

[9] The CBSA has identified 56 potential exporters of the subject goods from CBSA import documentation and from information submitted in the complaint.

Importers

[10] The CBSA has identified 34 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint.

Government of China

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

PRODUCT INFORMATION

Definition

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

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

For greater certainty, the product definition includes:

- a) line pipe produced to American Petroleum Institute (“API”) specification 5L, in Grades A25, A, B and X grades up to and including X100, or equivalent specifications and grades, including specification CSA Z245.1 up to and including Grade 690.
- b) unfinished line pipe (including pipe that may or may not already be tested, inspected, and/or certified to line pipe specifications) originating in China and Japan, and imported for use in the production or finishing of line pipe meeting final specifications, including outside diameter, grade, wall-thickness, length, end finish, or surface finish; and
- c) non-prime and secondary pipes (“limited service products”).

Additional Product Information

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

[14] The Canadian market for large line pipe is governed by applicable line pipe specifications including Canadian Standards Association (CSA) specification Z245.1 for line pipe used in pipeline applications. Oil and gas transmission pipelines must, in turn, for example, conform to CSA Z662 (Oil and Gas Pipeline Systems). That said, international trade in line pipe is governed primarily by API specification 5L. For example, CSA Z245.1 Grade 448 pipe is considered to be equivalent to API 5L Grade X65. The API 5L X grade numbers define the minimum yield strength required of the grade in kilopounds per square inch. This equivalency applies to other specifications, including International Organization for Standardization (ISO), which means that a particular line pipe may be certified and stenciled as complying with multiple standards if all the requirements of each standard/grade are met (leading to dual-, triple-, and further multiple-stenciled line pipe). Indeed, it is common practice to certify multiple grades of pipe on a Mill Test Report. It is also common practice to substitute grades other than that initially requested by a customer with an equivalent grade. Mill Test Reports are provided to show that the properties of the supplied pipe meet the requirements of the actual grade ordered.

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

[16] The product definition covers all large line pipe meeting or supplied to meet the above specifications and grades, as well as equivalent specifications and grades, regardless of whether the line pipe has been multiple-stenciled to indicate that it meets or is supplied to meet additional end-use specifications. For purposes of greater clarity, all large line pipe stenciled or otherwise marked as meeting or supplied to meet API 5L (or equivalent specifications) for use as oil and gas pipelines are included in the product definition regardless of whether the pipe is marked as meeting any other end-uses or is supplied to meet any other end-uses. Line pipe that is manufactured and tested to meet higher API specifications (or equivalent CSA and ISO specifications) automatically conforms to lower specifications and may therefore have multiple stencils identifying additional end uses, such as American Society for Testing and Materials (“ASTM”), and equivalent specifications for end use as standard pipe (for low-pressure conveyance of steam, water, natural gas, air and other liquids in plumbing and heating applications), piling pipe, and other such end uses.

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

Production Process

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

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

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

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

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

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

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

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

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

Classification of Imports

[27] The allegedly dumped and subsidized goods are normally classified under the following Harmonized System (HS) classification numbers:

7305.11.00.21
7305.11.00.29
7305.12.00.20
7305.19.00.21
7305.19.00.29

[28] 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

[29] 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.

[30] According to the complainant, with respect to subject goods, like goods consist of all domestically produced large line pipe.

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

THE CANADIAN INDUSTRY

[32] The complainant accounts for all domestic production of like goods in Canada.

Standing

[33] Subsection 31(2) of SIMA requires that the following conditions for standing be met in order to initiate an investigation:

- the complaint is supported by domestic producers whose production represents more than fifty per cent of the total production of like goods by those domestic producers who express either support for or opposition to the complaint; and
- the production of the domestic producers who support the complaint represents twenty-five per cent or more of the total production of like goods by the domestic industry.

[34] Following the complainant's allegation that they are the only producer of large line pipe in Canada, the CBSA further researched the matter and is satisfied that the standing requirements of subsection 31(2) of SIMA have been met.

CANADIAN MARKET

[35] Generally, imports of large line pipe are either (1) marketed and sold to supply distributors (including international traders), who then in turn sell to end-users, or (2) sold directly by the mill, typically in large volumes, to end-users. Large line pipe is generally delivered directly from the pipe manufacturer to the end-user at the pipeline project location. A significant proportion of large line pipe sales are destined to large exploration and production companies and pipeline companies who purchase the line pipe for oil and gas transmission purposes.

[36] According to the complainant, the sale of large line pipe generally involves procurement for very large transmission projects. Pipeline planning is a long process including permitting, land acquisition, government approvals, stakeholder relations, and procurement of labour and materials to construct a pipeline. As such, decisions made currently will affect production years in the future. For instance, the typical timeline for projects involving subject goods may be as follows: pipeline is announced in 2015; request for proposals are issued in 2017; pipe production may start in 2018; pipeline construction may run from 2018-2019; and full pipeline service may not occur until 2020 or later.

[37] The complainant asserts that large line pipe is sold as a commodity-type product, and is sold primarily on the basis of price. Further Canadian, Chinese and Japanese suppliers produce large line pipe that meet the specifications of Canadian consumers, therefore domestic and imported large line pipe can be used interchangeably.

[38] The complainant, using Statistics Canada information, estimated the total volume of imports of large line pipe originating from all countries from 2013 to 2015.¹

[39] The CBSA conducted its own analysis of imports of large line pipe based on actual import data from CBSA documentation.

[40] A review of CBSA import data demonstrated similar trends and volumes with respect to imports of subject goods compared to information provided in the complaint.

¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-1.

[41] Detailed information regarding the volume of imports of subject goods and domestic production cannot be divulged for confidentiality reasons. The CBSA, however, has prepared the following table to show the estimated import share of subject goods in Canada.

CBSA Estimates of Import Share
(as % of volume)

Country	2013	2014	2015	July 2014 to December 2015
China	5.7%	36.7%	38.6%	35.5%
Japan	6.0%	26.4%	41.4%	41.6%
All Other Countries	88.4%	36.9%	20.0%	22.9%
Total Imports	100.0%	100.0%	100.0%	100.0%

EVIDENCE OF DUMPING

[42] The complainant alleges that subject goods from China and Japan have been injuriously dumped into Canada. Dumping occurs when the normal value of the goods exceeds the export price to importers in Canada.

[43] Normal values are generally based on the domestic selling price of like goods in the country of export where competitive market conditions exist or on the cost of production of the goods plus a reasonable amount for administrative, selling and all other costs (SG&A), plus a reasonable amount for profits.

[44] The complainant provided information to support the allegation that the steel pipe sector, which includes large line pipe, in China may not be operating under competitive market conditions and as such, normal values should be determined under section 20 of SIMA.

[45] If there is sufficient reason to believe that the conditions described in section 20 of SIMA exist in the sector under investigation, normal values will be determined, where such information is available, on the basis of the domestic selling price or the cost of production of the goods plus a reasonable amount for SG&A, plus a reasonable amount for profits of the like goods sold by producers in any country designated by the CBSA and adjusted for price comparability; or on the basis of the selling price in Canada of like goods imported from any country designated by the CBSA and adjusted for price comparability.

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

[47] The CBSA's analysis of the alleged dumping is based on a comparison of the estimated normal values, with estimated export prices based on the actual declared value for duty during the period examined, that is, between July 1, 2014 and December 31, 2015. This POI encompasses a sufficient length of time to accurately reflect the exporters' price levels to Canada and relates closely to the time period during which the Canadian industry alleges that the injurious dumping has occurred. The POI has been extended to an 18 month period to reflect the longer timelines associated with the production and distribution of large line pipe, typically used for large transmission projects.

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

Normal Value

[49] The complainant indicated that they do not have access to the domestic selling prices of large line pipe in China or Japan. As such, they were unable to estimate normal values using the methodology of section 15 of SIMA.

