Canada Border Services Agency | Agence des services frontaliers du Canada

COR 2018 IN

OTTAWA, November 8, 2018

STATEMENT OF REASONS

Concerning the preliminary determination with respect to the dumping of

**CORROSION-RESISTANT STEEL SHEET
FROM CHINA, THE SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU (CHINESE TAIPEI), INDIA AND SOUTH KOREA**

DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, the Canada Border Services Agency made a preliminary determination on October 24, 2018 respecting the dumping of certain corrosion-resistant steel sheet from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea.

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

Canada

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SUMMARY OF EVENTS

[1] On June 5, 2018, the Canada Border Services Agency (CBSA) received a written complaint from ArcelorMittal Dofasco G.P., of Hamilton, Ontario, (hereinafter, "the complainant"), alleging that imports of certain corrosion-resistant steel sheet (COR) from the People's Republic of China (China), the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), the Republic of India (India) and the Republic of Korea (South Korea) are being dumped. The complainant alleged that the dumping has caused injury and is threatening to cause injury to the Canadian industry producing like goods.

[2] On June 26, 2018, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. The CBSA also notified the governments of China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea that a properly documented complaint had been received.

[3] The complainant provided evidence to support the allegation that COR from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea have been dumped. The evidence also discloses a reasonable indication that the dumping has caused injury and/or is threatening to cause injury to the Canadian industry producing like goods.

[4] On July 26, 2018, pursuant to subsection 31(1) of SIMA, the CBSA initiated an investigation respecting the dumping of COR from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea.

[5] Upon receiving notice of the initiation of the investigation, the Canadian International Trade Tribunal (CITT) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the alleged dumping of the above-mentioned goods have caused injury or are threatening to cause injury to the Canadian industry producing the like goods.

[6] On September 24, 2018, pursuant to subsection 37.1(1) of SIMA, the CITT made a preliminary determination that there is evidence that discloses a reasonable indication that the alleged dumping of COR from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea have caused or are threatening to cause injury to the domestic industry.

[7] On October 24, 2018, as a result of the CBSA's preliminary investigation and pursuant to subsection 38(1) of SIMA, the CBSA made a preliminary determination of dumping of COR originating in or exported from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea.

[8] On October 24, 2018, pursuant to subsection 8(1) of SIMA, provisional duty was imposed on imports of dumped goods that are of the same description as any goods to which the preliminary determination apply, and that are released during the period commencing on the day the preliminary determination was made and ending on the earlier of the day on which the CBSA causes the investigation in respect of any goods to be terminated pursuant to subsection 41(1) of SIMA or the day the CITT makes an order or finding pursuant to subsection 43(1) of SIMA.

PERIOD OF INVESTIGATION

[9] The Period of Investigation (POI) for the dumping investigation is April 1, 2017 to March 31, 2018.

PROFITABILITY ANALYSIS PERIOD

[10] The Profitability Analysis Period (PAP) for the dumping investigation is April 1, 2017 to March 31, 2018.

INTERESTED PARTIES

Complainant

[11] ArcelorMittal Dofasco G.P. was founded as the Dominion Steel Casting Company in 1912 in Hamilton, Ontario. In 2006 Dofasco was acquired by Arcelor S.A. Later that year, Arcelor S.A. merged with Mittal Steel.

[12] ArcelorMittal Dofasco G.P. produces COR at its facility in Hamilton, Ontario. The company is the largest of the three known producers of COR in Canada and accounts for a major proportion of the total domestic production of like goods.

[13] The contact information of the complainant is as follows:

ArcelorMittal Dofasco G.P.
1330 Burlington Street East,
Hamilton, ON L8N 3J5

[14] The other two known manufacturers of like goods in Canada are:

Stelco Inc.
386 Wilcox Street
Hamilton, ON L8L 8J6

Material Science Corp.
1430 Martin Grove Road
Rexdale, ON M9W 4Y1

Trade Unions

[15] The complaint identified two trade unions that represent persons employed in the production of COR in Canada:

United Steel Workers Local 8782
P.O. Box 220
Jarvis, ON N0J 1J0

United Steel Workers Local 1005
350 Kenilworth Avenue North
Hamilton, ON L8H 4T3

Importers

[16] At the initiation of the investigation, the CBSA identified 82 potential importers of the subject goods based on both information provided by the complainant and CBSA import entry documentation. All of the potential importers were asked to respond to the CBSA's Importer Request for Information (RFI)[1]. The CBSA received five responses to the Importer RFI.

Exporters

[17] At the initiation of the investigation, the CBSA identified 278 potential exporters/producers of the subject goods located in China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea from CBSA import documentation and from information submitted in the complaint. All of the potential exporters were sent the CBSA's Dumping RFI.[2] The potential exporters located in China were also asked to respond to the CBSA's Section 20 RFI.[3]

[18] Five exporters/producers in China provided substantially complete responses to the Dumping RFI. In addition, four exporters/producers in China responded to the Section 20 RFI.

[19] Two exporters/producers from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) provided substantially complete responses to the Dumping RFI.

[20] Three exporters/producers and a vendor from South Korea provided substantially complete responses to the Dumping RFI.

[21] No company in India provided a response to the Dumping RFI.

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[1] Exhibit 12 (NC) – Importer RFI.
[2] Exhibit 10 (NC) – Exporter RFI – Dumping.
[3] Exhibit 13 (NC) – Exporter RFI - Section.20 – China.

Government

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

[23] At the initiation of the investigation, the CBSA sent a Government Section 20 RFI to the Government of China (GOC).[4] The GOC did not respond to the CBSA's Section 20 RFI.

[4] Exhibit 11 (NC) – Foreign Government RFI - Section 20 – China.

PRODUCT INFORMATION

Definition

[24] For the purposes of this investigation, subject goods are defined as:

Corrosion-resistant flat-rolled steel sheet products of carbon steel including products alloyed with the following elements:

- *Boron (B) not more than 0.01%,*
- *Niobium (Nb) not more than 0.100%,*
- *Titanium (Ti) not more than 0.08%, or*
- *Vanadium (V) not more than 0.300%*

in coils or cut lengths, in thicknesses up to 0.168 in. (4.267 mm) and widths up to 72 inch (1,828.8 mm) with all dimensions being plus or minus allowable tolerances contained in the applicable standards, chemically passivated, originating in or exported from the People's Republic of China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), the Republic of India, and the Republic of Korea and excluding:

- *unpassivated corrosion-resistant steel sheet products;*
- *corrosion-resistant steel sheet products for use in the manufacture of passenger automobiles, buses, trucks, ambulances or hearses or chassis therefor, or parts thereof, or accessories or parts thereof;*
- *steel products for use in the manufacture of aeronautic products;*
- *steel sheet that is coated or plated with tin, lead, nickel, copper, chromium, chromium oxides, both tin and lead ("terne plate"), or both chromium and chromium oxides ("tin free steel");*
- *stainless flat-rolled steel products;*
- *corrosion-resistant steel sheet products that have been pre-painted or coated with organic (non-metallic) coatings, including lacquers or varnishes;*
- *galvanized armouring tape, which is narrow flat steel tape of 3 in. or less, that has been coated by a final operation with zinc by either the hot-dip galvanizing or the electrogalvanizing process so that all surfaces, including the edges, are coated;*
- *and tool steel.*

Additional Product Information[5]

[25] The product definition includes corrosion-resistant steel sheet where the substrate is coated or plated with a corrosion-resistant material such as zinc, aluminum, and other alloys. The coating may be applied by a variety of processes including hot-dip galvanizing or electro-galvanizing.

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[5] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., paragraphs 22-28.

[26] The product definition includes corrosion-resistant steel sheet which has been chemically passivated by coating with standard or acrylic chromate and nonchromate solutions.

[27] Passivation refers to a material becoming "passive", that is, less affected or corroded by the environment of future use. Passivation involves creation of an outer layer of shield material that is applied as a micro-coating, created by chemical reaction with the base material, or allowed to build from spontaneous oxidation in the air. As a technique, passivation is the use of a light coat of a protective material, to create a shell against corrosion. The most common method of passivation for steel products is the application of a standard chromate based or acrylic chromate and non-chromate coatings.

[28] The product definition includes corrosion-resistant steel sheet products that are treated with an oil or a passivation treatment application. Such treatments provide protection against oxidation during handling, transportation, and storage, and they also add lubricity during the forming or stamping of the part.

[29] Corrosion-resistant steel sheet is usually produced from cold-rolled carbon steel sheet ("CRS") and sometimes from hot-rolled carbon steel sheet ("HRS"). However, additions of certain elements, such as titanium, vanadium, niobium or boron, during the steel-making process enable the steel to be classified as alloy steel. Therefore, corrosion-resistant steel produced from either carbon steel or alloy steel is included in the definition of the subject goods.

[30] The subject goods (and like goods produced by the domestic industry) are manufactured to meet certain American Society for Testing and Materials (ASTM), Society of Automotive Engineering (SAE) or equivalent specifications, including, but not limited to:

ASTM A653/653M
ASTM A792/A792M
SAE J403
SAE J1392
SAE J2329
SAE J1562

[31] The product definition excludes corrosion-resistant steel for use in automobiles and automobile parts, hereafter referred to as "automotive". Automotive end users include original equipment manufacturers ("OEMs") and auto part producers. Such excluded goods may fall under Customs Tariff item 9959.00.00.

[32] The product definition excludes corrosion-resistant steel sheet products that have been pre-painted or coated with organic (non-metallic) coatings. In Canada, the commonly used term for steel that has been coated with paint at the mill is "pre-painted" or "pre-coated" steel. Outside Canada, it is common for the term "organic coated" to be used to describe pre-painted steel. "Organic coated" may also refer to permanently applied plastic coatings or films. Common paint types for pre-painted and other organic coating products are silicon modified polyester, polyester, polyurethane, acrylic, epoxy, epoxy phenolic, polyvinylchloride and polyvinylidene difluoride.

[33] The product definition includes "seconds". Seconds are goods that do not meet some aspect of the original specification. This could include dimensions, grade, or coating. It could also include a coil that has been damaged. Seconds are sold at a discount. Seconds may meet ASTM, SAE or other specifications or may be re-certified to meet a standard. For example, a coil that is damaged along the edge may be a "second". However, if the damaged edge is slit and the damage is removed, the coil could be classified as a primary coil produced to the new width. Seconds are graded and sold on a scale of five.

Production Process[6]

[34] COR is usually produced from CRS and sometimes from HRS. The steel sheet to be coated is commonly referred to as steel substrate. Hot-dip galvanizing and electrogalvanizing are the two processes that can be used to coat the substrate steel sheet with zinc, aluminum, or other alloys. The complainant uses hot-dip galvanizing.

[35] In the hot-dip galvanizing process, the first step is to clean the surfaces to improve the adhesion of the coating. After cleaning, the substrate enters a continuous annealing furnace. The furnace heats the substrate to the temperature necessary to develop the desired metallurgical properties of the final product. The substrate is then placed in a molten coating bath and, as it emerges from the bath, an air, nitrogen or steam wipe is used to control the thickness of the coating. The galvanized steel sheet is then cooled in a cooling tower.

