



OTTAWA, September 21, 2017

STATEMENT OF REASONS

Concerning the preliminary determination
with respect to the dumping of

**CERTAIN CARBON AND ALLOY STEEL LINE PIPE
ORIGINATING IN OR EXPORTED FROM THE REPUBLIC OF KOREA**

DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, the Canada Border Services Agency made a preliminary determination of dumping on September 6, 2017, respecting certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea.

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

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SUMMARY OF EVENTS

[1] On April 18, 2017, the Canada Border Services Agency (CBSA) received a written complaint from EVRAZ Inc. NA Canada of Regina, Saskatchewan and Canadian National Steel Corporation of Camrose, Alberta (collectively, Evraz) (hereafter “the complainant”), alleging that imports of certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea are being dumped.¹ The complainant alleged that the dumping has caused injury and is threatening to cause injury to the Canadian industry producing like goods.

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

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

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

[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 certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea has caused injury or retardation or is threatening to cause injury to the Canadian industry producing the like goods.

[6] On August 8, 2017, 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 dumping of carbon and alloy steel line pipe originating in or exported from the Republic of Korea has caused or is threatening to cause injury to the domestic industry.²

[7] On September 6, 2017, 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 certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea.

¹ Exhibits 1 (PRO) and 2 (NC) – Certain Carbon and Alloy Steel Line Pipe Complaint.

² Canadian International Trade Tribunal Preliminary Injury Inquiry No. PI-2017-001 (August 8, 2017), Carbon and Alloy Steel Line Pipe.

[8] On September 6, 2017, 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 applies 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.

PERIODS OF INVESTIGATION

[9] The Period of Investigation (POI) for this investigation is April 1, 2016 to March 31, 2017.

PROFITABILITY ANALYSIS PERIOD

[10] The Profitability Analysis Period (PAP) for this investigation is April 1, 2016 to March 31, 2017.

INTERESTED PARTIES

Complainant

[11] The complainant accounts for a major proportion of the domestic production of like goods in Canada, as defined in subsection 2(1) of SIMA. The complainant's goods are produced at manufacturing facilities at various locations in Canada.

EVRAZ Inc. NA Canada
P.O. Box 1670, 100 Armour Road
Regina, Saskatchewan S4P 3C7

Canadian National Steel Corporation
5302 39 Street
Camrose, Alberta T4V 2N8

[12] Evraz Inc. NA Canada operates carbon and alloy steel line pipe manufacturing facilities in Regina, Saskatchewan and in Red Deer, Alberta. The EVRAZ North America group of companies also owns Canadian National Steel Corporation, which operates carbon and alloy steel line pipe manufacturing facilities in Camrose, Alberta. These facilities manufacture line pipe using the electric resistance weld (ERW) process and the submerged arc weld (SAW) process.³

³Exhibit 2 (NC) – Certain Carbon and Alloy Steel Line Pipe Complaint, paragraph 4.

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

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

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

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

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

[14] Tenaris Global Services (Canada) Inc., Algoma Tubes Inc., and Prudential Steel Inc. are collectively referred to as “Tenaris Canada”. Tenaris Canada manufactures line pipe in Canada at its Algoma Tubes facility in Sault Ste Marie, Ontario using the seamless process and at its Prudential facility in Calgary, Alberta using the ERW process. Tenaris Global Services Inc. acts as commercial agent for Tenaris sales in Canada.⁴

[15] Bri-Steel Manufacturing produces small and large diameter seamless steel line pipe and processing pipe in Canada through a process called Thermal Pipe Expansion. Specifically, Bri-Steel is capable of producing pipe sizes ranging from 16 through 36 inches in outside diameter, and wall thicknesses up to 2.343 inches in CSA, ASTM, ASME, and API specifications.⁵

Importers

[16] At the initiation of the investigation, the CBSA identified 62 potential importers of the subject goods based on both information provided by the complainant and CBSA import entry documentation.

[17] The CBSA sent an importer Request for Information (RFI) to all potential importers of the goods. The CBSA received six responses to the importer RFI.

Exporters

[18] At the initiation of the investigation, the CBSA identified 57 potential exporters of the subject goods from information provided by the complainant and CBSA import entry documentation.