[50] As a result, the complainant estimated normal values for the subject goods using the methodology set out in paragraph 19(b) of SIMA. Under this methodology normal values are determined as the aggregate of the cost of production of the goods, a reasonable amount for SG&A, and a reasonable amount for profits.

[51] The complainant estimated normal values for both longitudinally welded (LSAW) and helically welded (HSAW) large line pipe. Normal values were calculated for five benchmark products in various outer diameters, which account for a material proportion of their sales in Canada.²

[52] Normal values for the benchmark products were estimated based on the aggregate of the costs of producing the goods, a reasonable amount for SG&A, and a reasonable amount for profits. The complainant used costing data from their factories with adjustments to reflect cost differences between Canada and the named countries.

[53] Material costs were estimated by the complainant based on their own material costs. No adjustments were made to material costs as the complainant has stated that the material inputs for large line pipe produced in Canada and the named countries are similar and that these inputs are globally available and traded.

² Two most common outer diameter sold by Evraz for LSAW and three most common outer diameter for HSAW.

[54] Labour costs were estimated based on the complainant's labour costs and adjusted to reflect cost differences between Canada relative to China and Japan. Labour costs were separately identified for direct labour and the labour component of SG&A expenses. A downward adjustment was applied to these costs based on comparative wage statistics from the International Labour Organization, to account for differences in wage rates between Canada, China and Japan.³

[55] The complainant estimated that 50% of SG&A expenses were labour related costs. As such, a downward adjustment was made to 50% of SG&A expenses to account for the difference in labour costs between the named countries and Canada. SG&A costs were estimated using the SG&A costs incurred by Evraz on a per tonne basis in 2015. In order to be conservative, the complainant did not include an estimate for financial costs in the cost build up.

[56] The amount for profits for the normal values of the goods from China was estimated based on publically available 2014 financial data of two known Chinese exporters of the subject goods. Public profit information was not available for eight other known exporters. The complainant therefore calculated a weighted average profit rate based on the financial data of two companies, namely Baoshan Iron & Steel Co., Ltd. and Yulong Steel Pipe Co., Ltd.

[57] The amount for profits for the normal values of the goods from Japan was estimated based on publically available 2014 financial data of three known Japanese exporters of the subject goods. Public profit information was not available for two other known exporters. The complainant therefore calculated a weighted average profit rate based on the financial data of three companies, namely JFE Steel Corporation, Steel and Sumitomo Metal Corporation, and Maruichi Steel Tube Ltd.⁴

[58] The complainant provided information supporting the initiation of a section 20 inquiry respecting the allegedly dumped goods from China and is of the opinion that domestic selling prices in China are substantially influenced by government policies and should not be used in the calculation of normal values since the prices are not reflective of competitive market conditions. As a result, the complainant also estimated normal values for China using the methodology of section 20 based on surrogate country information.

³ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 6-3.

⁴ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 6-5.

[59] The complainant submits that the United States (US), Russia and the European Union (EU) are appropriate “surrogate countries”, and as such relied on average pricing from the three “surrogate countries”. To support this assertion, the complainant pointed to the CBSA’s use of the US as a source of surrogate pricing information in past investigations involving tubular products used in the oil and gas sector.⁵ Further, it identified similarities in the size of the markets for large line pipe in the US, EU and Russia as compared to the Chinese market. In order to be conservative, the complainant used an average of the three, as opposed to using only US pricing data, which is higher than the prices in the EU and Russia.

[60] The surrogate pricing information provided by the complainant is based on data from the publication Metal Bulletin Research (MBR). MBR is widely accepted as a reliable steel publication that the CBSA has found to be an acceptable data source in previous investigations.

[61] The MBR data provide quarterly pricing for longitudinally welded line pipe (LSAW) in the US, EU and Russian markets, and also helically welded line pipe (HSAW) in the US and EU market. As such, the MBR data allowed for sufficiently specific estimated normal values. Moreover, given that the MBR data represents ex-mill sales prices, no adjustments to the published price were necessary.

[62] The CBSA found the normal value estimates provided by the complainant using the methodologies of paragraph 19(b) and section 20 of SIMA, to be reasonable and representative. The amount for profits included in the normal values estimated using the methodology of paragraph 19(b) was also found to be reasonable.

[63] As discussed above, if there is sufficient reason to believe that conditions described in section 20 of SIMA exist in the sector under investigation, normal values will be determined pursuant to section 20 of SIMA on the basis of the domestic selling price or cost of production of the goods plus a reasonable amount for SG&A, plus a reasonable amount for profits of the like goods sold by producers in any country designated by the CBSA and adjusted for price comparability; or on the basis of the selling price in Canada of like goods imported from any country designated by the CBSA and adjusted for price comparability.

[64] As detailed in the “Section 20 Inquiry” section of this *Statement of Reasons*, the CBSA has information which demonstrates that the prices of large line pipe may be significantly affected by the GOC’s policies and that prices of large line pipe in China may not be substantially the same as they would be if they were determined in a competitive market. As a result, normal values for China were estimated in accordance with the methodology of section 20 of SIMA.

[65] The CBSA is of the opinion that the MBR data represents the best available information at this time. Further, the CBSA finds the complainant’s selection of the US, Russia and the EU as “surrogate countries” to be reasonable.

⁵ CBSA’s Certain Line Pipe from China investigation concluded on February 24, 2016 and used US pricing as a surrogate.

[66] Given the above, the CBSA has estimated normal values for China using the methodology of section 20 of SIMA based on the average of the applicable quarterly large line pipe prices in the US, Russia and the EU as published by MBR.

[67] The CBSA has estimated normal values for Japan based on a constructed cost approach using the methodology of paragraph 19(b) of SIMA, as estimated by the complainant. As such, no adjustments were made to the complainant's estimates of normal values. However, due to limited information available to the CBSA at this stage concerning the outer diameter of the subject goods imported from Japan during the period July 1, 2014 to December 31, 2015, the paragraph 19(b) normal values were applied as an average of the benchmark outer diameter, separated by LSAW vs HSAW only, rather than using the normal values estimated for the various outer diameters. Furthermore, the CBSA used the Q1-2015 estimated normal values for Q3 and Q4 of 2014 since the complainant did not provide the necessary information for 2014, which will be part of the period of investigation (POI) for this investigation.⁶

[68] In summary, the CBSA has estimated normal values for China with reference to the average of applicable quarterly large line pipe prices as published by MBR in accordance with the methodology of section 20 of SIMA.

[69] In summary, the CBSA has estimated normal values for Japan based on a constructed cost approach in accordance with the methodology of section 19 of SIMA.

Export Price

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

[71] The complainant's estimated export prices are based on the quarterly average 2015 pricing for subject goods from Chinese and Japanese publicly available export data.⁷ The complainant reported export prices for both HSAW and LSAW large line pipe from China. Since no exports to Canada of HSAW large line pipe were made from Japan during 2015, Japanese export prices were only reported for LSAW large line pipe.

[72] In estimating the export prices, the CBSA relied on actual import data from commercial and customs documentation. Due to the large volume of large line pipe imported into Canada, customs information pertaining to a sample of imports in the period July 1, 2014 to December 31, 2015, was examined. Actual import data was retrieved and refined through a review of CBSA customs entries and consequently, the information used by the CBSA for its estimate is more comprehensive than what was available to the complainant.

⁶ July 1, 2014 to December 31, 2015.

⁷ Public Exhibit 6-32 – Large Line Pipe Complaint – Page 30.

Estimated Margins of Dumping

[73] The CBSA estimated margins of dumping by comparing the estimated normal values with the estimated export prices of the corresponding LSAW and HSAW export models found in Information Retrieval and Management (FIRM) for the POI. A weighted average margin of dumping was then calculated based on those models. This provides a reasonable estimate of the weighted average margin of dumping of all subject goods from China and Japan.

[74] Based on this analysis, the subject goods from China were dumped by an estimated margin of dumping of 53.6%, expressed as a percentage of the total export price. The subject goods from Japan were dumped by an estimated margin of dumping of 25.4%, expressed as a percentage of total export price.

