



OTTAWA, September 11, 2015

STATEMENT OF REASONS

Concerning the initiation of investigations into the dumping and subsidizing of
CERTAIN CARBON AND ALLOY STEEL 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 President of the Canada Border Services Agency initiated investigations on August 28, 2015, respecting the alleged injurious dumping and subsidizing of certain carbon and alloy steel line pipe originating in or exported from the People's Republic of China.

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

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SUMMARY

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

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

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

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

INTERESTED PARTIES

Complainants

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

[6] The names and addresses of the complainants 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

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

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

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

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

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

[9] The other manufacturers and potential manufacturers of like goods in Canada are:

Atlas Tube Canada Inc.
P.O. Box 970
200 Clark Street
Harrow, Ontario N0R 1G0

Bri-Steel
2125-64 Avenue
Edmonton, Alberta T6P 1Z4

DFI Corporation
2404 – 51 Avenue
Edmonton, Alberta T6P 0E4

EnergeX Tube
160 Dain Avenue
Welland, Ontario L3B 5Y6

Nova Tube
6001 Irwin
Lasalle, Quebec H8N 1A1

Spiralco Inc.
1275 Road 255
St-Félix-de-Kingsay, Quebec J0B 2T0

Exporters

[10] The CBSA has identified 68 potential exporters of the subject goods from CBSA import documentation and from information submitted in the complaint.

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

Importers

[11] The CBSA has identified 67 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint.

Government of China

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

PRODUCT INFORMATION

Definition

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

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

For greater certainty, the product definition includes:

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

Additional Product Information

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

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

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

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

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

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

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

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

Production Process

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

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

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

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

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

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

Classification of Imports

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

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

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

[31] The scope of the Tribunal's finding in Inquiry No. NQ-2012-002 covers piling pipe in the nominal size ranges of 3 1/2 inches up to and including 16 inches in outside diameter, whether single-certified to meet ASTM A252 or dual certified to meet the requirements of ASTM A252 and API 5L. According to the complainants, to avoid the impact of the steel piling pipe finding and the application of anti-dumping and countervailing duties, and to take advantage of Chinese producers' dumped and subsidized goods, Canadian distributors and end users of piling pipe have begun to purchase single-certified line pipe for piling pipe applications as a substitute for piling pipe certified as ASTM A252 or equivalent. The complainants also alleged that subject line pipe now competes directly in the piling pipe market as a low-priced alternative to ASTM A252 piling pipe is sold through the same distribution channels, serves the same end uses, has similar physical characteristics, and are commodity prices traded on the basis of price.² Further, the complainants argue that the use of Chinese line pipe as piling pipe is an end use for line pipe that would not have been seen before the Tribunal's finding in piling pipe.

[32] Based on this information, the subject goods compete directly in the Canadian market with domestically produced line pipe and piling pipe. Line pipe produced in Canada and the subject goods are commodity products that are fully interchangeable and fully substitutable in the marketplace. Further, piling pipe produced in Canada, as discussed above, may now compete directly with the subject goods given that importers may import subject line pipe to avoid the application of the Tribunal's Finding in Inquiry No. NQ-2012-002.

[33] In *Steel Piling Pipe*, Inquiry No. NQ-2012-002 "the Tribunal concluded that that tubular goods (such as OCTG API-5CT), line pipe (such as API-5L), standard pipe (such as ASTM A53) and other steel pipe products that are not commonly identified as piling pipe produced in Canada did not constitute like goods in relation to the subject goods."³ However, based on the information discussed above, the CBSA is of the opinion that conditions in the market for piling pipe in Canada have changed subsequent to the Tribunal's finding in Inquiry No. NQ-2012-002.

[34] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that domestically produced line pipe and piling 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

[35] The complainants account for a major proportion of domestic production of like goods in Canada.

² Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 10-11.

³ CITT Statement of Reasons, Steel Piling Pipe NQ-2012-002, December 17, 2012, paragraph 82.

Standing

[36] 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.

[37] The complaint included letters of support from two other producers of like goods in Canada, Atlas Tube Canada Inc. and DFI Corporation.⁴

[38] Information available to the CBSA indicates that EnergeX Tube ceased production of like goods in Canada in 2014.⁵

[39] Based on the information before the CBSA, the CBSA has determined, pursuant to subsection 2(1) of SIMA, that Bri-steel Manufacturing does not form part of the domestic industry as defined in subsection 2(1) of SIMA.

[40] The CBSA contacted Spiralco Inc. and Nova Tube. Spiralco Inc. did not respond to the CBSA's request for information. Nova Tube did provide a response indicating that the company supports the complaint however, the company does not produce like goods.