[19] The CBSA sent a dumping RFI to all potential exporters of the goods. Five exporters provided substantially complete response to the dumping RFI. Three additional vendors also provided substantially complete responses.

⁴ Exhibit 2 (NC) – Certain Carbon and Alloy Steel Line Pipe Complaint, paragraphs 45, 46 and 50.

⁵ Exhibit 2 (NC) – Certain Carbon and Alloy Steel Line Pipe Complaint, paragraph 47.

PRODUCT INFORMATION

Product Definition

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

Carbon and alloy steel line pipe originating in or exported from the Republic of Korea, welded or seamless, having a nominal outside diameter from 2.375 inches (60.3 mm) up to and including 24 inches (610 mm) (with all dimensions being plus or minus allowable tolerances contained in the applicable standards), including line pipe meeting or supplied to meet any one or several of API 5L, CSA Z245.1, ISO 3183, ASTM A333, ASTM A106, ASTM A53-B or their equivalents, in all grades, whether or not meeting specifications for other end uses (e.g. single-, dual-, or multiple-certified, for use in oil and gas or other applications), and regardless of end finish (plain ends, beveled ends, threaded ends, or threaded and coupled ends), surface finish (coated or uncoated), wall thickness, or length, excluding galvanized line pipe and excluding stainless steel line pipe (containing 10.5 percent or more by weight of chromium), and excluding goods covered by the Canadian International Trade Tribunal's Finding in Inquiry No. NQ-2012-003.

[21] For greater certainty, the product definition includes:

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

Additional Product Information⁶

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

⁶ Exhibit 2 (NC) – Certain Carbon and Alloy Steel Line Pipe Complaint, paragraphs 8 – 13.

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

[24] Examples of pipe standards include:

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

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

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

[27] Line pipe is normally marked or stenciled in paint on the external surface with the API, ASME, or equivalent specifications to which it has been manufactured and tested. The subject goods cover all line pipe meeting or supplied to meet the above specifications, regardless of whether the pipe has been multiple stenciled to indicate that it meets or is supplied to meet additional end use specifications. Line pipe that is manufactured and tested to meet higher API specifications (or equivalent CSA and ISO specifications) is automatically in conformity with lower specifications and may therefore have multiple stencils identifying additional end uses, such as American Society for Testing and Materials (ASTM), and equivalent specifications for end use as standard pipe (for low-pressure conveyance of steam, water, natural gas, air and other liquids in plumbing and heating applications), piling pipe, and other such end uses.

Seamless line pipe conforming to API 5L may also be marked as conforming to pressure pipe applications under ASME B31.3. Additionally and for the same reasons, line pipe that is single-stencilled as API 5L may be used in lower specifications absent stencilling identifying that lower specification. All line pipe that is marked as meeting or that is supplied to meet API 5L (or equivalent specifications) for use as oil and gas pipelines or as ASME B31.3 for use as pressure pipe are covered in this complaint as subject goods regardless of whether the pipe is marked as meeting any other end-uses or is supplied to meet any other end-uses.

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

Production Process⁷

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

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

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

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

⁷ Exhibit 2 (NC) – Certain Carbon and Alloy Steel Line Pipe Complaint, paragraphs 14 – 18.

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

Classification of Imports

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

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

[35] Beginning January 1, 2017, under the revised customs tariff schedule, subject goods would normally be imported under the following Harmonized System classification numbers:

7304.19.00.10	7305.12.00.30
7304.19.00.20	7305.19.00.10
7305.11.00.10	7305.19.00.20
7305.11.00.20	7306.19.00.10
7305.12.00.10	7306.19.00.90

[36] The listing of HS classification numbers is for convenience of reference only. Refer to the product definition for authoritative details regarding the subject goods.

LIKE GOODS AND CLASS OF GOODS

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

[38] In a previous inquiry involving certain carbon and alloy steel line pipe from the People’s Republic of China, the CITT determined that “...domestically produced line pipe constitutes like goods in relation to the subject goods and that the subject goods and like goods constitute a single class of goods.”⁸

[39] On August 23, 2017, the CITT issued its preliminary injury inquiry Statement of Reasons for this investigation, indicating that “...the Tribunal will conduct its analysis on the basis that line pipe produced in Canada that is of the same description as the subject goods is ‘like goods’ in relation to the subject goods and that there is a single class of goods.”⁹

THE CANADIAN INDUSTRY

[40] As previously stated, the complainant accounts for a major proportion of domestic production of like goods in Canada.