MARGIN OF DUMPING AND VOLUME OF DUMPED GOODS

[75] Under section 35 of SIMA, if, at any time before making a preliminary determination the CBSA is satisfied that there is insufficient evidence of dumping to justify proceeding, the margin of dumping of the goods of a country is insignificant or the actual and potential volume of dumped goods of a country is negligible, the CBSA must terminate the investigation with respect to goods of that country.

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

[77] The CBSA used actual import data for all countries for the period of July 1, 2014 to December 31, 2015. On the basis of this information, the volume of dumped goods as a percentage of the volume of total imports is estimated as follows:

Estimated Margin of Dumping and Volume of Dumped Goods (July 1, 2014 to December 31, 2015)

Country	Estimated Share of Total Imports by Volume	Estimated Dumped Goods as % of Total Imports by Volume	Estimated Margin of Dumping as % Export Price
China	35.5%	35.5%	53.6%
Japan	41.6%	41.6%	25.4%

[78] The volume of dumped goods from China, estimated to be 35.5% of total imports from all countries, is greater than the threshold of 3% and is therefore not considered negligible. The margin of dumping, estimated to be 53.6% of the export price, is greater than the threshold of 2% and is therefore not considered insignificant.

[79] The volume of dumped goods from Japan, estimated to be 41.6% of total imports from all countries, is greater than the threshold of 3% and is therefore not considered negligible. The margin of dumping, estimated to be 25.4% of the export price, is greater than the threshold of 2% and is therefore not considered insignificant.

SECTION 20 INQUIRY

[80] 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.⁸

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

[82] The complainant provided a variety of evidence supporting its claim that the GOC substantially determines domestic prices of line pipe, including large line pipe, such as evidence of export controls and state-ownership in the steel industry and steel pipe sector. The complainant also cited specific GOC policies such as the *National Steel Policy*, the *12th Five-Year Development Plans for the Steel Industry*, and the *12th Five-Year Plan for the Steel Pipe Industry*.⁹

[83] The information currently available to the CBSA indicates that there are numerous GOC industrial policies that have been implemented which influence the steel industry and the steel pipe sector, which includes large line pipe, in China. In previous section 20 inquiries, the GOC's industrial plans have been found to strongly influence the decisions of enterprises in China.

[84] With respect to the steel pipe sector, which includes large line pipe, the CBSA has information which demonstrates that the prices of line pipe, including large line pipe, may be significantly affected by the GOC's policies and that prices of large line pipe in China may not be substantially the same as they would be if they were determined in a competitive market.

⁸ China is a prescribed country under section 17.1 of the *Special Import Measures Regulations*.

⁹ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 19.

[85] Consequently, on March 24, 2016, the CBSA included in its investigation a section 20 inquiry in order to determine whether the conditions set forth in paragraph 20(1)(a) of SIMA prevail in the steel pipe sector, which includes large line pipe, in China. A section 20 inquiry refers to the process whereby the CBSA collects information from various sources so that the CBSA may, on the basis of this information, form an opinion regarding the presence of the conditions described under section 20 of SIMA, in the sector which includes the goods under investigation.

[86] As part of this section 20 inquiry, the CBSA sent section 20 questionnaires to all potential producers and exporters of large line pipe in China, as well as to the GOC requesting detailed information related to the steel pipe sector, which includes large line pipe, in China.

[87] To enable the determination of normal values, should paragraph 20(1)(a) of SIMA be applicable, the CBSA requested domestic pricing and costing information from producers of large line pipe in the Republic of Korea, Japan, the United States, and the Federal Republic of Germany. These countries were selected as they are all major exporters of large line pipe to Canada. The CBSA also requested information from Canadian importers of large line pipe regarding their sales of large line pipe from other countries.

[88] In the event that the CBSA forms the opinion that domestic prices of large line pipe in China 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 if they were determined in a competitive market, the normal values of the goods under investigation will be determined, pursuant to paragraph 20(1)(c), where such information is available, on the basis of the domestic selling price or the aggregate of the cost of production of the goods, a reasonable amount for SG&A, and a reasonable amount for profits of the like goods sold by producers in any country designated by the CBSA and adjusted for price comparability; or, pursuant to paragraph 20(1)(d), where such information is available, on the basis of the selling price in Canada of like goods imported from any country designated by the CBSA and adjusted for price comparability.

EVIDENCE OF SUBSIDIZING

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

[90] Pursuant to subsection 2(1.6) of SIMA, a financial contribution exists where:

- a) practices of the government involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities;
- b) amounts that would otherwise be owing and due to the government are exempted or deducted or amounts that are owing and due to the government are forgiven or not collected;
- c) the government provides goods or services, other than general governmental infrastructure, or purchases goods; or
- d) the government permits or directs a non-governmental body to do anything referred to in any of paragraphs (a) to (c) above 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.

[91] A state-owned enterprise (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.

[92] If a subsidy is found to exist, it may be subject to countervailing measures if it is specific. A subsidy is considered to be specific when it is limited, in law or in fact, to a particular enterprise or is a prohibited subsidy. An “enterprise” is defined under SIMA as also including a “group of enterprises, an industry and a group of industries”. Any subsidy which is contingent, in whole or in part, on export performance or on the use of goods that are produced or that originate in the country of export is considered to be a prohibited subsidy and is, therefore, specific according to subsection 2(7.2) of SIMA for the purposes of a subsidy investigation.

[93] In accordance with subsection 2(7.3) of SIMA, notwithstanding that a subsidy is not specific in law, a subsidy may also be considered specific in fact, having regard as to whether:

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

[94] 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 countervailable.

[95] The complainant alleged that the goods have been subsidized and maintains that exporters of the goods in China receive subsidies from various levels of the GOC, which may include the governments of the respective province or municipalities in which the exporters are located.

Programs Being Investigated

[96] The complainant alleged that Chinese large line pipe producers and exporters have been receiving largely the same subsidies provided to the Chinese producers and exporters of oil country tubular goods, carbon steel welded pipe, seamless casing, piling pipe, pup joints and (small) carbon and alloy steel line pipe as previously found by the CBSA in investigations concerning those goods.¹⁰

[97] The complaint identified 150 subsidy programs that Chinese large line pipe producers may be benefiting from. These programs include 56 programs identified from the CBSA's preliminary determination of subsidizing respecting *Certain Carbon and Alloy Steel Line Pipe*.¹¹

[98] The complainant identified these programs from CBSA's *Statements of Reasons* for various investigations respecting goods from China, with emphasis on the above mentioned steel tubular products, as well as a number of recent US Department of Commerce (USDOC) decisions, including the issues and decision memorandum for the final determination of circular welded carbon quality steel line pipe from China¹², and decisions from the Australian Antidumping Commission.¹³ The complainant also relied upon industry reports¹⁴, government documents¹⁵, published annual reports¹⁶ and other information¹⁷ regarding Chinese line pipe producers, and general news articles and other publications.¹⁸ Based on their research, the complainant identified several programs not previously investigated by the CBSA.

¹⁰ Exhibit 2 (NC) – Large Line Pipe Complaint – Pages 65 and 160.

¹¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Pages 161.

¹² Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-19, 7-A-20, 7-A-21, 7-A-22, 7-A-23, 7-A-24, 7-A-25, 7-A-26, 7-A-27, 7-A-39, 7-A-40, 7-A-41, 7-A-42, 7-A-43, 7-A-44, 7-A-45, 7-A-46, 7-A-47, 7-A-48, 7-A-49, 7-A-50 and 7-A-104.

¹³ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-28, 7-A-110 and 7-A-126.

¹⁴ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-12, 7-A-13, 7-A-33, 7-A-37, 7-A-51, 7-A-68, 7-A-69, 7-A-92, 7-A-94, 7-A-105 and 7-A-112.