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

CANADIAN MARKET

[42] Generally, carbon and alloy steel line pipe are sold primarily to supply distributors, that in turn sell the products to end-users, or they are sold directly to large volume end users.

[43] According to the complainants, line pipe is sold as a commodity-type product, and is sold primarily on the basis of price. Further, both Canadian and Chinese suppliers produce carbon and alloy steel line pipe that meet the specifications of Canadian consumers, and domestic and imported line pipe can be used interchangeably.

⁴ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibits 1-1, 1-2.

⁵ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 5-2.

[44] The complainants, using Statistics Canada information, estimated the total volume of imports of the goods originating from all countries from 2012 to 2014.⁶

[45] The CBSA conducted its own analysis of imports of the goods based on actual import data from CBSA documentation.

[46] 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.

[47] 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 metric tonnes)

Country	2012	2013	2014	July 2014 to June 2015
China	47%	44.2%	48.8%	55.9%
All Other Countries	53%	55.8%	51.2%	44.1%
Total Imports	100.0%	100.0%	100.0%	100.0%

EVIDENCE OF DUMPING

[48] The complainants allege that subject goods from China have been injuriously dumped into Canada. Dumping occurs when the normal value of the goods exceeds the export price to importers in Canada.

[49] 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.

[50] The complainants provided information to support the allegation that the steel pipe sector, which includes 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.

⁶ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 8-1.

[51] 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 President 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 President and adjusted for price comparability.

[52] 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.

[53] The CBSA's analysis of the alleged dumping is based on a comparison of the complainants' 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 June 30, 2015.

[54] Estimates of normal value and export price by both the complainants and the CBSA are discussed below.

Normal Value

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

[56] As a result, the complainants 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.

[57] The complainants have provided estimated normal values for both welded and seamless line pipe. Normal values were calculated for a range of outer diameters, which account for a material proportion of their sales in Canada.

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

[59] Material costs were estimated by the complainants based on their own material costs. No adjustments were made to material costs as the complainants have stated that the material inputs for line pipe produced in Canada and China are similar and that these inputs are globally available and traded.

[60] Labour costs were estimated based on the complainants' labour costs and adjusted to reflect cost differences between Canada and China. 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 and China.⁷

[61] The complainants 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. SG&A costs were estimated using the SG&A costs incurred by Evraz and Tenaris on a per tonne basis in 2014. The complainants did not include an estimate for financial costs.

[62] The amount for profits was estimated based on the steel segment operating profit and operating costs reported in the January to September 2014 financial statements of Baoshan Iron & Steel Co., Ltd (Baosteel). According to the complainants, Baosteel is the largest Chinese line pipe producer and exporter to Canada for which financial statements are publicly available. The complainants submit that Baosteel operating profit is the appropriate profit amount as no financial expense was included in the constructed cost.

[63] The complainants provided information supporting the initiation of a section 20 inquiry respecting the allegedly dumped goods from China and are 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 complainants have also estimated normal values for China under the methodology of section 20 using surrogate country information.

[64] The complainants submit that the United States of America (United States) is an appropriate surrogate country. To support this assertion, the complainants point to the CBSA's use of the United States as a source of surrogate pricing information in past investigations involving tubular products in the oil and gas sector. Further, they identify similarities in the oil and gas sectors of the United States and China and state that an indicator of line pipe consumption is the size and strength of a country's oil and gas sector.

[65] The United States surrogate pricing information provided by the complainants is based on data from the publication Pipe Logix. Pipe Logix is a trade publication based in the United States which tracks OCTG and line pipe prices. The complainants state that this is a reliable source and note that the CBSA has found Pipe Logix to be a reliable source in previous investigations involving tubular products in the oil and gas sector.

⁷ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibits 6-3.

[66] Based on the price information published by Pipe Logix, the complainants provided estimated normal values for eight representative benchmark products. These benchmark products account for a material proportion of the complainants' sales in Canada. The normal values were estimated as a quarterly average of the monthly price information. The complainants state that the Pipe Logix data represents the price of goods from distributors to end users. Accordingly, they have adjusted the Pipe Logix data to account for a 10% distributor margin.

[67] The CBSA found the normal value estimates provided by the complainants under the methodologies of paragraph 19(b) and section 20 of SIMA, to be reasonable and representative. The amount for profits added to the cost of goods estimate was also found to be reasonable.

[68] 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 determined pursuant to section 20 of SIMA will be determined 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 President 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 President and adjusted for price comparability.

