



Canada Border  
Services Agency

Agence des services  
frontaliers du Canada

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OTTAWA, February 9, 2012

## STATEMENT OF REASONS

**Concerning the preliminary determinations with respect to the dumping and subsidizing of  
CERTAIN STAINLESS STEEL SINKS ORIGINATING IN OR EXPORTED FROM THE  
PEOPLE'S REPUBLIC OF CHINA**

## DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, the President of the Canada Border Services Agency made preliminary determinations of dumping and subsidizing on January 25, 2012, respecting the alleged injurious dumping and subsidizing of certain stainless steel sinks with a single drawn bowl having a volume between 1,600 and 5,000 cubic inches (26,219.30 and 81,935.32 cubic centimetres) or with multiple drawn bowls having a combined volume between 2,200 and 6,800 cubic inches (36,051.54 and 111,432.04 cubic centimetres), excluding sinks fabricated by hand, originating in or exported from the People's Republic of China.

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

Canada

## TABLE OF CONTENTS

<b>SUMMARY OF EVENTS .....</b>	<b>1</b>
<b>PERIOD OF INVESTIGATION .....</b>	<b>1</b>
<b>INTERESTED PARTIES .....</b>	<b>2</b>
COMPLAINANT .....	2
EXPORTERS .....	2
IMPORTERS .....	2
GOVERNMENT OF CHINA .....	3
<b>PRODUCT DEFINITION .....</b>	<b>3</b>
ADDITIONAL PRODUCT INFORMATION .....	3
PRODUCTION PROCESS .....	4
CLASSIFICATION OF IMPORTS .....	5
<b>CANADIAN INDUSTRY .....</b>	<b>5</b>
<b>IMPORTS INTO CANADA .....</b>	<b>5</b>
<b>INVESTIGATION PROCESS .....</b>	<b>6</b>
<b>DUMPING INVESTIGATION .....</b>	<b>6</b>
NORMAL VALUE .....	6
EXPORT PRICE .....	6
SUMMARY OF PRELIMINARY RESULTS OF DUMPING INVESTIGATION .....	6
PRELIMINARY DUMPING RESULTS BY EXPORTER .....	7
<b>SUMMARY OF RESULTS – DUMPING .....</b>	<b>8</b>
<b>SUBSIDY INVESTIGATION .....</b>	<b>9</b>
PRELIMINARY PHASE OF THE SUBSIDY INVESTIGATION .....	10
SUMMARY OF PRELIMINARY RESULTS OF SUBSIDY INVESTIGATION .....	12
<b>SUMMARY OF RESULTS – SUBSIDY .....</b>	<b>14</b>
<b>DECISION .....</b>	<b>14</b>
<b>REPRESENTATIONS .....</b>	<b>14</b>
<b>REQUESTS FOR DEADLINE EXTENSIONS .....</b>	<b>15</b>
<b>PROVISIONAL DUTY .....</b>	<b>16</b>
<b>FUTURE ACTION .....</b>	<b>16</b>
<b>RETROACTIVE DUTY ON MASSIVE IMPORTATIONS .....</b>	<b>17</b>
<b>UNDERTAKINGS .....</b>	<b>18</b>
<b>PUBLICATION .....</b>	<b>18</b>
<b>INFORMATION .....</b>	<b>19</b>
<b>APPENDIX 1 – SUMMARY OF ESTIMATED AMOUNT OF DUMPING, .....</b>	<b>20</b>
<b>ESTIMATED AMOUNT OF SUBSIDY, AND PROVISIONAL DUTIES PAYABLE .....</b>	<b>20</b>
<b>APPENDIX 2 - SUMMARY OF PRELIMINARY FINDINGS FOR SUBSIDY PROGRAMS IDENTIFIED .....</b>	<b>21</b>

## SUMMARY OF EVENTS

[1] On September 6, 2011, the Canada Border Services Agency (CBSA) received a written complaint from Novanni Stainless Inc. (Novanni) of Coldwater, Ontario, and Franke Kindred Canada Limited (FKC) of Midland, Ontario (hereafter “the complainants”), alleging that imports of certain stainless steel sinks originating in or exported from the People’s Republic of China (China) are being dumped and subsidized and causing injury to the Canadian industry.

[2] On September 27, 2011, pursuant to subsection 32(1) 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 portion of the complaint, which excluded sections dealing with normal value, export price and margin of dumping.

[3] On October 24, 2011, consultations were held with the GOC pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*. During these consultations, China made representations with respect to its views on the accuracy and adequacy of the evidence presented in the non-confidential version of the subsidy portion of the complaint. On October 26, 2011, the CBSA received written representations from the GOC with respect to its views. The CBSA considered these written representations in its analysis of whether there was sufficient evidence of subsidization to warrant a subsidy investigation.

[4] On October 27, 2011, pursuant to subsection 31(1) of SIMA, the President of the CBSA (President) initiated investigations respecting the dumping and subsidizing of certain stainless steel sinks from China.

[5] Upon receiving notice of the initiation of the investigations, the Canadian International Trade Tribunal (Tribunal) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of certain stainless steel sinks from China have caused injury or retardation or are threatening to cause injury to the Canadian industry producing the goods. On December 28, 2011, pursuant to subsection 37.1(1) of SIMA, the Tribunal made a preliminary determination that there is evidence that discloses a reasonable indication that the dumping and subsidizing of certain stainless steel sinks from China have caused injury or are threatening to cause injury.

[6] On January 25, 2012, as a result of the CBSA’s preliminary investigations and pursuant to subsection 38(1) of SIMA, the President made preliminary determinations of dumping and subsidizing with respect to certain stainless steel sinks originating in or exported from China.

## PERIOD OF INVESTIGATION

[7] The period of investigation with respect to dumping (Dumping POI), covered all subject goods released into Canada from September 1, 2010 to August 31, 2011.

[8] The period of investigation with respect to subsidizing (Subsidy POI), covered all subject goods released into Canada from January 1, 2010 to August 31, 2011.

## **INTERESTED PARTIES**

### **Complainants**

[9] The complainants account for a major proportion of the production of like goods in Canada. The complainants' goods are produced at manufacturing facilities located in Coldwater, Ontario, and Midland, Ontario.

[10] The name and address of the complainants are:

Novanni Stainless Inc.  
2978 Southorn Road, P.O. Box 189  
Coldwater, ON L0K 1E0

Franke Kindred Canada Limited  
1000 Franke Kindred Road  
Midland, ON L4R 4K9

[11] There are no other known producers of subject goods in Canada.

### **Exporters**

[12] At the initiation of the investigations, the CBSA identified 199 potential exporters of the goods under investigation. The CBSA sent a dumping Request for Information (RFI) to all identified potential exporters in China and other countries, and a subsidy RFI to each identified potential exporter in China.

[13] The CBSA received seven exporter responses to the dumping RFI, along with six responses from vendors. One further exporter response was received after the due date. Only two exporter responses were deemed sufficiently complete for the purposes of the preliminary determination.

