



Canada Border  
Services Agency

Agence des services  
frontaliers du Canada

OTTAWA, January 14, 2020

SR2 2019 IN

# STATEMENT OF REASONS

**Concerning the preliminary determination with respect to the dumping of**

**CERTAIN SUCKER RODS ORIGINATING IN OR EXPORTED  
FROM ARGENTINA, BRAZIL, AND MEXICO**

## DECISION

Pursuant to subsection 38(1) of the *Special Import Measures Act*, the Canada Border Services Agency made a preliminary determination on December 30, 2019 respecting the dumping of certain sucker rods originating in or exported from Argentina, Brazil, and Mexico.

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 August 9, 2019, the Canada Border Services Agency (CBSA) received a written complaint from Apergy Canada ULC–Alberta Oil Tool Division (hereinafter, “the complainant” or “AOT”), located in Edmonton, Alberta, alleging that imports of certain sucker rods originating in or exported from Argentina, Brazil, and Mexico (hereafter “the named countries”) are being injuriously 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 August 30, 2019, 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 embassies of Argentina, Brazil, and Mexico that a properly documented complaint had been received.

[3] The complainant provided evidence to support the allegation that certain sucker rods from the named countries 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 September 30, 2019, pursuant to subsection 31(1) of SIMA, the CBSA initiated an investigation respecting the dumping of certain sucker rods from Argentina, Brazil, and Mexico.

[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 has caused injury or is threatening to cause injury to the Canadian industry producing the like goods.

[6] On November 29, 2019, 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 certain sucker rods from Argentina, Brazil, and Mexico has caused or is threatening to cause injury to the domestic industry.

[7] On December 30, 2019, 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 sucker rods originating in or exported from Argentina, Brazil, and Mexico.

[8] On December 30, 2019, 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.

## **PERIOD OF INVESTIGATION**

[9] The Period of Investigation (POI) for the dumping investigation is July 1, 2018 to June 30, 2019.

## **PROFITABILITY ANALYSIS PERIOD**

[10] The Profitability Analysis Period (PAP) for the dumping investigation is April 1, 2018 to June 30, 2019.

## **INTERESTED PARTIES**

### **Complainant**

[11] The complainant, AOT is a manufacturer and supplier of steel products for the oil and gas sector. AOT is the only producer of solid steel sucker rods in Canada. The company's production facility is located in Edmonton, Alberta. AOT's product range includes conventional sucker rods, specialty Drive Rods® for progressing cavity pump applications, polished rods, sinker bars, pony rods and sucker rod/polished rod couplings. The company also manufactures other oil tubular products, including pup joints at another facility in Edmonton, Alberta.<sup>1</sup>

[12] The complainant accounts for all production of like goods in Canada.

[13] The name and address of the complainant is as follows:

Apergy Canada ULC–Alberta Oil Tool Division  
6939 – 68th Avenue  
Edmonton, Alberta, T6B 3E3

### **Exporters**

[14] At the initiation of the investigation, the CBSA identified 3 potential exporters/producers of the subject goods located in Argentina, Brazil, and Mexico from CBSA import documentation and from information submitted in the complaint. The potential exporters located in Argentina, Brazil, and Mexico were asked to respond to the CBSA's Dumping RFI.

[15] Four parties provided a response to the Dumping exporter RFI: Tenaris Global Services S.A. Uruguay (TGSU)<sup>2</sup>, identifying itself as the exporter of subject goods from the named countries, Metalmecanica S.A. (MM)<sup>3</sup>, a producer/exporter of subject goods located in Argentina, Tenaris Confab Hastes de Bombeio S.A. (TCHB)<sup>4</sup>, a producer/exporter of subject goods located in Brazil, and Tubos de Acero de Mexico S.A. (TAMSA)<sup>5</sup>, a producer/exporter of subject goods located in Mexico. See "Dumping Investigation" for detailed information regarding these companies.

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<sup>1</sup> <http://www.albertaoiltool.com/about.htm>.

<sup>2</sup> Exhibit 45 (PRO) & 46 (NC) – Response to Exporter RFI – Tenaris Global Services S.A. (Uruguay)

<sup>3</sup> Exhibit 41 (PRO) & 42 (NC) – Response to Exporter RFI – Metalmecanica S.A. (Argentina)

<sup>4</sup> Exhibit 45 (PRO) & 46 (NC) – Response to Exporter RFI – Tenaris Confab Hastes de Bombeio S.A (Brazil)

<sup>5</sup> Exhibit 45 (PRO) & 46 (NC) – Response to Exporter RFI – Tubos de Acero de Mexico S.A. (Mexico)

## **Importers**

[16] At the initiation of the investigation, the CBSA identified one potential importer of the subject goods based on both information provided by the complainant and CBSA import entry documentation. The one potential importer was asked to respond to the CBSA's Importer Request for Information (RFI). The CBSA received a response to the Importer RFI from Tenaris Global Services (Canada) Inc. (TGS Canada).<sup>6</sup> TGS Canada is a related party to each of the exporters/producers of subject goods from the named countries that exported goods into Canada during the POI.