[36] In some cases, the galvanized steel is further processed into galvannealed steel sheet. The first step in galvannealing is to reduce the thickness of the coating. This can be done either by "wipe-coat galvannealing", in which thick pads are used to wipe the sheet as it emerges from the molten coating bath, or by an air/nitrogen wiping process. The galvanized sheet then passes through a galvannealing furnace, with the heat from the furnace causing the iron from the substrate to combine with the zinc coating to produce a thin zinc-iron alloy. Because of its thinner coating, galvannealed steel sheet is easier to weld and paint than galvanized steel sheet.

[37] In the electro-galvanizing process, charged steel passes through a plating bath and opposite electrical charges cause the zinc solution to coat the steel. Cold-rolled steel coils are batch annealed in multi-stack furnaces or in off-line continuous annealing process, often skin passed on a temper mill, before being electro-galvanized with a thin coating of zinc on a continuous processing line.

Product Use[7]

[38] Common applications for COR falling within the product definition include, but are not limited to, production of farm buildings, grain bins, culverts, garden sheds, roofing material, siding, floor decks, roof decks, wall studs, drywall corner beads, doors, door frames, ducting (and other heating and cooling applications), flashing, hardware products and appliance components.

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[6] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., paragraphs 29-32.
[7] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., paragraph 33.

Classification of Imports

[39] The subject goods are normally classified under the following tariff classification numbers (tariff numbers):

7210.30.00.00	7210.69.00.10	7212.50.00.14
7210.49.00.10	7210.69.00.20	7225.91.00.00
7210.49.00.20	7212.20.00.00	7225.92.00.00
7210.49.00.30	7212.30.00.00	7226.99.00.10
7210.61.00.00	7212.50.00.00	

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

LIKE GOODS AND CLASS OF GOODS

[41] Subsection 2(1) of SIMA defines "like goods" in relation to any other goods as goods that are identical in all respects to the other goods, or in the absence of any identical goods, goods the uses and other characteristics of which closely resemble those of the other goods.

[42] In considering the issue of like goods, the CITT typically looks at a number of factors, including the physical characteristics of the goods, their market characteristics and whether the domestic goods fulfill the same customer needs as the subject goods.

[43] After considering questions of use, physical characteristics and all other relevant factors, the CBSA initiated its investigation under the premise that domestically produced COR are like goods to the subject goods. Further, the CBSA was of the opinion that subject goods and like goods constitute only one class of goods.

[44] In its preliminary injury inquiry for this investigation, the CITT further reviewed the matter of like goods and classes of goods. On September 24, 2018, it issued its preliminary injury inquiry determination and reasons indicating that "the Tribunal will conduct its analysis on the basis that domestically produced COR of the same description as the subject goods are 'like goods' in relation to the subject goods and that there is one class of goods."[8]

THE CANADIAN INDUSTRY

[45] The complainant and the supporting producer, Stelco, account for nearly all of the domestic production of like goods.

[8] Canadian International Trade Tribunal; Corrosion-resistant Steel Sheet Preliminary Injury Inquiry Determination and Reasons (October 9, 2018), PI-2018-005, paragraph 17.

IMPORTS INTO CANADA

[46] During the preliminary phase of the investigation, the CBSA refined the estimated volume and value of imports based on information from CBSA import entry documentation and information received from exporters and importers.

[47] The following table presents the CBSA's analysis of imports of COR for purposes of the preliminary determination:

Imports of COR
(% of Volume)

Country	Dumping POI (April 1, 2017 to March 31, 2018)
China	55.6 %
Chinese Taipei	4.1 %
India	3.1 %
South Korea	5.5 %
All Other Countries	31.7 %
Total Imports	**100 %**

INVESTIGATION PROCESS

[48] Regarding the dumping investigation, information was requested from all known and potential exporters, producers, vendors and importers, concerning shipments of COR released into Canada during the POI.

[49] Regarding the section 20 inquiry, information was requested from all known and potential exporters and producers of COR in China and from the GOC. As the investigation already included appropriate countries to serve as potential "surrogates", no additional producers in countries not named in this investigation were requested to provide information for purposes of determining normal values under paragraph 20(1)(c) of SIMA. Furthermore, importers were requested to provide information respecting re-sales in Canada of like goods imported from a third country in order to gather information to determine normal values under paragraph 20(1)(d) of SIMA.

[50] The GOC and the exporters/producers were notified that failure to submit all required information and documentation, including non-confidential versions, failure to comply with all instructions contained in the RFI, failure to permit verification of any information or failure to provide documentation requested during the verification visits may result in the margin of dumping and the assessment of dumping duty on subject goods being based on facts available to the CBSA. Further, they were notified that a determination on the basis of facts available could be less favorable to them than if complete, verifiable information was made available.

[51] Several parties requested an extension to respond to their respective RFIs. The CBSA reviewed each request and granted extensions in instances where the reasons for making the requests constituted unforeseen circumstances or unusual burdens. Where an extension request was denied, the CBSA informed the parties that it could not guarantee that submissions received after the RFI response deadline would be taken into consideration for purposes of the preliminary phase of the investigation.

[52] After reviewing the RFI responses, supplemental RFIs (SRFIs) were sent to several responding parties to clarify information provided in the responses and request any additional information.

[53] The preliminary determination is based on information available to the CBSA in time to have been considered for purposes of the preliminary determination. During the final phase of the investigation, The CBSA will continue to collect and verify information, the results of which will be incorporated into the CBSA's final decision, which must be made by January 22, 2019.

DUMPING INVESTIGATION

[54] The following presents the preliminary results of the investigation into the dumping of COR originating in or exported from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea.

Normal value

[55] Normal values are generally estimated based on the domestic selling prices of like goods in the country of export, in accordance with the methodology of section 15 of SIMA, or on the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, plus a reasonable amount for profits, in accordance with the methodology of paragraph 19(b) of SIMA.

[56] In the case of a prescribed country such as China, if, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market, the normal values are generally estimated on the basis of section 20 of SIMA using either the selling prices or costs of like goods in a "surrogate" country.

Export Price

[57] The export price of goods sold to importers in Canada is generally estimated in accordance with the methodology of section 24 of SIMA 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 as provided for in subparagraphs 24(a)(i) to 24(a)(iii) of SIMA.

[58] Where there are sales between associated persons and/or a compensatory arrangement exists, the export price is estimated based on the importer's resale price of the imported goods in Canada to unrelated purchasers, less deductions for all costs incurred in preparing, shipping and exporting the goods to Canada that are additional to those incurred on the sales of like goods for use in the country of export, all costs included in the resale price that are incurred in reselling the goods (including duties and taxes) or associated with the assembly of the goods in Canada and an amount representative of the average industry profit in Canada as provided for in paragraphs 25(1)(c) and 25(1)(d) of SIMA.

Margin of Dumping

[59] The estimated margin of dumping by exporter is equal to the amount by which the total estimated normal value exceeds the total estimated export price of the goods, expressed as a percentage of the total estimated export price. All subject goods imported into Canada during the POI are included in the estimation of the margins of dumping of the goods. Where the total estimated normal value of the goods does not exceed the total estimated export price of the goods, the margin of dumping is zero.

Section 20 Inquiry

[60] Section 20 is a provision of SIMA that may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of a prescribed country under paragraph 20(1)(a) of SIMA, it is applied where, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.[9]

[61] The provisions of section 20 are applied on a sector basis rather than on the country as a whole. The CBSA proceeds on the presumption that section 20 of SIMA is not applicable to the sector under investigation absent sufficient information to the contrary. The CBSA may form an opinion where there is sufficient information that the conditions set forth in paragraph 20(1)(a) of SIMA exist in the sector under investigation.

[62] The CBSA is required to examine whether the government of that country substantially determines domestic prices. The CBSA is also required to examine the price effect resulting from substantial government determination of domestic prices and whether there is sufficient information on the record for the CBSA to have reason to believe that the resulting domestic prices are not substantially the same as they would be in a competitive market.

[63] The complainant alleged that the conditions described in section 20 prevail in the flat-rolled steel industry sector, which includes COR, in China. That is, the complainant alleged that this industry sector in China does not operate under competitive market conditions and consequently, prices established in the Chinese domestic market for COR are not reliable for determining normal values.

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

[64] The complainant provided evidence supporting the claim that the GOC substantially determines prices of COR sold in China, including a pricing analysis. The complainant also provided evidence of state-ownership in the steel industry, involving both producers and purchasers, including those in the flat-rolled steel industry sector.

[65] The complainant also cited specific GOC policies such as China's 2015 Steel Adjustment Policy and China's 13th Five-Year Plan[10] as evidence of continued influence on market forces in China, including the flat-rolled steel industry sector, which includes COR.

[66] At the initiation of the investigation, the CBSA had sufficient evidence, supplied by the complainant and from its own research and past investigation findings, to support the initiation of a section 20 inquiry to examine the extent of GOC involvement in pricing in the flat-rolled steel industry sector, which includes COR. The information indicated that prices in China in this sector have been influenced by various GOC industrial policies. Consequently, the CBSA sent Section 20 RFIs to producers and exporters of COR in China, as well as to the GOC, to obtain information on the extent to which the GOC is involved with the determination of domestic prices in the flat rolled steel sector, which includes COR.

Summary of Chinese Exporter Responses

[67] The CBSA received responses to the Section 20 RFIs from four exporters/producers.

Government of China Response

[68] An RFI was sent to the GOC requesting information for the purposes of the section 20 inquiry. No response was received from the GOC as of the date of the preliminary determination of dumping.

Surrogate Country Responses

[69] As the investigation already included appropriate countries to serve as potential "surrogates", surrogate RFIs were not sent to COR producers in any other countries. For purposes of the preliminary determination, the CBSA received substantially complete responses to the Dumping RFI from two companies in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and three companies in South Korea. There were no responses to the Dumping RFI from India.

Responses from Importers with Sales in Canada of COR from Other Countries

[70] As part of the section 20 inquiry, the RFIs sent to importers requested information on re-sales in Canada of COR imported from countries other than China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), South Korea and India. The CBSA received five responses to the importer RFI. None of the importers provided information on re-sales in Canada of like goods from non-subject countries.

[10] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., paragraphs 363-425.

Preliminary Results of the Section 20 Inquiry

[71] The following is the CBSA's analysis of the relevant factors that are present in the flat-rolled steel industry sector in China, which includes COR.

GOC Industrial Policies

[72] As part of its section 20 analysis, the CBSA examined:

- *13th Five-Year National Plan on National Economic and Social Development;*
- *Steel Capacity Replacement Policy;*
- *Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020);*
- *Iron and Steel Industrial Restructuring Policy (2015);*
- *The National Steel Policy and the Steel Revitalization/Rescue Plan;*
- *12th Five-Year Development Plans for the steel industry;*
- *GOC Ownership and Control of Suppliers of Raw Material Inputs;*
- *The GOC's ownership and control of steel enterprises and COR producers;*
- *The GOC's export controls; and*
- *Subsidization of the steel industry.*

13th Five-Year Plan on National Economic and Social Development

[73] The GOC adopted its *13th Five-Year Plan for Economic and Social Development* (*13th Five-Year Plan*)[11] on March 15, 2016. The *13th Five-Year Plan* outlines China's goals, principles and targets for its development for the period of 2016-2020, which covers the POI for this investigation. The objectives outlined in the *13th Five-Year Plan* continue the themes expressed in the *12th Five-Year Plan,* which is discussed in a later section. This includes the strengthening of state owned enterprises (SOEs) and control over the economy within the steel industry.

