



Canada Border
Services Agency

Agence des services
frontaliers du Canada

LP2 2017 IN

OTTAWA, June 23, 2017

STATEMENT OF REASONS

**Concerning the initiation of an investigation into the dumping of
Certain Carbon and Alloy Steel Line Pipe
Originating in or Exported from the Republic of Korea**

DECISION

Pursuant to subsection 31(1) of the *Special Import Measures Act*, the Canada Border Services Agency initiated an investigation on June 8, 2017, respecting the alleged injurious dumping of certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea.

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 April 18, 2017, EVRAZ Inc. NA Canada of Regina, Saskatchewan and Canadian National Steel Corporation of Camrose, Alberta (collectively, "Evraz") (hereafter "the complainant") filed a complaint with the Canada Border Services Agency's (CBSA) Trade and Anti-dumping Programs Directorate alleging that imports of certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea are being dumped. The complainant alleges that the dumping has caused injury and is threatening to cause injury to the Canadian industry producing like goods.

[2] On May 9, 2017, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. The CBSA also notified the government of the Republic of Korea that a properly documented complaint had been received.

[3] The complainant provided evidence to support the allegations that certain carbon and alloy steel line pipe from the Republic of Korea have been dumped. The evidence also discloses a reasonable indication that the dumping has caused injury and is threatening to cause injury to the Canadian industry producing like goods.

[4] On June 8, 2017, pursuant to subsection 31(1) of SIMA, the CBSA initiated an investigation respecting the dumping of certain carbon and alloy steel line pipe from the Republic of Korea

INTERESTED PARTIES

Complainant

[5] The complainant's goods are produced at manufacturing facilities at two locations in Canada.

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

EVRAZ Inc. NA Canada	Canadian National Steel Corporation
P.O. Box 1670, 100 Armour Road	5302 39 Street
Regina, Saskatchewan S4P 3C7	Camrose, Alberta T4V 2N8

[7] Evraz Inc. NA Canada operates carbon and alloy steel line pipe manufacturing facilities in Regina, Saskatchewan. The EVRAZ North America group of companies also owns Canadian National Steel Corporation, which operates carbon and alloy steel line pipe manufacturing facilities in Camrose, Alberta. Both facilities manufacture line pipe using the electric resistance weld (ERW) process.

[8] The other manufacturers of like goods in Canada are:

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

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

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

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

[9] Tenaris Global Services (Canada) Inc., Algoma Tubes Inc., and Prudential Steel Inc. are collectively referred to as "Tenaris Canada". Tenaris Canada manufactures line pipe in Canada at its Algoma Tubes facility in Sault Ste Marie, Ontario using the seamless process and at its Prudential facility in Calgary, Alberta using the ERW process. Tenaris Global Services Inc. acts as a commercial agent for Tenaris sales in Canada.

[10] Bri-Steel Manufacturing produces small and large diameter seamless steel line pipe and processing pipe in Canada through a process called Thermal Pipe Expansion. Specifically, Bri-Steel is capable of producing pipe sizes ranging from 16 through 36 inches outside diameters, and wall thicknesses up to 2.343 inches in CSA, ASTM, ASME, and API specifications.

Exporters

[11] The CBSA has identified 57 potential exporters of the subject goods from CBSA import documentation and from information submitted in the complaint. All of the potential exporters were sent a CBSA Dumping Request for Information (RFI) and asked to respond.

Importers

[12] The CBSA has identified 62 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint. All of the potential importers were sent a CBSA Importer RFI and asked to respond.

PRODUCT INFORMATION

Definition

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

Carbon and alloy steel line pipe originating in or exported from the Republic of Korea, welded or seamless, having a nominal outside diameter from 2.375 inches (60.3 mm) up to and including 24 inches (610 mm) (with all dimensions being plus or minus allowable tolerances contained in the applicable standards), 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 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), and excluding goods covered by the Canadian International Trade Tribunal's Finding in Inquiry No. NQ-2012-003.

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 the Republic of Korea 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. Line pipe is 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 complainant and supporting producers 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 able to 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-stencilled as API 5L may be used in lower specifications absent stencilling identifying that lower specification. All line pipe that is marked as meeting or that is supplied to meet API 5L (or equivalent specifications) for use as oil and gas pipelines or as ASME B31.3 for use as pressure pipe are covered in this complaint 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] Line pipe 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.

Production Process

[20] 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.

[21] 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.

[22] 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.

[23] 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.

[24] 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.

[25] 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 submerged arc weld (SAW) or double SAW process, which is much different from the ERW process used for smaller diameter line pipe and encompasses both helical/spiral submerged arc welding and longitudinal submerged arc welding.