## **PRODUCT INFORMATION**

### **Definition**

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

*Sucker rods, including pony rods, with or without couplings attached and with or without guides attached, manufactured to American Petroleum Institute (API) 11B specifications, equivalent standards or proprietary standards, including in a finished or semi-finished state, made of solid steel, including carbon, alloy and special grades of steel, of 2.5 inches (63.5 mm) or less in diameter of rod body, with stated measurements subject to permissible tolerances originating in or exported from the Argentine Republic, the Federative Republic of Brazil and the United Mexican States.*

### **Additional Product Information**

[18] Sucker rods are lengths of steel, usually with externally threaded ends, connected by couplings to form a rod string. In an oil or gas well, the rod string connects the above-ground drive to the down well pump(s). Sucker rods are usually produced to 25 feet in length but can be longer.

[19] Pony rods are shorter lengths of sucker rods used to obtain the proper length of a rod string when a full sucker rod would make the string too long. Pony rods are connected to each other, or to sucker rods, with couplings. They are usually produced in lengths of 1, 2, 4, 6, 8, 10 or 12 feet. Pony rods are usually made in the same diameters as sucker rods in the rod string.

[20] Sucker rods are "semi-finished" at any point following the forming of the ends of the material input (i.e. solid bar) into the essential sucker rod shape (e.g. forging) which typically creates the pin shoulder, wrench square and transition/upset of the sucker rod.

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<sup>6</sup> Exhibit 29 (PRO) & 30 (NC) – Response to Importer RFI – Tenaris Global Services (Canada) Inc.

[21] The diameter of the sucker rod always refers to the outer diameter of the rod body, rather than any part of the forged end.<sup>7</sup>

[22] Special grades of steel referred to in the product definition include steel grades which may not meet standard industry specifications including proprietary grades.

**For greater clarify, the product definition does not cover:**

- Polished rods, which are above ground connections to the rod strings;<sup>8</sup>
- Sinker bars, which are used to add weight to the rod string;<sup>9</sup>
- Fiberglass sucker rods (Fiber reinforced plastic);<sup>10</sup>
- Hollow sucker rods;<sup>11</sup> and
- Continuous sucker rods.<sup>12</sup>

[23] A “polished rod” connects the rest of the rod string to the above-ground drive. A polished rod is a special rod required to endure exposure to the surface conditions, unlike sucker rods which remain below ground the entire time they are being used. The polished rod’s placement requires particular sizing and characteristics which make it quite different from a sucker rod.

[24] A “sinker bar” is at the opposite end from the polished rod, as it connects the sucker rod string to the pump. The bar provides weight so that the tool will lower properly into the well.

[25] A fiberglass sucker rod or pony rod is typically manufactured in three pieces and assembled by a process that provides connection of two metal end-fittings connected to a non-metallic fiber reinforced plastic rod body.

[26] A hollow sucker rod is made of seamless steel pipe, and the screw thread joint is connected with the rod body through friction welding and heat treatment. Hollow sucker rod is used for the exploitation of heavy oil, high freezing point and waxy crude oil. The hollow rod presents the ability to inject diluents through the hollow rod in progressive cavity pumping (PCP) operations. There is no indication that these goods are manufactured in Canada.

[27] Continuous (coiled) sucker rods have an entire rod string in one piece with only two connections; one at the top and one at the bottom. These rods are available in either round or elliptical configurations. Continuous rod eliminates all the couplings along the entire wellbore except for the top connection to the polished rod and the bottom connection to the pump itself.

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<sup>7</sup> Sucker Rods 2 Complaint (NC), paragraphs 5-7.

<sup>8</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraph 12.

<sup>9</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraph 13.

<sup>10</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraph 7.

<sup>11</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint paragraph 4.

<sup>12</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraph 4.

## Production Process<sup>13</sup>

[28] The subject goods are produced world-wide using materially similar production processes.

[29] Steel bars are the raw material for sucker rods. In North America, suitable steel bars are typically referred to as special bar quality (SBQ), however this is not a rigidly standardized term. In some cases, including in other countries, the input material could be referred to as engineered bar or merchant bar. Ultimately, any steel bar that meets the relevant requirements (chemical, mechanical, dimensional and so forth) can be used as input material.