[69] As detailed in the "Section 20 Inquiry" section of this *Statement of Reasons*, the CBSA has information which demonstrates that the prices of line pipe may be significantly affected by the GOC's policies and as a result, prices of 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 were estimated in accordance with the methodology of section 20 of SIMA.

[70] The CBSA is of the opinion that the Pipe Logix data represents the best available information at this time. Further, the CBSA finds the complainants selection of the United States as a surrogate country to be reasonable.

[71] The CBSA, therefore, estimated normal values for the eight representative benchmark products based on the domestic selling price of the goods as sold by producers in the United States and reported by the publication Pipe Logix. The CBSA estimated normal values for the eight benchmark products for each month of the period reviewed (July 1, 2014 – June 30, 2015). Where the CBSA could not find an exact match for the outer diameter of a benchmark product, the CBSA estimated a normal value for a range of outer diameters based on an average of the closest benchmark products. Normal values were then adjusted to account for a 10% distributor margin.

Export Price

[72] 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.

[73] The complainants estimated export prices are based on the quarterly average 2014 value for duty for subject goods from Statistics Canada. The complainants reported export prices for three separate product categories based on outer diameter.

[74] In estimating the export price, the CBSA relied on actual import data from commercial and customs documentation. Due to the large volume of line pipe imported into Canada, customs information pertaining to a sample of imports in the period July 1, 2014 to June 30, 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 complainants.

Estimated Margins of Dumping

[75] The CBSA estimated the margin of dumping by comparing the estimated normal values with the estimated export prices of the corresponding export models where matches for products could be made. A weighted average margin of dumping was then calculated based on those models. Combined, these provided a reasonable estimate of the weighted average margin of dumping of all subject goods from China.

[76] Based on this analysis, the subject goods from China were dumped by an estimated margin of dumping of 117.8%, expressed as a percentage of the total export price.

MARGIN OF DUMPING AND VOLUME OF DUMPED GOODS

[77] Under section 35 of SIMA, if, at any time before making a preliminary determination the President 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 President must terminate the investigation with respect to goods of that country.

[78] 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.

[79] The CBSA used actual import data for all countries for the period of July 1, 2014 to June 30, 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 June 30, 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	55.9%	55.9%	117.8%

[80] The volume of dumped goods, estimated to be 55.9% 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 117.8% of the export price, is greater than the threshold of 2% and is therefore not considered insignificant.

SECTION 20 INQUIRY

[81] 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 President, 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

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

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

[84] 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 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.

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

⁹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 19-31.

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

[86] Consequently, on August 28, 2015, 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 line pipe, in China. A section 20 inquiry refers to the process whereby the CBSA collects information from various sources so that the President 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.

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

[88] 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 in the Republic of Korea, Japan, the Philippines, and the United States, concerning line pipe. These countries were selected as they are all major exporters of line pipe to Canada.

[89] In the event that the President forms the opinion that domestic prices of 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 President 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 President and adjusted for price comparability.

EVIDENCE OF SUBSIDIZING

[90] 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.

[91] 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.

[92] 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.

[93] 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.

[94] 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.

[95] 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.

[96] The complainants allege that the goods have been subsidized and maintain 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

[97] The complainants allege that Chinese line pipe producers and exporters have been receiving the same subsidies provided to the Chinese producers and exporters of oil country tubular goods, carbon steel welded pipe, seamless casing, piling pipe and pup joints as previously found by the CBSA in investigations concerning those goods.¹⁰ The complaints also provided evidence on 94 subsidy programs that Chinese line pipe producers may be benefiting from. These programs were identified in the above-noted investigations, others were identified in other CBSA investigations involving goods from China, and others are new programs not previously investigated by the CBSA.

[98] The complainants referenced the CBSA's *Statements of Reasons* for various investigations, with emphasis on the above mentioned steel tubular products as well as a number of recent U.S. Department of Commerce (USDOC) decisions, including the issues and decision memorandum for the final determination of circular welded carbon quality steel line pipe from China¹¹, and decisions from the Australian Antidumping Commission.¹²

[99] The complainants also relied upon industry reports,¹³ government documents,¹⁴ publically available exporter information¹⁵ and general news articles and other publications.¹⁶

[100] The CBSA added an additional 44 programs that were identified in the steel tubular products investigations that were not specifically detailed amongst the 94 potential programs identified in the complaint.

[101] Of these 138 programs, three were removed as they were found to be listed multiple times in the complaint, one of the new programs was removed as insufficient evidence was provided by the complainants, and 11 were removed as it was found in recent investigations that these programs have either expired, were duplicates of other programs, or were not countervailable due to insufficient evidence and no new evidence was provided in the complaint.

¹⁰ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 55.