[14] Additionally, seven exporters and one producer responded to the subsidy RFI. Five of these exporter responses, along with the response from the producer, were deemed to be substantially complete for the purposes of the preliminary determination. One additional response to the subsidy RFI was received after the due date and will be considered during the final phase of the investigation.

[15] Exporters who provided late or incomplete responses to the dumping or subsidy RFI have been requested to provide additional information to supplement or clarify their responses so that they may be considered for the final phase of the investigation.

### **Importers**

[16] At the initiation of the investigations, the CBSA identified 287 potential importers of subject goods based on a review of CBSA import documentation.

[17] The CBSA sent an importer RFI to all potential importers of the goods. The CBSA received 30 RFI responses from importers, with varying degrees of completeness. Sixteen importers provided a substantially complete response to the importer RFI.

## **Government of China**

[18] For the purposes 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, 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.

[19] At the initiation of the investigations, the CBSA sent a subsidy RFI to the GOC. The CBSA received a response to the subsidy RFI from the GOC on December 5, 2011, and a second filing of additional information on December 15, 2011. The CBSA reviewed these responses and while some of the information requested was provided, the GOC's responses were limited. As a result, on December 19, 2011<sup>1</sup>, the GOC was notified of the incomplete status of its submission.

## **PRODUCT DEFINITION**

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

Stainless steel sinks with a single drawn bowl having a volume between 1,600 and 5,000 cubic inches (26,219.30 and 81,935.32 cubic centimetres) or with multiple drawn bowls having a combined volume between 2,200 and 6,800 cubic inches (36,051.54 and 111,432.04 cubic centimetres), excluding sinks fabricated by hand, originating in or exported from the People’s Republic of China.

## **Additional Product Information**

[21] For purposes of the definition of the subject goods, volume is calculated as the product of the length, width and depth of the bowl, regardless of the taper and radius of the bowl, where length and width are measured from front to back and left to right of the bowl rim and where depth is measured from the bowl rim to the bottom of the sink at the point closest to the drain.

[22] For purposes of the definition of the subject goods, “sinks fabricated by hand” refers to the process by which sinkware is formed by hand. The sink stock is notched and folded, and sides are then welded and hand-polished to form a box-like shape. Hand-fabricated sinks may also be referred to as handcrafted or handmade sinks.

[23] The subject goods may be supplied with seals, strainer or strainer sets, mounting clips, fasteners, sound-deadening pads, cut-out templates, and additional accessories such as rinsing baskets and bottom grids.

[24] Stainless steel sinks are commonly used in residential and non-residential installations including in kitchens, bathrooms, utility and laundry rooms. Stainless steel sinks sold in Canada are

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<sup>1</sup> Subsidy Exhibit S134 (NC)

required to be manufactured in accordance with *ASME A112.19.3-2008/CSA B45.4.08*<sup>2</sup>. However, the complainants believe it is possible that some of the subject goods from China do not meet these standards. Stainless steel sinks are available in a variety of shapes and configurations. They may have single or multiple bowls, and may be undermount, top mount, or designed as work tops.

[25] Stainless steel sinks are generally made from grades 301, 304 and 316 cold-rolled stainless steel sheet that is 16, 18 or 20 gauge. The subject goods may be made of additional stainless steel grades and thinner or thicker gauges. Indeed, the complaint states that 15 and 22 gauge stainless steel sinks and grade 202 and 416 stainless steel sinks from China have been observed in the Canadian market. Gauge refers to the nominal thickness of steel. Typically, the lower the number, the thicker the material (e.g. 16 gauge = 0.060 inches, 18 gauge = 0.046 inches, 20 gauge = 0.035 inches). Grade identifiers such as T302, T304 and T316 are American Iron and Steel Institute (AISI) designations for the chemical composition of stainless steel. Each designation has a specific chemical makeup that provides the steel with its unique properties (e.g. mechanical properties, weldability and corrosion resistance). Terms such as 18-8 and 18-10 are commonly used to describe the chemical composition of the stainless steel. The first number defines the nominal percentage of chromium in the steel and the second number defines the nominal percentage of nickel in the steel.

### **Production Process<sup>3</sup>**

[26] The process begins with sheets of stainless steel that are sheared into pieces, referred to as “blanks”. The blanks undergo a series of forming, shearing, welding and finishing operations.

[27] A sink bowl is formed through a combination of two forming operations: deep drawing and stretch-forming. In the first operation, the blanks are conveyed through mechanical or hydraulic presses that punch the blanks into rough sink shapes. For each different bowl shape, there is a unique punch and die set that is interchangeable with the press. At this stage, the depth and diameter of the bowl are slightly less than the required dimensions. The early stage forms are placed through further equipment that uses a re-draw process to stretch the sink bowl to its final depth.

[28] Following the stretch-forming step, the edges of the bowl are trimmed and a drain hole is punched. Hold-downs (metal clips) are then spot-welded to the sides of the sink bowl.

[29] In some cases, double and triple bowl sinks are made by taking single drawn bowls shearing them so that the ledges are straight, then tig-welding the ledges.

[30] At this stage, the bottom and sides of the sink bowl are buffed. The deck of the sink is also buffed to produce a mirror-type finish.

[31] A ring-form operation trims the sink to its final form and creates decorative edging. The sinks may be further buffed and washed following this operation. Sound dampening pads are then added to the sink and the finished sinks are packaged for market.

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<sup>2</sup> Manufacturing standard established by the American Society of Mechanical Engineers (ASME) and the Canadian Standards Association (CSA).

<sup>3</sup> Dumping Exhibit 2 (NC) - Complaint narrative, pages 10 and 11.

## **Classification of Imports**

[32] The subject goods are usually classified under Harmonized System (HS) classification code 7324.10.00.11.

[33] The subject goods may also be classified under the following HS classification codes:

7324.10.00.19

7324.10.00.21

7324.10.00.29

[34] The listing of HS codes is for convenience of reference only. The HS codes listed may include non-subject goods. Also, subject goods may fall under HS codes that are not listed. Refer to the product definition for authoritative details regarding the subject goods.

## **CANADIAN INDUSTRY**

[35] As previously stated, the complainants account for the major proportion of known domestic production of like goods. There are no other known producers of certain stainless steel sinks in Canada.

[36] Novanni is a privately held company which produces certain stainless steel sinks at its production facility located in Coldwater, Ontario. Novanni produces stainless steel sinks and strainers and is a distributor of stainless steel faucets and water coolers.

[37] FKC is a manufacturing company under Franke Holdings AG, with its production facility located in Midland, Ontario. FKC produces stainless steel sinks and distributes an extensive line of kitchen and bath sinkware.

## **IMPORTS INTO CANADA**

[38] During the preliminary phase of the investigations, the CBSA estimated imports of subject goods from China using its internal import entry documentation, along with information submitted by the complainants and data from Statistics Canada.