[30] AOT's sucker rods are manufactured from micro-alloyed, modified SBQ hot rolled carbon or alloy steel bar. The raw material for sucker rods is generally of a significantly higher quality than most concrete reinforcing bar, for example, and with much lower chances of defects or flaws.

[31] SBQ is supplied as long steel bars and arrives at AOT's facility where it is inspected and received into inventory. The SBQ is cut to length for 25 foot sucker rods. The SBQ is transferred to a straightener, where it is straightened by being passed through straightener rollers. Bars then get passed through an eddy current tester to check for any surface quality defects. All acceptable bars are collected to form a bundle and rejected rods are kicked out in reject pockets.

[32] Usable bars are then transferred to forge machines. Each bar end (between 8 – 14 inches of material) is induction heated to 2300°F ±50°F and upset forged to dimensions specified by the drawing for one end. The bar end is measured and documented on AOT's quality plan. After one end is completed, the bar is rotated 180 degrees and the same processes are performed on the other end. During the forging process, the sucker rods are stamped with: AOT's name as the manufacturer, the size, pin type, grade, heat code and date of manufacturing.

[33] After forging, the rod is transferred to the normalizing furnace. Forged bars are put on conveyor chains which take them through the furnace at a pre-set speed and furnace temperatures above the critical transformational temperature (1550F – 1675F, depending on the desired finished grade) where it undergoes beneficial microstructure changes. Essentially, this heat-treatment or normalizing allows for the re-crystallization of steel to offset any defects arising from the working of the metal (particularly the prior forging).

[34] Upon exiting the normalizing furnace, the rods will be brittle and have poor ductility, so the rods are then tempered. When the rods come out of the normalizing furnace, they are then slowly moved (to allow air cooling for a certain time) to the tempering furnace at pre-set speed and temperature. Again the speed and temperatures are governed by the finished grades, but are approximately 500°F lower than normalizing temperatures. Tempering improves the ductility and toughness of the steel.

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<sup>13</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraphs 28-40.

[35] The rods are then transferred to another conveyor which takes them through the shot peener. In this process, the rods are blasted with tiny metal balls which produce compressive residual stresses on the rod surface, which improves the fatigue life of the rod making them a superior quality product over non peened rods.<sup>14</sup>

[36] Rods are then settled in output table pockets to allow for cooling to room temperatures. Once cooled, rod bundles are moved to computer numerical control (“CNC”) machines where they are machined and threaded on the ends. AOT uses cold-formed rolled threads on its sucker rods. The cold-formed process displaces, rather than removes metal, to maintain consistent steel grain follow. This strengthens the shear, yield, and fatigue resistance of the threads. As necessary, couplings are attached on one end and pin protector plastic caps are added to the others.

[37] Machined rods are then sent to paint tables where they are inspected for straightness. Rods that are out of straightness are straightened. The rods are then dipped into a paint vat. Painted rods are then arranged in a stack for bundling and strapping. Rods are covered in an oil-soluble coating to reduce atmospheric corrosion in storage. Rods are bundled to prevent handling damages during transportation. Bundled rods are then moved to the storage area from where they get loaded onto trucks for shipping out to distributors.

### **Product Use<sup>15</sup>**

[38] Sucker rods are used in oil and gas extraction by forming a rod string that connects the above-ground drive to the down well pump(s). In extracting oil and gas from a well, some form of drive is required to provide the motive force and power to extract the oil and gas. Although drives may be located above ground or down well, sucker rods are only used with drives that are located above ground.

[39] An above ground drive is physically connected to the down well pump(s) by a rod string. The rod string is primarily composed of a series of interconnected sucker rods. The number and length of sucker rods may vary widely from well to well, depending on the various requirements established by engineers of the purchasing end-users. A string of sucker rods could consist of dozens or even hundreds of sucker rods and have a total length of thousands of feet. Rod strings in Canada are typically in the range of 2,500 to 7,500 feet, which is roughly 100 to 300 sucker rods of 25 feet in length.

[40] A down well pump will either be a reciprocating pump or a progressive cavity pump, and suckers rods are used in both types of pumps. Reciprocating pumps which are the more traditional type of pump require the rod string to move up and down to extract oil and gas out. For these kinds of pumps, the drive will connect to a “walking beam” and “horse head,” which will then reciprocate by pulling the rod string up and then pushing it down.

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<sup>14</sup> Sucker rods may fail (bend or break) when the metal becomes “fatigued” from the repeated stresses the sucker rod experiences. Improving the fatigue life means that the product will last longer before being prone to a fatigue related failure.

