



OTTAWA, December 15, 2016

## STATEMENT OF REASONS

**Concerning an expiry review determination under  
paragraph 76.03(7)(a) of the *Special Import Measures Act*  
respecting**

**Certain Pup Joints originating in or exported from  
the People's Republic of China**

## DECISION

On November 30, 2016, pursuant to paragraph 76.03(7)(a) of the *Special Import Measures Act*, the Canada Border Services Agency determined that the expiry of the finding made by the Canadian International Trade Tribunal on April 10, 2012, in Inquiry No. NQ-2011-001:

- i. is likely to result in the continuation or resumption of dumping of certain pup joints originating in or exported from the People's Republic of China; and
- ii. is likely to result in the continuation or resumption of subsidizing of certain pup joints originating in or exported from the People's Republic of China.

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

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## SUMMARY

[1] On August 2, 2016, the Canadian International Trade Tribunal (CITT), pursuant to subsection 76.03(3) of the *Special Import Measures Act* (SIMA), initiated an expiry review of its finding made on April 10, 2012 in Inquiry No. NQ-2011-001 concerning the dumping and subsidizing of certain pup joints originating in or exported from the People's Republic of China (China).

[2] As a result of the CITT's notice, on August 3, 2016, the Canada Border Services Agency (CBSA) commenced an investigation to determine, pursuant to paragraph 76.03(7)(a) of SIMA, whether the expiry of the finding is likely to result in the continuation or resumption of dumping and/or subsidizing of the goods.

[3] Responses to the Canadian Producer Expiry Review Questionnaire (ERQ) were received from Dover Canada ULC – Alberta Oil Tool Division (AOT)<sup>1</sup> and Tenaris Canada.<sup>2</sup> In addition to responding to the ERQ, AOT submitted supplementary information prior to the closing of the record and also filed a case brief.<sup>3</sup>

[4] The ERQ response and the case brief submitted by AOT, as well as the ERQ response from Tenaris Canada, included information supporting their position that continued or resumed dumping and subsidizing of pup joints from China is likely should the CITT rescind its finding.

[5] The CBSA received a response to the Exporter ERQ from Hengshui Weijia Petroleum Equipment Manufacturing Co., Ltd. (Weijia)<sup>4</sup> and a response to its Importer ERQ from WestCan Oilfield Supply Ltd. (WestCan).<sup>5</sup> It should be noted that Weijia and WestCan are related to each other. WestCan has a 49% ownership share in Weijia and is the Canadian distributor of pup joints manufactured by Weijia.

[6] Both WestCan and Weijia provided case briefs<sup>6</sup> supporting their position that continued or resumed dumping and subsidizing of pup joints from China is likely if the CITT's finding were to expire. No other exporters or importers submitted case briefs or reply submissions.

[7] The CBSA did not receive a response to the ERQ from the government of China (GOC) nor did it receive a case brief from the GOC.

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<sup>1</sup> Exhibits 18 (PRO), 19 (NC) and 32 (PRO) – Response and amended response to Canadian Producer ERQ – Dover Corporation/Alberta Oil Tool (AOT).

<sup>2</sup> Exhibits 30 (PRO), 33 (NC), 34 (PRO) and 35 (NC) – Response to Canadian Producer ERQ – Tenaris Canada.

<sup>3</sup> Exhibits 36 (PRO) and 37 (NC) – Reference material from AOT and Exhibits 52 (PRO), 53 (NC) and 54 (NC) – Case brief and revised case brief – AOT.

<sup>4</sup> Exhibits 22 (NC), 23 (PRO), 28 (PRO) and 29 (NC) – Response and revised response to Exporter ERQ – Hengshui Weijia Petroleum Equipment Manufacturing Co. Ltd. (Weijia).

<sup>5</sup> Exhibits 21 (NC), 24 (PRO) and 25 (NC) – Response to Importer ERQ – WestCan Oilfield Supply Ltd. (WestCan).

<sup>6</sup> Exhibits 51 (NC) and 50 (NC) – Case briefs – WestCan and Weijia.

[8] Analysis of information on the record indicates that pup joint producers in China have large production capabilities but are faced with a softening in domestic demand for these goods; anti-dumping measures have been imposed by other countries on the same or closely-related tubular products from China; and exporters from China have not, with the exception of one, demonstrated an ability to compete in Canada at non-dumped prices.

[9] Analysis of information on the record also indicates that exporters in China have continued to avail themselves of subsidy programs; exporters benefit from the GOC's provision of subsidies to manufacturers in the steel sector; and the same or closely-related tubular products from China are also subject to countervailing measures in Canada and in other jurisdictions.

[10] For the forgoing reasons, the CBSA, having considered the information on the record, determined on November 30, 2016, under paragraph 76.03(7)(a) of SIMA that:

- i. the expiry of the finding in respect of the dumping of certain pup joints originating in or exported from China is likely to result in the continuation or resumption of dumping of the goods into Canada; and
- ii. the expiry of the finding in respect of the subsidizing of certain pup joints originating in or exported from China is likely to result in the continuation of subsidizing of the goods exported to Canada.

## **BACKGROUND**

[11] On September 12, 2011, following a complaint filed by AOT, the CBSA initiated investigations respecting the dumping and subsidizing of certain pup joints originating in or exported from China.

[12] On March 12, 2012, the CBSA made final determinations of dumping and subsidizing in respect of certain pup joints from China. On April 10, 2012, an injury finding was issued by the CITT.

[13] On December 14, 2015, the CBSA concluded a re-investigation to update the normal values, export prices, and amounts of subsidy of certain pup joints, oil country tubular goods (OCTG) and seamless casing, originating in or exported from China.

[14] On June 13, 2016, pursuant to subsection 76.03(2) of SIMA, the CITT issued a notice concerning the expiry of its finding, which is scheduled to expire on April 9, 2017. Based on the information filed during the expiry process, the CITT decided that a review of the finding was warranted.

[15] On August 2, 2016, the CITT initiated an expiry review of its finding pursuant to subsection 76.03(3) of SIMA.

[16] On August 3, 2016, the CBSA commenced an expiry review investigation to determine whether the expiry of the finding is likely to result in continued or resumed dumping and/or subsidizing of the goods from China.

### **PRODUCT DEFINITION**

[17] The goods subject to this expiry review are defined as:

Oil country tubular goods pup joints made of carbon or alloy steel, welded or seamless, heat-treated or not heat-treated, regardless of end finish, having an outside diameter from 2 ¾ inches to 4 ½ inches (60.3 mm to 114.3 mm), in all grades, in lengths from 2 feet to 12 feet (61 cm to 366 cm), excluding casing pup joints, originating in or exported from the People's Republic of China.