¹¹ Exhibit 2 (NC) – Carbon and Alloy Steel 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.

¹² Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Public Attachments 7-A-28, 7-A-110 and 7-A-126.

¹³ Exhibit 2 (NC) – Carbon and Alloy Steel 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.

¹⁴ Exhibit 2 (NC) – Carbon and Alloy Steel 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.

¹⁵ Exhibit 2 (NC) – Carbon and Alloy Steel 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-A-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.

¹⁶ Exhibit 2 (NC) – Carbon and Alloy Steel 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.

[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 period under review, the CBSA will request complete information from the GOC and the exporters of subject goods to pursue the investigation of these programs.

[103] The CBSA also looked at the subsidy programs identified in investigations involving steel products from China that occurred after the previously mentioned tubular investigations, namely *Concrete Reinforcing Bar* and *Galvanized Steel Wire*. From these investigations, the CBSA added 12 additional programs.

[104] In reviewing the information provided by the complainants 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.

[105] A full listing of all 135 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.

[106] 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.

[107] 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.

[108] 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.

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

Conclusion

[110] 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

[111] The complainants did not estimate an amount of subsidy received by the Chinese exporters of carbon and alloy steel line pipe.

[112] 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 complainants 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.

[113] The CBSA's analysis of the information indicates that subject goods imported into Canada during the period of July 1, 2014 to June 30, 2015, were subsidized and that the estimated amount of subsidy is 34.5% of the estimated export price of the subject goods.

AMOUNT OF SUBSIDY AND VOLUME OF SUBSIDIZED GOODS

[114] Under section 35 of SIMA, if, at any time before making a preliminary determination, the President 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 President must terminate the investigation with respect to the goods of that country.

[115] 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.

[116] According to section 41.2 of SIMA, the President is required to take into account Article 27.10 of the WTO *Agreement on Subsidies and Countervailing Measures* (ASCM) when conducting a subsidy investigation. Under Article 27.10 of the ASCM, special consideration must be given to developing countries regarding negligibility and insignificance. Neither the ASCM nor SIMA define or provide any guidance regarding the determination of a “developing country” for purposes of Article 27.10. As an administrative alternative, the CBSA refers to the [Development Assistance Committee List of Official Development Assistance Recipients \(DAC List of ODA Recipients\)](#)¹⁷ for guidance. The CBSA’s policy as of August 4, 2015, is to refer to the DAC List of ODA Recipients and consider a country as developing if it is listed as a least developed country, other low income country or lower middle income country or territory. As China is not on these lists, it is not considered to be a developing country.

[117] The CBSA used actual import data for all countries for the period of July 1, 2014 to June 30, 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 June 30, 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	55.9%	55.9%	34.5%

[118] The volume of subsidized goods, estimated to be 55.9% 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 34.5% of the export price, is greater than the threshold of 1% and is, therefore, not considered insignificant.

EVIDENCE OF INJURY

[119] The complainants 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.

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

¹⁷ <http://www.oecd.org/dac/stats/daclist.htm>.

[121] In support of its allegations, the complainants have provided evidence of an increase in the volume of imports of the allegedly dumped and subsidized goods, loss of market share, loss of sales, price erosion and price suppression, underutilized capacity, reduction in employment and declining margins and profits.

Increased Volume of Dumped and Subsidized Imports

[122] 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, which increased from 44.2% of total imports in 2013, to 55.9% in the 12-month period ending June 30, 2015. Overall, imports of subject goods from China have been increasing at a faster pace than imports from all other countries.

Loss of Market Share

[123] The Canadian market information provided by the complainants shows a significant overall decrease in the market share of domestically produced line pipe from 2012 through the first quarter of 2015.¹⁸

[124] The CBSA’s analysis of import trends shows that imports of subject goods from China increased by 43.6% from 2012 to 2014. During this period of increasing imports, production of line pipe in Canada has increased by only 2.2%.

[125] With respect to the Canadian market for line pipe, the CBSA’s apparent market calculations show that the market share for line pipe produced in Canada, in terms of volume, decreased from 43% in 2012 to 36% in 2014. In contrast, the market share for carbon and alloy steel line pipe from China increased from 27% in 2012 to 31% in 2014.

[126] With respect to the Canadian market for the like goods, the CBSA’s apparent market calculations show that the market share for like goods produced in Canada, in terms of volume, remained stagnant at 24%. In contrast, the market share for subject goods from China increased from 10.6% in 2012 to 16% in 2014.

[127] 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 complainants’ claim of loss of market share to be reasonable and well supported.