<sup>15</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraphs 5-14.



## **Classification of Imports<sup>16</sup>**

[41] The allegedly dumped goods are normally classified under the following tariff classification number:

8413.91.00.10

[42] The tariff classification number is for convenience of reference only. Refer to the product definition for authoritative details regarding the subject goods.

### **LIKE GOODS AND CLASS OF GOODS**

[43] 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.

[44] 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.

[45] After considering questions of use, physical characteristics and all other relevant factors, the CBSA initiated its investigation under the premise that domestically produced sucker rods 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.

[46] In its preliminary injury inquiry for this investigation, the CITT further reviewed the matter of like goods and classes of goods. On November 29, 2019, it issued its preliminary injury inquiry determination and later in its reasons indicated that the CITT sees no reason to depart from its findings on the issues of like goods and classes of goods established in the original sucker rods investigation. In the original Sucker Rods investigation the CITT stated that “domestically produced sucker rods of the same description as the subject goods are like goods in relation to the subject goods and that there is a single class of goods.”<sup>17</sup>

### **THE CANADIAN INDUSTRY**

[47] As previously stated, the complainant accounts for all of the known domestic production of like goods.

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<sup>16</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraph 40.

<sup>17</sup> CITT [Inquiry No. NQ-2018-001](#), paragraph 39.

## IMPORTS INTO CANADA

[48] 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.

[49] Detailed information regarding the volume and value of imports of sucker rods and domestic production cannot be divulged for confidentiality reasons.

[50] The following table presents the CBSA's analysis of imports of certain sucker rods for purposes of the preliminary determination:

**Imports of Sucker Rods**  
(% of Volume)

<b>Country</b>	<b>Period of Investigation (July 1, 2018 to June 30, 2019)</b>
Argentina	10.1%
Brazil	5.1%
Mexico	31.8%
All Other Countries	53.0%
<b>Total Imports</b>	<b>100%</b>

## INVESTIGATION PROCESS

[51] Regarding the investigation, information was requested from all known and potential exporters, producers and importers, concerning shipments of certain sucker rods released into Canada during the POI.

[52] The exporters/producers were also 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 duties 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.

[53] After reviewing the importer RFI response, two supplemental RFIs (SRFI) were sent to TGS Canada to clarify information provided in their responses and request additional information.<sup>18</sup>

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<sup>18</sup> Exhibit 49 (PRO) & 50 (NC) – Response to SRFI#1 – TGS Canada; Exhibit 59 (PRO) & 60 (NC) – Response to SRFI#2.

[54] After reviewing the exporter RFI responses and resubmissions, deficiency letters were issued to the responding parties as their responses were not substantially complete.<sup>19</sup>

[55] 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 may be obtained and selected responding parties may be verified on-site, the results of which will be incorporated into the CBSA's final decision, which must be made by March 30, 2020.

## **DUMPING INVESTIGATION**

[56] The CBSA received four responses to the Dumping RFI. All parties, which includes one in each of the named countries and a fourth Tenaris affiliate in Uruguay, provided responses to the Dumping RFI which were deficient. The CBSA had multiple exchanges with the respondents in an effort to obtain complete information for purposes of the preliminary determination. However, as detailed below, the CBSA relied on other facts available.

[57] The following presents the preliminary results of the investigation into the dumping of certain sucker rods originating in or exported from Argentina, Brazil, and Mexico.

### **Normal Value**

[58] 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.

[59] Given the insufficient information provided by the responding parties, the CBSA estimated normal values on the basis of facts available. In establishing the methodology for estimating normal values, the CBSA considered all the information on the administrative record, including the complaint filed by the domestic industry and the CBSA's estimates at the initiation of the investigation. Normal values were based on the methodology of paragraph 19(b) of SIMA using information from the complaint adjusted by the CBSA to more reasonably represent the cost of raw materials and the cost of freight which may be incurred in the named countries. An amount for administrative, selling, and general costs, and a reasonable amount for profit was estimated based on the 2018 annual report of Tenaris S.A.

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<sup>19</sup> Exhibit 51 (PRO) – Deficiency Letter sent to Tenaris Global Services S.A.

## **Export Price**

[60] 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.

[61] 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.

[62] TGS Canada, the sole importer of subject goods, is associated with the four responding exporters of subject good during the POI. Given that the information provided by the responding exporters was incomplete, the CBSA was unable to estimate export prices based on the exporter's sale price for the goods as provided in paragraph 24(a) or the importer's resale price as provided in paragraph 25(1)(c) of SIMA.