[39] The following table presents the CBSA's analysis of the volume of imports of certain stainless steel sinks for purposes of the preliminary determinations:

### ***Imports of Certain Stainless Steel Sinks (September 1, 2010 – August 31, 2011)***

<b>Imports into Canada</b>	<b>% of Total Imports</b>
China	84.7%
All Other Countries	15.3%
<b>Total Imports</b>	<b>100%</b>

## **INVESTIGATION PROCESS**

[40] Regarding the dumping investigation, information was requested from known and potential exporters, vendors and importers, concerning shipments of subject stainless steel sinks released into Canada during the dumping POI of September 1, 2010 to August 31, 2011.

[41] Regarding the subsidy investigation, information related to potential actionable subsidies was requested from known and potential exporters located in China, as well as the GOC concerning financial contributions made to exporters or producers of subject stainless steel sinks released into Canada during the subsidy POI of January 1, 2010 to August 31, 2011.

[42] After reviewing the exporters' responses to the RFIs, supplemental RFIs were sent to each of the responding exporters to clarify information submitted by the respective companies.

[43] Preliminary decisions are based on the information available to the President at the time of the preliminary determination(s). Any additional information provided in supplemental RFI responses will be taken into consideration during the final phase of the investigations.

[44] During the final phase of the dumping and subsidizing investigations, exporters in China may be verified on-site by CBSA officers. The results of these verifications will be taken into consideration for the President's final decisions.

## **DUMPING INVESTIGATION**

### **Normal Value**

[45] For purposes of a preliminary determination, normal values of goods sold to importers in Canada are generally estimated based on the domestic selling prices of like goods in the country of export or based on 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.

### **Export Price**

[46] The export price of goods sold to importers in Canada is generally estimated based on the lesser of the adjusted exporter's sale price for the goods or the adjusted importer's purchase price. These prices are adjusted, where necessary, by deducting the costs, charges, expenses, duties and taxes resulting from the exportation of the goods.

### **Summary of Preliminary Results of Dumping Investigation**

[47] The CBSA estimated a margin of dumping by comparing the estimated total normal value with the estimated total export price. When the total export price is less than the total normal value, the difference is the margin of dumping.

[48] The determination of the volume of dumped goods was calculated by taking into consideration each exporter's net aggregate dumping results. Where a given exporter has been



determined to be dumping on an overall or net basis, the total quantity of exports attributable to that exporter (i.e. 100%) is considered dumped. Similarly, where a given exporter's net aggregate dumping results are zero, then the total quantity of exports deemed to be dumped by that exporter is zero.

[49] In calculating the weighted average estimated margin of dumping for the country, the overall estimated margins of dumping found in respect of each exporter were weighted according to each exporter's volume of subject stainless steel sinks exported to Canada during the dumping POI.

[50] Based on the preceding, 100% of certain stainless steel sinks from China were dumped by an estimated weighted average margin of dumping of 45.2%, expressed as a percentage of the export price.

[51] Under subsection 35(1) of SIMA, the President is required to terminate an investigation prior to the preliminary determination if he is satisfied that the margin of dumping of the goods of a country is insignificant or that the volume of dumped goods of a country is negligible. Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% is defined as insignificant, whereas a volume of dumped goods from a country forming less than 3% of total imports is considered negligible.

[52] The estimated weighted average margins of dumping of certain stainless steel sinks from China is above 2% and is, therefore, not insignificant. As well, the volume of dumped goods from China is above 3%, and is, therefore, not negligible.

### **Preliminary Dumping Results by Exporter**

[53] Specific margin of dumping details relating to each of the exporters that provided a substantially complete response to the CBSA's dumping RFI are as follows:

#### Jiangmen New Star Hi-Tech Enterprise Ltd.

[54] Jiangmen New Star Hi-Tech Enterprise Ltd. (New Star) is a producer and exporter of certain stainless steel sinks to Canada. New Star also sells goods of the same general category in its domestic market.

[55] Normal values were estimated for all goods in accordance with the principles of paragraph 19(b) of SIMA, as an aggregate of the cost of production, selling and administrative expenses and an amount for profit. The cost of production was estimated in accordance with paragraph 11(1)(a) of the *Special Import Measures Regulations* (SIMR), based on the unverified cost data relating to the exported goods as provided by New Star. The amount for profit was estimated based on the profit earned on New Star's domestic sales of stainless steel sinks during the POI.

[56] Export prices were estimated in accordance with section 24 of SIMA based on the exporter's selling price of subject goods shipped to Canada during the dumping POI.

[57] The estimated total normal value was compared with the estimated total export price and the resulting estimated weighted average margin of dumping for New Star is 21.1%, expressed as a percentage of export price.

Guangzhou Komodo Kitchen Technology Co., Ltd.

[58] Guangzhou Komodo Kitchen Technology Co., Ltd. (Komodo) is an exporter of certain stainless steel sinks to Canada that does not sell like goods domestically. Komodo purchases finished stainless steel sinks from an unrelated producer, Zhongshan Xintian Hardware Co., Ltd. (ZXH) for export to Canada.

[59] Normal values were estimated for all goods in accordance with the principles of paragraph 19(b) of SIMA, as an aggregate of the cost of production, selling and administrative expenses and an amount for profit. The cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on the unverified cost data relating to the exported goods as provided by Komodo and ZXH. The amount for profit was estimated based on the weighted average profit taken from the domestic sales of other Chinese companies.

[60] Export prices were estimated in accordance with section 24 of SIMA based on the exporter's selling price of subject goods to Canada during the dumping POI.

[61] The total estimated normal value was compared with the total estimated export price and the resulting estimated weighted average margin of dumping for Komodo is 31.1%, expressed as a percentage of export price.

**All Other Exporters – Estimated Margin of Dumping**

[62] For the exporters which did not provide information in response to the CBSA's RFI, those that did not provide sufficient information, or those that provided a late response, the normal values and related margins of dumping were estimated using the highest amount by which the normal value exceeded the export price on an individual transaction (55%), expressed as a percentage of export price, as determined for an exporter with a complete submission.

**SUMMARY OF PRELIMINARY RESULTS – DUMPING**

**Period of Investigation - September 1, 2010 to August 31, 2011**

Country	Estimated Volume of Dumped Goods as Percentage of Country Imports	Estimated Weighted Average Margin of Dumping as Percentage of Country Imports	Volume of Country Imports as Percentage of Total Imports	Estimated Volume of Dumped Goods as Percentage of Total Imports
China	100%	45.2%	84.7%	84.7%

## SUBSIDY INVESTIGATION

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

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

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

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

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

[67] Notwithstanding that a subsidy is not specific in law, under subsection 2(7.3) of SIMA, a subsidy may also be considered specific when 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.

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

[69] Financial contributions provided by State-Owned Enterprises (SOEs) may also be considered to be provided by the GOC for purposes of this investigation. 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 some combination thereof.