### **Additional Product Information**

[18] Pup joints are tubular steel products that fall within the larger product category of OCTG. Pup joints, along with other OCTG products such as casing, tubing and drill pipe, are used in the process of drilling for oil and natural gas and in bringing the oil and gas to the surface.

[19] Pup joints, which are in essence short pieces of casing or tubing, are used for the purpose of adjusting the length of a string of casing or tubing in a well to its exact requirements. They may also be used to adjust the depth of down hole tools, particularly where exact depth readings in a well are required for any given purpose, such as setting valves, packers, nipples or circulating sleeves. Lastly, pup joints are used with down hole pumps. The number and lengths of pup joints needed will vary from well to well, depending on the equipment needed and the performance requirements established by the engineers.

[20] Pup joints are supplied to meet American Petroleum Institute (API) specification 5CT or equivalent standards.<sup>7</sup> Although these goods may be produced in either a welded or seamless form, seamless pup joints are the product of choice in the industry. Pup joint manufacturers offer the product in lengths anywhere from 2 feet to 20 feet but pup joints are typically manufactured and sold in standard lengths of 2, 3, 4, 6, 8, 10 and 12 feet.

[21] Only tubing pup joints are subject goods; casing pup joints were excluded from the CITT's finding and are specifically referred to in the product definition as being excluded.

[22] It should be noted that perforated pup joints are subject goods. These are pup joints with rows of holes or slots drilled longitudinally along the tube. Although the input tubing begins as an API 5CT product, once it is perforated it no longer conforms to the API 5CT specification because it no longer meets the yield strength requirements. Perforated pup joints are employed to allow fluids to enter the production tubing or, alternatively, to create a mud anchor.

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<sup>7</sup> Perforated pup joints are an exception as they do not meet API 5CT.

## **Production Process**

[23] Tubing pup joints are manufactured using either oil country tubing or mechanical tubing products as inputs. The input tubing is made from carbon or alloy steel, is either seamless or welded, and is produced with the appropriate steel chemistry to satisfy API specification 5CT or an equivalent standard. After the tubing is cut to the desired length it is finished and tested in accordance with the specifications required. In terms of finishing operations, pup joints may be made with either non-upset ends (NUE) or external upset ends (EUE). For pup joints manufactured with upset ends the process typically involves heating the ends of the tubing in a furnace to make it more malleable and then inserting the ends in an upsetter where the steel is butted or compressed (i.e., upset) with great force. The resulting EUE pup joint will have uniform thickness throughout the body but slightly greater thickness at the ends. Upsetting is employed to add wall thickness at the ends of the pup joints prior to threading.

[24] Threading is another finishing operation that may be performed on NUE and EUE pup joints. For this process, a pipe threading lathe, or threader, is employed to cut threads in both ends of the pup joint according to the threading specifications set out for the product. Pup joints that have not been threaded are referred to as 'plain end'. Pup joints may be sold plain end but these products are unusable in the oil field because, without the threading, these goods cannot be connected to any other OCTG product. As such, pup joints that are purchased in plain end form typically will be brought to a service centre to be threaded according to API specifications or, alternatively, to have specialized threading operations performed (i.e., premium connection).

[25] The last operations performed on pup joints is testing and labelling. Testing includes both drift testing, which assesses the straightness within the hollow part of the tube, and hydrostatic testing, which assesses the pup joint's ability to withstand internal pressure. Labelling is simply stencil marking or stamp marking the pup joint with pertinent information such as the name of the manufacturer, diameter size, weight, grade, etc.

## **CLASSIFICATION OF IMPORTS**

[26] Pup joints are normally imported into Canada under the following Harmonized System (HS) classification numbers:

7304.29.00.51	7304.29.00.69
7304.29.00.59	7304.29.00.71
7304.29.00.61	7304.29.00.79

[27] This listing of HS codes is for convenience of reference only. Refer to the product definition for authoritative details regarding the subject goods.

## **PERIOD OF REVIEW**

[28] The period of review (POR) for the CBSA's expiry review investigation is from January 1, 2013 to June 30, 2016.



## **CANADIAN INDUSTRY**

[29] The Canadian industry for certain pup joints is comprised of the following companies:

- Dover Canada ULC – Alberta Oil Tool Division (AOT)
- Tenaris Canada

### **Dover Canada ULC – Alberta Oil Tool Division (AOT)**

[30] AOT began as a private company in 1951 and was purchased by Dover Corporation in 1962. AOT is a manufacturer of a wide range of production service equipment designed for the oil and gas industry and sold under the Norris brand. These products include sucker rods, specialty drive rods, polished rods, sinker bars, and pony rods. Its tubular products include swages, bullplugs, tubing and casing nipples, tubing and casing couplings, sleeve couplings and pup joints.

[31] Pup joints were first manufactured by AOT in the 1960s. AOT currently produces three sizes of pup joints at its Edmonton facilities (2 3/8", 2 7/8", and 3 1/2") in lengths from 2 to 12 feet.<sup>8</sup>

### **Tenaris Canada**

[32] Tenaris is a global manufacturer of steel pipe products and related services which are supplied primarily to the world's energy markets. Tenaris began operations in Canada in 1999 and, since that time, has grown to include three manufacturing facilities and nine service centers. For the purposes of the expiry review investigation, Tenaris Canada will refer only to those specific companies in Canada that are involved in the production and distribution of pup joints. Thus defined, Tenaris Canada is comprised of the following entities:

- Manufacturers: Prudential Steel ULC (Calgary, Alberta) and Algoma Tubes Inc. (Sault Ste. Marie, Ontario);
- Service Centre: Hydril Canadian Company Limited Partnership (Nisku, Alberta), and;
- Sales & Distribution: Tenaris Global Services (Canada) Inc. (Calgary, Alberta).<sup>9</sup>

[33] Tenaris Canada produced pup joints in each year of the POR (i.e., 2013 through 2016) and also imported pup joints into Canada from non-subject countries in each of these years.<sup>10</sup>

<sup>8</sup> Exhibit 19 (NC) – Response to Canadian Producer ERQ – AOT, p. 4.

<sup>9</sup> Exhibit 33 (NC) – Response to Canadian Producer ERQ – Tenaris Canada, responses to Q4-Q6.

<sup>10</sup> Exhibit 33 (NC) – Response to Canadian Producer ERQ – Tenaris Canada, response to Q2 and Appendix 3.

## **CANADIAN MARKET**

[34] The apparent Canadian market for pup joints cannot be disclosed. The total value and volume of Canadian production of pup joints sold for domestic consumption during the POR cannot be disclosed as it is based on confidential information filed by AOT and Tenaris Canada. Releasing the combined sales figures of the two would allow either party to calculate the confidential sales figures of the other. Similarly, the total value and volume of pup joints imported into Canada from China during the POR cannot be disclosed because of the limited number of parties involved in the importing and exporting of these goods. Releasing this information would disclose information protected under section 107 of the *Customs Act*.