Classification of Imports

[26] Prior to January 1, 2017, the allegedly dumped goods were normally classified under the following Harmonized System (HS) codes:

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

[27] Beginning January 1, 2017, under the revised customs tariff schedule, subject goods would normally be imported under the following tariff codes for line pipe:

7304.19.00.10	7305.12.00.30
7304.19.00.20	7305.19.00.10
7305.11.00.10	7305.19.00.20
7305.11.00.20	7306.19.00.10
7305.12.00.10	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 complainant, with respect to subject goods, like goods consist of all domestically produced carbon and alloy steel line pipe.

[31] Line pipe produced by the domestic industry compete directly with and have the same end uses as the subject goods imported from the Republic of Korea. The goods produced in Canada and the Republic of Korea are fully interchangeable. Therefore, the CBSA has concluded that line pipe produced by the Canadian industry constitute like goods to the subject goods.

[32] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that subject goods and like goods constitute only one class of goods. Further, the Canadian International Trade Tribunal (CITT) has previously recognized line pipe as a single class of goods in NQ-2015-002.

THE CANADIAN INDUSTRY

[33] The complainant accounts for a major proportion of domestic production of like goods in Canada.

Standing

[34] 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.

[35] The complaint included letters of support from the other producers of like goods in Canada, Tenaris Canada and Bri-Steel Manufacturing.¹

[36] 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

[37] 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.

[38] According to the complainant, line pipe is sold as a commodity-type product, and is sold primarily on the basis of price. Further, both Canadian and Korean 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.

[39] The complainant, using information from Statistics Canada and the Korean Customs Service, estimated the total volume of imports of line pipe originating from all countries from 2014 to 2016.²

[40] The CBSA conducted its own analysis of imports of the goods based on actual import data from CBSA documentation. A review of CBSA import data demonstrated similar trends and volumes with respect to imports of subject goods compared to information provided in the complaint.

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

² Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 7-1.

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

CBSA Estimates of Import Share
(as % of volume)

Country	2014	2015	2016
Republic of Korea	9.8%	3.3%	38.0%
All Other Countries	90.2%	96.7%	62.0%
Total Imports	100.0%	100.0%	100.0%

EVIDENCE OF DUMPING

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

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

[44] 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.

[45] The CBSA's analysis of the alleged dumping is based on a comparison of the estimated normal values, with estimated export prices based on the actual declared value for duty during the period examined, that is, between January 1, 2016 and December 31, 2016. This period encompasses a sufficient length of time to accurately reflect the exporters' price levels to Canada and includes the time period during which the complainant alleges that the injurious dumping has occurred.

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

Normal Value

[47] The complainant indicated that they do not have access to the domestic selling prices of carbon and alloy steel line pipe in the Republic of Korea. As such, they were unable to estimate normal values using the methodology of section 15 of SIMA.

[48] As a result, the complainant estimated normal values for the subject goods using the methodology set out in paragraph 19(b) of SIMA. Under this methodology normal values are determined as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits.

[49] The complainant provided estimated normal values that cover a range of outer diameters of welded line pipe, and which account for all of the complainant's sales in Canada. The complainant did not provide estimated normal value for seamless line pipe. However, as the complainant's normal value estimates apply to over 98.8% of the estimated total volume of subject goods imported from the Republic of Korea, the CBSA has found that the estimated normal values are representative of the subject goods.

[50] Normal values for the benchmark products were estimated based on the aggregate of the costs of producing the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The complainant used costing data from their factories with adjustments to reflect cost differences between Canada and the Republic of Korea.

[51] Material costs were estimated by the complainant based on their own material costs. No adjustments were made to material costs as the complainant has stated that the material inputs for carbon and alloy steel line pipe produced in Canada and the Republic of Korea are similar and that these inputs are globally available and traded.

[52] Direct labour costs were estimated based on the complainant's labour costs and adjusted to reflect cost differences between Canada and the Republic of Korea. 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 the Republic of Korea.³

[53] Overhead costs were estimated by the complainant based on their own overhead costs and adjusted to reflect cost differences between Canada and the Republic of Korea. The downward adjustment described above was made to the full cost of overhead. The complainant stated that they believe this be a conservative estimate as overhead costs are not entirely comprised of labour related costs.⁴

[54] Administrative, selling and all other costs were estimated using the administrative, selling and all other costs incurred by Evraz on a per tonne basis in 2016. The complainant estimated that 50% of administrative, selling and all other costs expenses were labour related costs. As such, a downward adjustment was made to 50% of administrative, selling and all other costs expenses to account for the difference in labour costs between the Republic of Korea and Canada. In order to be conservative, the complainant did not include an estimate for financial costs in the cost build up.⁵

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

⁴ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 16-17.