¹⁵ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-29, 7-A-30, 7-A-31, 7-A-34, 7-A-36, 7-A-53, 7-A-56, 7-A-73, 7-A-93, 7-A-111, 7-A-113, 7-A-128, 7-A-129, 7-A-136, 7-A-137 and 7-A-138.

¹⁶ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-2, 7-A-9, 7-A-11, 7-A-16, 7-A-70 and 7-A-117.

¹⁷ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-1, 7-A-2, 7-A-3, 7-A-4, 7-A-5, 7-A-6, 7-A-7, 7-A-8, 7-A-9, 7-A-10, 7-A-11, 7-A-14, 7-A-15, 7-A-16, 7-A-18, 7-A-32, 7-A-52, 7-A-57, 7-A-58, 7-A-59, 7-A-74, 7-A-75, 7-A-85, 7-A-86, 7-A-87, 7-A-88, 7-A-89, 7-A-90, 7-A-91, 7-A-95, 7-A-96, 7-A-97, 7-A-98, 7-A-100, 7-A-101, 7-A-102, 7-A-103, 7-A-106, 7-A-107, 7-A-108, 7-A-109, 7-A-114, 7-A-115, 7-A-116, 7-A-117, 7-A-118, 7-A-119, 7-A-120, 7-A-121, 7—122, 7-A-123, 7-A-124, 7-A-125, 7-A-130, 7-A-131, 7-A-132, 7-A-133, 7-A-134 and 7-A-135.

¹⁸ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-17, 7-A-35, 7-A-38, 7-A-54, 7-A-55, 7-A-60, 7-A-61, 7-A-62, 7-A-63, 7-A-64, 7-A-65, 7-A-66, 7-A-67, 7-A-70, 7-A-71, 7-A-72, 7-A-76, 7-A-77, 7-A-78, 7-A-79, 7-A-80, 7-A-81, 7-A-82, 7-A-83, 7-A-84, 7-A-99 and 7-A-127.

[99] The CBSA reviewed the programs identified in the complaint. Instead of including the 56 programs identified in the CBSA's preliminary determination respecting *Certain Carbon and Alloy Steel Line Pipe*, the CBSA included 71 programs that were identified in CBSA investigations respecting various steel tubular products from China, including the final determination respecting *Certain Carbon and Alloy Steel Line Pipe*.

[100] As part of its own research, the CBSA obtained 2014 Annual Report of Baoshan Iron & Steel Co. (BaoSteel)¹⁹, one of the largest publicly traded line pipe manufacturers in China. The report indicates that BaoSteel took advantage of several subsidy programs, receiving a total benefit of 637 million Renminbi or approximately 114 million Canadian dollars in 2014. Other large Chinese line pipe manufacturers, namely China Petroleum & Chemical Corporation²⁰, Shengli Oil & Gas Pipe Holdings Ltd.²¹ and Hunan Valin Iron & Steel Group Co. Ltd., also publicly disclosed in their 2014 and/or 2015 annual reports that they received large amount of subsidies from various levels of the Chinese government.²² Three programs used by the above mentioned Chinese producers were added to the subsidy program list.

[101] Of these 168 programs, three were removed as they were found to be listed multiple times in the complaint, one was removed as insufficient evidence was provided by the complainant, and four were removed as it was found in recent investigations that these programs have either expired, were duplicates of other programs, or due to insufficient evidence provided in the complaint.

[102] If more information becomes available during the investigation process, and this information indicates that these removed programs or others not listed may have provided benefits to exporters or producers of subject goods during the POI, the CBSA will request complete information from the GOC and the exporters of subject goods to pursue the investigation of these programs.

[103] In reviewing the information provided by the complainant and obtained by the CBSA through its own research, the CBSA has developed the following categories of programs and incentives that may be provided to manufacturers of the subject goods in China:

1. Special Economic Zones (SEZ) and other Designated Areas Incentives;
2. Preferential Loans and Loan Guarantees;
3. Grants and Grant Equivalents;
4. Preferential Tax Programs;
5. Relief from Duties and Taxes on Inputs, Materials and Machinery;
6. Goods/Services Provided by the Government at Less than Fair Market Value; and
7. Equity Programs.

¹⁹ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 6-8.

²⁰ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-2.

²¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-4.

²² Exhibit 2 (NC) – Large Line Pipe Complaint – Public Attachments 7-A-9.

[104] A full listing of all 160 programs to be investigated by the CBSA is found in **Appendix 1**. As explained in more detail therein, there is sufficient reason to believe that these programs may constitute actionable subsidies provided by the GOC and that the exporters and producers of the subject goods benefit from these programs.

[105] In the case of programs where an enterprise's eligibility or degree of benefit is contingent upon export performance or the use of goods that are produced or originate in the country of export, such programs may constitute prohibited subsidies under SIMA.

[106] For those programs where incentives are provided to enterprises operating in Special Economic Zones or Other Designated Areas inside the territory of a granting authority, the CBSA considers that these may constitute actionable subsidies for the reason that eligibility is limited to enterprises operating in such regions or is limited to certain enterprises operating within those regions.

[107] As well, the CBSA is satisfied that there is sufficient evidence indicating that the exporters of subject goods may receive subsidies in the form of grants, preferential loans, relief from duties or taxes, and provision of goods and services, which may provide a benefit and that may not be generally granted to all companies in the territory of the granting authority.

[108] The CBSA will investigate whether exporters of subject goods received benefits under these programs and whether such programs constitute actionable subsidies.

Conclusion

[109] Sufficient evidence is available to support the allegation that the subsidy programs outlined in **Appendix 1** are available to exporters and producers of the subject goods in China. In investigating these programs, the CBSA has requested information from the GOC, exporters and producers to determine whether exporters of subject goods received benefits under these programs and whether these programs are actionable subsidies and, therefore, countervailable under SIMA.

Estimated Amount of Subsidy

[110] The complainant was not able to estimate an amount of subsidy received by the Chinese exporters of large line pipe as this information was not readily available.

[111] For purposes of this initiation, the CBSA estimated the amount of subsidy conferred to exporters of the subject goods in China by calculating the difference between their cost of production, as estimated by the CBSA, and the selling prices reported in customs entry documents of subject goods sold to importers in Canada. The CBSA estimated these costs based on the complainant's costs, adjusted to reflect the difference in wages between Canada and China. Since the cited programs are believed to significantly lower the cost of production of the subject goods, this calculation is a reasonable estimate of the amount of subsidy.

[112] The CBSA's analysis of the information indicates that subject goods imported into Canada during the period of July 1, 2014 to December 31, 2015, were subsidized and that the estimated amount of subsidy is 30.3% of the estimated export price of the subject goods.

AMOUNT OF SUBSIDY AND VOLUME OF SUBSIDIZED GOODS

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

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

[115] The CBSA used actual import data for all countries for the period of July 1, 2014 to December 31, 2015. On the basis of this information, the volume of subsidized goods as a percentage of the volume of total imports is estimated as follows:

Estimated Amount of Subsidy and Volume of Subsidized Goods (July 1, 2014 to December 31, 2015)

Country	Percentage of Total Imports by Volume	Estimated Subsidized Goods as % of Total Imports by Volume	Estimated Amount of Subsidy as % of Export Price
China	35.5%	34.4%	30.3%

[116] The volume of subsidized goods, estimated to be 34.4% of total imports from all countries, is greater than the threshold of 3% and is, therefore, not considered negligible. The amount of subsidy, estimated to be 30.3% of the export price, is greater than the threshold of 1% and is, therefore, not considered insignificant.

EVIDENCE OF INJURY

[117] The complainant alleged that the subject goods have been dumped and subsidized and that such dumping and subsidizing have caused material injury to the domestic industry producing like goods in Canada.

[118] SIMA refers to material injury caused to the domestic producers of like goods in Canada. The CBSA has concluded that large line pipe produced by the domestic industry are like goods to the subject goods from China and Japan.