[70] At initiation, the CBSA identified 86 potential subsidy programs in the following seven categories:

1. Special Economic Zones (SEZ) and other Designated Areas Incentives;
2. Grants;
3. Equity Programs;
4. Preferential Income Tax Programs;
5. Relief from Duties and Taxes on Materials and Machinery;
6. Reduction in Land Use Fees and Prices; and
7. Goods/Services Provided by the Government at Less than Fair Market Value.

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

### **Preliminary Phase of the Subsidy Investigation**

[72] In conducting its investigation, the CBSA sent a subsidy RFI to the GOC, as well as to potential exporters located in China that had been identified through internal CBSA documentation. Information was requested in order to establish whether there had been financial contributions made by any level of government including SOEs possessing, exercising or vested with government authority, and, if so, to establish if a benefit has been conferred on persons engaged in the production, manufacture, growth, processing, purchase, distribution, transportation, sale, export or import of certain stainless steel sinks; and whether any resulting subsidy was specific in nature. The GOC was also requested to forward the RFIs to all subordinate levels of government that had jurisdiction over the exporters. The exporters were requested to forward a portion of the RFI to their input suppliers, who were asked to respond to questions pertaining to their legal characterization as SOEs.

[73] The CBSA received substantially complete subsidy RFI responses from five exporters and one producer located in China. The remaining two exporter submissions were deemed to be

incomplete. One late submission was received past the deadline and will be considered for the final phase of the investigation. Responding companies have been requested to provide additional information to supplement or clarify their responses.

[74] The CBSA's review of the GOC's submissions indicated that a significant proportion of the information requested had not been provided. As a result, the CBSA has considered the GOC's response incomplete. The following list summarizes the information not provided:

- The GOC only provided limited information in respect of seven companies, one of which has not yet supplied a submission to the CBSA.
- The CBSA has received submissions from two additional exporters not identified by the GOC; therefore, the responses provided by the GOC are insufficient with respect to these companies.
- Statistical information requested on stainless steel sink enterprises was not provided.
- Requested information on the ownership status of the exporters and their suppliers was not provided.
- The requested amount of benefits conferred by industry or by company was not reported.
- Ten of the thirteen potential actionable subsidy programs identified through a review of the substantially complete submissions from responding exporters were not identified by the GOC.

[75] As a result, in a letter dated December 19, 2011, the CBSA advised the GOC that the information provided had been reviewed and was found to be incomplete.<sup>4</sup> A general outline of the submissions' shortcomings was also included. Should the GOC subsequently submit a complete response to the RFI in sufficient time to allow full analysis and verification of the information provided, the CBSA would endeavor to use this information for the final stage of the investigation.

[76] For the preliminary determination, the CBSA has estimated an amount of subsidy for each of the five exporters in China that submitted substantially complete responses to the subsidy RFI based on the information provided.

[77] A summary of the preliminary results is included below, whereas an outline of the findings for the named subsidy programs can be found in **Appendix 2**. It should be noted that while 86 programs were identified at initiation, the CBSA's analysis of the responding exporters' submissions resulted in the identification of an additional ten potentially actionable programs. Therefore, there are a total of 96 programs currently under investigation.

[78] During the final stage of the investigation, the identified potential subsidy programs will be further analyzed. In addition, any other potential subsidy programs that are subsequently identified may be considered for the purposes of the final determination.

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<sup>4</sup> Subsidy Exhibit 134 (NC)

## Summary of Preliminary Results of Subsidy Investigation

[79] The CBSA estimated an amount of subsidy for each of the five exporters that provided a substantially complete response to the subsidy RFI. For the purposes of the preliminary determination, the CBSA estimated the amount of subsidy for each exporter on the basis of the program(s) that the exporter reported it had benefitted from during the subsidy POI. In addition, the CBSA calculated an estimated amount of subsidy for Program 83: *Input Materials Provided by the Government at Less than Fair Market Value* which was deemed to have also conferred benefits to one of the responding exporters.

[80] Information received from the cooperative exporters indicates that they received benefits under one or more of the following 13 programs:

- 1) Program 55: Grant – Special Fund for Fostering Stable Growth of Foreign Trade.
- 2) Program 70: Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period Not Less Than 10 Years.
- 3) Program 83: Raw Materials Provided by the Government at Less than Fair Market Value.
- 4) Program 87: Local Government Deposits Funds into Bank Account
- 5) Program 88: Tax Preference Available to Companies that Operate at a Small Profit.
- 6) Program 89: Allowance to Pay Loan Interest.
- 7) Program 90: Supporting Fund for Non-refundable Export Tax Loss.
- 8) Program 91: International Market Fund for Export Companies.
- 9) Program 92: Export Development Fund.
- 10) Program 93: International Market Fund for Small and Medium Sized Export Companies.
- 11) Program 94: Payment by Local Government.
- 12) Program 95: Refund from Government for Participating in Trade Fair.
- 13) Program 96: Subsidy Receivable.

[81] Details regarding the estimated amounts of subsidy for each of the exporters that provided a substantially complete response to the subsidy RFI are provided in **Appendix 1**. The CBSA's estimated amounts of subsidy for these exporters range from 0.1% to 3.4%, expressed as a percentage of export price.

[82] For all other exporters, the amount of subsidy has been estimated based on:

- (i) the highest amount of subsidy (RMB per unit) estimated for each of the 13 actionable subsidy programs for the five cooperative exporters located in China; plus;
- (ii) the average of the subsidy amounts for the 13 actionable subsidy programs, applied to each of the remaining 83 actionable subsidy programs.

[83] As a result, the estimated amount of subsidy for all other exporters is 19.5%, expressed as a percentage of export price.

[84] The preliminary results indicate that 100% of the subject goods imported into Canada during the subsidy POI were subsidized. The estimated overall weighted average amount of subsidy is equal to 15.1% of the export price.

[85] For each exporter that provided a complete response to the CBSA's RFI, the respective estimated amount of subsidy will be applied to imports of subject goods during the provisional period. The amount of subsidy calculated for all other exporters, estimated to be 19.5% of the export price, is applicable to imports of subject goods from those exporters that did not respond to the RFI, or provided a late or an incomplete submission.

[86] Under subsection 35(1) of SIMA, if, at any time before the President makes a preliminary determination, the President is satisfied that 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 that country. Under subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the value of the goods is considered insignificant and a volume of subsidized goods of less than 3% of total imports is considered negligible, the same threshold for the volume of dumped goods.

[87] However, 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* when conducting a subsidy investigation. This provision stipulates that a countervailing duty investigation involving a product from a developing country should be terminated as soon as the authorities determine that the overall level of subsidies granted upon the product in question does not exceed 2% of its value calculated on a unit basis or the volume of subsidized imports represents less than 4% of the total imports of the like product in the importing Member's market.