⁵ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 17.

[55] For the purposes of estimating an amount for profits, the complainant compiled a list of all potential producers of line pipe in the Republic of Korea. The complainant then excluded companies that did not have publicly available financial information for 2016, companies that were not profitable in 2016, and companies that primarily produced non-subject goods. This resulted in an amount for profit of 4.16%, based on the 2016 financial statements of five profitable Korean steel pipe companies.⁶

[56] The CBSA found the normal values estimated by the complainant using the methodology of paragraph 19(b), to be reasonable and representative. The amount for profits included in the normal values estimated using the methodology of paragraph 19(b) was also found to be reasonable. As such, no adjustments were made to the complainant's estimated normal values.

[57] The CBSA therefore used the complainant's estimated normal values based on a constructed cost approach using the methodology of paragraph 19(b) of SIMA.

Export Price

[58] 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.

[59] The complainant's estimated export prices are based on the quarterly average 2016 pricing for subject goods from the Republic of Korea. To estimate export prices, the complainant relied on information from Statistics Canada and the Korea Customs Service.⁷ The complainant reported export prices for both welded and seamless line pipe from the Republic of Korea.

[60] In estimating the export prices, the CBSA relied on actual import data from commercial and customs documentation and reports generated through the Facility for Information Management (FIRM). Due to the large volume of line pipe imported into Canada, customs information pertaining to a sample of imports in the period January 1, 2016 to December 31, 2016, was examined. Actual import data was retrieved and refined through a review of CBSA customs entries and consequently, the information used by the CBSA for its estimate is more comprehensive than what was available to the complainant.

⁶ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 6-4.

⁷ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 18-19.

Estimated Margin of Dumping

[61] The CBSA compared the estimated normal values with the estimated export prices obtained from CBSA import data for all importations during the period of January 1, 2016, to December 31, 2016. The margin of dumping was estimated by deducting the total estimated export price from the total estimated normal value.

[62] Based on this analysis, the subject goods from the Republic of Korea were dumped by an estimated margin of dumping of 58.2%, expressed as a percentage of the total export price.

EVIDENCE OF INJURY

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

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

[65] In support of its allegations, the complainant has provided evidence of an increase in the volume of the allegedly dumped imports, loss of sales and production volumes, price depression and price suppression, negative financial results, underutilization of capacity, and reduced employment.

Increased Volume of Dumped Imports

[66] The import volumes as estimated by the CBSA are detailed in the “Canadian Market” section of this *Statement of Reasons*. This information shows an overall trend of rising import shares from the Republic of Korea, which increased from 9.8% of total imports in 2014, to 38.0% in 2016. Overall, imports of subject goods from the Republic of Korea have increased as imports from all other countries have decreased from 2014 to 2016.

Loss of Sales and Production Volumes

[67] The complainant provided declarations which detail specific examples of lost sales due to lower pricing from exporters of the subject goods from the Republic of Korea.⁸ The complainant also provided supporting documentation, including price quotations and internal reports.

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

⁸ Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 7-2.

[69] The Canadian market information provided by the complainant also shows a significant overall decrease in sales and production volumes for domestic producers of line pipe from 2014 through 2016.

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

Price Depression and Price Suppression

[71] The complainant states that the allegedly dumped goods have captured sales and market share by undercutting their prices. Further, the complainant notes that the price of subject goods imported from the Republic of Korea has declined from 2015 to 2016. As a result, the complainant states that they have been forced to discount prices to compete with the low priced line pipe and maintain throughput for line pipe production.⁹

[72] As reviewed by the CBSA, the complaint contains documented instances where prices were suppressed whereby the complainant was unable to raise selling prices to account for increasing input costs due to competition from the allegedly dumped imports from the Republic of Korea.¹⁰

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

Negative Financial Results

[74] The complainant provided consolidated production and income statements which include information from the complainant, and the supporting producer Tenaris Canada, from 2014 to 2016. The complainant alleges that the injurious impact of the allegedly dumped goods is demonstrated in the consolidated financial results.¹¹

[75] The CBSA has reviewed the consolidated financial statements and determined that these income statements demonstrate a deterioration in financial performance from 2014 through 2016. The CBSA noted that the consolidated pre-tax net income declined from 2014 to 2016. Further, the CBSA has noted that the consolidated gross margin has declined steadily from 2014 to 2016.

[76] The CBSA finds that the consolidated declining financial performance of the complainant and the supporting producer can be linked to lost sales and price depression resulting from imports of the allegedly dumped goods.