[119] In support of its allegations, the complainant has provided evidence of an increase in the volume of the allegedly dumped and subsidized imports, loss of market share and sales, undercutting, depression and suppression of prices, reduced production and the resulting underutilization of capacity, reduced employment and negative financial results.

Increased Volume of Dumped and Subsidized Imports

[120] The import volumes as estimated by the CBSA are detailed in the “Canadian Market” section of this *Statement of Reasons*. This information shows a continuing trend of rising imports from China and Japan, which increased from 11.7% of total imports in 2013, to 80% in 2015. Overall, imports of subject goods from China and Japan have been increasing at a faster pace than imports from all other countries.

Loss of Market Share

[121] The Canadian market information provided by the complainant shows a significant overall decrease in the market share of domestically produced large line pipe from 2013 through 2015.²³

[122] The CBSA’s analysis of import trends shows that imports of subject goods from China and Japan increased by 218.4% from 2013 to 2015. During this period of increasing imports, production of large line pipe in Canada decreased by 65.4%.

[123] With respect to the Canadian market for large line pipe, the CBSA’s apparent market calculations show that the market share for large line pipe produced in Canada, in terms of volume, decreased from 26.8% in 2013 to 21.5% in 2015. In contrast, the market share for large line pipe from China and Japan increased from 8.5% in 2013 to 62.8% in 2015.

[124] Based on the CBSA’s analysis of information contained in the complaint, as well as the CBSA’s estimate of imports, the CBSA finds the complainant’s claim of loss of market share to be reasonable and well supported.

Loss of Sales

[125] The complainant provided declarations which detail specific examples of lost sales due to lower pricing from exporters of the subject goods from China and Japan.²⁴ The complainant also provided supporting documentation, including price quotations and internal reports.

[126] The complaint contains evidence that supports the link between the complainant’s lost sales and the allegedly dumped and subsidized subject goods. Furthermore, the complainant states that they have lost the business of several major accounts. The complainant indicates that these lost accounts are directly linked to low-priced subject imports from China and Japan.

²³ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-1.

²⁴ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-2.

[127] Based on the CBSA's analysis of the information contained in the complaint, the CBSA finds the claim of loss of sales to be well supported and sufficiently linked to the allegedly dumped and subsidized goods.

Price Undercutting, Depression and Suppression

[128] The complainant states that the allegedly dumped and subsidized goods have captured sales and market share by undercutting their prices. Further, the complainant notes that the price of subject goods imported from China and Japan has continued to decline over the period reviewed of 2013 to 2015. As a result, the complainant states that they have been forced to discount prices to compete with the low priced large line pipe and maintain throughput for large line pipe production.²⁵

[129] As reviewed by the CBSA, the complaint contains evidence of price undercutting by subject goods. It also contains documented instances where prices were suppressed or where the complainant was forced to lower prices or lose sales in response to allegedly dumped and subsidized imports from the named countries.²⁶

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

[131] While the CBSA does acknowledge that there are some specific examples where price depression may have occurred, based on a review of the complainant's confidential sales and financial data during the period of 2013 to 2015, the CBSA does not find the claim of price depression to be a relevant injury factor.²⁷

Reduced Production and Resulting Underutilization of Capacity

[132] The complainant states that capacity utilization rates with respect to production of large line pipe have suffered due to the presence of the allegedly dumped and subsidized goods. The complainant argues that this has led to costly underutilization of installed capacity and an increase in the average cost of producing like goods by the domestic industry. The complainant has provided evidence of this underutilization of capacity in a consolidated production statement.²⁸

[133] The complainant's consolidated production statement demonstrates a decrease in capacity utilization from 2013 to 2015.²⁹

²⁵ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 36.

²⁶ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-2.

²⁷ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibits 5.1 & 8.1.

²⁸ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 36 & Exhibit 8.1.

²⁹ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8.1.

[134] The CBSA notes that the complainant significantly increased its capacity in 2014, and as a result consideration was given to what the utilization ratios would have been in the absence of this increase. The utilization ratios using the original capacity in 2013 yield a similar, albeit less pronounced pattern of declining utilization, which supports the fact that only part of the capacity utilization ratio decreases are attributable to the investment made by Evraz in 2014.³⁰

[135] Based on the information provided, the CBSA finds the claim of underutilization of capacity to be reasonable and well supported.

Reduction in Employment

[136] The complainant submits that competition from unfairly priced imports has led to a reduction in employment.³¹

[137] The CBSA recognizes the significance of this injury factor, and finds that this reduction in employment can be reasonably linked to the presence of the allegedly dumped and subsidized goods.

Negative Financial Results

[138] The complainant alleges that the injurious impact of the allegedly dumped and subsidized goods is demonstrated in Evraz's consolidated financial results.³² To support this allegation the complainant has provided consolidated income statements for 2013 through 2015.

[139] The CBSA has reviewed the complainant's financial statements. Specifically, the product income statement highlights key components of the complainant's financial results specific to large line pipe sales, and broken down further into domestic and export sales.³³ The CBSA agrees that this income statement demonstrates negative financial performance during the period of 2013 to 2015.

[140] In addition, the complainant made a significant investment in 2014 to improve efficiency and increase the capacity of its large line pipe production at its Regina facility which Evraz hoped would help it compete for new significant pipeline projects on the horizon in Canada. The complainant states that current sales levels are nowhere close to sufficient to sustain the Regina facility's post-investment production capacity, let alone Evraz's total Canadian capacity, including Camrose, and that it will not be able to realize a return on this significant investment as a result of the allegedly dumped and subsidized goods.³⁴

³⁰ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 37.

³¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 38 & Exhibit 8-44.

³² Exhibit 2 (NC) – Large Line Pipe Complaint – Page 36.

³³ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 5.1.

³⁴ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 38.

[141] The CBSA finds that the complainant's declining financial performance can be linked to lost sales and price suppression resulting from imports of the allegedly dumped and subsidized goods.

THREAT OF INJURY

[142] The complainant alleges that the dumped and subsidized goods threaten to cause further material injury to the domestic production of like goods. The complainant argues that the threat posed by the allegedly dumped and subsidized goods is evident in a number of factors which are likely to have an impact in the next 18 to 24 months.

[143] The following are some of the items provided:

Magnitude of the Dumping and Subsidization

[144] The complainant states that the magnitude of alleged dumping and subsidizing of the subject goods demonstrates a real threat to the domestic industry. The complainant argues that the evidence demonstrates that exporters of subject goods are willing to resort to substantial margins of dumping in order to secure sales in the Canadian market.³⁵

[145] As noted previously, the estimated margin of dumping and the estimated amount of subsidy are not insignificant. The CBSA recognizes that dumping and subsidization could significantly impact the trade of large line pipe.

Significant Increase in the Rate of Subject Goods Imports

[146] The complainant alleges that the rapid increase in the volume of allegedly dumped and subsidized subject goods, at prices that undercut domestically produced like goods, pose a threat of further injury to the Canadian industry. This allegation is supported by import statistics provided by the complainant. The complainant submits that without protection, the trend of rapidly increasing imports is expected to continue.³⁶

[147] The CBSA's analysis of import data supports the allegation of an increase in the importation of the alleged dumped and subsidized goods. From 2013 through 2015, the volume of imported goods from China and Japan increased by 213% and 223%, respectively. At the same time, imports from all other countries decreased by 89%. Based on the CBSA's analysis of import data, the CBSA finds the complainant's allegation of threat of injury posed by an increase in the rate of subject goods imports to be reasonable and well supported.

³⁵ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 61.

³⁶ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 41.

Production Capacity in China and Japan

[148] Based on industry publications, the complainant estimates the production capacity of Chinese and Japanese line pipe producers to be 9.3 million metric tonnes (MT) and 2.7 million MT respectively.³⁷ When compared to the annual capacity of the complainant, the result demonstrates that a small portion of production from the named countries could overwhelm the Canadian market. The complaint includes details of the production capacity of individual Chinese and Japanese producers as well as comparisons to Canadian market demand.³⁸

[149] As reviewed by the CBSA, the evidence provided in the complaint demonstrates the significant capacity of Chinese and Japanese large line pipe producers in relation to Canadian market demand. It also shows that Canada is increasingly an export market of importance to both China and Japan.³⁹ The CBSA finds the complainant's allegation of threat of injury posed by the production capacity of producers of large line pipe in China and Japan to be reasonable and well supported.