[11] Section 20 Report Attachments (NC) – Attachment 1 NC – *13th Five-Year Plan for Economic and Social Development.*

[74] The *13th Five-Year Plan* calls for greater involvement of SOEs in the development of the Chinese economy. Specifically, Chapter 11 of the plan states:

> We will ensure that public ownership is dominant and that economic entities under diverse forms of ownership develop side by side ... We will exercise oversight over economic entities under all forms of ownership in accordance with the law … We will remain firmly committed to ensuring that SOEs grow stronger, better, and bigger and work to see that a number of such enterprises develop their capacity for innovation and become internationally competitive, thereby injecting greater life into the state-owned sector, helping it exercise a greater level of influence and control over the economy, increasing its resilience against risk, and enabling it to contribute more effectively to accomplishing national strategic objectives.[12]

[75] Given the overcapacity in the steel industry causing excess supply, the above statement supports GOC intentions to further consolidate the steel industry through mergers and restructuring and that the GOC views SOEs as having an important role to play in the economy.

Steel Capacity Replacement Policy

[76] On January 8, 2018, the Ministry of Industry and Information Technology of China issued the *Steel Capacity Replacement Policy*[13] to cut existing steel production capacity and strictly ban the launch of any new steelmaking facilities in 2018. The new policy is to ensure zero growth of production capacity in steel, cement and plate glass industries and to continue capacity replacement measures this year.

[77] According to a report[14] by South China Morning Post, China fulfilled its target of cutting back steel capacity by 50 million metric tonnes in 2017, as well as phasing out another 120 million tonnes of low-tech illicit steel product capacity. China also plans to meet the 2016 to 2020 capacity cutback target of eliminating up to 150 million tonnes ahead of schedule in 2018.

[78] The analysis on the *13th Five-Year Plan* together with the other similar administrative policies of the steel industry discussed below, indicate that the GOC plays a key role in the control and administration of the steel industry, which includes the flat-rolled steel industry sector.

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[12] Section 20 Report Attachments (NC) – Attachment 1 NC – *13th Five-Year Plan for Economic and Social Development*, chapter 11.
[13] *Ibid* – Attachment 3 NC – *Steel Capacity Replacement Policy* - Chinese Version only.
[14] *Ibid* – Attachment 4 NC – *China Vows to Meet Targets to Cut Steel Production Capacity in 2018.*

Iron and Steel Industry Adjustment and Upgrade Plan (2016 2020)

[79] On November 14, 2016, the Ministry of Industry and Information Technology of China issued the *Iron and Steel Industry Adjustment and Upgrade Plan* (2016 - 2020)[15], to support the Chinese steel industry's development in the next five years. The plan aims to raise the average annual growth rate of industrial added value from 5.4% in 2015 to 6.0% by 2020, raise the capacity utilization rate from 70% in 2015 to 80% by 2020, and raise the industrial concentration in top ten producers from 34.2% in 2015 to 60% by 2020. As supporting measures, the plan calls on local governments to utilize existing funds, explore multiple kinds of support measures, and guide financial institutions and social funds to support key tasks of the plan.

[80] Comments on the adjustment and upgrade draft plan from a report by the American Iron and Steel Institute (AISI) included the following:

> The measures described in the Policy reflect ongoing government intervention in the management and operation of steel companies and the allocation of resources in the industry. As a result, the Policy is largely inconsistent with the goal of subjecting the industry to market discipline… The absence of concrete steps towards fundamental market-driven reforms and significant capacity reductions will render the Policy ineffective in addressing this fundamental problem.[16]
>
> The specific measures contained in the Policy indicate that market forces will not be permitted to play a "decisive" role in the development of China's steel industry, and that the role of the market will remain secondary to the role of the government.[17]

[15] Section 20 Report Attachments (NC) – Attachment 5 NC – *Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)* - Chinese Version only.

[16] *Ibid* – Attachment 6 NC – *Comments on China's Steel Industry Adjustment Policy (2015 Revision)*, page 1.

[17] *Ibid.* page 2.

[81] Other observations made by the AISI on the draft policy included:

- The Policy envisions ultra-large steel groups to be formed through mergers and acquisitions and to dominate the market, with the government "supporting the unification of strong and dominant enterprises" and encouraging them to "implement strategic reorganizations" throughout the production chain;[18]
- The Policy does not remove the primary barrier to market reforms in the Chinese steel industry – state ownership;[19]
- While the Adjustment Policy acknowledges objectives related to China's excess capacity crisis, it fails to provide for any effective means to significantly reduce it;[20]and
- The Policy aims to concentrate 60% of production capacity into three to five ultra-large, globally competitive enterprises, along with several leading enterprises in regional or specialty markets by 2025.[21]

[82] In analyzing the *Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)* together with the discussion on the draft *Iron and Steel Industrial Restructuring Policy (2015 Revision)* below, indications are that the GOC continued its level of control in the administration of the flat-rolled steel industry sector.

Iron and Steel Industrial Restructuring Policy

[83] On March 20, 2015, the Ministry of Industry and Information Technology released a draft document entitled, *Iron and Steel Industrial Restructuring Policy (Steel Restructuring Revision).*[22] The *Steel Restructuring Revision* is intended to replace the *National Steel Policy* previously issued in 2005.

[84] Currently, no information is available to the CBSA regarding whether a formal version of the policy exists. However, given the information available on the draft *Steel Restructuring Revision* as summarized below, indications are that the GOC will not decrease its level of control in the administration of the steel industry in a final version of the policy.

[85] The major objectives of the *Steel Restructuring Revision* can be summarized into four main categories as follows: re-structuring of the steel industry, capacity requirements, profitability targets, and productivity targets.[23]

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[18] Section 20 Report Attachments (NC) – Attachment 6 NC – *Comments on China's Steel Industry Adjustment Policy (2015 Revision)*, page 2.
[19] *Ibid.* page 3.
[20] *Ibid.* page 4.
[21] *Ibid.*
[22] Section 20 Report Attachments (NC) – Attachment 7 NC – *Iron and Steel Industrial Restructuring Policy (2015 Revision).*
[23] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 141, para. 390.

[86] Additionally, Article 4 in the *Steel Restructuring Revision* provides further support of the GOC's strengthening of control and oversight over the Chinese steel industry:

> There should be continuous innovation in the means of governmental administration; ongoing and retrospective oversight and services should be continuously strengthened; and the role of the government should be more effectively realized. Relevant laws and regulations should be better implemented in the industry in order to basically build a fair and competitive market environment. A sound investment project information disclosure system and corporate credit record system should be established in order to form an open, honest community oversight system.[24]

[87] This extract also indicates that the GOC has realized that the current steel industry is not in a fair and competitive market environment.

[88] According to Xinhua Net, an official press agency of China, as a result of the *Steel Restructuring Revision,* by 2020 the GOC has pledged to reduce steel production capacity by 100-150 million metric tonnes .[25] Furthermore, according to a report by Change Partnership, it is estimated that China would need to close down 112.5 million MT of capacity per year to 2020 in order to remove its surplus.[26] By the end of May 2017, capacity reductions totaled 42 million tonnes, or 80% of the target for 2017.[27]

[89] Based on the above objectives, tasks and measures outlined in the *Steel Restructuring Revision*, indications are that the GOC intends to continue the restructuring of the steel industry; set capacity requirements and profitability and productivity targets. The CBSA views the role of the GOC in the management and supervision over the Chinese steel industry as indicative of its continued control of the steel industry.

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[24] *Ibid* – page 141, para. 391.

[25] Section 20 Report Attachments (NC) – Attachment 8 NC – *China's Steel Industry Improves as Capacity Reduction Pays off.*

[26] *Ibid* – Attachment 9 NC – *The Clean Technology Revolution and its Implications for Europe.*

[27] *Ibid* – Attachment 10 NC – *China Making Headway Restructuring Steel Industry.*

National Steel Policy and Steel Revitalization/Rescue Plan

[90] As cited in previous section 20 inquiries on steel products, *the Development Policies for the Iron and Steel Industry – Order of the National Development and Reform Commission [No. 35]*, (*National Steel Policy*)[28] was promulgated on July 8, 2005 and outlines the GOC's future plans for the Chinese domestic steel industry. The major objectives of the *National Steel Policy* are:

- The structural adjustment of the Chinese domestic steel industry;
- Industry consolidations through mergers and acquisitions;
- The regulation of technological upgrading with new standards for the steel industry;
- Measures to reduce material and energy consumption and enhance environmental protection; and
- Government supervision and management in the steel industry.

[91] On March 20, 2009, the GOC promulgated the *Blueprint for the Adjustment and Revitalization of the Steel Industry issued by the General Office of the State Council* (*Steel Revitalization/Rescue Plan*).[29] This macro-economic policy was the GOC's response to the global financial crisis and is also the action plan for the steel industry for the 2009 through 2011 period. Although the period when the *National Steel Policy* was applied was prior to the period of this inquiry, indications are that the GOC has maintained such policies in the administration of the steel industry. This plan includes the following major tasks:

- Maintain the stability of the domestic market and improve the export environment;
- Strictly control the total output of steel and accelerate the process of eliminating what is backward (obsolete);
- Enhance enterprise reorganization and improve the industrial concentration level;
- Spend more on technical transformation and promote technical progress;
- Optimize the layout of the steel industry and overall arrangements of its development;
- Adjust the steel product mix and improve the product quality;
- Maintain stable import of iron ore resources and rectify the market order; and
- Develop domestic and overseas resources and guarantee the safety of the industry.

[92] There are common measures between these two GOC policies, as the *Steel Revitalization/Rescue Plan* is an acceleration of the major objectives of the *National Steel Policy*. In the *Steel Revitalization/Rescue Plan*, the GOC asserts its strict control over new or additional steel production capacity and promotes new GOC directed mergers and acquisitions to reform the Chinese steel industry into larger conglomerates, with an increased emphasis on steel product quality. These measures and reforms affect the steel industry in China and, as a result, affect COR producers in the flat-rolled steel industry sector.

[28] Section 20 Report Attachments (NC) – Attachment 11 NC – *Development Policies of the Iron and Steel Industry*.
[29] *Ibid* (PRO) – Attachment 12 NC – *Blueprint for the Adjustment and Revitalization of the Steel Industry*.

12th Five-Year Development Plans for the Steel Industry

[93] The *12th Five-Year Development Plans for the Steel Industry* (*12th Five-Year Development Plans*) is a policy document that was released by the GOC's Ministry of Industry and Information Technology on November 7, 2011.[30] The *12th Five-Year Development Plans* served as the guiding document for the development of the Chinese steel industry for the 2011-2015 period and was followed by the *13th Five-Year Development Plans* (2016-2020), which was discussed in detail in a previous section of this report. The two plans together clearly indicate the GOC's continuous involvement in the administration and control of the steel industry. The *12th Five-Year Development Plans* directives include:

- Increased mergers and acquisitions to create larger, more efficient steel companies;
- GOC restrictions on steel capacity expansion;
- Upgrading of steel industry technology;
- Greater GOC emphasis on high-end steel products; and
- GOC directed relocation of iron and steel companies to coastal areas.