[88] SIMA does not define or provide any guidance regarding the determination of a "developing country" for purposes of Article 27.10 of the *WTO Agreement on Subsidies and Countervailing Measures*. As an administrative alternative, the CBSA refers to the *Development Assistance Committee List of Official Development Assistance Recipients* (DAC List of ODA Recipients) for guidance.<sup>5</sup> As China is included in the listing, the CBSA will extend developing country status to China for purposes of this investigation. Therefore, the investigation will be terminated if the amount of subsidy does not exceed 2% of its value calculated on a per unit basis or if the volume of subsidized goods represents less than 4% of total imports of like goods.

[89] The following table illustrates that the estimated amount of subsidy respecting China is not insignificant, nor is the volume of subsidized goods negligible.

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<sup>5</sup> The Organization for Economic Co-operation and Development, DAC List of ODA Recipients as at October 2011. The document is available at [http://www.oecd.org/document/45/0,3746,en\\_2649\\_34447\\_2093101\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/45/0,3746,en_2649_34447_2093101_1_1_1_1,00.html)

## SUMMARY OF RESULTS – SUBSIDY

Period of Investigation - January 1, 2010 to August 31, 2011

Country	Estimated Volume of Subsidized Goods as Percentage of Country Imports	Estimated Weighted Average Amount of Subsidy*	Volume of Country Imports as Percentage of Total Imports	Estimated Volume of Subsidized Goods as Percentage of Total Imports
China	100%	15.1%	83.3%	83.3%

\* As percentage of export price

### DECISION

[90] Based on the information available to the President, on January 25, 2012, the President made preliminary determinations of dumping and subsidizing respecting certain stainless steel sinks originating in or exported from the People's Republic of China, pursuant to subsection 38(1) of SIMA.

### REPRESENTATIONS

#### **GOC Representations**

[91] At the time of the initiation of the investigations, interested persons were invited to file written submissions presenting facts, arguments and evidence relevant to the alleged dumping or subsidizing of subject goods.

[92] On January 11, 2012, the GOC submitted a representation addressing the completeness of its submission to the CBSA.<sup>6</sup> This representation was received subsequent to a letter of deficiency sent by the CBSA on December 19, 2011.<sup>7</sup>

#### ***Completeness of GOC Response to Subsidy RFI***

[93] The GOC contends that the information provided with respect to exporters/producers of subject goods reflects what it could reasonably compile within the time allotted for submitting its response. The GOC further states that it does not maintain a comprehensive database of the companies it has an ownership stake in, nor does it collect or retain records regarding subsidies provided to the exporters/producers identified by the CBSA at the initiation of the investigation. The GOC claims the information simply does not exist. On this basis, the GOC did not provide this

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<sup>6</sup> Subsidy Exhibit 152 (NC)

<sup>7</sup> Subsidy Exhibit 134 (NC)



information, nor did it provide additional statistical details requested regarding these exporters/producers. In addition, the GOC declined to provide data from China Customs. The GOC submits that the information requested by the CBSA is unreasonable and excessive.

[94] The GOC submits that its response cannot be considered incomplete if it has provided all of the information that is available or that it is aware of, or if the information requested does not exist.

### **CBSA Response**

[95] The CBSA has maintained throughout the subsidy investigation that it requires information from the GOC pertaining to all of the exporters/producers in China identified at the time of initiation. At the initiation of the investigation, an electronic copy of the RFI was hand-delivered to the Chinese Embassy, allowing the GOC a full 39 days to respond. The RFI provided the GOC with a listing of all potential exporters of stainless steel sinks, including their contact information. Therefore, the GOC had sufficient time to gather the requested information.

[96] Regarding the GOC's position that it does not maintain a database of the companies in which it has an ownership stake, the CBSA submits that a portion of the GOC's submission indicates this information is available, while a further portion states that the information does not exist. As a result, the GOC's response regarding its ownership of companies concerned in these investigations remains incomplete. Moreover, regarding the CBSA's request for Chinese Customs data, the CBSA maintains that since this information was not provided, determinations will be based on the best available information.

[97] As the GOC's submission currently stands, the information provided is incomplete. Should the GOC subsequently submit a complete response to the RFI in sufficient time to allow full analysis and verification of the information provided, the CBSA would endeavour to use this information for the final stage of the investigation.

### **REQUESTS FOR DEADLINE EXTENSIONS**

#### **GOC**

[98] On November 2, 2011, counsel for the GOC requested an extension to the deadline to respond to the subsidy RFI stating that the number of investigations in Canada and the U.S. running concurrently has placed an unprecedented demand on the scarce resources of Ministry of Commerce, the GOC agency responsible for handling trade actions against China. In addition, counsel argued that the demand placed on the GOC with respect to the stainless steel sinks case, in which it has to contact 199 potential exporters, is a time-consuming exercise.

[99] On November 4, 2011, the CBSA denied the GOC's request for an extension despite the arguments it presented. The CBSA maintains that the conditions outlined remain normal business activities and therefore, do not constitute unforeseen circumstances or unusual burdens justifying the granting of an extension of time. In addition, an electronic copy of the RFI was hand-delivered to the Chinese Embassy on the date of initiation, allowing the respondent a full 39 days to respond.

## **Exporters**

[100] Requests were received from various exporters regarding extension to the deadline to respond to the CBSA's dumping and subsidy RFIs. The CBSA accorded due consideration to each request, but did not grant any extensions as the reasons provided did not constitute unforeseen circumstances or unusual burdens to justify granting an extension of time.

## **PROVISIONAL DUTY**

[101] Pursuant to subsection 8(1) of SIMA, provisional duties, payable by the importer in Canada, will be applied to dumped and subsidized subject stainless steel sinks that are released during the provisional period commencing on the day the preliminary determinations are made, and ending on the earlier of the day on which the President causes the investigations to be terminated pursuant to subsection 41(1) or the day on which the Tribunal makes an order or finding. The imposition of provisional duties is needed to prevent the injury which, as per the Tribunal's preliminary determination, was caused by the dumping and subsidizing of subject stainless steel sinks.

[102] Provisional countervailing duty is based on the estimated amount of subsidy and is expressed as a percentage of export price of the goods. Provisional anti-dumping duty is based on the estimated margin of dumping, also expressed as a percentage of the export price of the goods.

**Appendix 1** contains the estimated margins of dumping, estimated amounts of subsidy, and the rates of provisional duties, payable on subject goods released from the CBSA on and after January 25, 2012.

[103] Importers are required to pay provisional duties in cash or by certified cheque. Alternatively, they may post security equal to the amount payable. Importers should contact their CBSA regional customs office if they require further information on the payment of provisional duty or the posting of security. If the importers of such goods do not indicate the required SIMA code or do not correctly describe the goods in the import documents, an administrative monetary penalty could be imposed. The imported goods are also subject to the *Customs Act*. As a result, failure to pay duties within the specified time will result in the application of the provisions of the *Customs Act* regarding interest.

## **FUTURE ACTION**

### **The Canada Border Services Agency**

[104] The CBSA will continue its investigations of the dumping and subsidizing and the President will make final decisions by April 24, 2012.