Excess Production Capacity in China and Japan

[150] The complainant has provided a variety of reports and supporting information to support the allegation of excess and underutilized production capacity for large line pipe in China and Japan.⁴⁰

[151] The combined capacity and output data reveals that China and Japan have significant excess capacity. As highlighted in the complaint, Chinese and Japanese large line pipe producers currently operate at less than 60% capacity and utilization is expected to fall by three percentage points by 2017 to 56%. The excess capacity is at 4.9 million MT – and is forecasted to grow to 5.2 million MT by 2017.⁴¹ Excess capacity for 2015 is many times greater than the entire total apparent market for large line pipe in Canada in 2015.

[152] Based on the CBSA's analysis of the information provided in the complaint, the CBSA recognizes the significant excess capacity of large line pipe producers in China and Japan and the forecasted expansion of capacity. As such, the CBSA finds the complainant's allegation of threat of injury posed by the excess capacity of producers of large line pipe to be reasonable and well supported.

³⁷ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 48.

³⁸ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-17.

³⁹ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 42.

⁴⁰ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibits 8-8, 8-9, 8-10, 8-11, 8-13, 8-15, 8-20.

⁴¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 47.

Market Conditions

[153] The complainant states that Chinese and Japanese large line pipe producers will be encouraged to export their products in the next 18-24 months as domestic demand will remain significantly below production capacity. This allegation is supported by industry publications which forecast market demand.

[154] Further, the complainant states that domestic prices of large line pipe in China are at an all-time low⁴², while the domestic market in Japan is essentially non-existent.⁴³ Indeed, the complainant submits that Japan has very limited oil resources and relies almost solely on imports to meet consumption needs. Limited domestic oil resources have resulted in making Japan the third largest net oil importer in the world.⁴⁴ Therefore, the complainant submits that there is virtually no domestic market for the large line pipe produced in Japan.

[155] The complainant further alleges that the inability for the domestic market in China to absorb domestic production, combined with low domestic prices, will force producers in China to focus on export markets with higher prices, such as Canada.

[156] Additionally, global demand for large line pipe is expected to remain weak in the next 18 to 24 months. For example, MetalBulletin reports that demand for line pipe with an outside diameter of between 22" and 30" will fall from 4.5 million tonnes in 2015, to 4.4 million tonnes in 2016, and further to 4.3 million tonnes in 2017.⁴⁵ This represents a reduction in demand of 4% between 2015 and 2017. Moreover, the recent collapse in oil prices has created concern among end users of large line pipe who will be forced to delay or cancel projects due to the reduced profitability of their pipeline initiatives.⁴⁶ As such, the reduction in demand could be greater than what MetalBulletin previously forecasted.

[157] In light of this decrease in demand, there is little prospect for other markets to absorb any increase in exports of large line pipe from producers in China and Japan, and Canada remains an attractive market for subject goods.⁴⁷ To make matters worse, the domestic industry in Canada is particularly vulnerable to imports of subject goods due to the documented struggles in the oil and gas industry.

[158] The CBSA's analysis of the information contained in the complaint revealed market conditions which may lead Chinese and Japanese producers to target certain export markets, including Canada. The CBSA finds the complainant's allegations of the threat of injury posed by market conditions in China and Japan to be reasonable and well supported.

⁴² Exhibit 2 (NC) – Large Line Pipe Complaint – Page 51.

⁴³ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 54.

⁴⁴ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-32.

⁴⁵ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-35.

⁴⁶ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-36.

⁴⁷ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 55.

Foreign Trade Remedy Actions

[159] Line pipe, as well as seamless and welded tubular product exports from China and Japan, are subject to trade remedy actions in a number of markets, including the United States and the European Union. The complainant submits that these market restrictions will encourage Chinese and Japanese producers to focus on other export markets, such as Canada.⁴⁸

[160] The complainant submits that the absence of anti-dumping and countervailing duty protection in Canada and the presence of existing and potential export barriers on line pipe and other seamless and welded tubular products create a strong incentive for Chinese and Japanese large line pipe producers to direct exports to Canada and exacerbate the injury already sustained by the domestic industry.⁴⁹

[161] The CBSA acknowledges the presence of trade remedy actions in the United States, the European Union, and other countries, which may impact the exports of large line pipe from China and Japan. Further, the CBSA recognizes that these restrictions may have a significant impact on the Canadian market. The CBSA finds the complainant's allegations of the threat of injury posed by foreign trade remedy actions to be reasonable and well supported.

Impact of the Subject Goods on the Price of Like Goods

[162] The complainant states that the dumping and subsidizing of subject goods has suppressed the price of like goods in Canada. Further, the complainant states that the subject goods from China and Japan have undercut the price of like goods and led to lost sales.⁵⁰

[163] The complainant alleges that the trend of aggressive pricing of subject goods from China and Japan will continue, and that the increasing volume of subject goods exported from these countries will have increasingly injurious effects on the Canadian production of like goods.⁵¹

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

⁴⁸ Exhibit 2 (NC) – Large Line Pipe Complaint – Page 59.

⁴⁹ CITT decision on injury respecting certain line pipe from China was issued on March 29, 2016.

⁵⁰ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-2.

⁵¹ Exhibit 2 (NC) – Large Line Pipe Complaint – Exhibit 8-2.

CAUSAL LINK – DUMPING/SUBSIDIZING AND INJURY

[165] The CBSA finds that the complainant has provided sufficient evidence that there is a reasonable indication that they have suffered injury due to the alleged dumping and subsidizing of subject goods imported into Canada. There is a reasonable indication that the injury the complainant has suffered in terms of loss of market share, loss of sales, undercutting and suppression of prices, reduced production and resulting underutilization of capacity, reduced employment, and negative financial results is related to the price advantage the alleged dumping and subsidizing has produced between the imported subject goods and the Canadian produced like goods.

[166] The CBSA also finds that the complainant has provided sufficient evidence that there is a reasonable indication that continued alleged dumping and subsidizing of subject goods imported into Canada threaten to cause injury to the Canadian industry producing like goods.

CONCLUSION

[167] Based on information provided in the complaint, other available information, and the CBSA's import documentation, the CBSA is of the opinion that there is evidence that certain large line pipe originating in or exported from China and Japan has been dumped, and that certain large line pipe from China has been subsidized. There is a reasonable indication that such dumping and subsidizing has caused and is threatening to cause injury to the Canadian industry. As a result, based on the CBSA's examination of the evidence and its own analysis, dumping and subsidy investigations were initiated on March 24, 2016.

SCOPE OF THE INVESTIGATION

[168] The CBSA is conducting investigations to determine whether the subject goods have been dumped and/or subsidized.

[169] The CBSA has requested information from all potential exporters and importers to determine whether or not subject goods imported into Canada during the period of investigation (POI) of July 1, 2014 to December 31, 2015, were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any.

[170] The CBSA requested information from producers and exporters of large line pipe in China, as well as the GOC, to determine whether the conditions of section 20 exist in the sector under investigation. The CBSA has also requested costing and sales information from producers of large line pipe in the Republic of Korea, Japan, the United States, and the Federal Republic of Germany. Where sufficiently available, this information may be used to determine normal values of the goods in the event that the CBSA forms an opinion that the evidence in this investigation demonstrates that section 20 conditions exist in the steel pipe sector, which includes large line pipe, in China.

[171] The CBSA has also requested information from the GOC and all potential exporters in China to determine whether or not subject goods imported into Canada during the POI of July 1, 2014 to December 31, 2015, were subsidized. The information requested will be used to determine the amounts of subsidy.