Loss of Sales

[128] The complainants provided declarations which detail specific examples of lost sales due to lower pricing from exporters of the allegedly dumped and subsidized goods from China.¹⁹ The complainants also provided supporting documentation, including emails, price quotations and internal reports.

¹⁸ Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 8-1.

¹⁹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 35-37.

[129] The complaint contains evidence that supports the link between the complainants' lost sales and the allegedly dumped and subsidized subject goods. Furthermore, the complainants state that they have lost the business of several major accounts. The complainants indicate that these lost accounts are directly linked to low-priced subject imports from China.

[130] 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 Erosion & Price Suppression

[131] The complainants state that the allegedly dumped and subsidized goods have captured sales and market share by undercutting the prices of Canadian producers. Further, the complainants note that the price of subject goods imported from China has continued to decline even as prices were previously well below the average unit price of goods produced in Canada. As a result, the complainants state that they have been forced to discount prices to compete with the low priced line pipe and maintain throughput for line pipe production.²⁰

[132] 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 complainants were forced to lower prices or lose sales in response to allegedly dumped and subsidized imports from China.²¹ Further, the complainants consolidated income statements demonstrate a decrease in sales revenue per metric tonne from 2012 to 2014.²²

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

Underutilization of Capacity

[134] The complainants state that capacity utilization rates with respect to production of line pipe have suffered due to the presence of the dumped and subsidized goods. The complainants argue 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 complainants have provided evidence of this underutilization of capacity in a consolidated production statement.²³

[135] The complainants' consolidated production statement demonstrates a decrease in capacity utilization from 2012 to 2013, followed by a recovery in 2014 to a level slightly below 2012.²⁴ The result is an overall decrease of 1.3% between 2012 and 2014. This decline in capacity utilization occurred during a time when the total apparent Canadian market for line pipe grew by 23%, between 2012 and 2014.

²⁰ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 35-37.

²¹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 35-37.

²² Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 8-1.

²³ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 37-39.

²⁴ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 8-4.

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

Reduction in Employment

[137] The complainants state that competition from unfairly priced imports has led to a reduction in industry employment. The complaint includes employment data for the complainants which indicate that both of the complainants have experienced reductions in employment. Overall, total direct and indirect employment fell from 2012 to 2014.²⁵

[138] The CBSA recognizes that the complainants have reduced the number of employees from 2012 to 2014. The CBSA also finds that the reductions in employment can be reasonably linked the presence of the dumped and subsidized goods.

Declining Margins and Profits

[139] The complainants allege that the injurious impact of the dumped and subsidized goods is demonstrated in the companies' financial results. To support this allegation the complainants have provided consolidated income statements for 2012 through the first quarter of 2015.²⁶

[140] The CBSA has reviewed the complainants' financial statements. The CBSA determined that these income statements demonstrate a deterioration in financial performance from 2012 through the first quarter of 2015. The CBSA noted that the consolidated pre-tax net income declined steadily from 2012 to 2014, and continued to decline in the first quarter of 2015. Further, the CBSA has noted that the complainants' consolidated gross margin has declined from 2012 to 2014, and again has continued to decline in the first quarter of 2015.²⁷

[141] The CBSA finds that the complainants declining financial performance is likely due to lost sales, price erosion and price suppression resulting from imports of the allegedly dumped and subsidized goods.

THREAT OF INJURY

[142] The complainants allege that the dumped and subsidized goods threaten to cause further material injury to the domestic producers of like goods. The complainants argue 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.

²⁵ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 39.

²⁶ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 38.

²⁷ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 5-1.

[143] The complainants provided the following information to support the allegation that imports from China threaten to cause further injury to the Canadian industry:

Magnitude of the Dumping and Subsidization

[144] The complainants state that the magnitude of alleged dumping and subsidizing of the subject goods demonstrates a real threat to the domestic industry. The complainants argue 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.²⁸

[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 subject goods.

Significant Increase in the Rate of Subject Goods Imports

[146] The complainants allege that the rapid increase in the volume of 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 complainants. The complainants submit that absent protection, the trend of rapidly increasing imports is expected to continue.²⁹

[147] The CBSA's analysis of import data supports the allegation of an increase in imports of the allegedly dumped and subsidized goods. From 2012 to the year ended June 30, 2015, the volume of imported goods from China increased by 55%. At the same time, imports from all other countries increased by only 9%. Based on the CBSA's analysis of import data, the CBSA finds the complainants' allegation of threat of injury posed by an increase in subject goods imports to be reasonable and well supported.