### **Canadian Production**

[35] AOT, the dominant producer in the Canadian market, states that its pup joint sales declined in 2015 from 2014 and decreased further in the first half of 2016 from the first half of 2015.<sup>11</sup>

### **Imports**

[36] As the apparent Canadian market for pup joints cannot be provided because the CBSA cannot disclose Canadian sales figures or import figures from China, reporting import figures from all other countries is not relevant.

## **ENFORCEMENT**

[37] Subject goods were imported into Canada in each year of the POR as well as in the first six months of 2016. SIMA duties were collected on these imports but the amount of duties collected cannot be disclosed due to confidentiality reasons.

## **PARTIES TO THE PROCEEDINGS**

[38] On August 3, 2016, a notice concerning the CBSA's initiation of the expiry review investigation was sent to potential Canadian producers, importers and exporters of pup joints, as well as to the GOC. All of these parties were also sent an ERQ.

[39] The ERQ requested information relevant to the CBSA's consideration of the expiry review factors, as listed in subsection 37.2(1) of the *Special Import Measures Regulations* (SIMR).

[40] Of the 15 ERQs sent to potential Canadian producers of pup joints at the initiation of the expiry review investigation, the CBSA received responses from two parties, AOT and Tenaris Canada. In addition to its ERQ response, AOT also provided a case brief.

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<sup>11</sup> Exhibit 19 (NC) – Response to Canadian Producer ERQ – AOT, response to Q27.



[41] The CBSA sent 142 ERQs to potential exporters of pup joints from China at the initiation of the expiry review investigation and received a response from one exporter, Weijia. In addition to its response to the ERQ, Weijia also provided a case brief.

[42] Of the 17 ERQs sent to potential importers at the initiation of the expiry review investigation, one importer, WestCan, provided a response to the ERQ. WestCan also provided a case brief.

[43] The GOC did not provide a response to the CBSA's ERQ nor did it submit a case brief.

## **INFORMATION CONSIDERED BY THE CBSA**

### **Administrative Record**

[44] The information considered by the CBSA for purposes of this expiry review investigation is contained in the administrative record. The administrative record includes the information on the CBSA's exhibit listing, which is comprised of the CITT's administrative record on which the CITT based its decision to initiate the expiry review, CBSA exhibits and information submitted by interested persons, including information which they feel is relevant to the decision as to whether dumping and subsidizing are likely to continue or resume absent the CITT finding. This information may consist of expert analysts' reports, excerpts from trade magazines and newspapers, orders and findings issued by authorities of Canada or of a country other than Canada, documents from international trade organizations such as the World Trade Organization and responses to the ERQs submitted by Canadian producers, exporters, importers, and governments.

[45] For purposes of an expiry review investigation, the CBSA sets a date after which no new information submitted by interested parties will be placed on the administrative record or considered as part of the CBSA's investigation. This is referred to as the "closing of the record date" and is set to allow participants time to prepare their case briefs and reply submissions based on the information that is on the administrative record as of the closing of the record date. For this investigation, the administrative record closed on September 21, 2016.

### **Procedural Issues**

[46] The CBSA will normally not consider any new information submitted by participants subsequent to the closing of the record date. However, in certain exceptional circumstances, it may be necessary to permit new information to be submitted. The CBSA will consider the following factors in deciding whether to accept new information submitted after the closing of the record date:

- (a) the nature, relevance, materiality and volume of the information;
- (b) the difficulties encountered by the participant in obtaining or submitting the information by the date specified (for example, the availability of the information or emergence of new or unforeseen issues);

- (c) whether the information can reasonably be taken into consideration by the CBSA for purposes of the proceedings including whether there is sufficient time to verify the information;
- (d) whether other parties are likely to be prejudiced if the information is used (for example, the opportunity for other participants to respond to the information);
- (e) whether acceptance of the information would compromise the ability of the CBSA to conduct the proceedings expeditiously; and
- (f) any other factors that are relevant in the circumstances.

[47] Participants wishing to file new information after the closing of the record date, either separately or in case briefs or reply submissions, must identify this information so that the CBSA can decide whether it will be included in the record for purposes of the determination.

[48] In the expiry review investigation certain information referred to in the case briefs of AOT, WestCan and Weijia, cited as part of the information filed on September 21, 2016, and referred to as CBSA Exhibit 37, was found not to have been filed on that date, i.e., the closing of the record date. The information in question was filed along with AOT's and Weijia's case briefs on October 3, 2016. In addition, certain other information referred to in Weijia's case brief was found not to have been placed on the CBSA's record prior to closing.

[49] Counsel for AOT, WestCan and Weijia was advised of this matter in a letter dated October 31, 2016. The letter explained that the information in question was available prior to the close of the record and should have been submitted prior to the September 21, 2016, closing of the record date. As such, counsel was advised that the CBSA would not take into consideration the information in question nor the arguments contained in case briefs that made reference to this information.

## **POSITION OF THE PARTIES – DUMPING**

### **Parties contending that continued or resumed dumping is likely**

[50] The Canadian producers make representations in their ERQ responses and, in the case of AOT, in its case brief supporting their position that dumping of pup joints from China is likely to continue or resume should the CITT's finding expire. In other words, the Canadian producers argue that the anti-dumping measures currently in place should remain.

[51] Similarly, both Weijia, an exporter of subject goods, and WestCan, its related importer in Canada, make representations in their respective ERQ responses and in their case briefs that dumping of pup joints from China is likely to continue or resume should the finding expire.

[52] Given the consensus of opinion amongst the four respondents mentioned above, many of the parties provide similar arguments as to why dumping is likely to continue or resume absent the finding. The broader-based arguments made by the parties are presented below followed by more specific arguments.

[53] All four parties, AOT, Tenaris Canada, Weijia and WestCan, provide examples in their case briefs or in their response to the ERQ of anti-dumping duties being imposed by countries other than Canada with respect to steel and steel-related products from China.<sup>12</sup> The listings of anti-dumping measures in place against these products are pointed to as evidence that exporters from China have demonstrated a propensity to dump their products in various jurisdictions throughout the world.

[54] In addition to providing examples of anti-dumping duties imposed by other countries, all four parties also provide examples of anti-dumping duties in place in Canada with respect to steel and steel-related products from China.<sup>13</sup> The numerous findings in Canada against these products from China are cited as further evidence of the inability of exporters from China to compete in Canada at fairly-traded prices.