[172] All parties have been clearly advised of the CBSA's information requirements and the time frames for providing their responses, by the due date provided in the Requests for Information.

FUTURE ACTION

[173] The Canadian International Trade Tribunal (CITT) will conduct a preliminary inquiry to determine whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of the goods has caused or is threatening to cause injury to the Canadian industry. The CITT must make its decision on or before the 60th day after the date of the initiation of the investigations, by May 24, 2016. If the CITT concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigations will be terminated.

[174] If the CITT finds that the evidence discloses a reasonable indication of injury to the Canadian industry and the CBSA determines in the preliminary phase of the investigations that the goods have been dumped and/or subsidized, the CBSA will make a preliminary determination(s) of dumping and/or subsidizing within 90 days after the date of the initiation of the investigations, by June 22, 2016. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigations.

[175] If, in respect of goods of a named country, the CBSA investigation(s) reveal that imports of the subject goods have not been dumped and/or subsidized, that the margin of dumping and/or amount of subsidy is insignificant or that the actual and potential volume of dumped or subsidized goods is negligible, the investigation(s) will be terminated.

[176] Imports of subject goods released by the CBSA on and after the date of a preliminary determination of dumping and/or subsidizing may be subject to provisional duty in an amount not greater than the estimated margin of dumping or the estimated amount of subsidy on the imported goods.

[177] Should the CBSA make preliminary determinations of dumping and/or subsidizing, the investigations will be continued for the purpose of making final decisions within 90 days after the date of the preliminary determinations.

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

[179] In the event of an injury finding by the CITT, imports of subject goods released by the CBSA after that date will be subject to anti-dumping duty equal to the applicable margin of dumping and countervailing duty equal to the amount of subsidy on the imported goods. Should both anti-dumping and countervailing duties be applicable to subject goods, the amount of any anti-dumping duty may be reduced by the amount that is attributable to an export subsidy.

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

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

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

[182] In respect of importations of subsidized goods that have caused injury, however, 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, as explained in the previous “Evidence of Subsidizing” section. In such a case, the amount of countervailing duty applied on a retroactive basis will be equal to the amount of subsidy on the goods that is a prohibited subsidy.

UNDERTAKINGS

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

[184] Similarly, after a preliminary determination of subsidizing by the CBSA, a foreign government may submit a written undertaking to eliminate the subsidy on the goods exported or to eliminate the injurious effect of the subsidy, by limiting the amount of the subsidy or the quantity of goods exported to Canada. Alternatively, exporters with the written consent of their government may undertake to revise their selling prices so that the amount of the subsidy or the injurious effect of the subsidy is eliminated.

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

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

PUBLICATION

[187] Notice of the initiation of these investigations is being published in the Canada Gazette pursuant to subparagraph 34(1)(a)(ii) of SIMA.

INFORMATION

[188] Interested parties are invited to file written submissions presenting facts, arguments, and evidence that they feel are relevant to the alleged dumping and subsidizing. Written submissions should be forwarded to the attention of one of the officers identified below.

[189] To be given consideration in this phase of these investigations, all information should be received by the CBSA by May 2, 2016.

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

[191] Confidential information submitted to the CBSA will be disclosed on written request to independent counsel for parties to these proceedings, subject to conditions to protect the confidentiality of the information. Confidential information may also be released to the CITT, any court in Canada, or a WTO/NAFTA dispute settlement panel. Additional information respecting the Directorate's policy on the disclosure of information under SIMA may be obtained by contacting one of the officers identified below or by visiting the CBSA's website.

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

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

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

Telephone: Sean Robertson 613-948-8581
Wayne Tian 613-946-2574
Jody Grantham 613-954-7405

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

Web site: www.cbsa-asfc.gc.ca/sima-lmsi



Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate

ATTACHEMENT

1. Description of Identified Programs and Incentives

APPENDIX – DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES

Evidence provided by the complainant suggests that the Government of China (GOC) may have provided support to manufacturers of subject goods in the following manner. For purposes of this investigation, GOC refers to all levels of government, i.e. federal, central, provincial/state, regional, municipal, city, township, village, local, legislative, administrative or judicial. Benefits provided by state-owned enterprises, which possess, exercise or have been vested with governmental authority may also be considered to be provided by the GOC for purposes of this investigation.

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

- Program 1: Corporate Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 2: Exemption/Reduction of Special Land Tax and Land Use Fees in SEZs and Other Designated Areas
- Program 3: Income Tax Refund for Enterprises Located in Tianjin Jinnan Economic Development Area
- Program 4: Income Tax Refund where Profits Re-invested in SEZs and other Designated Areas
- Program 5: Local Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 6: Preferential Costs of Services and/or Goods Provided by Government or State-owned Enterprises (SOEs) in SEZs and Other Designated Areas
- Program 7: Preferential Tax Policies for Enterprises with Foreign Investment (FIEs) Established in Special Economic Zones (excluding Shanghai Pudong Area)
- Program 8: Preferential Tax Policies for FIEs Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones
- Program 9: Preferential Tax Policies for FIEs Established in the Pudong Area of Shanghai
- Program 10: Preferential Tax Policies of Zhangjiagang Free Trade Zone
- Program 11: Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and other Designated Areas
- Program 12: VAT Exemptions for the Central Region

II. Preferential Loans and Loan Guarantees

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

- Program 22: Preferential Loans from State-Owned Banks
 Program 23: Trade Financing Services Provided by the Export-Import Bank of China

III. Grants and grant equivalents

- Program 24: Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin
 Program 25: Advanced Science / Technology Enterprise Grant
 Program 26: Allowance to Pay Loan Interest (Zhongshan City, Guangdong)
 Program 27: Assistance for Technology Innovation - R&D Project
 Program 28: Award of Taxpayers in Yanghang Industrial Park
 Program 29: Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” or “Famous Brands of China”
 Program 30: Business Bureau 2012 Market Monitoring System of Subsidies
 Program 31: Business Development Overseas Support Fund (Foshan)
 Program 32: Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)
 Program 33: Changzhou Technology Plan (Jiangsu)
 Program 34: Compensation from relocation
 Program 35: Contribution Award for the development of Industry and Society
 Program 36: Dispersed Employment Subsidy
 Program 37: Emission Reduction and Energy-saving Award
 Program 38: Energy Saving Grant 2008
 Program 39: Energy-Saving Technique Special Fund
 Program 40: Energy-saving Technology Renovation Fund
 Program 41: Enterprise Innovation Award of Qishuyan District (Jiangsu)
 Program 42: Enterprise Technology Centers
 Program 43: Environment Protection Award (Jiangsu)
 Program 44: Export Assistance Grant
 a. Provided by Jiangdu District
 b. Provided by city of Tianjin
 c. Provided by Municipality A
 Program 45: Export Brand Development Fund
 a. Provided by city of Tianjin
 b. Provided by Municipality A
 c. Allocation of Changzhou for Foreign Trade Market Development and Export Brands
 Program 46: Export Credit Insurance Supporting Fund
 Program 47: Financial Aid for Excellent Performance of Enterprises in Quality Control
 Program 48: Financial Subsidy
 a. Provided by city of Shanghai
 b. Provided by city of Changzhou
 c. Provided by Municipality A
 d. Provided by Municipality B
 Program 49: Financial Support for Foreign Trade
 a. Provided by city of Changzhou
 b. Provided by city of Wuxi
 Program 50: Five Points, One Line Strategy in Liaoning Province