Production Capacity in China

[148] Based on industry publications, the complainants' estimate the production capacity of Chinese line pipe producers at 42 million metric tonnes for seamless pipe and 65 million metric tonnes for welded pipe. When compared to the annual capacity of Canadian line pipe producers, the result demonstrates that a small portion of Chinese production could overwhelm the Canadian market. The complaint includes details of the production capacity of individual Chinese producers as well as comparisons to Canadian market demand.³⁰

[149] As reviewed by the CBSA, the evidence provided in the complaint demonstrates the significant capacity of Chinese line pipe producers in relation to Canadian market demand. The CBSA finds the complainants' allegation of threat of injury posed by the production capacity of producers of subject goods in China to be reasonable and well supported.

²⁸ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 51.

²⁹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 48.

³⁰ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 40-44.

Excess Production Capacity in China

[150] The complainants have provided information to support the allegation of excess and underutilized production capacity in China. The complainants allege that excess production capacity of seamless and welded line pipe in China ranges from 20 to 35 million metric tonnes annually. Further, the complainants state that based on publicly available information, the excess production capacity of 14 Chinese line pipe producers is greater than the complainants' estimate of the total apparent Canadian market.³¹

[151] Despite the excess capacity discussed above, the complainants have provided evidence which indicates the continued expansion of production capacity in China. The complainants submit that this suggests that production capacity in China will continue to increase for the coming years.³²

[152] Based on the CBSA's analysis of the information provided in the complaint, the CBSA finds the complainants' allegation of threat of injury posed by the excess capacity of producers of subject goods in China to be reasonable and well supported.

Market Conditions

[153] The complainants state that Chinese 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. Further, the complainants state that domestic prices of line pipe in China are at an all-time low. The complainants allege this will encourage producers to abandon the domestic market and look to export markets such as Canada where average prices are higher.

[154] The complainants allege 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.³³

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

Foreign Trade Remedy Actions

[156] The complainants provided evidence that line pipe exports from China are subject to trade remedy actions in a number of markets, including the United States and the European Union. The complainants submit that these market restrictions will encourage Chinese producers to focus on other export markets, such as Canada.³⁴

³¹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 40-44.

³² Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 40-44.

³³ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 44-47.

³⁴ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 49-51.

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

Inventories

[158] The complainants do not have access to information regarding Canadian importer inventories of subject goods from China. However, the complainants allege that inventories of subject goods have been increasing in concert with the increase in imports of subject goods from China. The complainants allege that Canadian importer inventories of subject goods will continue to have an impact on the price of like goods in Canada.³⁵

[159] The complainants did not provide evidence to support the allegation that Canadian importer inventories of subject goods from China threaten to cause further injury to the domestic industry. As such, the CBSA does not consider this a factor which threatens to cause further injury to the domestic industry.

Impact of the Subject Goods on the Price of Like Goods

[160] The complainants state the dumping and subsidizing of subject goods has depressed the price of like goods in Canada. Further, the complainants state that the subject goods from China have undercut the price of like goods and led to lost sales.

[161] The complainants allege that the trend of aggressive pricing of subject goods from China will continue, and that combined with the increasing volume of subject goods from China, will have increasing injurious effects.

[162] As discussed in the respective sections, the CBSA finds the complainants allegations of price erosion, price depression 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.

CAUSAL LINK – DUMPING/SUBSIDIZING AND INJURY

[163] The CBSA finds that the complainants have 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 complainants have suffered in terms of loss of market share, loss of sales, price erosion and price suppression, underutilization of capacity, reduced employment, and declining margins and profits is related to the price advantage the alleged dumping and subsidizing has produced between the imported subject goods and the Canadian produced like goods.

³⁵ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Pages 51-52.

[164] The CBSA also finds that the complainants have 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

[165] Based on information provided in the complaint, other available information, and the CBSA's import documentation, the President is of the opinion that there is evidence that certain carbon and alloy steel line pipe originating in or exported from China has been dumped and subsidized, and 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 August 28, 2015.

SCOPE OF THE INVESTIGATION

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

[167] 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 June 30, 2015, were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any.

[168] The CBSA requested information from producers and exporters of 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 line pipe in the Republic of Korea, Japan, the Philippines, and the United States. Where sufficiently available, this information may be used to determine normal values of the goods in the event that the President forms an opinion that the evidence in this investigation demonstrates that section 20 conditions exist in the steel pipe sector, which includes line pipe, in China.

[169] 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 January 1, 2014 to June 30, 2015, were subsidized. The information requested will be used to determine the amounts of subsidy.

[170] 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

[171] The Tribunal 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 Tribunal must make its decision on or before the 60th day after the date of the initiation of the investigations, by October 27, 2015. If the Tribunal concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigations will be terminated.

[172] If the Tribunal 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 November 26, 2015. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigations.

[173] 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.

[174] 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.