[55] Both AOT and WestCan allege that there is a danger that, should the finding expire, pup joints from China will be diverted from the United States of America (U.S.) to Canada. The reason for such a diversion would be to avoid anti-dumping duties and countervailing duties currently in place in the USA against OCTG products from China, of which pup joints are a subset.<sup>14</sup>

[56] In order to determine at what price levels pup joints from China might be procured in Canada, AOT actively solicited price quotes from a number of known pup joint producers in China. The company was successful in receiving a number of quotes from potential suppliers covering a range of pup joint grades and sizes.<sup>15</sup> The quoted prices were then compared to normal values estimated by AOT and based on an aggregate of its cost of production, its general, selling and administrative expenses and an amount for profit.<sup>16</sup> The comparison of quoted prices to these estimated normal values leads the company to the following conclusion:

Based on our calculations<sup>[29]</sup> if the finding is allowed to expire, the estimated margin of dumping of pup joints from China, would be [ ]% expressed as a percentage of the export price.

This is compelling evidence demonstrating that the dumping is likely to resume at approximately [ ], which were found at the final determination in the original investigation of 173%, for those exporters who did not cooperate in the investigation.<sup>17</sup>

<sup>12</sup> Exhibits 53 (NC), 50 (NC), 51 (NC) and 33 (NC) – Case briefs from AOT, Weijia and WestCan, para. 108, paras. 89-90, and paras. 43-46, respectively; and Response to Canadian Producer ERQ from Tenaris Canada, response to Question 32.

<sup>13</sup> Exhibits 53 (NC), 50 (NC), 51 (NC) and 33 (NC) – Case briefs from AOT, Weijia, and WestCan, paras. 117-119, paras. 94-95, and paras. 81-87, respectively; and Response to Canadian Producer ERQ from Tenaris Canada, response to Question 32.

<sup>14</sup> Exhibits 53 (NC) and 51 (NC) – Case briefs from AOT and WestCan, paras. 109-116 and paras. 47-49, respectively.

<sup>15</sup> Exhibit 53 (NC) – Case brief from AOT, para. 84.

<sup>16</sup> Exhibit 53 (NC) – Case brief from AOT, paras. 96-98.

<sup>17</sup> Exhibit 53 (NC) – Case brief from AOT, paras. 101-102.



[57] In a similar vein WestCan also procured a number of price quotes from pup joint producers in China.<sup>18</sup> The quoted prices were compared to normal values issued by the CBSA to its sister company Weijia in February 2016<sup>19</sup> and, based on the exercise, WestCan states as follows:

The comparison chart reveals that, for the four benchmark products selected, the prices quoted by the Chinese suppliers are significantly lower than the normal values issued to Hengshui Weijia and, using the CBSA methodology, would be dumped by 72.97%, expressed as a percentage of the quoted price.<sup>20</sup>

[58] WestCan's concerns about the potential of low-priced pup joints from China re-entering the Canadian market are echoed by its sister company Weijia. Weijia expresses concerns that, with price offerings in the Canadian market below its related company's selling prices, dumping will resume at levels found prior to the finding in 2012 and that the margin of dumping would not be insignificant.<sup>21</sup> Should this scenario unfold, Weijia states that it would have no alternative but to sell its pup joints at dumped prices in Canada in order to remain competitive.<sup>22</sup>

[59] Three of the four respondents, AOT, WestCan and Weijia, allege that there have been efforts to circumvent the current finding in place on pup joints. AOT alleges that exporters in China offered to ship pup joints from China to non-subject countries to avoid anti-dumping duty being assessed.<sup>23</sup> WestCan and Weijia allege that a certain importer in Canada circumvented the CITT's finding by importing pup joints into Canada that were produced in China but misrepresented as being from a non-subject country.<sup>24</sup>

[60] Both Canadian producers, along with WestCan and Weijia, contend that there is compelling evidence of continued interest in the Canadian market by manufacturers and exporters of pup joints from China. Both WestCan and Weijia agree that, based on the alleged circumvention efforts described above, manufacturers in China continue to exhibit interest in Canada's pup joint market.<sup>25</sup> For AOT, continued interest in the Canadian market is demonstrated by the speedy responses it received from manufacturers in China responding to its request for price quotes.<sup>26</sup> Tenaris Canada points out that, in the most recent re-investigation of pup joints, OCTG and seamless casing, 16 different Chinese production facilities provided sufficient information for the CBSA to accord them access to normal values. The number of companies participating in the CBSA's re-investigation, it claims, is evidence of significant ongoing interest of Chinese producers in supplying the Canadian market.<sup>27</sup>

<sup>18</sup> Exhibit 25 (NC) – Response to Importer ERQ – WestCan, Exhibits Q18-1, Q18-2, & Q18-3.

<sup>19</sup> Exhibit 24 (PRO) – Response to Importer ERQ – WestCan, Exhibits Q18-4 & Q18-5.

<sup>20</sup> Exhibit 25 (NC) – Response to Importer ERQ – WestCan, Response to Question 18.

<sup>21</sup> Exhibit 50 (NC) – Case brief from Weijia, paras. 101 & 103.

<sup>22</sup> Exhibit 50 (NC) – Case brief from Weijia, paras. 104 & 106.

<sup>23</sup> Exhibit 53 (NC) – Case brief from AOT, paras. 176-179.

<sup>24</sup> Exhibit 51 (NC) – Case brief from WestCan, paras. 94-97.

<sup>25</sup> Exhibit 51 (NC) and 50 (NC) – Cases brief from WestCan and Weijia, paras. 100-101, respectively.

<sup>26</sup> Exhibit 53 (NC) – Case brief from AOT, paras. 82-86.

<sup>27</sup> Exhibit 33 (NC) – Response to Canadian Producer ERQ from Tenaris Canada, response to Question 32.

[61] AOT, Tenaris Canada and Weijia note that, as of March 2016, there were 84 licensed producers of API 5CT pup joints in China.<sup>28</sup> Given the significant number of producers of pup joints in China and the very weak OCTG market in Canada, Tenaris Canada predicts that, absent the finding, a pricing battle to enter the Canadian market would lead to prices well below those in the market and currently subject to duties.<sup>29</sup>

[62] WestCan identifies six companies in China who, taken together, have a total production capacity of 126,016 tonnes/year.<sup>30</sup> WestCan submits that, not only is the size of the Canadian market significantly below the total production capacity of the six producers identified, it is even below the company on the list with the lowest production capacity.

[63] AOT points out that in recent years global oil production has outpaced demand thanks in part to a slowing global economy and major producers such as the Organization of Petroleum Exporting Countries increasing their production levels. The glut of oil on the world markets caused the price to drop from \$US115 per barrel in 2014 to \$US27 per barrel in January 2016.<sup>31</sup> Tenaris Canada notes that the overall level of drilling activity in North America declined significantly since the collapse of oil prices in 2014. In 2013 and 2014, 11,000 wells were drilled declining to 5,300 in 2015 and 3,400 (anticipated) in 2016.<sup>32</sup>

[64] Coinciding with a reduction in the number of wells drilled, AOT reports that its domestic sales of pup joints declined by 5% in 2014 as compared to 2013. Its sales plummeted 39% in 2015 and the company expects a further decrease in 2016 based on its year to date sales as of June 30, 2016.<sup>33</sup> Given the current state in the Canadian oil market with decreased demand, decreased drilling activities and increased cost pressures, the Canadian producers submit that dumping is very likely to resume if the finding is allowed to expire.