[94] Also included in this plan are minimum requirements for steel production in order to eliminate smaller players in the market. Through this plan, the GOC continued its reform and restructuring of the Chinese steel industry. The GOC's target was that by 2015, China's top 10 steel producers would represent 60% of the country's total steel output. According to the *National Steel Policy*, the long-range GOC target for mergers and acquisitions is to have the top 10 Chinese steel producers account for 70% of total national steel production by 2020. This plan was the next development stage of GOC directives aimed at achieving this long-range 2020 target.

[95] The GOC's direction of the steel industry includes enabling regional or provincial governments to combine enterprises across boundaries. Furthermore, as a result of the GOC's administration of steel production capacity, the Chinese steel industry remains under the purview of the GOC. Together with the GOC's legislation: *Criterion for the Production and Operation of Steel Industry*[31] – GY [2010] No. 105 and *Several Observations of the General Office of the State Council on Further Strengthening Energy-saving and Emission Reduction Efforts as well as Accelerating of Restructuring of Steel Industry*[32]– GBF (2010) No. 34, these plans set out requirements for existing production and operations of steel enterprises in China at the time.

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[30] Section 20 Report Attachments (NC) – Attachment 13 NC – *12th Five-Year Development Plan for the Steel Industry.*

[31] Section 20 Report Attachments (NC) – Attachment 15 NC – *Criterion for the Production and Operation of Steel Industry.*

[32] *Ibid* – Attachment 16 NC – *Several Observations of the General Office of the State Council on Further Strengthening Energy-saving and Emission Reduction Efforts as well as Accelerating of Restructuring of Steel Industry.*

[96] The intent of the latter legislation is to further support and carry out the *Steel Revitalization/Rescue Plan* to achieve the energy-saving and emission targets, in addition to the restructuring of the steel industry in China, as approved by the State Council. One main objective of the State Council is to "resolutely suppress the excessive growth of steel production capacity" and "strictly implement the approval and review process of steel projects."

[97] Should steel enterprises not follow the GOC's requirements, laws, and industrial policies, there are repercussions which include the withdrawal of steel production licenses and credit support.

GOC Ownership and Control of Suppliers of Raw Material Inputs

[98] As mentioned previously, according to the *Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)* and *Iron and Steel Industrial Restructuring Policy (2015),* the top ten steel producers in China were expected to reach 60% of total steel production in China by 2025.[33] The CBSA is of the view that state-owned and state-controlled enterprises in the steel industry in China are under the direction of GOC industrial policies and objectives, and that entails that these steel producers do not necessarily operate under market conditions.

[99] The CBSA reviewed the most recent data available on steel production as reported by the World Steel Association (WSA). Based on this information, the top 10 steel producers by volume in China[34] accounted for 37.3% of all steel production in China in 2017.[35] Of these 10 producers, eight are state-owned, and the combined production of steel by these top eight state-owned enterprises in China represents 30.3% of all steel production in China in 2017.

[100] As a result of GOC steel policies aimed at supply side structural reform, on September 22, 2016, Baosteel Group and Wuhan Steel Group consolidated by merging into BaoWu Steel Group, the second largest by production volume of crude steel, among global iron and steel companies. The result of the merger has led to a stronger and more influential state-owned entity and greater concentration in the steel industry.

[101] The GOC's extensive ownership and control of the majority of large Chinese steel producers means that these companies likely produce and market steel according to GOC objectives and policies instead of market conditions.

[102] Given that the state-owned steel companies produce raw material inputs for cold-rolled and hot-rolled steel sheet, which are also a direct input material in the production of COR, there is a strong likelihood that prices of COR are also distorted.

[33] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 142, para. 392.
[34] Section 20 Report Attachments (NC) – Attachment 17 NC – *Top Steelmakers in 2017 – World Steel Association.*
[35] *Ibid* – Attachment 18 NC – *World Steel in Figures 2018 – World Steel Association*

GOC Ownership and Control of COR Producers

[103] The complaint provided evidence of state-owned enterprises which produce COR in China. The complaint identified 15 enterprises which are known to be state-owned or controlled[36]

[104] The presence of state-owned and state-controlled enterprises that produce COR in the flat-rolled steel industry sector would necessitate that private companies supplying COR would have to compete with these state-owned and stated-controlled enterprises operating under non-market conditions.

Government Influence over Inputs

[105] The Complainant submits that the Chinese domestic price of COR is influenced by the GOC because the GOC influences the price of cold-rolled and hot-rolled steel, the primary input material of COR. The information submitted shows that the Chinese domestic price for hot-rolled steel was an average of 18% below the US Midwest hot-rolled steel price and an average of 19% below the India hot-rolled steel price during the period from Q2 2017 to Q1 2018[37], and that the Chinese domestic price for cold-rolled steel was an average of 27% below the US Midwest cold-rolled steel price and an average of 18% below the India cold-rolled steel price during the same period.[38]

CRU Hot-Rolled Steel (US$/MT)[39]

	US Midwest	China	Difference	India	China	Difference
2017Q2	681	471	31%	613	471	23%
2017Q3	683	608	11%	734	608	17%
2017Q4	671	624	7%	745	624	16%
2018Q1	820	652	21%	826	652	21%
Average	714	589	18%	730	589	19%

CRU Cold-Rolled Steel (US$/MT)[40]

	US Midwest	China	Difference	India	China	Difference
2017Q2	911	539	41%	677	539	20%
2017Q3	897	672	25%	815	672	18%
2017Q4	881	716	19%	826	716	13%
2018Q1	980	734	25%	912	734	19%
Average	914	665	27%	808	665	18%

[36] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 148, para. 408.
[37] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 150, para. 412.
[38] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 150, para. 413.
[39] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 150, para. 412, Table 31.
[40] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 150, para. 413, Table 32.

[106] The CBSA concurs with the Complainant's analysis, which demonstrates the GOC's influence over the price of material inputs in producing COR.

GOC Export Controls

[107] There is evidence that the GOC maintains export controls on raw materials used in the production of steel. These GOC measures limit or prevent the export of the raw materials resulting in increasing supply in the Chinese domestic market causing downward pressure on domestic prices.

[108] On January 1, 2017, the GOC imposed an export tax of 15% on pig iron, steel billets, and steel slab.[41] The extra burden imposed on the export of such steel products is likely to increase their supply in the Chinese domestic market and cause downward pressure on domestic prices on such products and products made therefrom, such as cold-rolled and hot-rolled steel sheet, which are the main raw material input in the production of COR. Similarly, steel slab is a major input for steel plate, which in turn is a major input for flat-rolled steel.

[109] The export controls of the GOC detailed above on steel products, including raw materials used in the production of COR, create an excess supply and therefore lower prices of raw materials for COR producers below what would exist in a competitive market, without such government controls.

Subsidization of the Steel Industry

[110] Although the CBSA is not conducting a subsidy investigation, the Complainant provided information on subsidization of the Chinese steel industry and argues that this subsidization influences the price of steel products, including COR.[42] Previous positive findings of subsidized steel products in China is in itself evidence of the GOC's indirect influence in the steel industry, including the flat-rolled steel industry sector. These subsidies provided to the producers of steel products in China have an indirect effect on domestic pricing of steel goods, including COR.

[111] As submitted in the complaint, Reuters reported, in 2014, that 88% of Chinese firms have received subsidies with a value worth USD 5.24 billion.[43] These subsidies reduce the domestic price of material inputs purchased by COR producers. This in turn incentivizes and allows COR producers to sell lower priced goods to customers.

[112] In conclusion, these subsidies allow Chinese steel enterprises, including cold-rolled and hot-rolled steel producers, to market steel and provide downstream COR producers lower priced input materials, which in turn allows the COR producers to sell COR at prices determined by factors other than the market conditions, resulting in prices lower than they would be without government subsidization.

[41] Section 20 Report Attachments (NC) – Attachment 19 NC – *China's Billet Export Tax Lowered to 15%*, Metal Bulletin.
[42] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 151, para. 414.
[43] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 151, para. 415.

[113] The support, through subsidies, of the steel industry and the flat-rolled steel industry sector by the GOC, is evidence that the GOC intends to assert control and influence the selling price of COR in the domestic market.

Summary of Government Control Analysis

[114] The GOC's measures, notices and observations detailed above illustrate that the GOC is closely administering the steel industry in China. Based on the information on the record as of the date of the preliminary determination, the scope of the GOC's macro-economic policies and measures provide a compelling factual basis that the GOC is influencing the Chinese steel industry, which encompasses the flat-rolled steel industry sector, including COR, the goods under investigation. The use of such policies and measures can dramatically change the demand and supply balance in the domestic market thereby materially altering the domestic prices of steel products such as steel slab, plate, hot-rolled steel sheet, cold-rolled steel sheet, as well as downstream products like COR.

[115] The major macro-economic policies and measures of the GOC include the 12th and 13th Five-Year Development Plans for the Steel Industry; the Steel Capacity Replacement Policy; the Iron and Steel Industry Adjustment and Upgrade Plan (2016 – 2020); the Steel Industry Adjustment Policy (2015 Revision); the National Steel Policy and the Steel Revitalization/Rescue Plan. These policies and measures have resulted in an environment where the commercial objectives of steel enterprises conflict with those of the GOC, affecting the type of products produced, production volumes and ultimately prices.

[116] In addition to the industrial policies and plans, the GOC closely administers the steel industry, including the flat-rolled steel industry sector, through state-ownership and state-control of upstream enterprises involved in the manufacture and supply of steel inputs, as well as COR producers. Furthermore, export controls and subsidization of the steel industry, including the flat-rolled steel industry sector, further demonstrates the GOC's intent to exert control.

[117] In conclusion, the cumulative impact of these GOC actions, measures and control indicate that prices in the flat-rolled steel industry sector, which includes COR, are being indirectly determined by the GOC.

Chinese Domestic Price Analysis

[118] The complainant submitted MEPS data, a publisher of steel market prices around the world, to compare hot-dipped galvanized steel prices (which includes COR) in China, to those in other markets. The table below demonstrates that prices of hot-dipped galvanized steel products in China are significantly lower than in other countries, suggesting the GOC's involvement in the hot-dipped galvanized steel sector is affecting prices: hot-dipped galvanized steel prices in China were lower than domestic pricing in other markets by C$203/MT-C$557/MT in the past three years.