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

[176] If final determinations of dumping and/or subsidizing are made, the Tribunal will continue its inquiry and hold public hearings into the question of material injury to the Canadian industry. The Tribunal 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.

[177] In the event of an injury finding by the Tribunal, 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

[178] When the Tribunal 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.

[179] Should the Tribunal 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.

[180] 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

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

[182] 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.

[183] 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.

[184] If an undertaking 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 Tribunal complete its injury inquiry.

PUBLICATION

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

INFORMATION

[186] 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.

[187] To be given consideration in this phase of these investigations, all information should be received by the CBSA by October 5, 2015.

[188] 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.

[189] Confidential information submitted to the President 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 Tribunal, 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.

[190] 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.

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

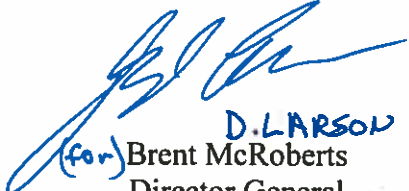
Mail: SIMA Registry and Disclosure Unit
Trade and Anti-dumping Programs Directorate
Canada Border Services Agency
100 Metcalfe Street, 11th floor
Ottawa, Ontario K1A 0L8
Canada

Telephone: Shawn Ryan 416-952-0114
Ted Chester 613-954-7170
Jody Grantham 613-954-7405

Fax: 613-948-4844

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

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


D. LARSON
(for) Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate

Attachment

APPENDIX 1 - DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES

Evidence provided by the complainants 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) and Other Designated Areas Incentives

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

II. Preferential Loans and Loan Guarantees

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

- Program 21: Preferential Loans and Financing Provided by the GOC through the State-Owned Banks
- Program 22: Trade Financing Services Provided by the Export-Import Bank of China

III. Grants and Grant Equivalentents

- Program 23: Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin
- Program 24: Advanced Science/Technology Enterprise Grant
- Program 25: Allowance to Pay Loan Interest (Zhongshan City, Guangdong)
- Program 26: Assistance for Technology Innovation - R&D Project
- Program 27: Award of Taxpayers in Yanghang Industrial Park
- Program 28: Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” or “Famous Brands of China”
- Program 29: Business Bureau 2012 Market Monitoring System of Subsidies
- Program 30: Business Development Overseas Support Fund (Foshan)
- Program 31: Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)
- Program 32: Changzhou Technology Plan (Jiangsu)
- Program 33: Emission Reduction and Energy-saving Award
- Program 34: Energy Saving Grant 2008
- Program 35: Energy-Saving Technique Special Fund
- Program 36: Energy-saving Technology Renovation Fund
- Program 37: Enterprise Innovation Award of Qishuyan District (Jiangsu)
- Program 38: Enterprise Technology Centers
- Program 39: Environment Protection Award (Jiangsu)
- Program 40: Export Assistance Grant
- Program 41: Export Brand Development Fund
- Program 42: Financial Subsidy
- Program 43: Five Points, One Line Strategy in Liaoning Province
- Program 44: Foreign Trade Development Fund Program – VAT Refunds
- Program 45: Fund for Urban Public Utilities
- Program 46: Government Export Subsidy and Product Innovation Subsidy
- Program 47: Government of Shijiazhuang City Export Award
- Program 48: Grant – Changzhou City Key Supporting Industry Upgrading Special Fund
- Program 49: Grant – Changzhou Five Major Industries Development Special Fund
- Program 50: Grant – Cleaning-production Qualified Enterprise Reward
- Program 51: Grant – Financial Subsidies from Wei Hai City Gao Cun Town Government
- Program 52: Grant – Jiangsu Province Finance Supporting Fund
- Program 53: Grant – Large Taxpayer Award
- Program 54: Grant – Patent Application Assistance
- Program 55: Grant – Provincial Foreign Economy and Trade Development Special Fund
- Program 56: Grant – Provisional Industry Promotion Special Fund
- Program 57: Grant – Resources Conservation and Environment Protection Grant
- Program 58: Grant – Special Fund for Fostering Stable Growth of Foreign Trade in 2009
- Program 59: Grant - Special Supporting Fund for Commercialization of Technological Innovation and Research Findings
- Program 60: Grant – State Service Industry Development Fund
- Program 61: Grant – Subsidy from Water Saving Office