- Program 51: Foreign Trade Development Fund Program – VAT Refunds
- Program 52: Fund for Urban Public Utilities
- Program 53: Government Export Subsidy and Product Innovation Subsidy
- Program 54: Government of Shijiazhuang City Export Award
- Program 55: Grant – Changzhou City Key Supporting Industry Upgrading Special Fund
- Program 56: Grant – Changzhou Five Major Industries Development Special Fund
- Program 57: Grant – Cleaning-production Qualified Enterprise Reward
- Program 58: Grant – Development of Strategic Emerging Industry
- Program 59: Grant – Financial Subsidies from Wei Hai City Gao Cun Town Government
- Program 60: Grant – Jiangsu Province Finance Supporting Fund
- Program 61: Grant – Large Taxpayer Award
- Program 62: Grant – Patent Application Assistance
 - a. Provided by city of Shanghai
 - b. Provided by Municipality A
 - c. Provided by Municipality B
- Program 63: Grant – Provincial Foreign Economy and Trade Development Special Fund
- Program 64: Grant – Provisional Industry Promotion Special Fund
- Program 65: Grant – Resources Conservation and Environment Protection Grant
 - a. Provided by city of Yangzhou
 - b. Provided by Municipality A
- Program 66: Grant – Special Fund for Fostering Stable Growth of Foreign Trade in 2009
- Program 67: Grant – Special Supporting Fund for Commercialization of Technological Innovation and Research Findings
- Program 68: Grant – State Service Industry Development Fund
- Program 69: Grant – Subsidy from Water Saving Office
- Program 70: Grant - Water Pollution Control Special Fund for Taihu Lake
- Program 71: Grant – Wendeng Government (Shandong)
- Program 72: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 73: Grants for Export Increasing
- Program 74: Grants for International Certification
- Program 75: Grants for Key Enterprises in Equipment Manufacturing Industry of Zhongshan
- Program 76: Grant for Market Promotion and Trade Development
- Program 77: Grants for National Development, Energy Conservation, Resource-saving, and Industrial Pollution Control Projects
- Program 78: Grants to Privately-Owned Export Enterprises
- Program 79: Grants under the Information Technology Program of Feicheng
- Program 80: Guangdong – Hong Kong Technology Cooperation Funding Scheme
- Program 81: Guaranteed Growth Fund
- Program 82: Innovative Experimental Enterprise Grant
- Program 83: Innovative Small and Medium-Sized Enterprise Grants
- Program 84: Interim Measures of Fund Management of Allowance for Zhongshan Enterprises to Attend Domestic and Overseas Fair (Zhongshan)
- Program 85: International Market Fund for Export Companies (Jiangmen City)
- Program 86: International Market Fund for Small- and Medium-sized Export Companies
- Program 87: Jiangdu City Industrial Economy Performance Award (Jiangsu)

- Program 88: Liaoning High-Tech Products & Equipment Export Interest Assistance
- Program 89: Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees
 - a. Provided by city of Changzhou
 - b. Provided by Provincial government
- Program 90: Modern Service Grant
- Program 91: Municipal Government – Exhibition Grant
- Program 92: Municipal Government – Export Grant
- Program 93: Municipal Government – Insurance Fee Grant
- Program 94: National High-Tech R&D Program (Also Known as the 863 Program)
- Program 95: National Innovation Fund for Technology Based Firms
- Program 96: Promoting the Creation of R&D Institution
- Program 97: Preferential Export Credit Insurance Provided by the China Export and Credit Insurance Corporation, Including Grants Provided by the GOC to Cover Export Credit Insurance Fees
- Program 98: Product Quality Grant
- Program 99: Provincial Government – Equipment Grant
- Program 100: Provincial Scientific Development Plan Fund
- Program 101: Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices
- Program 102: Refund from Government for Participating in Trade Fair (Foshan)
- Program 103: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments
 - a. Provided by city of Shanghai
 - b. Provided by Municipality A
- Program 104: Reimbursement of Foreign Affairs Services Expenses (Foshan)
- Program 105: Repaying Foreign Currency Loan by Returned VAT
- Program 106: Research & Development (R&D) Assistance Grant
 - a. Provided by the Central Government
 - b. Provided by Municipal
- Program 107: Science and Technology Award
- Program 108: Special fund on Shanghai master studio (Chenjie)
- Program 109: Special Funds on Talents
 - a. Provided by city of Shanghai
 - b. Provided by the Central Government
- Program 110: Subsidy for Employing Disabled Employees
- Program 111: Subsidy for infrastructure
- Program 112: Subsidy for Key industries revival and comprehensive technological revamping
- Program 113: Subsidy for Supporting Energy Conservation and Emission Reduction of Local Industry
- Program 114: Subsidy for the Technology Development
 - a. Provided by city of Shanghai
 - b. Provided by Municipality A
- Program 115: Superstar Enterprise Grant
- Program 116: Supporting Fund for Non-refundable Export Tax Loss on Mechanical & Electrical Product and High-tech Product (Jiangmen City)
- Program 117: Supportive Fund Provided by the Government of Xuyi County, Jiangsu

- Program 118: Technical Renovation Loan Interest Discount Fund
- Program 119: Technology Creation Award
- Program 120: Talent Reward – Purchase of Advanced Equipment
 - a. Provided by Provincial Government
 - b. Provided by Municipal Government
- Program 121: The “Torch Project”
- Program 122: Training Program for Rural Surplus Labour Force Transfer Employment
- Program 123: Venture Investment Fund of Hi-Tech Industry
- Program 124: Water Fund Refund/Exemption 2008
- Program 125: Water Saving Enterprise

IV. Preferential Tax Programs

- Program 126: Corporate Income Tax Reduction for New High-Technology Enterprises
- Program 127: Deed Tax Exemptions For Land Transferred through Merger or Restructuring
- Program 128: Exemption from City Maintenance and Construction Taxes and Education Fee Surcharges for FIEs
- Program 129: Exemption of Flood-proofing Fund Payment
- Program 130: Income Tax Offset for the Purchase of Energy-saving and Water-saving Equipment
- Program 131: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors
- Program 132: Municipal Government – Preferential Tax Program
- Program 133: Offset and Exemption of Dedicated Equipment
- Program 134: Preferential Tax Policies in the Western Regions
- Program 135: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose
- Program 136: Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment
- Program 137: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
- Program 138: Preferential Tax Policies for Foreign Invested Export Enterprises
- Program 139: Preferential Tax Policies for the Research and Development of FIEs
- Program 140: Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period not Less Than Ten Years
- Program 141: Reduction and Calculation of Revenue from Comprehensive Utilization of Resources
- Program 142: Stamp Tax Exemption on Share Transfers under Non-tradable Share Reform
- Program 143: Tax preference available to companies that operate at a small profit
- Program 144: Tax Policies for the Deduction of Income of the Disabled
- Program 145: Tax Policies for the Deduction of Research and Development Expenses
- Program 146: VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps
- Program 147: VAT Exemptions for State-authorized Enterprise Technical Centers

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

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

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

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

VII. Equity Programs

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

Determinations of Subsidy and Specificity

Available information indicates that the programs identified under, *SEZ and Other Designated Areas Incentives; Preferential Loans and Loan Guarantees; Preferential Tax Programs; and Relief from Duties and Taxes on Inputs, Materials and Machinery*, may constitute a financial contribution pursuant to paragraph 2(1.6)(b) of the *Special Import Measures Act (SIMA)*, in that amounts that would otherwise be owing and due to the government are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.

Grants and Grant Equivalents may constitute a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in that they involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities; and pursuant to paragraph 2(1.6)(b) of SIMA as amounts owing and due to the government that are forgiven or not collected.

Goods/Services Provided by the Government at Less than Fair Market Value may constitute a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA as they involve the provision of goods or services, other than general governmental infrastructure.

Benefits provided to certain types of enterprises or limited to enterprises located in certain areas under program categories, *SEZ and Other Designated Areas Incentives; Preferential Loans and Loan Guarantees; Preferential Tax Programs; and Relief from Duties and Taxes on Inputs, Materials and Machinery*, may be considered specific pursuant to paragraph 2(7.2)(a) of SIMA.

As well, *Grants and Grant Equivalents, Equity Programs and Goods/Services Provided by the Government at Less than Fair Market Value* may be considered specific pursuant to subsection 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.