[105] If the President is satisfied that the goods were dumped and/or subsidized, and that the margin of dumping or amount of subsidy is not insignificant, final determinations will be made. Otherwise, the President will terminate the investigations and any provisional duties paid, or security posted, will be returned to importers.

## **The Canadian International Trade Tribunal**

[106] The Tribunal has begun its full inquiry into the question of injury to the Canadian industry. The Tribunal is expected to issue its finding by May 24, 2012.

[107] If the Tribunal finds that the dumping has not caused injury, retardation, or is not threatening to cause injury, the proceedings will be terminated and all provisional anti-dumping duties collected, or security posted, will be returned.

[108] If the Tribunal makes a finding that the dumping has caused injury, retardation or is threatening to cause injury, anti-dumping duties in an amount equal to the margin of dumping will be levied, collected and paid on imports of subject stainless steel sinks.

[109] If the Tribunal finds that the subsidizing has not caused injury, retardation or is not threatening to cause injury, the proceedings will be terminated and all provisional countervailing duties collected, or security posted, will be returned.

[110] If the Tribunal makes a finding that the subsidizing has caused injury, retardation or is threatening to cause injury, countervailing duties in the amount equal to the amount of subsidy on the imported goods will be levied, collected and paid on imports of subject stainless steel sinks.

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

### **RETROACTIVE DUTY ON MASSIVE IMPORTATIONS**

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

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

## **UNDERTAKINGS**

[114] After a preliminary determination of dumping, exporters may give a written undertaking to revise selling prices to Canada so that the margin of dumping or the injury caused by the dumping is eliminated. Similarly, after a preliminary determination of subsidizing, the government of a country may give a written undertaking to eliminate the subsidy on the goods or to eliminate the injurious effect of the subsidy by limiting the amount of the subsidy or the quantity of goods exported to Canada. Exporters, with the consent of their government, may also undertake to revise their selling prices so that the injurious effect of the subsidy is eliminated.

[115] Acceptable undertakings must account for all, or substantially all, of the exports to Canada of the dumped and subsidized goods. In the event that an undertaking is accepted, the required payment of provisional duty on the goods would be suspended.

[116] In view of the time needed for consideration of undertakings, written undertaking proposals should be made as early as possible, and no later than 60 days after the preliminary determinations of dumping and subsidizing. Further details regarding undertakings can be found in the CBSA's Memorandum D14-1-9, available online at:  
[www.cbsa-asfc.gc.ca/publications/dm-md/d14/d14-1-9-eng.html](http://www.cbsa-asfc.gc.ca/publications/dm-md/d14/d14-1-9-eng.html).

[117] SIMA allows all interested parties to make representations concerning any undertaking proposals. The CBSA will maintain a list of interested parties and will notify them should an undertaking proposal be received. Persons wishing to be notified must provide their name, address, telephone, fax, or email address, to one of the officers listed below. Interested parties may also consult the CBSA website noted below for information on undertakings offered in this investigation. A notice will be posted on the CBSA website when an undertaking proposal is received. Interested parties have nine days from the date the undertaking offer is received to make representations.

## **PUBLICATION**

[118] A notice of these preliminary determinations of dumping and subsidizing will be published in the *Canada Gazette* pursuant to paragraph 38(3)(a) of SIMA.

## INFORMATION

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

Mail	SIMA Registry and Disclosure Unit Anti-dumping and Countervailing Directorate Canada Border Services Agency 100 Metcalfe Street, 11th Floor Ottawa, Ontario, Canada K1A 0L8	
Telephone	Danielle Newman	613-952-1963
	Nalong Manivong	613-960-6096
Fax	613-948-4844	
Email	<a href="mailto:SIMARegistry@cbsa-asfc.gc.ca">SIMARegistry@cbsa-asfc.gc.ca</a>	
Web site	<a href="http://www.cbsa-asfc.gc.ca/sima-lmsi">www.cbsa-asfc.gc.ca/sima-lmsi</a>	



Daniel Giasson  
Director General  
Anti-dumping and Countervailing Directorate

Attachments

**APPENDIX 1 – SUMMARY OF ESTIMATED MARGINS OF DUMPING,  
ESTIMATED AMOUNT OF SUBSIDY AND PROVISIONAL DUTIES PAYABLE**

<b>Exporter</b>	<b>Estimated Margin of Dumping*</b>	<b>Estimated Amount of Subsidy*</b>	<b>Total Provisional Duties Payable*</b>
Jiangmen New Star Hi-Tech Enterprise Ltd.	21.1%	0.13%	21.2%
Guangzhou Komodo Kitchen Technology Co., Ltd.	31.1%	3.44%	34.5%
Zhongshan Superte Kitchenware Co., Ltd.	55%	0.07%	55.1%
Guangdong Dongyuan Kitchenware Industrial Co., Ltd.	55%	0.1%	55.1%
Guangdong Yingao Kitchen Utensils Co., Ltd.	55%	0.9%	55.9%
Jiangxi Zoje Kitchen and Bath Industry Co., Ltd.	55%	19.5%	74.5%
Bonke Kitchen & Sanitary Industrial Co., Ltd.	55%	19.5%	74.5%
Gacor Kitchenware (Ningbo) Co., Ltd.	55%	19.5%	74.5%
<b>All Other Exporters of Subject Goods Originating in or Exported from China</b>	<b>55%</b>	<b>19.5%</b>	<b>74.5%</b>

\*As a percentage of export price.

## **APPENDIX 2 - SUMMARY OF PRELIMINARY FINDINGS FOR SUBSIDY PROGRAMS IDENTIFIED**

The CBSA's review of the GOC's response to the subsidy RFI indicated that sufficient information had not been provided to determine whether or not all the programs that were used by the responding exporters constituted actionable subsidies, or to estimate the amount of subsidy on a program basis. This would normally prevent the CBSA from estimating specific amounts of subsidy for the responding exporters and result in the use of other available information. However, in recognition of the amount of cooperation and the volume of information provided by the responding exporters, the CBSA has estimated an amount of subsidy for responding exporters based on the information provided in their responses to the subsidy RFI.

This appendix consists of descriptions of the 13 potentially actionable subsidy programs used by responding exporters in the current investigation, followed by a listing of the other potentially actionable subsidy programs identified by the CBSA.

### **POTENTIALLY ACTIONABLE SUBSIDY PROGRAMS USED BY RESPONDING EXPORTERS IN THE CURRENT INVESTIGATION**

Without a complete response to the subsidy RFI from the GOC, the CBSA has used the best information available to describe the potentially actionable subsidy programs used by the responding exporters in the current investigation. This includes using information obtained from CBSA research on potential subsidy programs in China, available information provided by the GOC, information provided by responding exporters, and descriptions of programs that the CBSA has previously publicly published in recent Statements of Reasons relating to subsidy investigations involving China.