⁹ Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Page 21-24.

¹⁰ Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Page 21-24.

¹¹ Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 5-1.

Underutilization of Capacity

[77] The complainant states that capacity utilization rates with respect to production of line pipe have suffered due to the presence of the allegedly dumped goods. The complainant argues that this has led to costly underutilization of installed capacity and an increase in the average cost of producing like goods by the domestic industry. The complainant has provided evidence of this underutilization of capacity in a consolidated production statement which includes information from the complainant and the supporting producer Tenaris Canada.¹²

[78] The consolidated production statement demonstrates a decrease in capacity utilization from 2014 to 2016. The result is an overall decrease in capacity utilization which is greater than the decrease in the total apparent Canadian market.¹³

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

Reduction in Employment

[80] The complainant provided evidence that competition from unfairly priced imports has led to a reduction in employment.¹⁴

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

CBSA's Conclusion – Injury

[82] There is a reasonable indication that material injury has occurred to the Canadian industry. The nature of the injury incurred by the complainant is well-documented in terms of lost sales and production volumes, price depression and price suppression, negative financial results, underutilization of capacity, and reductions in employment.

THREAT OF INJURY

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

¹² Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 7-3.

¹³ Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 7-3.

¹⁴ Exhibit 1 (PRO) – Carbon and Alloy Steel Line Pipe Complaint – Exhibit 7-4.

Magnitude of the Dumping

[84] The complainant states that the magnitude of alleged dumping of the subject goods demonstrates a real threat to the domestic industry. The complainant argues that the evidence demonstrates that exporters of subject goods are willing to resort to substantial margins of dumping in order to secure sales in the Canadian market.¹⁵

[85] The CBSA has found that sufficient evidence exists to support the complainant's allegation that the subject goods are being dumped. The CBSA recognizes that the dumping of subject goods could significantly impact the trade of subject goods.

Increase in Share of Total Imports

[86] The complainant alleges that the rapid increase in the volume of allegedly dumped subject goods, at prices that undercut domestically produced like goods, pose a threat of further injury to the Canadian industry. This allegation is supported by import statistics provided by the complainant. The complainant submits that without protection, the trend of rapidly increasing imports is expected to continue.¹⁶

[87] The CBSA's analysis of import data supports the allegation of an increase in the market share of the alleged dumped goods. Subject goods from the Republic of Korea accounted for 9.8% of total imports in 2014, 3.3% in 2015, and 38.0% in 2016. Despite a significant contraction in the Canadian market due to a downturn in the oil and gas sector, the volume of imports of subject goods from the Republic of Korea increased by 0.8% from 2014 to 2016. During this same time period, import volumes of goods of the same description as the subject goods from all other countries decreased by 82.1%. Based on the CBSA's analysis of import data, the CBSA finds the complainant's allegation of threat of injury posed by an increase in the market share of subject good imports to be reasonable and well supported.

Excess Production Capacity in the Republic of Korea

[88] The complainant has provided information to support the allegation of excess and underutilized production capacity in the Republic of Korea. The complainant states that the production capacity of the Korean steel tubular industry exceeds 10 million tonnes. The complainant also alleges that the reported capacity utilization rate of Korean steel tubular producers is less than 48%.¹⁷

[89] With respect to the production capacity of line pipe producers in the Republic of Korea, the complainant alleges that the combined production capacity of five major Korean producers could supply the Canadian market several times over.¹⁸

¹⁵ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 38.

¹⁶ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 34.

¹⁷ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 29.

¹⁸ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 28-29.

[90] Despite the excess capacity discussed above, the complainant argues that producers of line pipe in the Republic of Korea have continued to increase production capacity. The complainant submits that this suggests that excess Korean production capacity will continue to increase and threatens to cause further injury.¹⁹

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

[92] Regarding the allegation of rapidly increasing production capacity, the CBSA does not find the information presented in the complaint to be sufficient to support this allegation.

Market Conditions

[93] The complainant states that line pipe producers in the Republic of Korea will be encouraged to export their products in the next 12-18 months as domestic demand will remain weak. This allegation is supported by industry publications which forecast market demand. Further, the complainant also states that the excess supply of line pipe in China is increasingly destined to the Korean market. The complainant submits that this has a negative effect on Korean producers' ability to sell line pipe in their domestic market.²⁰

[94] The complainant has also made allegations concerning the export dependency of the Korean steel tubular industry. To support this allegation, the complainant has referenced the annual reports of producers of steel tubular products in the Republic of Korea.²¹

[95] The complainant alleges that the factors discussed above will encourage producers to abandon the domestic market and look to export markets such as Canada where average prices are higher.²²

[96] The CBSA's analysis of the information contained in the complaint revealed market conditions which the CBSA recognizes may lead Korean producers to focus on certain export markets, including Canada. The CBSA finds the complainant's allegations of the threat of injury posed by market conditions in the Republic of Korea to be reasonable and well supported.