IMPORTS INTO CANADA

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

[42] The following table presents the CBSA’s analysis of imports of certain carbon and alloy steel line pipe for purposes of the preliminary determination:

**Import Volumes of Certain Carbon and Alloy Steel Line Pipe
(% of Volume)**

Country	POI (April 1, 2016 to March 31, 2017)
Republic of Korea	39.1%
All Other Countries	60.9%
Total Imports	100.0%

⁸ Canadian International Trade Tribunal Injury Inquiry no. NQ-2015-002, Carbon and Alloy Steel Line Pipe, *Statement of Reasons* (April 13, 2016), paragraph 50.

⁹ Canadian International Trade Tribunal Preliminary Injury Inquiry no. PI-2017-001, Carbon and Alloy Steel Line Pipe, *Statement of Reasons* (August 23, 2017), paragraph 18.

REPRESENTATIONS

[43] During the preliminary phase of the investigation, counsel for the complainant made representations concerning the responses provided to certain importer and exporter RFIs.¹⁰ These representations concerned the pricing between related parties, the channels of distribution and the transfer of legal title of the goods, the status of certain exporters as well as the affiliations between certain parties, the consistency of the currencies reported, the services performed by various parties with respect to the preparation and shipment of the goods and the corresponding costs reported for such services. Counsel for the complainant also addressed the accuracy and completeness of the reported cost of production information, selection of the dates of sale, certain reported discounts, reported selling prices, and other missing or unclear information provided in the RFI responses.

[44] The CBSA has noted the arguments and evidence submitted in the representations and will take them into consideration in the course of verifying information for the purposes of a final decision.

INVESTIGATION PROCESS

[45] Information was requested from all known and potential exporters, producers, vendors and importers, concerning shipments of certain carbon and alloy steel line pipe released into Canada during the POI.

[46] Several parties requested an extension to respond to their respective RFIs. The CBSA considered each request but did not grant extensions as the reasons identified in the request letters did not constitute unforeseen circumstances or unusual burdens that would justify granting an extension of time. At that time, the CBSA indicated that it could not guarantee that submissions received after the due date would be taken into consideration for purposes of the preliminary phase of the investigation.

[47] After reviewing the responses to the RFIs, Supplemental RFIs were sent to several responding parties to clarify information provided in the submissions and request any additional information needed.¹¹

[48] The preliminary determination is based on the information available to the CBSA at the time of the preliminary determination. During the final phase of the investigation, additional information will be requested and selected responding exporters may be verified on-site, the results of which will be incorporated into the CBSA's final decision, which must be made by December 5, 2017.

¹⁰ Exhibits 62 (PRO), 63 (NC), 64 (PRO), 65 (NC), 76 (PRO), 77 (NC), 78 (PRO), 79 (NC), 80 (PRO), 81 (NC), 82 (PRO), 83 (NC), 90 (PRO), 91 (NC), 97 (PRO), 98 (NC) – Representations from counsel for the complainant.

¹¹ Exhibits 36 (PRO), 37 (PRO), 38 (PRO), 39 (PRO), 40 (PRO), 84 (PRO), 86 (PRO), 87 (PRO), 92 (PRO) and 94 (PRO) – Supplemental RFIs.

DUMPING INVESTIGATION

[49] The following presents the preliminary results of the investigation into the dumping of certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea.

[50] The CBSA received substantially complete responses to the dumping RFI from five exporters of subject goods.

Normal Values

[51] Normal values are generally estimated based on the domestic selling prices of like goods in the country of export, in accordance with 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 paragraph 19(b) of SIMA.

Export Prices

[52] The export price of the goods sold to the 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 selling price 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.

[53] Where there are sales between associated persons and/or a compensatory agreement exists, the export price is estimated in accordance with the methodology of section 25 of SIMA, 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

[54] 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.