[65] AOT, WestCan and Weijia point out that, since the CITT's finding on April 10, 2012, all imports of subject pup joints into Canada ceased with the exception of those imported by WestCan from its related company, Weijia. Both WestCan and Weijia participated in the CBSA's original investigation and in the last re-investigation concluded on December 14, 2015. Both WestCan and Weijia state that WestCan imported pup joints from Weijia at the normal values issued to the latter and, as such, the goods were not subject to anti-dumping duties.<sup>34</sup> The absence of other exporters is submitted as evidence that they cannot compete in Canada at fairly traded prices.

<sup>28</sup> Exhibits 53 (NC), 50 (NC) and 33 (NC) – Case briefs from AOT and Weijia, paras. 66 and 32, respectively; Response to Canadian Producer ERQ from Tenaris Canada, response to Question 32.

<sup>29</sup> Exhibit 33 (NC) – Response to Canadian Producer ERQ from Tenaris Canada, response to Question 32.

<sup>30</sup> Exhibit 51 (NC) – Case brief from WestCan, para. 29.

<sup>31</sup> Exhibit 53 (NC) – Case brief from AOT, para. 141.

<sup>32</sup> Exhibits 33 (NC) and 35 (NC) – Response to Canadian Producer ERQ from Tenaris Canada, response to Question 27.

<sup>33</sup> Exhibit 53 (NC) – Case brief from AOT, para. 170.

<sup>34</sup> Exhibits 51 (NC) and 50 (NC) – Case briefs from WestCan and Weijia, paras. 12 and 20, respectively.

[66] Further evidence of exporters abandoning the Canadian market after anti-dumping and countervailing duties were imposed is provided by AOT. In its correspondence with potential pup joint suppliers from China can be found statements that Canadian customers stopped purchasing pup joints once anti-dumping and countervailing duties were put in place in December 2011.<sup>35</sup>

[67] Weijia states that, in the event the finding is allowed to expire, it is certain that imports of dumped and subsidized pup joints from China are likely to resume. Under these circumstances, Weijia would have no alternative but to meet the competition head-on and resort to selling its pup joints at dumped and subsidized prices in order to be competitive in Canada.<sup>36</sup>

### **CONSIDERATION AND ANALYSIS – DUMPING**

[68] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the finding is likely to result in the continuation or resumption of dumping of the goods, the CBSA may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

[69] As mentioned earlier, four parties provided responses to the CBSA's ERQ: Canadian producers AOT and Tenaris Canada and related importer and exporter WestCan and Weijia. In addition to ERQ responses, AOT, WestCan and Weijia submitted case briefs. All four parties made representations that dumping of pup joints from China is likely to continue or resume should the CITT rescind its finding.

[70] During the CBSA's POR of January 1, 2013 to June 30, 2016, China's domestic steel market was experiencing increasing supply. In March 2014 Qu Xiuli, vice secretary general of the China Iron and Steel Association (CISA), noted that the massive oversupply of steel in China will be "hard to reduce in a short time" and will very likely persist throughout 2014 because, despite suffering high steel inventories and financing costs, Chinese steelmakers have maintained high production rates. During January/February 2014 China's crude steel output reached a new high of 2.217 million metric tons/day despite continuous domestic steel price declines since September 2013.<sup>37</sup>

<sup>35</sup> Exhibit 53 (NC) – Case brief from AOT, paras. 36 & 37.

<sup>36</sup> Exhibit 50 (NC) – Case brief from Weijia, paras. 105-106.

<sup>37</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 19.



[71] A narrower picture of the steel market, the seamless pipe market - of which pup joints are a small subset - offers a similar view. According to data from China's National Bureau of Statistics, the country's seamless pipe output increased to a record yearly high of 29.63 million metric tons in 2013 due in part to newly commissioned capacity. CISA-affiliated China Metallurgical News (CMN) predicted that, due to oversupply and lukewarm domestic demand, the seamless pipe industry would likely remain under downward pressure in 2014. CMN also warned that the ramp-up in China's seamless pipe production was likely to continue and that the overcapacity could cause the surplus to worsen in the coming years.<sup>38</sup> According to the China Steel Pipe Association (CSPA), in 2013 China's seamless pipe capacity was 42 million metric tons/year (mt/y) and its capacity utilization was 67%, which it described as indicating important overcapacity.<sup>39</sup> A capacity utilization rate of 67% means that there would be approximately 14 million mt/y of unused capacity.

[72] At the same time as producers of seamless pipe in China were significantly increasing production levels and breaking production records, PetroChina and Sinopec, the country's two largest oil and gas producers, were reducing capital spending. The reduced spending at the country's largest energy companies was predicted to result in lower demand for OCTG in China.<sup>40</sup> According to a director at the CSPA in 2014:

"The disorderly market competition will remain very fierce this year, as some mills will keep adopting unfair competition including unjustifiably low prices in order to win orders."

[73] The CSPA official concluded that the fierce competition resulted from oversupply and low industry concentration and accused mills of selling OCTG at a loss.<sup>41</sup> This same behaviour of selling below cost, if directed at export markets, would be regarded as dumping.

[74] Specific information on production volumes and production capacities of pup joint producers in China is difficult to obtain. The reason for this is that pup joints are a very small subset of a much larger group of products called OCTG, comprised primarily of casing, tubing and drill pipes. Due to the small quantities of pup joints produced and the correspondingly small revenues generated from their sales, many companies do not track their production independently. OCTG producers, who are primarily concerned with producing and selling full length casing and tubing products, may simply merge pup joint production data with that of either casing or tubing since pup joints are often considered smaller pieces of casing and tubing. Despite the difficulties encountered in finding accurate production data on pup joints, either from producers themselves or from trade publications, there is sufficient information on the CBSA's record pertaining to the broader category of OCTG products as well as information pertaining to a limited number of pup joint producers in China.

<sup>38</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 18.

<sup>39</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 32.

<sup>40</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 29.

<sup>41</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 30.