#### **Program 55: Grant – Special Fund for Fostering Stable Growth of Foreign Trade**

This program was established in 2009 and was valid for one year to help exporters survive the financial and economic crises in the world market. This program provided benefits in the form of marketing assistance. The granting authorities responsible for this program are the Department of Finance and the Department of Foreign Trade and Economic Cooperation of Guangdong Province. This program is implemented by the Municipal Bureau of Foreign Trade and Economic Cooperation and the Bureau of Finance.

On the basis of available information, it has been determined that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA, i.e. a practice of government that involves a direct transfer of funds, and confers a benefit to the recipient equal to the amount of the grant provided.

#### **Program 70: Reduced Tax Rate for Productive FIEs Scheduled to Operate for a Period Not Less Than 10 Years**

This program was established in the *Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise*, which was promulgated on

April 9, 1991, and came into effect on July 1, 1991. This program was established in order to encourage foreign investment. The granting authority responsible for this program is the State Administration of Taxation and is administered by local tax authorities.

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

**Program 83: Raw Materials Provided by the Government at Less than Fair Market Value**

This program relates to the acquisition cost of major raw materials from SOEs subsequently used in the production of finished subject goods. With respect to the current subsidy investigation, the raw material is cold-rolled stainless steel sheet which is by far the single-most significant input material for the production of stainless steel sinks and accounts for approximately 45% to 80% of the total cost of production of the subject goods.

When exporters or producers of subject goods acquire raw materials (in this case cold-rolled stainless steel sheet) at less than fair market value from SOEs and those SOEs are considered to be possessing, exercising, or vested with governmental authority, a subsidy may be found to exist equal to the difference between the fair market value of the goods and the price at which the goods were provided by the SOE. For the purposes of this investigation, there are three key concepts to this analysis. First, did the exporters or producers of subject goods to Canada acquire raw materials from SOEs? Second, are the SOEs that supplied these raw materials considered to be possessing, exercising, or vested with governmental authority? Third, what is the fair market value of the goods provided by the SOEs?

In terms of the first key concept, cooperative exporters indicated that they purchased cold-rolled stainless steel sheet from SOEs. While several exporters have stated that they have purchased from non-SOEs, certain other exporters stated they were unable to ascertain the ownership status of their suppliers. The GOC did not provide complete information in its submission with respect to the identity of producers and suppliers of cold-rolled stainless steel sheet or the ownership status of producers and suppliers of cold-rolled stainless steel sheet. Based on the information provided by the exporters and without complete information from the GOC, the CBSA finds that the prevalence of SOEs has significant influence in the cold-rolled stainless steel sheet sector in China, and that exporters of subject goods to Canada acquired cold-rolled stainless steel sheet from Chinese SOEs.

In terms of the second key concept, due to the incomplete status of the GOC response and the limited information available regarding state-owned raw material suppliers, the CBSA has not been able to perform the in-depth level of analysis necessary to determine whether the SOEs that provided cold-rolled stainless steel sheet to the exporters or producers of subject goods are considered to be possessing, exercising, or vested with governmental authority. Notwithstanding, the CBSA will attempt to obtain further evidence in this regard during the final stage of the investigation.

The third key concept is the determination of the fair market value of the goods being provided by the SOEs. In past CBSA investigations involving China, the CBSA has determined that the Chinese



steel industry is heavily dominated by SOEs. Of particular interest to this investigation is the CBSA's determination in the re-investigation of *Certain Steel Plate* (concluded on July 16, 2010), that domestic prices in the Chinese flat-rolled steel sheet sector were substantially determined by the GOC and that there was sufficient reason to believe that they were not substantially the same as they would be if they were determined in a competitive market. The Chinese flat-rolled steel sector includes the cold-rolled stainless steel sheet used in the production of stainless steel sinks. Accordingly, for the purposes of the preliminary determination, the CBSA has deemed that the domestic selling prices for cold-rolled stainless steel sheet in China are not appropriate for the purposes of determining the fair market value of these goods.

In the absence of appropriate domestic benchmark prices of cold-rolled stainless steel sheet in China and since none of the cooperative exporters reported acquiring cold-rolled stainless steel sheet from sources outside China, the CBSA determined that the adjusted monthly world composite 304 stainless steel prices reported by MEPS (International) LTD are most appropriate for purposes of establishing the fair market value of cold-rolled stainless steel sheet in China.

Based on the information available, the raw material inputs that are provided by SOEs constitute a financial contribution pursuant 2(1.6)(c) of SIMA (i.e. the government provides goods other than general governmental infrastructure) and confers a benefit to the recipient equal to the difference between the fair market value of the goods and the price at which the goods were provided by the SOE.

**Program 87: Local Government Deposits Funds into Bank Account**

During the POI, one of the responding exporters reported having received payments into its bank account from the local government. The exporter did not apply for these payments and therefore, does not possess any information about the programs.

On the basis of available information, it has been determined that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA, i.e. a practice of government that involves a direct transfer of funds and confers a benefit to the recipient equal to the amount of the grant provided.

**Program 88: Tax Preference Available to Companies that Operate at a Small Profit.**

This program was established in the *Law of the People's Republic of China on Enterprise Income Tax (2007)* and came into effect on January 1, 2008. This program was established in order to reduce the burden of enterprises making little profits and to maintain job opportunities. The granting authority responsible for this program is the Ministry of Finance and the State Administration of Taxation. It is administered by local tax authorities.

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

**Program 89: Allowance to Pay Loan Interest**

During the POI, one of the responding exporters reported having received an allowance from the local government to support small and medium size business. According to the exporter, the program came into operation in 2010. The funds are provided to help reduce interest payments on commercial bank loans. The program was provided and administered by the Economic and Trade office of Huangpu government in Zhongshan City, Guangdong Province. The granting authority is the Zhongshan Municipal government.

On the basis of available information, it has been determined that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA, i.e. a practice of government that involves a direct transfer of funds, and confers a benefit to the recipient equal to the amount of the grant provided.

**Program 90: Supporting fund for non-refundable export tax loss**

**Program 91: International market fund for export companies**

**Program 92: Export Development Fund**

**Program 93: International market fund for small and medium sized export companies**

During the POI, one of the responding exporters reported having received funds from the local government under these programs. However, the exporter did not have any detailed information regarding these four subsidy programs. These programs were granted in order to provide support for companies affected by the financial crisis. These programs are administered by the Finance Bureau of Jianghai District, Jiangmen City, Guangdong Province.

On the basis of available information, it has been determined that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA, i.e. a practice of government that involves a direct transfer of funds, and confers a benefit to the recipient equal to the amount of the grant provided.

**Program 94: Payment by Local Government**

During the POI, one of the responding exporters reported having received payments into its bank account from the local government. The exporter did not apply for these payments and therefore does not possess any information about the programs.

On the basis of available information, it has been determined that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA, i.e. a practice of government that involves a direct transfer of funds, and confers a benefit to the recipient equal to the amount of the grant provided.

### **Program 95: Refund from Government for Participating in Trade Fair**

During the POI, one of the responding exporters reported having received a refund for participating in the Canton Trade Fair. The granting authority is the Foshan Shunde Economic Promotion Bureau.