Preliminary Results of the Dumping Investigation

[55] The CBSA received substantially complete responses to the dumping RFI from five exporters of subject goods. The five exporters are Husteel Co., Ltd (Husteel),¹² Hyundai Corporation,¹³ Hyundai Steel Company (Hyundai Steel),¹⁴ Nexteel Co., Ltd (Nexteel)¹⁵ and SeAH Steel Corporation (SeAH Steel).¹⁶

[56] Two of the exporters have corresponding associated importers who have also provided substantially complete responses to the importer RFI. These importers are Hyundai Canada Inc. (Hyundai Canada)¹⁷ and Pusan Pipe America (Pusan).¹⁸

[57] Four other companies, namely, ASTCO Canada,¹⁹ Edgen Murray Canada,²⁰ MRC Global Canada²¹ and Sunlake Co. Ltd.,²² also provided responses to the importer RFI.

[58] With respect to the exporters that provided substantially complete responses to the RFI, to the extent possible, company-specific information was used for the preliminary determination in estimating normal values and export prices for goods shipped to Canada.

[59] For those exporters that did not submit a complete response to the RFI, the normal value of the goods was estimated by advancing the export price by the highest amount by which the normal value exceeded the export price on an individual transaction for an exporter that provided a substantially complete response to the RFI.

[60] Estimated margins of dumping relating to each exporter that exported subject goods that were released into Canada during the POI are presented in a summary table in the *Summary of Preliminary Results* section of this document.

Preliminary Results of the Dumping Investigation by Exporter

Husteel

[61] Husteel was established in 1967 and is listed on the Korean Stock Exchange. Husteel is a manufacturer of various steel products with production facilities in the Republic of Korea. The company headquarters is located in Seoul.

¹² Exhibits 47 (PRO) and 48 (NC) – Husteel’s response to Dumping RFI.

¹³ Exhibits 53 (PRO) and 54 (NC) – Hyundai Corporation’s response to Dumping RFI.

¹⁴ Exhibits 55 (PRO) and 56 (NC) – Hyundai Steel’s response to Dumping RFI.

¹⁵ Exhibits 59 (PRO) and 60 (NC) – Nexteel’s response to Dumping RFI.

¹⁶ Exhibits 51 (PRO) and 52 (NC) – SeAH Steel’s response to Dumping RFI.

¹⁷ Exhibits 25 (PRO) and 26 (NC) – Hyundai Canada’s response to Importer RFI.

¹⁸ Exhibits 18 (PRO) and 19 (NC) – Pusan’s response to Importer RFI.

¹⁹ Exhibits 34 (PRO) and 35 (NC) – ASTCO Canada’s response to Importer RFI.

²⁰ Exhibits 31 (PRO) and 32 (NC) – Edgen Murray Canada’s response to Importer RFI.

²¹ Exhibit 33 (NC) – MRC Global Canada’s response to Importer RFI.

²² Exhibits 29 (PRO) and 30 (NC) – Sunlake Co. Ltd.’s response to Importer RFI.

[62] Husteel provided a substantially complete response to the dumping RFI, including a database of domestic sales of line pipe.²³ However, there were insufficient sales of goods that were identical or similar to the subject goods exported to Canada. As such, it was not possible to estimate normal values based on the methodology of section 15 of SIMA, using domestic sales of like goods.

[63] 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 full cost of production was estimated in accordance with paragraph 11(1)(a) of the *Special Import Measures Regulations* (SIMR), based on Husteel's unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on Husteel's profitable sales of goods of the same general category as the subject goods sold to Canada, that were made in their domestic market during the PAP.

[64] For subject goods exported to Canada by Husteel 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.

[65] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 4.66% for Husteel, expressed as a percentage of the export price. The CBSA will continue to collect and verify information from Husteel during the final phase of the investigation.

Hyundai Corporation

[66] Hyundai Corporation is an exporter of subject goods located in the Republic of Korea. Hyundai Corporation is a general trading company that was founded in 1976 and is part of the Hyundai Corporation Group.

[67] During the POI, Hyundai Corporation purchased all of the subject goods it exported to Canada from an unrelated producer of subject goods located in the Republic of Korea. All of the goods exported to Canada by Hyundai Corporation were sold to a related importer.

[68] Hyundai Corporation provided a complete response to the dumping RFI.²⁴ In addition, the company that produced the goods exported to Canada by Hyundai Corporation also provide a complete response to the dumping RFI.

²³ Exhibits 47 (PRO) and 48 (NC) – Husteel's response to Dumping RFI.