- Program 62: Grant - Water Pollution Control Special Fund for Taihu Lake
- Program 63: Grant – Wendeng Government (Shandong)
- Program 64: Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan
- Program 65: Grant for Market Promotion and Trade Development
- Program 66: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 67: Grants for Export Increasing
- Program 68: Grants for International Certification
- Program 69: Grants to Privately-Owned Export Enterprises
- Program 70: Grants under the Information Technology Program of Feicheng
- Program 71: Guangdong – Hong Kong Technology Cooperation Funding Scheme
- Program 72: Guaranteed Growth Fund
- Program 73: Innovative Experimental Enterprise Grant
- Program 74: Innovative Small and Medium-Sized Enterprise Grants
- Program 75: Interim Measures of Fund Management of Allowance for Zhongshan Enterprises to Attend Domestic and Overseas Fair (Zhongshan)
- Program 76: International Market Fund for Export Companies (Jiangmen City)
- Program 77: International Market Fund for Small- and Medium-sized Export Companies
- Program 78: Jiangdu City Industrial Economy Performance Award (Jiangsu)
- Program 79: Liaoning High-Tech Products & Equipment Export Interest Assistance
- Program 80: Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees
- Program 81: Modern Service Grant
- Program 82: Municipal Government – Exhibition Grant
- Program 83: Municipal Government – Export Grant
- Program 84: Municipal Government – Insurance Fee Grant
- Program 85: National High-Tech R&D Program (Also Known as the 863 Program)
- Program 86: National Innovation Fund for Technology Based Firms
- Program 87: Preferential Export Credit Insurance Provided by the China Export and Credit Insurance Corporation, Including Grants Provided by the GOC to Cover Export Credit Insurance Fees
- Program 88: Product Quality Grant
- Program 89: Provincial Government - Equipment Grant
- Program 90: Provincial Scientific Development Plan Fund
- Program 91: Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices
- Program 92: Refund from Government for Participating in Trade Fair (Foshan)
- Program 93: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments
- Program 94: Reimbursement of Foreign Affairs Services Expenses (Foshan)
- Program 95: Repaying Foreign Currency Loan by Returned VAT
- Program 96: Research & Development (R&D) Assistance Grant
- Program 97: Science and Technology Award
- Program 98: Subsidy for the Technology Development
- Program 99: Superstar Enterprise Grant
- Program 100: Supporting Fund for Non-refundable Export Tax Loss on Mechanical & Electrical Product and High-tech Product (Jiangmen City)
- Program 101: Supportive Fund Provided by the Government of Xuyi County, Jiangsu

- Program 102: Technical Renovation Loan Interest Discount Fund
- Program 103: Training Program for Rural Surplus Labour Force Transfer Employment
- Program 104: The “Torch Project”
- Program 105: Venture Investment Fund of Hi-Tech Industry
- Program 106: Water Fund Refund/Exemption 2008
- Program 107: Water Saving Enterprise

IV. Preferential Tax Programs

- Program 108: Corporate Income Tax Reduction for New High-Technology Enterprises
- Program 109: Deed Tax Exemptions For Land Transferred through Merger or Restructuring
- Program 110: Exemption from City Maintenance and Construction Taxes and Education Fee Surcharges for FIEs
- Program 111: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors
- Program 112: Municipal Government – Preferential Tax Program
- Program 113: Preferential Tax Policies in the Western Regions
- Program 114: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose
- Program 115: Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment
- Program 116: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
- Program 117: Preferential Tax Policies for Foreign Invested Export Enterprises
- Program 118: Preferential Tax Policies for the Research and Development of FIEs
- Program 119: Stamp Tax Exemption on Share Transfers under Non-tradable Share Reform
- Program 120: Tax preference available to companies that operate at a small profit
- Program 121: Two Free, Three Half Tax Exemptions for the Productive FIEs
- Program 122: VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps

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

- Program 123: Exemption of Tariff and Import VAT for the Imported Technologies and Equipment
- Program 124: Import tariff and VAT exemptions for FIEs and certain domestic enterprises using imported equipment in encouraged industries
- Program 125: Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs
- Program 126: VAT Reduction and Exemption for Recycled Products
- Program 127: VAT Refunds to FIEs Purchasing Domestically-Produced Equipment

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

- Program 128: Acquisition of Government Assets at Less than Fair Market Value
- Program 129: Input Materials Provided by Government at Less than Fair Market Value
- Program 130: Provision of Land for Less Than Adequate Remuneration by Jiangsu Province
- Program 131: Provision of Land for Less Than Adequate Remuneration within the Wuxi High-tech Development Zone
- Program 132: Provision of Land within the Economic and Technology Development Zone for Less Than Adequate Remuneration
- Program 133: Utilities Provided by Government at Less than Fair Market Value

VII. Equity Programs

- Program 134: Debt-to-Equity Swaps
- Program 135: Exemptions for SOEs from Distributing Dividends to the State

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.