[75] In 2013, China's OCTG production capacity exceeded 10 million mt/y and the country was home to 70% of the world's seamless pipe rolling mills.<sup>42</sup> In 2014, five of the top ten seamless steel tube and pipe producers of the world were located in China.<sup>43</sup>

[76] OCTG producers in China who also produce pup joints include such companies as: Shandong Molong Petroleum Machinery, which boasts production capacity of 650,000 mt/y;<sup>44</sup> Hengyang Valin Steel Tube, whose seamless pipe rolling capacity is listed as 2 million mt/y thanks in part to an additional mill brought on stream in 2012;<sup>45</sup> Jiangsu Changbao Steel Tube, which boasts installed capacity of 650,000 mt/y and who commissioned a new heat treatment mill and threading mill in 2014;<sup>46</sup> and WSP Holdings Ltd., whose seamless pipe rolling capacity is listed as 950,000 mt/y.<sup>47</sup>

[77] In terms of pup joints specifically, as of March 2016, the API listed 84 pup joint manufacturers in China as having an API license.<sup>48</sup> Internet queries on websites such as alibaba.com reveal a number of pup joint manufacturers in China offering their products for sale. Along with selling price information, companies provide their 'supply ability' or, in other words, their production capabilities. According to the information supplied by six such producers in China their manufacturing abilities range from a low of 60,000 pieces/year to a high of 6,000 metric tons/month.<sup>49</sup> The total production capacity of the six producers amounts to approximately 126,000 mt/y. The production capabilities of this very small group of pup joint producers provides an indicator of the enormous potential capacity of all pup joint producers in China.

[78] With strong competition in their domestic market due to weaker sales and significant overcapacity, OCTG producers in China will have to continue to rely on export markets if they wish to survive given the challenging conditions they are confronted with, both in their home market and in the global energy market. Information on the record shows that one company has "lifted its export target" while another company "will have to . . . focus on exports."<sup>50</sup> Already considered the largest exporter of OCTG in the world for a number of years<sup>51</sup>, China is unlikely to lose this title in the foreseeable future given the severe overcapacity issues producers in that country are faced with coupled with cutbacks by the country's largest oil and gas producers.

<sup>42</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 24.

<sup>43</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 23.

<sup>44</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 24.

<sup>45</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 26.

<sup>46</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 27.

<sup>47</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendix 27.

<sup>48</sup> Exhibit 41 (NC) – API listing of licensed manufacturers of pup joints in China.

<sup>49</sup> Exhibit 25 (NC) – Response to Importer ERQ – WestCan, Exhibit 25-2.

<sup>50</sup> Exhibit 35 (NC) – Appendix for Tenaris Canada's ERQ Response, Appendices 26 and 29.

<sup>51</sup> Exhibit 37 (NC) – Reference material from AOT, Exhibit PJ-RCF11, pages 13 & 43.

[79] There are currently numerous anti-dumping measures in place by countries other than Canada aimed at protecting their domestic industries from the injurious effects of dumped steel products from China. As examples, Australia currently enforces anti-dumping duty against 8 steel products from China; the European Union enforces anti-dumping duty against 12 steel products from China; and the U.S. enforces anti-dumping duty against 24 steel products from China.<sup>52</sup> Sixteen of the 44 steel products currently under protective measures are tubular products. Of special note is a finding in the U.S. against OCTG from China, which includes pup joints. In May 2015, subject to a five-year review, the U.S. International Trade Commission determined that revocation of the countervailing duty and antidumping duty orders on oil country tubular goods from China would be likely to lead to continuation or recurrence of material injury to an industry in the U.S. within a reasonably foreseeable time.<sup>53</sup>

[80] In Canada, there are currently 11 different steel products from China that are subject to anti-dumping duty, not including pup joints. Of note are many tubular products such as carbon steel welded pipe and piling pipe and, more specifically, line pipe, OCTG and seamless casing.<sup>54</sup> These latter three products, like pup joints, are all goods specifically designed for the oil and gas industry. The existence of a substantial number of anti-dumping measures in place in various countries against tubular products from China and, more importantly, the existence of the same measures against OCTG products in Canada and the U.S. would indicate that exporters in China continue to aggressively sell these goods in export markets.

[81] As stated above, pup joints from China are not only subject to a finding in Canada but are also subject to an anti-dumping duty order in the U.S. by virtue of being included under the product definition of 'oil country tubular goods from China'. In May 2015, the U.S. International Trade Commission extended anti-dumping duty orders on OCTG from China for a further five years. Based on the fact that the North American market is one of the largest OCTG markets in the world, and the fact that the Canadian and American markets are highly integrated with many of the same players, there is a distinct possibility that pup joints from China will be diverted from the U.S. market to Canada to be sold at unrestricted prices should the finding be rescinded.

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<sup>52</sup> Exhibit 37 (NC) – Reference material from AOT, Exhibit PJ-CAC1-Australia, Exhibit PJ-CAC-EU3, Exhibit PJ-CAC-US4.

<sup>53</sup> Exhibit 37 (NC) – Reference material from AOT, Exhibit PJ-RCF11.

<sup>54</sup> Exhibit 37 (NC) – Reference material from AOT, Exhibit PJ-CAC-CANADA.



[82] In the CBSA's original dumping investigation of pup joints from China, which was initiated in 2011, Weijia was the only exporter to participate. Similarly, Weijia was the only exporter of pup joints to participate in the CBSA's re-investigation of these goods in 2015. In both instances Weijia received a ruling letter from the CBSA outlining how the company would receive normal values on a monthly basis. The normal values would be based in part on the selling prices of tubing product sold in the U.S. and tracked by the trade publication Pipe Logix. It is noteworthy that Weijia has been able to sell to WestCan, its related importer in Canada, during the POR while imports of subject pup joints from other exporters in China have ceased. The lack of cooperation of other exporters in the re-investigation and the fact that all other exporters have vacated the Canadian market while Weijia has remained is a telling indication of the inability of other exporters in China to compete in Canada at non-dumped prices.

[83] Also telling are the comments made by certain pup joint producers in China and obtained by AOT in response to its request for price quotations. The comments indicate that Canadian customers stopped purchasing pup joints once anti-dumping and countervailing duties were put in place in December 2011.<sup>55</sup> These comments suggest that certain exporters in China, who were participants in the Canadian market prior to anti-dumping duty coming into effect, were no longer able to compete in the market after that point.

[84] In order to determine at what price levels pup joints from China might re-enter the Canadian market absent the finding, WestCan procured a number of quotes from potential suppliers in that country.<sup>56</sup> A sampling of quoted prices was compared to the normal values issued to its sister company Weijia in February 2016 for the same goods.<sup>57</sup> Based on the comparison, the prices quoted by the Chinese suppliers were found to be significantly lower than the normal values issued to Weijia.<sup>58</sup> Although only a small portion of the quoted prices were examined and the potential suppliers were quoting without having any concept of how the CBSA establishes normal values for these products, the exercise is somewhat useful in indicating where pup joint pricing in Canada may lead for certain products if the finding is rescinded.