²⁴ Exhibits 53 (PRO) and 54 (NC) – Hyundai Corporation's response to Dumping RFI.

[69] Hyundai Corporation did not have any domestic sales of line pipe during the PAP. As such, it was not possible to estimate normal values based on the methodology of section 15 of SIMA, using domestic sales of like goods.

[70] 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 full cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on the producers unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(iv) of the SIMR, based on sales of line pipe in the domestic market, by producers located in the Republic of Korea, during the PAP, within the same general category as the subject goods sold to Canada.

[71] During the POI, all of the subject goods exported to Canada by Hyundai Corporation were sold to a related importer. Due to the relationship between the two companies, a reliability test was performed 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 in accordance with paragraph 22(a) of the SIMR, based on the profit information relating to sales of like goods in Canada by vendors who operated at a profit during the POI and are at the same or substantially the same trade level as the importer. The test revealed that the estimated export prices in accordance with section 24 of SIMA were unreliable and, therefore, export prices for sales to the related importer were estimated in accordance with section 25 of SIMA.

[72] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 52.4% for Hyundai Corporation, expressed as a percentage of the export price. The CBSA will continue to collect and verify information from Hyundai Corporation during the final phase of the investigation.

Hyundai Steel

[73] Hyundai Steel is a manufacturer and exporter of subject goods located in the Republic of Korea. Hyundai Steel is a member company of the Hyundai Motor Group and is listed on the Korean Stock Exchange.

[74] Hyundai Steel provided a substantially complete response to the dumping RFI, including a database of domestic sales of line pipe.²⁵ However, there were insufficient sales of goods that were identical or similar to the subject goods exported to Canada. As such, it was not possible to estimate normal values based on the methodology of section 15 of SIMA, using domestic sales of like goods.

[75] 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 full cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on Hyundai Steel's unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on Hyundai Steel's sales of goods of the same general category as the subject goods sold to Canada, that were made in their domestic market during the PAP.

[76] For subject goods exported to Canada by Hyundai Steel 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.

[77] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 32.2% for Hyundai Steel, expressed as a percentage of the export price. The CBSA will continue to collect and verify information from Hyundai Steel during the final phase of the investigation.

Nexteel

[78] Nexteel is a manufacturer and exporter of subject goods located in the Republic of Korea. Nexteel is a privately owned manufacturer of line pipe.

[79] Nexteel provided a substantially complete response to the dumping RFI, including a database of domestic sales of line pipe.²⁶ However, there were insufficient sales of goods that were identical or similar to the subject goods exported to Canada. As such, it was not possible to estimate normal values based on the methodology of section 15 of SIMA, using domestic sales of like goods.

²⁵ Exhibits 55 (PRO) and 56 (NC) – Hyundai Steel's response to Dumping RFI.

²⁶ Exhibits 59 (PRO) and 60 (NC) – Nexteel's response to Dumping RFI.

[80] 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 full cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on Nexteel's unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on Nexteel's sales of goods of the same general category as the subject goods sold to Canada, that were made in their domestic market during the PAP.

[81] For subject goods exported to Canada by Nexteel 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.

[82] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 16.5% for Nexteel, expressed as a percentage of the export price. The CBSA will continue to collect and verify information from Nexteel during the final phase of the investigation.

SeAH Steel

[83] SeAH Steel is a manufacturer and exporter of subject goods located in the Republic of Korea. SeAH Steel is a member company of the SeAH Steel Group and is listed on the Korean Stock Exchange. All subject goods shipped to Canada during the POI were produced at the same facility, located in Pohang city. The company headquarters is located in Seoul.

[84] During the POI, SeAH Steel sold subject goods to a related company, Pusan Pipe America (Pusan) also known as SeAH Steel America, located in the United States who then resold the goods to unrelated customers in Canada. For the majority of sales, Pusan acted as the non-resident importer. For some sales, the unrelated customer in Canada acted as the importer. All of SeAH Steel's exports of subject goods to Canada were first sold to Pusan then resold to the unrelated customer in Canada, regardless of whether Pusan acted as the importer for the sale.

[85] SeAH Steel provided a substantially complete response to the dumping RFI, including a database of domestic sales of line pipe.²⁷ However, there were insufficient sales of goods that were identical or similar to the subject goods exported to Canada. As such, it was not possible to estimate normal values based on the methodology of section 15 of SIMA, using domestic sales of like goods.