Comparison of Domestic Hot-Dipped Galvanized Steel Prices in Different Countries (C$/MT)[44]

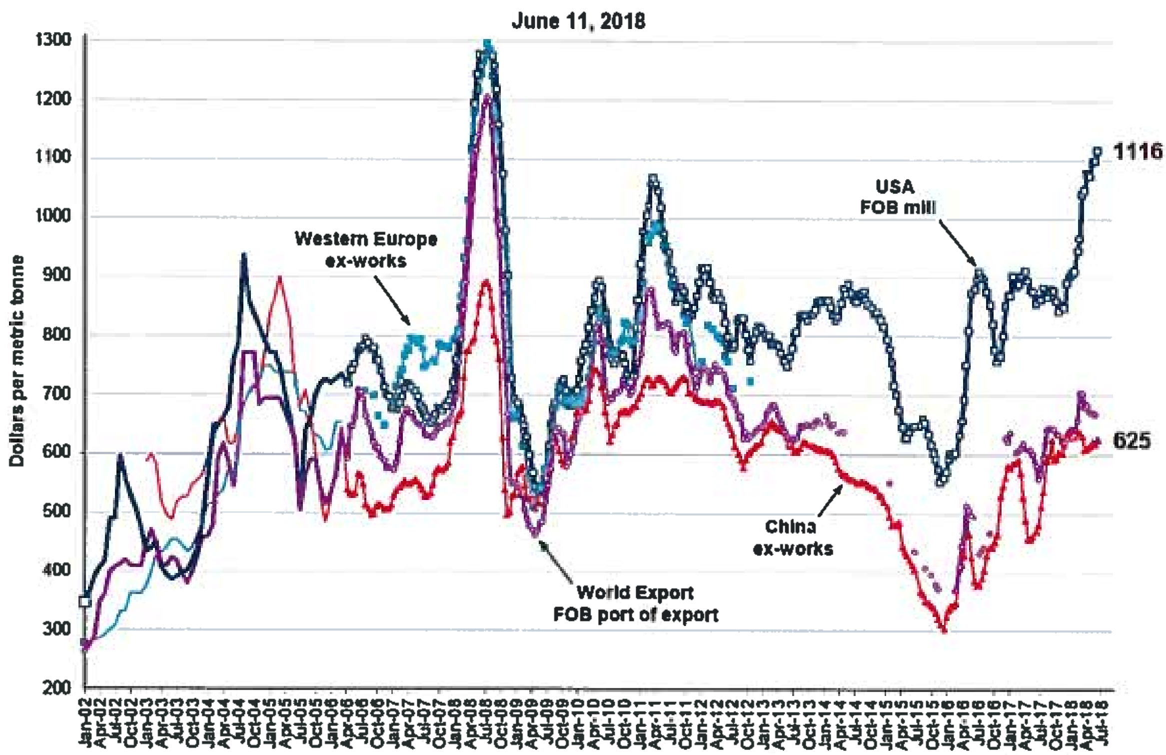
	China	Canada	USA	Japan	South Korea
2015	570	951	977	854	886
2016	632	1,103	1,155	924	884
2017	771	1,302	1,328	974	1,026

[119] The CBSA was able to obtain information from SteelBenchmarker which collects and analyzes ex-mill prices of plate, scrap, hot-rolled band and cold-rolled coil in China, the United States and other regions, including prices during the review period from April 2017 to March 2018.[45] The SteelBenchmarker semi-monthly report also includes a summary chart of a domestic price comparison of cold-rolled coils (see chart below).[46] Based on the following chart depicting the prices of cold-rolled coil, the main material input in the production of COR, the CBSA concludes that FOB mill prices of cold-rolled coils in China in 2016 and 2017 were consistently lower than those in the United States by between 190-490 USD per metric tonne, and also consistently lower than the world average prices to a lesser degree.

[44] Exhibit 2 (NC) – Non-confidential Complaint filed by ArcelorMittal Dofasco G.P., page 154, para. 422, Table 34.
[45] Section 20 Report Attachments (NC) – Attachment 20 NC – Price History, SteelBenchmarker, pages 9, 12 and 15.
[46] *Ibid.* page 5.

SteelBenchmarker™ **CRC Price**

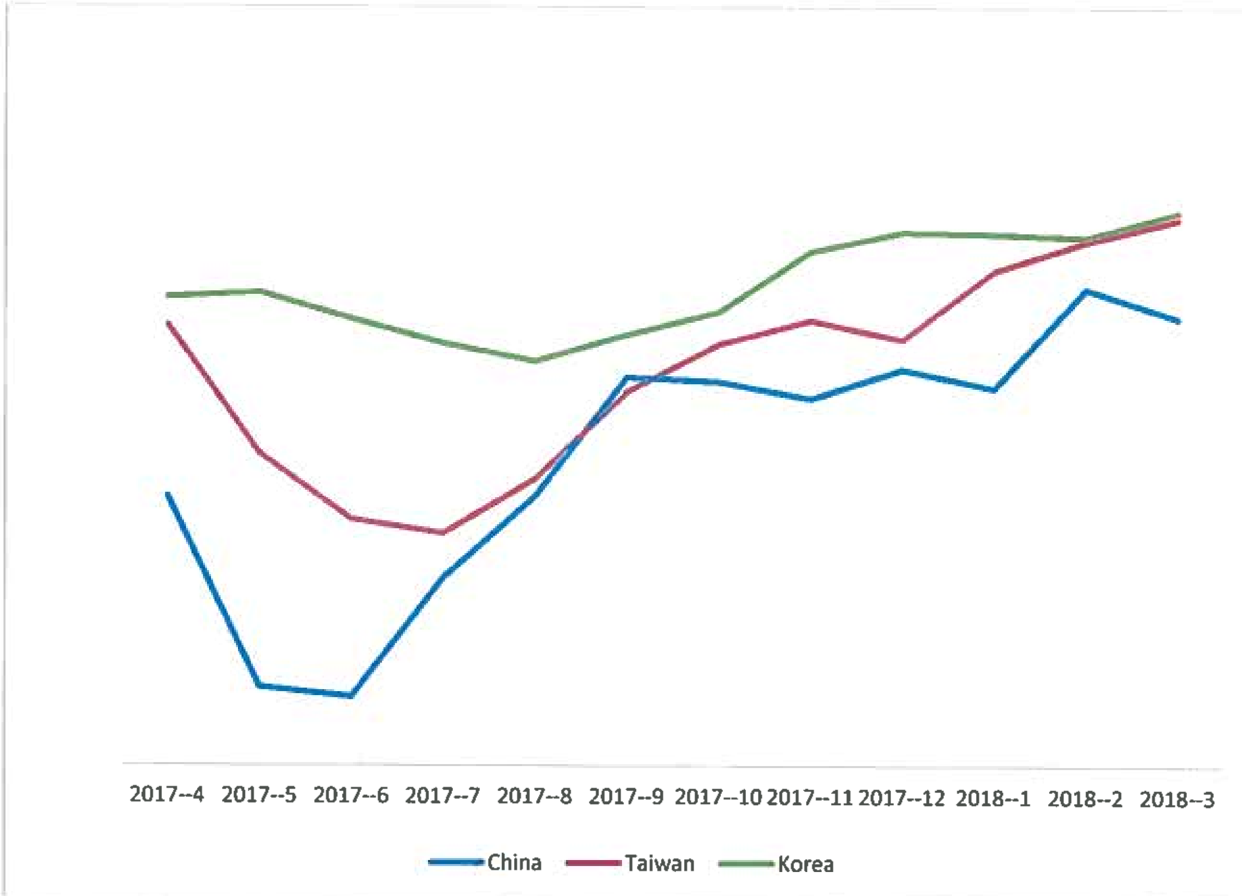
USA, China, Western Europe and World Export
(WSD's PriceTrack data, Jan. 2002 - March 2006; SteelBenchmarker data begins April 2006)



[120] As previously mentioned, the domestic price for cold-rolled and hot-rolled steel in China was also below the prices in the US Midwest and India. Given that cold-rolled and hot-rolled steel are commodity products freely traded on the world market, these disparities further support that domestic prices of COR in China are impacted by the distorted prices of steel inputs.

[121] The CBSA also compared the weighted average domestic selling prices of COR from exporters/producers who, for purposes of the preliminary determination, provided substantially complete responses to the Dumping RFI. From the graph below, a similar pattern emerges, whereby prices of COR in China are not the same as in other markets during the POI.

Weighted Average Domestic Selling Prices of COR in USD per MT[47]



*Due to the confidentiality of pricing information, only price trends can be shown above.

[122] The information discussed above supports the conclusion that the domestic prices of COR in China are not substantially the same as they would be if they were determined in a competitive market.

[123] During the final phase of the investigation, the CBSA will continue to review any new information available with respect to prices of COR in China as compared to prices in other markets.

Summary of the Preliminary Results of the Section 20 Inquiry

[124] Based on the information on the record, the GOC's macro-economic policies and actions have influenced the Chinese steel industry, which includes the flat-rolled steel industry sector.

[47] Section 20 Report (PRO) – Attachment 21 PRO - PD Section 20 Domestic Selling Pricing Analysis.

[125] There is evidence on the record of significant state-ownership in the Chinese steel industry as well as GOC ownership in the flat-rolled steel industry sector, which includes COR. The cumulative impact of the GOC's macro-economic directives, including the *Five-Year Development Plans for the Steel Industry;* the *Iron and Steel Industry Adjustment and Upgrade Plan* (2016 – 2020); the *Steel Industry Adjustment Policy (2015 Revision);* the *National Steel Policy* and the *Steel Revitalization/Rescue Plan*, along with the prevalent GOC representation in the state-owned enterprises result in an environment where enterprises are influenced by GOC responsibilities and mandates and these objectives compete against the commercial interests of the enterprises. In making corporate decisions, Chinese steel enterprises must be ever mindful of the GOC's macro-economic policies including GOC measures on steel production capacity, mergers, etc. As a result, corporate decisions based on market dynamics of supply and demand must compete with the GOC's directives and mandates.

[126] Information on the record indicates that various export controls are imposed by the GOC on steel products. These controls increase supply of raw materials in the Chinese domestic market causing downward pressure on domestic prices for steel products. Chinese COR producers therefore have access to lower priced input materials.

[127] Information on the record indicates that the GOC provides subsidies to the steel industry, which includes the flat-rolled steel industry sector. These subsidies allow steel enterprises to market their products at distorted prices to COR producers. COR producers who benefit from reduced prices of steel inputs are, in turn, able to market their products at distorted prices. There is also evidence on the record that indicates that prices of COR in China are lower than prices of COR products in other countries. The CBSA believes that the Chinese prices of steel inputs and COR provide a reasonable indication that there are factors present in the Chinese domestic steel industry other than the forces of supply and demand.

[128] For the purposes of the preliminary determination of dumping, the CBSA has formed the opinion that domestic prices in the flat-rolled steel industry sector, which includes COR, in China are substantially determined by the GOC and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.

[129] During the final stage of the dumping investigation, the CBSA will continue the Section 20 inquiry and further verify and analyze relevant information. The CBSA may reaffirm its opinion that the conditions of section 20 of SIMA exist in the flat-rolled steel industry sector in China, which includes COR, as part of the final phase of the investigation, or conclude that the determination of normal values may be made using domestic selling prices and costs in China.

Preliminary Results of the Dumping Investigation

China

[130] Five exporters/producers from China provided substantially complete responses to the Dumping RFI.[48] In addition, four exporter/producers in China responded to the Section 20 RFI.[49]

[131] An exporter/producer in China, Shougang Group of Companies,[50] provided an incomplete response to the Dumping RFI, which could not be used for the purposes of the preliminary determination.

Angang Steel Company Limited (Ansteel)

[132] Ansteel, is an exporter/producer of subject goods located in Anshan, Liaoning Province, China.

[133] Ansteel produces various steel products. All operations of Ansteel are located at its mill in Anshan. During the POI, Ansteel made a considerable number of domestic sales to their domestic customers.

[134] Ansteel provided a substantially complete response to the Dumping RFI.[51] During the POI, Ansteel sold subject goods to Canada through several traders. The subject goods were exported directly from China to Canada.