[85] The likelihood of continued or resumed dumping of pup joints from China must be examined in context of what is happening in Canada's oil and gas industry, in which OCTG products play an integral role. In 2014 oil prices peaked at around \$US115/barrel, fell to \$US27/barrel in January 2016 and have remained under \$US50/barrel ever since. The rapid declines in oil prices in 2015 and 2016, along with continued weakness in gas, caused a dramatic decline in drilling activity in Canada. In 2013 and 2014, 11,000 wells were drilled in North America but drilling declined to 5,300 wells in 2015 and it is anticipated that only 3,400 wells will be drilled in 2016.<sup>59</sup> The sharp decreases in oil and gas prices have caused drastic cost-cutting measures across the Canadian oil industry. With less wells being drilled and costs being slashed by the oil and gas companies, pup joint producers, both domestic and foreign, will face increasing pricing pressures in order to secure sales.

<sup>55</sup> Exhibit 53 (NC) – Case brief from AOT, paras. 36 & 37.

<sup>56</sup> Exhibit 25 (NC) – Response to Importer ERQ – WestCan, Exhibits Q18-1, Q18-2, & Q18-3.

<sup>57</sup> Exhibit 24 (PRO) – Response to Importer ERQ – WestCan, Exhibits Q18-4 & Q18-5.

<sup>58</sup> Exhibit 25 (NC) – Response to Importer ERQ – WestCan, Response to Question 18.

<sup>59</sup> Exhibits 33 (NC) and 35 (NC) – Response to Canadian Producer ERQ from Tenaris Canada, response to Question 27.

## **Determination Regarding Likelihood of Continued or Resumed Dumping**

[86] Based on information on the record demonstrating the significant production capabilities of OCTG and pup joint producers in China and a slowing demand for these products in that country; anti-dumping measures being imposed by Canada and other countries on the same or closely-related tubular products from China; and the inability of exporters, save one, to sell pup joints in Canada at non-dumped prices, the CBSA determined that the expiry of the finding is likely to result in the continuation or resumption of dumping into Canada of certain pup joints originating in or exported from China.

## **POSITION OF THE PARTIES – SUBSIDIZING**

### **Parties contending that continued or resumed subsidizing is likely**

[87] AOT, Tenaris Canada, Weijia and WestCan, all contend that the subsidizing of pup joints from China is likely to continue or resume should the CITT's finding expire.

[88] AOT notes that, at the initiation of the CBSA's re-investigation of pup joints, OCTG and seamless casing, 67 potentially actionable subsidy programs available to exporters and producers in China were identified. At the conclusion of the re-investigation on December 14, 2015, the CBSA identified an additional 46 programs. AOT states that this is compelling evidence that the GOC continues to subsidize its manufacturing sectors resulting in a disruption of the fair trade of goods in international markets.<sup>60</sup>

[89] Weijia states that, other than itself, no other exporters of pup joints from China participated in the CBSA's last re-investigation concluded in December 2015. This, it asserts, is compelling evidence that the exporters are unable to sell subject pup joints to Canadian importers at non-subsidized prices.<sup>61</sup>

[90] WestCan points out that in the CBSA's original investigation it was determined that Weijia received subsidies equivalent to 563.9 renminbi per metric ton. In the CBSA's re-investigation in 2015 the amount of subsidy attributable to Weijia was determined to be only 0.04 renminbi per piece. WestCan states that its sister company Weijia did not access government subsidies subsequent to the original investigation, demonstrating that the two related companies intend to export to Canada at fairly traded prices.<sup>62</sup>

<sup>60</sup> Exhibit 53 (NC) – Case brief from AOT, paras. 63 & 64.

<sup>61</sup> Exhibit 50 (NC) – Case brief from Weijia, paras. 31.

<sup>62</sup> Exhibit 51 (NC) – Case brief from WestCan, paras. 15 and 17.

[91] Weijia's subsidy rate and its participation in the CBSA's investigation and re-investigation are contrasted against the actions of other exporters/producers from China. These parties did not participate in the CBSA's original investigation nor did they participate in the subsequent re-investigation in 2015. Based on the original investigation, the CBSA determined the subsidy rate for all other exporters to be 9,125.6 renminbi per metric ton which, according to WestCan, has been effective in preventing imports of subsidized subject goods during the POR. WestCan attributes the non-participation of exporters and producers from China in the CBSA's investigation and re-investigation as evidence of their inability and unwillingness to export without resorting to government subsidies.<sup>63</sup>

[92] All four parties, AOT, Tenaris Canada, Weijia and WestCan, provided examples in their case briefs, or in their response to the ERQ, of countervailing duties imposed by countries other than Canada with respect to steel or tubular products from China.<sup>64</sup> Based on the number of countervailing measures in place against these types of products it is submitted that there is a significant likelihood of continued subsidizing from China in the event that the finding on pup joints is permitted to expire.

[93] In addition to countervailing duties being imposed by other countries, all four parties provided examples of countervailing duties in place in Canada with respect to similar goods from China.<sup>65</sup> The numerous findings in Canada against steel-related products from China was cited as evidence of the propensity of producers in China exporting their products at subsidized prices and the likelihood that the export of subsidized pup joints will resume if the finding is allowed to lapse.

#### **CONSIDERATION AND ANALYSIS – SUBSIDIZING**

[94] In making a determination under paragraph 76.03(7)(a) of SIMA whether the expiry of the finding in respect of goods from China is likely to result in the continuation or resumption of subsidizing of these goods, the CBSA may consider factors identified in subsection 37.2(1) of the SIMR, as well as any other factors relevant in the circumstances.

<sup>63</sup> Exhibit 51 (NC) – Case brief from WestCan, paras. 18 – 20.

<sup>64</sup> Exhibits 53 (NC), 50 (NC), 51 (NC) and 33 (NC) – Case briefs from AOT, para. 108; Weijia, paras. 89-90; and WestCan, paras. 43-46; and Response to Canadian Producer ERQ from Tenaris Canada, response to Question 32.

<sup>65</sup> Exhibits 53 (NC), 50 (NC), 51 (NC) and 33 (NC) – Case briefs from AOT, Weijia, and WestCan, paras. 117-119, paras. 94-95, and paras. 81-87, respectively; Response to Canadian Producer ERQ from Tenaris Canada, response to Question 32.