On the basis of available information, it has been determined that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA, i.e. a practice of government that involves a direct transfer of funds, and confers a benefit to the recipient equal to the amount of the grant provided.

### **Program 96: Subsidy Receivable**

Upon review of responding exporter subsidy submissions, the CBSA identified amounts in the subsidy accounts receivable of one exporter's financial statements. These amounts were not declared by the exporter. As such, for purposes of the Preliminary Determination, the CBSA deemed these amounts as potentially actionable subsidy programs. A supplemental RFI has been sent to the exporter for further examination.

On the basis of available information, it has been determined that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA, i.e. a practice of government that involves a direct transfer of funds, and confers a benefit to the recipient equal to the amount of the grant provided.

## **OTHER POTENTIALLY ACTIONABLE SUBSIDY PROGRAMS**

The following programs are included in the current investigation. Questions concerning these programs were included in the RFIs sent to the GOC and to all known exporters of the subject goods in China. None of the responding exporters reported using these programs during the subsidy POI. Without a complete response to the subsidy RFI from the GOC, the CBSA does not have sufficient information to determine that any of these programs do not constitute actionable subsidy programs. In other words, the CBSA does not have sufficient information to determine that any of these programs should be removed from the investigation. The CBSA will continue to investigate these programs in the final stage of the investigation.

### ***I. Special Economic Zones (SEZ) and Other Designated Areas Incentives***

- Program 1: Preferential Tax Policies for Enterprises with Foreign Investment (FIEs) Established in Special Economic Zones (excluding Shanghai Pudong Area)
- Program 2: Preferential Tax Policies for FIEs Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones
- Program 3: Preferential Tax Policies for FIEs Established in the Pudong Area of Shanghai
- Program 4: Preferential Tax Policies in the Western Regions
- Program 5: Corporate Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 6: Local Income Tax Exemption and/or Reduction in SEZs and other Designated Areas

- Program 7: Exemption/Reduction of Special Land Tax and Land Use Fees in SEZs and Other Designated Areas
- Program 8: Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and other Designated Areas
- Program 9: Income Tax Refund where Profits Re-invested in SEZs and other Designated Areas
- Program 10: Preferential Costs of Services and/or Goods Provided by Government or State-owned Enterprises (SOEs) in SEZs and Other Designated Areas
- Program 11: VAT Exemptions for the Central Region

## ***II. Grants***

- Program 12: The State Key Technology Renovation Projects
- Program 13: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments
- Program 14: Repaying Foreign Currency Loan by Returned VAT
- Program 15: Government Export Subsidy and Product Innovation Subsidy
- Program 16: Export Assistance Grant
- Program 17: Research & Development (R&D) Assistance Grant
- Program 18: Innovative Experimental Enterprise Grant
- Program 19: Superstar Enterprise Grant
- Program 20: Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” or “Famous Brands of China”
- Program 21: Export Brand Development Fund
- Program 22: Provincial Scientific Development Plan Fund
- Program 23: Technical Renovation Loan Interest Discount Fund
- Program 24: Venture Investment Fund of Hi-Tech Industry
- Program 25: National Innovation Fund for Technology Based Firms
- Program 26: Guangdong – Hong Kong Technology Cooperation Funding Scheme
- Program 27: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 28: Innovative Small and Medium-Sized Enterprise Grants
- Program 29: Product Quality Grant
- Program 30: 2009 Energy-saving Fund
- Program 31: Energy-Saving Technique Special Fund
- Program 32: Grants to Privately-Owned Export Enterprises
- Program 33: Grants for Export Activities
- Program 34: Grants for International Certification
- Program 35: Emission Reduction and Energy-saving Award
- Program 36: Grant for Market Promotion and Trade Development
- Program 37: Refund of Land Transfer Fee
- Program 38: Grant – Assistance for Exhibition Booth Fees
- Program 39: Grant – Patent Application Assistance
- Program 40: Grant – State Service Industry Development Fund
- Program 41: Grant – Changzhou Five Major Industries Development Special Fund
- Program 42: Grant – Ecological Garden Enterprise Reward
- Program 43: Grant – Municipal Construction Reward

- Program 44: Grant – Cleaning-production Qualified Enterprise Reward
- Program 45: Grant – Provisional Industry Promotion Special Fund
- Program 46: Grant – Jiangsu Province Finance Supporting Fund
- Program 47: Grant – Guaranteed Growth Fund
- Program 48: Grant - Water Pollution Control Special Fund for Taihu Lake
- Program 49: Grant – Provincial Foreign Economy and Trade Development Special Fund
- Program 50: Grant – Subsidy from Water Saving Office
- Program 51: Grant – Insurance Expense Compensation
- Program 52: Grant – Industrial Science and Technology Breakthrough Special Fund
- Program 53: Grant – Special Supporting Fund for Commercialization of Technological Innovation and Research Findings
- Program 54: Grant – Changzhou City Key Supporting Industry Upgrading Special Fund
- Program 56: Grant – Financial Subsidies from Wei Hai City Gao Cun Town Government
- Program 57: Grant – Policy on Value-added Tax for Recyclable Resources
- Program 58: Grant – Large Taxpayer Award
- Program 59: Grant – Resources Conservation and Environment Protection Grant
- Program 60: Grant – Wendeng Government (Shandong)
- Program 61: Jiangdu City Industrial Economy Performance Award (Jiangsu)
- Program 62: Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)
- Program 63: Changzhou Technology Plan (Jiangsu)
- Program 64: Supportive Fund Provided by the Government of Xuyi County, Jiangsu
- Program 65: Enterprise Innovation Award of Qishuyan District (Jiangsu)
- Program 66: Environment Protection Award (Jiangsu)
- Program 67: Enterprise Technology Centers

### ***III. Equity Programs***

- Program 68: Debt-to-Equity Swaps
- Program 69: Exemptions for SOEs from Distributing Dividends to the State

### ***IV. Preferential Loan Programs***

N/A

### ***V. Preferential Income Tax Programs***

- Program 71: Preferential Tax Policies for Foreign Invested Export Enterprises
- Program 72: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
- Program 73: Preferential Tax Policies for the Research and Development of FIEs
- Program 74: 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 Equipments
- Program 75: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipments for Technology Upgrading Purpose
- Program 76: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors

- Program 77: VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps  
Program 78: Corporate Income Tax Reduction for New High-Technology Enterprises

**VI. *Relief from Duties and Taxes on Materials and Machinery***

- Program 79: Exemption of Tariff and Import VAT for the Imported Technologies and Equipment  
Program 80: Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs

**VII. *Reduction in Land Use Fees and Prices***

- Program 81: Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices  
Program 82: Deed Tax Exemptions for Land Transferred through Merger or Restructuring

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

- Program 84: Utilities Provided by Government at Less than Fair Market Value  
Program 85: Acquisition of Government Assets at Less than Fair Market Value  
Program 86: Coke Provided by Government at Less than Fair Market Value