²⁷ Exhibits 51 (PRO) and 52 (NC) – SeAH Steel's response to Dumping RFI.

[86] 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 full cost of production was estimated in accordance with paragraph 11(1)(a) of the SIMR, based on SeAH Steel's unverified cost data associated with the subject goods shipped to Canada. The amount for profits was estimated in accordance with subparagraph 11(1)(b)(ii) of the SIMR, based on SeAH Steel's sales of goods of the same general category as the subject goods sold to Canada, that were made in their domestic market during the PAP.

[87] During the POI, the majority of SeAH Steel's exports of subject goods were imported by a related non-resident importer, Pusan. Due to the relationship between SeAH Steel and Pusan, a reliability test was performed on sales where Pusan 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 in accordance with paragraph 22(a) of the SIMR, based on the profit information relating to sales of like goods in Canada by vendors who operated at a profit during the POI and are at the same or substantially the same trade level as the importer. The 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 Pusan acted as the importer were estimated in accordance with section 25 of SIMA.

[88] For the remaining subject goods exported by SeAH Steel which were imported by unrelated customers 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 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.

[89] For the preliminary determination, the total estimated normal value compared to the total estimated export price results in an estimated margin of dumping of 6.5% for SeAH Steel, expressed as a percentage of the export price. The CBSA will continue to collect and verify information from SeAH Steel during the final phase of the investigation.

All Other Exporters

[90] At the initiation of the investigation, all known and potential exporters were sent a dumping RFI in order to solicit information required for purposes of determining normal values and export prices of subject goods in accordance with the provisions of SIMA. Exporters who were not the manufacturer of the goods were asked to forward a copy of the RFI to each of the manufacturers concerned.²⁸ As such, all exporters were given the opportunity to participate in the investigation. In the RFI, the exporters were notified that failure to submit all required information and documentation, including non-confidential versions, or failure to permit verification of any information, may result in the normal values of the subject goods exported by their company being based on the information available. It was further stated that such a decision may be less favourable to their company than if full and verifiable information were made available.²⁹

[91] For exporters who did not provide sufficient information in response to the dumping RFI, normal values and export prices were estimated on the basis of facts available. In establishing the methodologies for determining these estimates, the CBSA examined all information on the record, including information from the complaint, information provided by exporters, publically available information and customs documentation.

[92] The CBSA considered that the normal values and export prices estimated for the responding exporters, rather than the information provided in the complaint, was the best information on which to base the methodology for estimating normal values. The CBSA examined the difference between the estimated normal value and estimated export price of each individual transaction for the responding exporters in order to obtain an appropriate amount for the normal value methodology. The transactions were also examined to ensure that anomalies were not considered.

[93] The CBSA considered that the highest amount by which the estimated normal value exceeded the estimated export price found on an individual transaction (expressed as a percentage of the export price), excluding anomalies, was an appropriate basis for estimating normal values. This method of estimating normal values is based on information on the record 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.

[94] Therefore, for purposes of the preliminary determination, the normal values were estimated based on the estimated export price, plus an amount equal to 107.2% of that estimated export price.

²⁸ Exhibit 7 (NC) – Dumping RFI, pages 3, 24, 35 and 36.

²⁹ Exhibit 7 (NC) – Dumping RFI, pages 3, 7 and 11.

[95] 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 as it reflects actual import data. This information is more comprehensive than what was available in the complaint.

[96] Based on the above methodologies, the estimated margin of dumping for the subject goods exported to Canada by all other exporters is 107.2%, expressed as a percentage of the estimated export price.

Summary of Preliminary Results

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

**Estimated Volume of Imports
POI (April 1, 2016 to March 31, 2017)**

Country	Volume of Imports as Percentage of Total Imports
Republic of Korea	39.1%

[98] 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.

[99] 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.

[100] The volume of subject goods from the Republic of Korea is above 3% of the total volume of goods released into Canada from all countries. Based on the definition above, the volume of subject goods from the Republic of Korea is not negligible.