¹⁹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 29-30.

²⁰ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 31.

²¹ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 30-32.

²² Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 33.

Foreign Trade Remedy Actions

[97] Line pipe exports from the Republic of Korea are subject to trade remedy actions in the United States and Thailand. The complainant also notes that exports of other steel pipe and tubular products are subject to trade remedy actions in a number of countries. The complainant submits that these market restrictions will encourage Korean producers to focus on other export markets, such as Canada.²³

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

Impact of the Subject Goods on the Price of Like Goods

[99] The complainant states that the dumping of subject goods has depressed the price of like goods in Canada. Further, the complainant states that the subject goods from the Republic of Korea have undercut the price of like goods and led to lost sales.²⁴

[100] The complainant alleges that the trend of aggressive pricing of subject goods from the Republic of Korea will continue. The complainant argues that this pricing behaviour, combined with the increasing volume of subject goods from the Republic of Korea, will have increasing injurious effects on the Canadian production of like goods.²⁵

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

CBSA's Conclusion – Threat of Injury

[102] The complaint contains evidence that discloses a reasonable indication that there is a threat of injury due to increasing import volumes of subject goods from the Republic of Korea. The increasing volumes of imports of subject goods at prices that substantially undercut domestic producer pricing will continue to depress or suppress domestic prices and threaten to take market share from the Canadian producers. The CBSA is of the view that the adverse volume and price effects of the alleged dumped imports threatens to cause domestic producers to suffer further decline in production, capacity utilization, market share, prices, financial results and employment.

²³ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 35-37.

²⁴ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 22-23.

²⁵ Exhibit 2 (NC) – Carbon and Alloy Steel Line Pipe Complaint – Page 34-35.

CAUSAL LINK – DUMPING AND INJURY

[103] The CBSA finds that the complainant has provided sufficient evidence that there is a reasonable indication that they have suffered injury due to the alleged dumping of subject goods imported into Canada. There is a reasonable indication that the injury the complainant has suffered in terms of loss of sales and production volumes, price depression and price suppression, negative financial results, underutilization of capacity, and reductions in employment, is related directly to the price advantage the apparent dumping has produced between the subject imports and the Canadian produced goods.

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

CONCLUSION

[105] Based on information provided in the complaint, other available information, and the CBSA's import documentation, the CBSA is of the opinion that there is evidence that certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea have been dumped. There is a reasonable indication that such dumping has caused and is threatening to cause injury to the Canadian industry. As a result, pursuant to subsection 31(1) of SIMA, a dumping investigation was initiated on June 8, 2017.

SCOPE OF THE INVESTIGATION

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

[107] 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 of April 1, 2016 to March 31, 2017, were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any.

[108] 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

[109] The CITT will conduct a preliminary inquiry to determine whether the evidence discloses a reasonable indication that the alleged dumping of the goods has caused or is threatening to cause injury to the Canadian industry. The CITT must make its decision on or before the 60th day after the date of the initiation of the investigation, by August 7, 2017. If the CITT concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigation will be terminated.

[110] If the CITT finds that the evidence discloses a reasonable indication of injury to the Canadian industry and the CBSA determines in the preliminary phase of the investigation that the goods have been dumped, the CBSA will make a preliminary determination of dumping within 90 days after the date of the initiation of the investigation, by September 6, 2017. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigation.

[111] If, at any time before the CBSA makes a preliminary determination, the CBSA is satisfied that the volume of goods of the country is negligible, the investigation will be terminated.

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

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

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

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

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

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

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

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

UNDERTAKINGS

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

[120] 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 mailing address and e-mail address to one of the officers identified in the "Information" section of this document.

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

PUBLICATION

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

INFORMATION

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

[124] To be given consideration in this phase of the investigation, all information should be received by the CBSA by July 17, 2017.

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

[126] Confidential information submitted to the CBSA will be disclosed on written request to independent counsel for parties to these proceedings, subject to conditions to protect the confidentiality of the information. Confidential information may also be released to the CITT, any court in Canada, or a WTO 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.

[127] The investigation schedule 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.

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

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

Telephone: Hugo Dumas 613-948-8581
Shawn Ryan 613-954-1642

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

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Doug Band
Director General
Trade and Anti-dumping Programs Directorate