[135] Normal values for exporters in China were estimated using the methodology of subparagraph 20(1)(c)(i) of SIMA. Therefore, normal values for Ansteel were estimated on the basis of the selling price of like goods sold domestically by producers in the surrogate countries during the PAP.

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[48] Exhibits 89 (PRO) and 90 (NC) – Response to exporter RFI - Dumping - Jiangyin ZongCheng Steel Co., Ltd. ("JYZC"); Exhibits 93 (PRO) and 94 (NC) – Response to exporter RFI - Dumping - Yieh Phui (China) Technomaterial Co., Ltd (YPC); Exhibit 99 (PRO) and 100 (NC) – Response to exporter RFI - Dumping - Bengang Steel Plates Co.,Ltd; Exhibits 103 (PRO) and 104 (NC) – Response to exporter RFI - Dumping -BX Steel POSCO Cold Rolled Sheet Co.,Ltd ("Posco"); Exhibits 122 (PRO) and 123 (NC) – Response to exporter RFI - Dumping - Angang Steel Company.

[49] Exhibits 87 (PRO) and 88 (NC) – Response to exporter RFI - Section 20 - Jiangyin ZongCheng Steel Co., Ltd. ("JYZC"); Exhibits 95 (PRO) and 96 (NC) – Response to exporter RFI - Section 20 - Yieh Phui (China) Technomaterial Co., Ltd (YPC); Exhibits 101 (PRO) and 102 (NC) – Response to exporter RFI - Section 20 - Bengang Steel Plates Co.,Ltd; Exhibits 105 (PRO) and 106 (NC) – Response to exporter RFI - Section 20 - BX Steel POSCO Cold Rolled Sheet Co.,Ltd ("Posco").

[50] Exhibits 60 (PRO) and 61 (NC) – Response to exporter RFI - Dumping - Shougang Holding Trade (Hong Kong) Limited ("Shougang Holding Trade"); Exhibits 62 (PRO) and 63 (NC) – Response to exporter RFI - Dumping - Beijing Shougang Cold Rolling ("Shougang Cold Rolling") Co.,Ltd.; Exhibits 64 (PRO) and 65 (NC) – Response to exporter RFI - Dumping -Shougang Jingtang United Iron & Steel Co., Ltd ("Jingtang"); Exhibits 128 (PRO) and 129 (NC) – Confidential translated freight invoices provided in response to CBSA's Importer RFI - Posco Daewoo America Corp.

[51] Exhibits 122 (PRO) and 123 (NC) – Response to exporter RFI - Dumping - Angang Steel Company.

[136] For subject goods exported by Ansteel to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importers' purchases price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[137] Further analysis and refinement of data will be conducted during the final phase of the investigation.

[138] For the preliminary determination, the total estimated normal value compared to the total estimated export price resulted in an estimated margin of dumping of 11.2% for Ansteel, expressed as a percentage of the export price.

Bengang Steel Plates Co., Ltd. (Bengang Plates)

[139] Bengang Plates is an exporter/producer of subject goods located in Benxi, Liaoning Province, China.

[140] Bengang Plates produces various steel products. All operations of Bengang Plates are located at its mill in Benxi.

[141] Bengang Plates provided a substantially complete response to the Dumping RFI.[52] During the POI, Bengang Plates sold subject goods to Canada through several traders. The subject goods were exported directly from China to Canada.

[142] As explained above, normal values for exporters in China were estimated using the methodology of subparagraph 20(1)(c)(i) if SIMA. Therefore, normal values for Bengang Plates were estimated on the basis of the selling price of like goods sold domestically by producers in the surrogate countries during the PAP.

[143] For subject goods exported by Bengang Plates to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[144] Further analysis and refinement of data will be conducted during the final phase of the investigation.

[145] For the preliminary determination, the total estimated normal value compared to the total estimated export price resulted in an estimated margin of dumping of 13.3% for Bengang Plates, expressed as a percentage of the export price.

[52] Exhibits 99 (PRO) and 100 (NC) – Response to exporter RFI - Dumping - Bengang Steel Plates Co.Ltd.

BX Steel POSCO Cold Rolled Sheet Co., Ltd. (BX Posco)

[146] BX Posco is an exporter/producer of subject goods located in Benxi, Liaoning Province, China.

[147] BX Posco produces various steel products. All operations of BX Posco are located at its mill in Benxi.

[148] BX Posco provided a substantially complete response to the Dumping RFI.[53] During the POI, BX Posco sold subject goods to Canada through several traders. The subject goods were exported directly from China to Canada.

[149] As explained above, normal values for exporters in China were estimated using the methodology of subparagraph 20(1)(c)(i) of SIMA. Therefore, normal values for BX Posco were estimated on the basis of the selling price of like goods sold domestically by producers in the surrogate countries during the PAP.

[150] For subject goods exported by BX Posco to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[151] Further analysis and refinement of data will be conducted during the final phase of the investigation.

[152] For the preliminary determination, the total estimated normal value compared to the total estimated export price resulted in an estimated margin of dumping of 23.0% for BX Posco, expressed as a percentage of the export price.

Jiangyin ZongCheng Steel Co., Ltd. (JYZC)

[153] JYZC, a foreign-owned company, is an exporter/producer of subject goods located in Jiangyin, Jiangsu Province, China.

[154] JYZC produces various steel coil products including cold-rolled, galvanized, hot-dipped galvanized and colour coated. All operations of JYZC are located at its mill in Jiangyin.

[155] JYZC provided a substantially complete response to the Dumping RFI.[54]

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[53] Exhibits 103 (PRO) and 104 (NC) – Response to exporter RFI - Dumping - BX Steel POSCO Cold Rolled Sheet Co.,Ltd ("Posco").

[54] Exhibits 89 (PRO) and 90 (NC) – Response to exporter RFI - Dumping - Jiangyin ZongCheng Steel Co., Ltd. ("JYZC").

[156] Normal values for exporters in China were estimated using the methodology of subparagraph 20(1)(c)(i) of SIMA. Therefore, normal values for JYZC were estimated on the basis of the selling price of like goods sold domestically by producers in the surrogate countries during the PAP.

[157] For subject goods exported by JYZC to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting therefrom the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[158] Further analysis and refinement of data will be conducted during the final phase of the investigation.

[159] For the preliminary determination, the total estimated normal value compared to the total estimated export price resulted in an estimated margin of dumping of 9.5% for JYZC, expressed as a percentage of the export price.

<u>Yieh Phui (China) Technomaterial Co., Ltd. (YPC)</u>

[160] YPC, a wholly foreign-owned company, is an exporter/producer of subject goods located in Changshu, Jiangsu Province, China. Until October 2006, YPC operated under the name of Changshu Sino Leading Technomaterial Co., Ltd.

[161] YPC produces various steel products including cold-rolled steel, zinc-coated (galvanized) steel, aluminum-zinc coated steel and pre-painted steel. In terms of its domestic sales, all of YPC's sales of like goods during the POI were made through distributors, traders and end-users.

[162] YPC provided a substantially complete response to the Dumping RFI.[55] During the POI, YPC sold subject goods through related and unrelated traders in a third country. The subject goods were exported directly from China to Canada.

[163] Normal values for exporters in China were estimated using the methodology of subparagraph 20(1)(c)(i) of SIMA. Therefore, normal values for YPC were estimated on the basis of the selling price of like goods sold domestically by producers in the surrogate countries during the PAP.

[164] For subject goods exported by YPC to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting therefrom the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[55] Exhibits 93 (PRO) and 94 (NC) – Response to exporter RFI - Dumping - Yieh Phui (China) Technomaterial Co., Ltd. (YPC).

[165] Further analysis and refinement of data will be conducted during the final phase of the investigation.

[166] For the preliminary determination, the total estimated normal value compared to the total estimated export price resulted in an estimated margin of dumping of 7.3% for YPC, expressed as a percentage of the export price.

<u>All Other Exporters - China</u>

[167] For exporters of subject goods that did not provide a response to the Dumping RFI or did not furnish sufficient information, the normal values and export prices were estimated on the basis of facts available.

[168] In establishing the methodology for estimating normal values and export prices, the CBSA considered all the information on the administrative record, including the complaint filed by the domestic industry, the CBSA's estimates at the initiation of the investigation, information submitted by exporters of COR from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and South Korea and CBSA customs entry documentation.

[169] The CBSA decided that the normal values and export prices estimated for the exporters whose submissions were substantially complete for the preliminary determination, rather than the information provided in the complaint or estimated at initiation, would be used to establish the methodology for estimating normal values since it reflects exporters' trading practices during the POI. The CBSA first considered whether the normal values and export prices estimated for the exporters of COR in China who provided substantially complete information was appropriate to use as the basis for estimating the normal values for all other exporters in China. Five exporters in China provided substantially complete information.

[170] The CBSA examined the difference between the estimated normal value and the estimated export price for each individual transaction from these Chinese exporters in order to obtain an appropriate amount for the normal value methodology. The transactions were also examined to ensure that no anomalies were considered, such as very low volume and value, effects of seasonality or other business factors. No such anomalies were identified.

[171] The CBSA considered that the highest amount by which the normal value exceeded the export price on an individual transaction of all exporters in China who provided substantially complete information (expressed as a percentage of the export price), was an appropriate basis for estimating normal values. This methodology limits the advantage that an exporter may gain from not providing necessary information requested in a dumping investigation as compared to an exporter that did provide the necessary information. Therefore, the normal values were estimated based on the estimated export price, plus an amount equal to 44.2% of that estimated export price.

[172] The CBSA considered that the information submitted on the CBSA customs entry documentation was the best information on which to estimate the export price of the goods for all other exporters as it reflects actual import data.

[173] Based on the above methodologies, for exporters that did not provide a response or provided an incomplete response to the Dumping RFI, the margin of dumping of subject goods originating in or exported from China was estimated to be 44.2%, expressed as a percentage of the export price.

The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)

[174] Two exporters/producers from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) provided substantially complete responses to the Dumping RFI.[56]

[175] An exporter/producer and two vendors located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) provided incomplete responses to the Dumping RFI, which could not be used for the purposes of the preliminary determination. These companies are Sheng Yu Steel Co., Ltd.,[57] Steel Sourcing and Supply Ltd.[58] and Huann I International Corporation,[59] respectively.

[176] A producer of COR in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), China Steel Corporation,[60] provided a response to the Dumping RFI but given that the company was not an exporter or producer of subject goods released into Canada during the POI, its response was not used for the purposes of the preliminary determination.

Prosperity Tieh Enterprise Co., Ltd. (PT)

[177] PT is an exporter/producer of subject goods to Canada located in Kaohsiung, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). PT has one production facility in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) that can produce zinc-coated (galvanized) steel, aluminum-zinc coated steel and pre-painted steel. During the POI, all subject goods exported by PT to Canada were produced and shipped directly from the production facility in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and sold to unrelated importers in Canada.

[178] PT provided a substantially complete response to the Dumping RFI.[61] The subject goods were exported directly from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to Canada.

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[56] Exhibits 85 (PRO) and 86 (NC) – Response to exporter RFI - Dumping - Prosperity Tieh Enterprise Co., Ltd., Chinese Taipei; Exhibits 97 (PRO) and 98 (NC) – Response to exporter RFI - Dumping - Yieh Phui Enterprise Co., Ltd (YPE).