**Estimated Margins of Dumping
POI (April 1, 2016 to March 31, 2017)**

Exporter	Estimated Margin of Dumping*
Husteel Co., Ltd.	4.7%
Hyundai Corporation	52.4%
Hyundai Steel Company	32.2%
Nexteel Co., Ltd.	16.5%
SeAH Steel Corporation	6.5%
All other exporters – Republic of Korea	107.2%

* Expressed as a percentage of the export price.

[101] 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 duties will not be imposed on goods of the same description imported during the provisional period.

[102] 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. In this case, the margin of dumping estimated for each exporter of certain carbon and alloy steel line pipe from the Republic of Korea is greater than the threshold of 2% and is therefore not considered insignificant.

[103] A summary of the provisional duties payable by exporter are presented in a summary table in **Appendix 1**.

DECISION

[104] On September 6, 2017, pursuant to subsection 38(1) of SIMA, the CBSA made a preliminary determination of dumping respecting certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea.

PROVISIONAL DUTY

[105] Pursuant to subsection 8(1) of SIMA, provisional duty payable by the importer in Canada will be applied to dumped imports of certain carbon and alloy steel line pipe that are released 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 to be terminated in respect of the goods of a particular exporter, 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 certain carbon and alloy steel line pipe has caused or is threatening to cause injury to the domestic industry.³⁰

[106] Imports of certain carbon and alloy steel line pipe originating in or exported from the Republic of Korea released by the CBSA on or after September 6, 2017, will be subject to provisional duties 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.

[107] 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 duties within the specified time will result in the application of the provisions of the *Customs Act* regarding interest.

³⁰ Canadian International Trade Tribunal Preliminary Injury Inquiry No. PI-2017-001 (August 8, 2017), Carbon and Alloy Steel Line Pipe.

FUTURE ACTION

The Canada Border Services Agency

[108] The CBSA will continue its dumping investigation and the CBSA will make a final decision by December 5, 2017.

[109] If, within 90 days after making the preliminary determination, the CBSA is satisfied that, in respect of any goods of a particular exporter, the goods have not been dumped or the margin of dumping is insignificant, the CBSA will terminate the investigation with respect to those goods. The imposition of any provisional duty that was being applied to such goods will end on the day on which the CBSA terminated the dumping investigation in respect of the goods and any provisional duty paid or security posted will be refunded to the importers, as appropriate. If the CBSA is satisfied that the goods were dumped, a final determination of dumping will be made in respect of the goods for which the investigation has not been terminated.

The Canadian International Trade Tribunal

[110] The CITT has begun its inquiry into the question of injury to the Canadian industry. The CITT is expected to issue its finding by January 4, 2018.

[111] 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.

[112] 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 certain carbon and alloy steel line pipe that are of the same description a goods described in the CITT's finding.

[113] For purposes of the preliminary determination of dumping, the CBSA has the responsibility of 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

[114] 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

[115] 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.

[116] In view of the time needed for consideration of undertakings, written undertaking proposals should be made as early as possible, and no later than 60 days after the preliminary 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.

[117] 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 that wish to be notified should an undertaking proposal be received. Those who are interested in being notified should provide their name, telephone and fax numbers, mailing address and e-mail address to one of the officers identified in the "Information" section of this document.

[118] If undertakings were to be accepted, the investigation and collection of provisional duties 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

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

INFORMATION

[120] 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
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Telephone: Hugo Dumas 613-948-8581
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Website: www.cbsa-asfc.gc.ca/sima-lmsi



Doug Band
Director General
Trade and Anti-dumping Programs Directorate

ATTACHMENT

1. Appendix: Summary of the Estimated Margins of Dumping and Provisional Duties Payable

APPENDIX

Summary of the Estimated Margins of Dumping and Provisional Duties Payable

The following table lists the estimated margins of dumping and the provisional duty payable by exporter as a result of the decision mentioned above. Imports of subject goods released from the Canada Border Services Agency, on or after September 6, 2017, will be subject to provisional duties at the rates specified below.

Exporter	Estimated Margin of Dumping*	Provisional Duty Payable*
Husteel Co., Ltd.	4.7%	4.7%
Hyundai Corporation	52.4%	52.4%
Hyundai Steel Company	32.2%	32.2%
Nexteel Co., Ltd.	16.5%	16.5%
SeAH Steel Corporation	6.5%	6.5%
All other exporters – Republic of Korea	107.2%	107.2%

* As a percentage of export price