[95] Weijia was the only exporter to participate in the CBSA's original subsidy investigation in 2011. At that time, the CBSA determined that the GOC had conferred benefits to Weijia under the following two programs:

1. *Preferential Tax Policies for Enterprises with Foreign Investment*
2. *Grants for Export Activities*<sup>66</sup>

The total amount of subsidy for these two programs was calculated to be 563.9 renminbi per metric ton (RMB/mt) exported. Detailed descriptions of these programs and explanations as to why they were regarded as subsidies subject to countervailing duties are contained in the *Statement of Reasons* issued at the final determination.<sup>67</sup>

[96] For all other exporters, the amount of subsidy was determined under a ministerial specification pursuant to subsection 30.4(2) of SIMA. The amount of subsidy calculated for non-cooperative exporters was 9,125.6 RMB/mt.<sup>68</sup>

[97] On December 14, 2015, the CBSA concluded a re-investigation to update the amount of subsidy for pup joints from China. Again, Weijia was the only exporter to participate and this time the amount of subsidy calculated for the company was 0.04 RMB/piece. The amount of subsidy for non-cooperative exporters remained at 9,125.6 RMB/mt.<sup>69</sup>

[98] In both the CBSA's original investigation in 2011 and its re-investigation in 2015 the GOC did not submit sufficient information to enable the CBSA to determine the amount of subsidy in accordance with subsection 30.4(1) of SIMA.<sup>70</sup> In the CBSA's current expiry review investigation the GOC did not furnish a response to the ERQ. The fact that Weijia received subsidies from the GOC in the past leads to the conclusion that there is a likelihood that pup joints from China will continue to be subsidized should the CITT's finding be rescinded.

[99] Besides conferring benefits to producers of pup joints, the GOC has been found to have conferred benefits to producers of OCTG, the larger group of products under which pup joints fall. In 2015, the CBSA conducted a re-investigation of the normal values, export prices and amounts of subsidy of certain seamless casing, certain oil country tubular goods and certain pup joints from China. At the conclusion of the re-investigation on December 14, 2015, the CBSA determined amounts of subsidy for eleven different exporters of seamless casing and OCTG that participated in the re-investigation. The amounts of subsidy for subject seamless casing and OCTG exported by these companies ranged from 2.20 RMB/mt to 1,066.56 RMB/mt.<sup>71</sup> It should be noted that nine of the eleven exporters also have the capability of producing pup joints and have API 5CT licenses certifying this.<sup>72</sup> This information would indicate that the GOC does not limit subsidy programs to only pup joint producers but offers subsidy programs to the much wider category of OCTG producers in China's steel sector.

<sup>66</sup> Exhibit 43 (NC) – *Statement of Reasons* – Final Determination (2012 investigation), pages 25-27.

<sup>67</sup> *Ibid.*

<sup>68</sup> *Ibid.*

<sup>69</sup> Exhibit 45 (NC) – Notice of Conclusion of Re-investigation (2015).

<sup>70</sup> Exhibits 43 (NC) and 45 (NC) – *Statement of Reasons* – Final Determination (2012 investigation), pages 25-27; and Notice of Conclusion of Re-investigation (2015).

<sup>71</sup> Exhibit 45 (NC) – Notice of Conclusion of Re-investigation (2015).

<sup>72</sup> Exhibit 41 (NC) – API listing of licensed manufacturers of pup joints in China.

[100] At the initiation of the aforementioned re-investigation, the CBSA had named 67 potentially actionable subsidy programs available to exporters and producers in China. By the conclusion of the re-investigation an additional 46 programs were identified through the CBSA's examination and verification of information submitted by the participating exporters.<sup>73</sup> This large and growing inventory of potentially actionable subsidy programs indicates that the GOC offers many incentives to both OCTG and pup joint producers in that country.

[101] Currently in Canada, there are six different tubular steel products from China that are subject to countervailing duty. They are as follows: carbon and alloy steel line pipe, carbon steel welded pipe, large line pipe, oil country tubular goods, piling pipe, and seamless casing. Three of these goods, line pipe, OCTG, and seamless casing, are specifically used in the oil and gas industry. In addition to these goods, there are five other steel-related products from China that are subject to countervailing duty in Canada. The existence of these countervailing measures in place in Canada against steel products from China would seem to indicate that the GOC has placed a great deal of importance on its steel industry and subsidized it accordingly.

[102] Both Australia and the U.S. have a number of countervailing measures against steel products from China, including tubular steel products.<sup>74</sup> Of particular note is the countervailing duty in place in the U.S. against oil country tubular goods from China. Included in the U.S. Department of Commerce's product definition of oil country tubular goods are pup joints, the very same goods that are subject to duty in Canada. In May 2015, the U.S. International Trade Commission extended countervailing duty orders on OCTG from China for a further five years.<sup>75</sup> This further indicates that producers of OCTG and pup joints in China continue to receive countervailable benefits from the GOC.

#### **Determination Regarding Likelihood of Continued or Resumed Subsidizing**

[103] Based on the information on the record demonstrating that exporters in China have continued to avail themselves of subsidy programs; exporters benefit from the GOC's provision of subsidies to manufacturers in the steel sector; and the same or closely-related tubular products from China are also subject to countervailing measures in Canada and in other jurisdictions, the CBSA determined that the expiry of the finding is likely to result in the continuation or resumption of subsidizing of pup joints originating in or exported from China.

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<sup>73</sup> Exhibit 45 (NC) – Notice of Conclusion of Re-investigation (2015).

<sup>74</sup> Exhibit 37 (NC) – Reference material from AOT, Exhibit PJ-CAC1-Australia, Exhibit PJ-CAC-US4.

<sup>75</sup> Exhibit 37 (NC) – Reference material from AOT, Exhibit PJ-RCF11.

## **CONCLUSION**

[104] For the purpose of making a determination in this expiry review investigation, the CBSA conducted its analysis within the scope of the factors found under subsection 37.2(1) of the SIMR. Based on the foregoing consideration of pertinent factors and an analysis of the evidence on the record, on November 30, 2016, pursuant to paragraph 76.03(7)(a) of SIMA, the CBSA determined that the expiry of the finding made by the CITT on April 10, 2012, in Inquiry No. NQ-2011-001:

- i. is likely to result in the continuation or resumption of dumping of certain pup joints originating in or exported from China; and
- ii. is likely to result in the continuation or resumption of subsidizing of certain pup joints originating in or exported from China.

## **FUTURE ACTION**

[105] On December 1, 2016, the CITT commenced its inquiry to determine whether the expiry of the finding with respect to the dumping and subsidizing of the goods from China is likely to result in injury. The CITT's Expiry Review schedule indicates that it will make its decision by April 7, 2017.

[106] If the CITT determines that the expiry of the order with respect to the goods is likely to result in injury, the finding will be continued in respect of those goods, with or without amendment. If this is the case, the CBSA will continue to levy anti-dumping and/or countervailing duties on dumped and/or subsidized importations of the subject goods.

[107] If the CITT determines that the expiry of the finding with respect to the goods is not likely to result in injury, the finding will be rescinded in respect of those goods. Anti-dumping and/or countervailing duties would then no longer be levied on importations of the subject goods.

## **INFORMATION**

[108] For further information, please contact the officer listed below:

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

**Telephone:** Patrick Mulligan 613-952-6720

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