[57] Exhibits 76 (PRO) and 77 (NC) – Response to exporter RFI - Dumping - Sheng Yu Steel Co., Ltd.

[58] Exhibits 70 (PRO) and 71 (NC) – Response to exporter RFI - Steel Sourcing and Supply Ltd.

[59] Exhibits 68 (PRO) and 69 (NC) – Response to exporter RFI - Huann I International Corporation.

[60] Exhibits 82 (PRO) and 83 (NC) – Response to exporter RFI - Dumping – China Steel Corporation, Chinese Taipei.

[61] Exhibits 85 (PRO) and 86 (NC) – Response to exporter RFI - Dumping - Prosperity Tieh Enterprise Co., Ltd., Chinese Taipei.

[179] PT did not have sufficient domestic sales of like goods during the PAP. Consequently, normal values were estimated based on the methodology of paragraph 19(b) of SIMA, as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The cost of production was estimated in accordance with paragraph 11(1)(a) of the *Special Import Measures Regulations* (SIMR), based on PT's unverified cost data associated with the subject goods shipped to Canada. A reasonable amount for administrative, selling and all other costs was estimated in accordance with paragraph 11(1)(c)(i) of the SIMR, based on such costs that are reasonably attributed to the production and domestic sale of like goods. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on PT's sales of COR in their domestic market, during the PAP, of the same general category as the subject goods sold to Canada.

[180] For subject goods exported from PT to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[181] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 2.6% for PT, expressed as a percentage of the export price.

<u>Yieh Phui Enterprise Co., Ltd. (YPE)</u>

[182] YPE is an exporter/producer of subject goods to Canada located in Kaohsiung, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). YPE has two production facilities in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) that produce zinc-coated (galvanized) steel, aluminum-zinc coated steel and pre-painted steel. All of the subject goods sold to Canada, as well domestic sales of like goods, were produced at the Kaohsiung production facility. YPE also produced and sold like goods domestically from its second production facility in Pingtung City, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

[183] YPE provided a substantially complete response to the Dumping RFI.[62] During the POI, YPE sold subject goods through one unrelated trader also located in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). The subject goods were exported directly from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to Canada.

[62] Exhibits 97 (PRO) and 98 (NC) – Response to exporter RFI - Dumping - Yieh Phui Enterprise Co., Ltd (YPE).

[184] YPE had domestic sales of like goods during the POI. Where applicable, normal values were either estimated using the methodology of section 15 of SIMA based on domestic selling prices of like goods or using the methodology of paragraph 19(b) of SIMA, based on the aggregate of cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on YPE's unverified cost data for the subject goods shipped to Canada. A reasonable amount for administrative, selling and all other costs was estimated in accordance with paragraph 11(1)(c)(i) of the SIMR, based on such costs that are reasonably attributed to the production and domestic sale of like goods. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on YPE's sales of COR in their domestic market, during the POI, of the same general category as the subject goods sold to Canada.

[185] For subject goods exported from YPE to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[186] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 2.5% for YPE, expressed as a percentage of the export price.

<u>All Other Exporters – the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)</u>

[187] For exporters of subject goods that did not provide a response to the Dumping RFI or did not furnish sufficient information, the normal values and export prices were estimated on the basis of facts available.

[188] In establishing the methodology for estimating normal values and export prices, the CBSA considered all the information on the administrative record, including the complaint filed by the domestic industry, the CBSA's estimates at the initiation of the investigation, information submitted by exporters of COR from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), and South Korea and CBSA customs entry documentation.

[189] The CBSA decided that the normal values and export prices estimated for the exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) whose submissions were substantially complete for the preliminary determination, rather than the information provided in the complaint or estimated at initiation, would be used to establish the methodology for estimating normal values since it reflects more closely exporters' trading practices during the POI in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). Two exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) provided substantially complete information.

[190] The CBSA examined the difference between the estimated normal value and the estimated export price for each individual transaction from these two exporters in order to obtain an appropriate amount for the normal value methodology. The transactions were examined to ensure that no anomalies were considered, such as very low volume and value, effects of seasonality or other business factors. No such anomalies were identified.

[191] The CBSA considered that the highest amount by which the normal value exceeded the export price on an individual transaction of all exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) who provided substantially complete information (expressed as a percentage of the export price), was an appropriate basis for estimating normal values. This methodology relies on information related to goods that originated in or were exported from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and limits the advantage that an exporter may gain from not providing necessary information requested in a dumping investigation as compared to an exporter that did provide the necessary information. Therefore, the normal values were estimated based on the estimated export price, plus an amount equal to 24.7% of that estimated export price.

[192] The CBSA considered that the information submitted on the CBSA customs entry documentation was the best information on which to estimate the export price of the goods for all other exporters as it reflects actual import data.

[193] Based on the above methodologies, for exporters that did not provide a response or provided an incomplete response to the dumping RFI, the margin of dumping of subject goods originating in or exported from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) was estimated to be 24.7%, expressed as a percentage of the export price.

India

[194] No exporters of subject goods from India provided a response to the CBSA's Dumping RFI. As such, normal values and export prices for subject goods from India were estimated on the basis of facts available.

[195] In establishing the methodology for estimating normal values and export prices, the CBSA considered all the information on the administrative record, including the complaint filed by the domestic industry, the CBSA's estimates at the initiation of the investigation, information submitted by exporters of COR from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and South Korea and CBSA customs entry documentation.

[196] The CBSA decided that the normal values and export prices estimated for the exporters whose submissions were substantially complete for the preliminary determination, rather than the information provided in the complaint or estimated at initiation, would be used to establish the methodology for estimating normal values since it reflects more closely exporters' trading practices during the POI.

[197] As domestic prices in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and South Korea occur in a competitive market, the CBSA considered that the information in respect of goods from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and South Korea provides a reasonable basis to estimate normal values for the subject goods from India.

[198] The CBSA examined the difference between the estimated normal value and the estimated export price for each individual transaction from these exporters in order to obtain an appropriate amount for the normal value methodology. The transactions were also examined to ensure that no anomalies were considered, such as very low volume and value, effects of seasonality or other business factors. No such anomalies were identified.

[199] The CBSA considered that the highest amount by which the normal value exceeded the export price on an individual transaction of all exporters in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and South Korea who provided substantially complete information (expressed as a percentage of the export price), was an appropriate basis for estimating normal values. This methodology limits the advantage that an exporter may gain from not providing necessary information requested in a dumping investigation as compared to an exporter that did provide the necessary information. Therefore, the normal values were estimated based on the estimated export price, plus an amount equal to 39.3% of that estimated export price.

[200] The CBSA considered that the information submitted on the CBSA customs entry documentation was the best information on which to estimate the export price of the goods for all other exporters as it reflects actual import data.

[201] Based on the above methodologies, for exporters that did not provide a response or provided an incomplete response to the dumping RFI, the margin of dumping of subject goods originating in or exported from India was estimated to be 39.3%, expressed as a percentage of the export price.

South Korea

[202] Three exporters/producers and a vendor from South Korea provided substantially complete responses to the Dumping RFI.[63]

[63] Exhibits 58 (PRO) and 59 (NC) – Response to exporter RFI - Dumping - POSCO Coated & Color Steel Co., Republic of Korea; Exhibits 66 (PRO) and 67 (NC) – Response to exporter RFI - Dumping - POSCO, Republic of Korea; Exhibits 73 (PRO) and 74 (NC) – Response to exporter RFI - Dumping - Dongbu Steel Co., Ltd.; Exhibit 118 (PRO) and 119 (NC) – Response to exporter RFI - Dumping - Soon-Hong Trading Co., Ltd.

Dongbu Steel Co., Ltd. (Dongbu)

[203] Dongbu is an exporter/producer of subject goods located in Seoul, South Korea. Dongbu is an integrated steel manufacturer that produces a full range of steel products which are sold in South Korea and to various export markets, including Canada. Dongbu has two production facilities in South Korea – Incheon and Dangjin. During the POI, all subject goods exported by Dongbu to Canada were produced and shipped directly from these two production facilities in South Korea and sold to unrelated importers in Canada through four trading companies, one of whom provided an RFI response (Soon-Hong).[64]

[204] Dongbu provided a substantially complete response to the Dumping RFI.[65] The CBSA will continue to gather additional information, as well as seek clarification on and verify their original Dumping RFI response.

[205] Dongbu did not have sufficient domestic sales of like goods during the PAP. Consequently, normal values were estimated based on the methodology of paragraph 19(b) of SIMA, as the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on Dongbu's unverified cost data associated with the subject goods shipped to Canada. A reasonable amount for administrative, selling and all other costs was estimated in accordance with paragraph 11(1)(c)(i) of the SIMR, based on such costs that are reasonably attributed to the production and domestic sale of like goods. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on Dongbu's sales of COR in their domestic market, during the PAP, within the same general category as the subject goods sold to Canada.

[206] For subject goods exported from Dongbu to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[207] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 8.7% for Dongbu, expressed as a percentage of the export price.

POSCO

[208] POSCO is an exporter/producer of subject goods to Canada, located in Pohang, South Korea. POSCO is an integrated steel manufacturer founded in 1968, which produces a full range of steel products sold to South Korea and various export markets.

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[64] Exhibits 118 (PRO) and 119 (NC) – Response to exporter RFI - Dumping - Soon-Hong Trading Co., Ltd.
[65] Exhibits 73 (PRO) and 74 (NC) – Response to exporter RFI - Dumping - Dongbu Steel Co., Ltd.

[209] During the POI, all subject goods exported by POSCO to Canada were produced and shipped directly from one production facility in Gwangyang, South Korea, and they were sold to both related and unrelated importers in Canada.

[210] POSCO provided a response to the Dumping RFI.[66] An SRFI was sent to gather additional information and seek clarification regarding their original Dumping RFI response.[67] However, for the purposes of estimating normal values, POSCO's response was found to be insufficient. As a result, the information provided in the company's response could not be used for purposes of estimating the normal values for the preliminary determination. Consequently, the CBSA estimated the normal values for POSCO using the methodology described in the "*All Other Exporters – South Korea*" section below.

[211] POSCO's information may still be used for the purpose of the final decision if revised costing information is provided in time to allow for proper analysis and verification by the CBSA.

[212] For subject goods exported from POSCO to Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[213] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 39.3% for POSCO, expressed as a percentage of the export price.

POSCO Coated & Color Steel Co., Ltd

[214] POSCO Coated & Color Steel Co., Ltd (POSCO C&C) is an exporter/producer of subject goods to Canada, located in Pohang, South Korea. POSCO C&C is a public company, which was originally incorporated in February 1988, and produces a variety of steel products, including COR subject to this investigation. The company is a subsidiary of POSCO, another producer of COR located in South Korea. POSCO C&C is also associated with a trading company which acted as a non-resident importer for certain transactions during the POI.

[215] During the POI, all subject goods exported by POSCO C&C to Canada were produced and shipped directly from one production facility in Pohang, South Korea, and they were sold to both related and unrelated importers in Canada.

[216] POSCO C&C provided a substantially complete response to the Dumping RFI.[68]

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[66] Exhibits 66 (PRO) and 67 (NC) – Response to exporter RFI - Dumping - POSCO, Republic of Korea.
[67] Exhibit 84 (PRO) – Supplemental RFI #1 sent to POSCO; Exhibits 139 (PRO) and 140 (NC) – Response to Supplemental RFI #1 - POSCO, Republic of Korea.
[68] Exhibits 58 (PRO) and 59 (NC) – Response to exporter RFI - Dumping - POSCO Coated & Color Steel Co., Republic of Korea.

[217] POSCO C&C had domestic sales of like goods during the PAP. Where applicable, normal values were either estimated using the methodology of section 15 of SIMA, based on domestic selling prices of like goods, or using the methodology of paragraph 19(b) of SIMA, based on the aggregate of cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits. The cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on POSCO C&C's unverified cost data for the subject goods shipped to Canada. A reasonable amount for administrative, selling and all other costs was estimated in accordance with paragraph 11(1)(c)(i) of the SIMR, based on such costs that are reasonably attributed to the production and domestic sale of like goods. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR by using POSCO C&C's profitable domestic sales of goods that were of the same general category as the subject goods exported to Canada during the PAP.

[218] For subject goods exported from POSCO C&C to unrelated importers in Canada during the POI, export prices were estimated using the methodology of section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[219] Due to the relationship between POSCO C&C and an associated trading company, a reliability test was performed on sales where the associated trading company acted as the importer to determine whether the section 24 export prices were reliable as envisaged by SIMA. This test was conducted by comparing the estimated section 24 export prices with the estimated section 25 export prices. The amount for profit used for the section 25 calculations was estimated at 4.1% of sales in accordance with paragraph 22(a) of the SIMR, based on the profit information relating to vendors that operated at a profit in Canada during the POI. The reliability test revealed that the estimated export prices in accordance with section 24 of SIMA were unreliable for these sales and, therefore, export prices for sales where the associated trading company acted as the importer were estimated in accordance with section 25 of SIMA.

[220] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 32.3% for POSCO C&C, expressed as a percentage of the export price.

<u>All Other Exporters – South Korea</u>

[221] For exporters of subject goods that did not provide a response to the Dumping RFI or did not furnish sufficient information, the normal values and export prices were estimated on the basis of facts available.

[222] In establishing the methodology for estimating normal values and export prices, the CBSA considered all the information on the administrative record, including the complaint filed by the domestic industry, the CBSA's estimates at the initiation of the investigation, information submitted by exporters of COR from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), and South Korea and CBSA customs entry documentation.

[223] The CBSA decided that the normal values and export prices estimated for the South Korean exporters whose submissions were substantially complete for the preliminary determination, rather than the information provided in the complaint or estimated at initiation, would be used to establish the methodology for estimating normal values since it reflects more closely South Korean exporters' trading practices during the POI. Two exporters in South Korea provided substantially complete and usable information.

[224] The CBSA examined the difference between the normal value and export price for each individual transaction from these South Korean exporters in order to obtain an appropriate amount for the normal value methodology. The transactions were examined to ensure that no anomalies were considered, such as very low volume and value, effects of seasonality or other business factors. No such anomalies were identified.

[225] The CBSA considered that the highest amount by which the estimated normal value exceeded the estimated export price on an individual transaction of all exporters in South Korea who provided a substantially complete information (expressed as a percentage of the export price), was an appropriate basis for estimating normal values. This methodology relies on information related to goods that originated in or were exported from South Korea and limits the advantage that an exporter may gain from not providing necessary information requested in a dumping investigation as compared to an exporter that did provide the necessary information. Therefore, the normal values were estimated based on the estimated export price, plus an amount equal to 39.3% of that estimated export price.

[226] The CBSA considered that the information submitted on the CBSA customs entry documentation was the best information on which to estimate the export price of the goods for all other exporters as it reflects actual import data.

[227] Based on the above methodologies, for exporters that did not provide a response or provided an incomplete response to the dumping RFI, the margin of dumping of subject goods originating in or exported from South Korea was estimated to be 39.3%, expressed as a percentage of the export price.

Summary of Preliminary Results - Dumping

[228] A summary of the preliminary results of the dumping investigation respecting all subject goods released into Canada during the POI are as follows:

Summary of Preliminary Results - Dumping
Period of Investigation (April 1, 2017 to March 31, 2018)

Country of Origin or Export	Estimated Margin of Dumping*	Estimated Volume of Subject Goods as Percentage of Total Imports
China		**55.6%**
Angang Steel Company Limited	11.2%	
Bengang Steel Plates Co., Ltd.	13.3%	
BX Steel POSCO Cold Rolled Sheet Co., Ltd.	23.0%	
Jiangyin ZongCheng Steel Co., Ltd.	9.5%	
Yieh Phui (China) Technomaterial Co., Ltd.	7.3%	
All Other Exporters	44.2%	
Chinese Taipei		**4.1%**
Prosperity Tieh Enterprise Co., Ltd.	2.6%	
Yieh Phui Enterprise Co., Ltd.	2.5%	
All Other Exporters	24.7%	
India		**3.1%**
All Exporters	39.3%	
South Korea		**5.5%**
Dongbu Steel Co., Ltd.	8.7%	
POSCO Coated & Color Steel Co., Ltd	32.3%	
All Other Exporters	39.3%	

* Expressed as a percentage of the export price.

[229] Under section 35 of SIMA, if at any time before making a preliminary determination the CBSA is satisfied that the actual and potential volume of goods of a country is negligible, the CBSA is required to terminate the investigation with respect to goods of that country.

[230] Pursuant to subsection 2(1) of SIMA, the volume of goods of a country is considered negligible if it accounts for less than 3% of the total volume of goods that are released into Canada from all countries that are of the same description as the goods.

[231] The volumes of subject goods from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea are each above 3% of the total volume of goods released into Canada from all countries. Based on the definition above, the volumes of subject goods from these countries are therefore not negligible.

[232] If, in making a preliminary determination, the CBSA determines that the margin of dumping of the goods of a particular exporter is insignificant pursuant to subsection 38(1.1) of SIMA, the investigation will continue in respect of those goods but provisional duty will not be imposed on goods of the same description imported during the provisional period. Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price of the goods is defined as insignificant. The estimated margins of dumping of the exporters of subject goods expressed as a percentage of export price, are above 2% and are, therefore, not insignificant.

[233] A summary of the estimated margins of dumping and provisional duty by exporter is presented in **Appendix 1**.

DECISION

[234] On October 24, 2018, pursuant to subsection 38(1) of SIMA, the CBSA made a preliminary determination of dumping respecting COR originating in or exported from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea.

PROVISIONAL DUTY

[235] Subsection 8(1) of SIMA provides that where a preliminary determination has been made and where the CBSA considers that the imposition of provisional duty is necessary to prevent injury, retardation or threat of injury, the importer in Canada of dumped goods shall pay, or post security for, provisional duty. If, in making the preliminary determination, a determination is made that the estimated margin of dumping on the goods of an exporter is insignificant, subsection 8(1.3) provides that provisional anti-dumping duty will not be imposed on importations of the goods from that particular exporter.

[236] Pursuant to subsection 8(1) of SIMA, provisional duty payable by the importer in Canada will be applied to dumped imports of COR that are released from the CBSA during the period commencing on the day the preliminary determination is made and ending on the earlier of the day on which the CBSA causes the investigation in respect of any goods to be terminated, in accordance with subsection 41(1), or the day on which the CITT makes an order or finding. The CBSA considers that the imposition of provisional duty is needed to prevent injury. As noted in the CITT's preliminary determination, there is evidence that discloses a reasonable indication that the dumping of COR has caused injury or is threatening to cause injury to the domestic industry.

[237] Imports of COR originating in or exported from China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), India and South Korea and released by the CBSA on or after October 24, 2018, will be subject to provisional duty equal to the estimated margin of dumping, expressed as a percentage of the export price of the goods per exporter. **Appendix 1** contains the estimated margins of dumping and the rates of provisional duty.

[238] Importers are required to pay provisional duty in cash or by certified cheque. Alternatively, they may post security equal to the amount payable. Importers should contact their CBSA regional 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 duty 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

[239] The CBSA will continue its investigation of the dumping and will make a final decision by January 22, 2019.

[240] If the margin of dumping of any exporter is found to be insignificant, the CBSA will terminate the investigation in respect of goods of that exporter and any provisional duty paid or security posted will be refunded to importers, as appropriate. If the CBSA is satisfied that the goods were dumped, a final determination will be made.

The Canadian International Trade Tribunal

[241] The CITT has begun its inquiry into the question of injury to the Canadian industry. The CITT is expected to issue its finding by February 21, 2019.

[242] If the CITT 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 duty collected or security posted will be refunded.

[243] If the CITT makes a finding that the dumping has caused injury, retardation or is threatening to cause injury, anti-dumping duty in an amount equal to the margin of dumping will be levied, collected and paid on imports of COR that are of the same description as goods described in the CITT's finding.

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

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[245] Under certain circumstances, anti-dumping duty can be imposed retroactively on subject goods imported into Canada. When the CITT conducts its inquiry on material injury to the Canadian industry, it may consider if dumped 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 CITT issue a finding that there were recent massive importations of dumped 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 duty.

UNDERTAKINGS

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

[247] 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 determination of dumping. 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.

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

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

PUBLICATION

[250] A notice of this preliminary determination of dumping will be published in the *Canada Gazette* pursuant to paragraph 38(3)(a) of SIMA.

INFORMATION

[251] This *Statement of Reasons* is posted on the CBSA's website at the address below. For further information, please contact the officers identified as follows:

Mail:	SIMA Registry and Disclosure Unit Trade and Anti-dumping Programs Directorate Canada Border Services Agency 100 Metcalfe Street, 11th floor Ottawa, Ontario K1A 0L8 Canada	
Telephone:	Gi Sung Nam Valerie Ngai	613-948-3183 613-954-7410
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Doug Band
Director General
Trade and Anti-dumping Programs Directorate

ATTACHMENT

Appendix 1: Summary of Estimated Margins of Dumping and Provisional Duty Payable

APPENDIX 1 – SUMMARY OF ESTIMATED MARGINS OF DUMPING AND PROVISIONAL DUTY PAYABLE

The following table lists the estimated margins of dumping and the provisional duty by exporter as a result of the decision mentioned above. Imports of subject goods released from the Canada Border Services Agency on or after October 24, 2018, will be subject to provisional duty at the rates specified below.

Exporters	Estimated Margin of Dumping*	Provisional Duty Payable*
China		
Angang Steel Company Limited	11.2 %	11.2 %
Bengang Steel Plates Co., Ltd.	13.3 %	13.3 %
BX Steel POSCO Cold Rolled Sheet Co., Ltd.	23.0 %	23.0 %
Jiangyin ZongCheng Steel Co., Ltd.	9.5 %	9.5 %
Yieh Phui (China) Technomaterial Co., Ltd.	7.3 %	7.3 %
All Other Exporters	44.2 %	44.2 %
Chinese Taipei		
Prosperity Tieh Enterprise Co., Ltd.	2.6 %	2.6 %
Yieh Phui Enterprise Co., Ltd.	2.5 %	2.5 %
All Other Exporters	24.7 %	24.7 %
India		
All Exporters	39.3 %	39.3 %
South Korea		
Dongbu Steel Co., Ltd.	8.7 %	8.7 %
POSCO Coated & Color Steel Co., Ltd	32.3 %	32.3 %
All Other Exporters	39.3 %	39.3 %

* As a percentage of export price.