[63] Consequently, the CBSA estimated export prices based on the methodology of subparagraph 24(b) of SIMA, using the importer's purchase prices provided as part of the substantially complete importer RFI responses.

## **Margin of Dumping**

[64] Generally, 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.

[65] However, as the exporter/producers in the named countries did not provide responses that were substantially complete, for purposes of the preliminary determination, the CBSA estimated the margin of dumping for each of the exporters from the named countries by finding the highest amount by which the estimated normal value exceeded the estimated export price, on a single transaction, excluding anomalies. This methodology limits the advantage that an exporter may gain from not providing necessary information requested as part of the dumping investigation.

[66] Further information regarding each exporter that responded to the CBSA's exporter RFI is detailed below.

## **Particular Market Situation**

[67] Paragraph 16(2)(c) is a provision of SIMA that may be applied when the President of the CBSA is of the opinion that domestic sales of like goods in the country of export do not permit a proper comparison with the sales of the goods to the importer in Canada because a particular market situation (PMS) prevails.

[68] Pursuant to subsection 16(2.1), the President of the CBSA may form the opinion that a PMS exists in respect of any goods of a particular exporter or of a particular country.

[69] In such cases, the CBSA would not estimate normal values using the methodology of section 15 of SIMA, which relies on domestic prices. Accordingly, and where such information is available, the CBSA would look to using the constructed normal value methodology of paragraph 19(b).

[70] Where the President of the CBSA is of the opinion that a PMS also distorts the cost of inputs that are significant in the production of the goods, the CBSA will use information in accordance with subsection 11.2(2) of SIMR, that best represents the actual cost of the input to permit a proper comparison.

[71] Where the CBSA finds there is sufficient reason to believe that an investigation into PMS is warranted, the CBSA will solicit information from exporters and, where applicable, the government of the country of export, and independently gather other relevant information in order to form an opinion as to whether paragraph 16(2)(c) is applicable.

[72] In its complaint, AOT made the allegation that particular market situations may exist in each of the named countries. The complainant made allegations that the largest corporations producing oil in the named countries are state-owned and there is evidence that this has created distorted market prices in these countries.<sup>20</sup>

[73] The CBSA is continuing to examine these allegations in order to determine if the presence and purchasing activities of state-owned enterprises in the named countries are resulting in a particular market situation.

## **Preliminary Results of the Dumping Investigation**

### **Argentina**

#### Metalmecanica S.A.

[74] Metalmecanica S.A. (MM) is a producer and exporter of subject goods. MM is located in Villa Mercedes, in the province of San Luis of Argentina and has one production facility capable of producing the subject goods. During the POI, all subject goods from Argentina were exported by MM to Canada and were sold to a related importer, TGS Canada.

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<sup>20</sup> Exhibit 1 (PRO) & 2 (NC) – Sucker Rods 2 Complaint, paragraph 74.

[75] MM provided an incomplete response to the Dumping RFI on November 6, 2019 and was issued a letter of deficiency on November 19, 2019. The letter noted deficiencies and advised MM to provide a revised RFI response as soon as possible to ensure that the CBSA has sufficient time to review, analyze and verify the information provided.

[76] A full resubmission of the Dumping RFI was received from MM on November 29, 2019. An initial review of that resubmission revealed that deficiencies still remained. As such, on December 6, 2019, the CBSA issued a correspondence to MM outlining essential information that was still outstanding. On December 16, 2019, the CBSA received further revised documents relating to the resubmission received on November 29, 2019, unrelated to the CBSA's correspondence of December 6, 2019. Consequently, information provided by MM remains incomplete and has not been considered by the CBSA.

[77] For purposes of making a preliminary determination, the highest amount by which the estimated normal value exceeded the estimated export price on a single transaction, based on the methodology set out at the beginning of the Dumping Investigation section, excluding anomalies resulted in an estimated margin of dumping of 30.5% for MM, expressed as a percentage of the export price.

## **Brazil**

### Tenaris Confab Hastes de Bombeio S.A.

[78] Tenaris Confab Hastes de Bombeio S.A. (TCHB) is a producer and exporter of subject goods. TCHB is located in Pindamonhangaba, São Paulo, Brazil, and has one production facility capable of producing the subject goods. During the POI, all subject goods from Brazil were exported by TCHB to Canada and were sold to a related importer, TGS Canada.

[79] TCHB provided an incomplete response to the Dumping RFI on November 6, 2019 and was issued a letter of deficiency on November 19, 2019. The letter noted deficiencies and advised TCHB to provide a revised RFI response as soon as possible to ensure that the CBSA has sufficient time to review, analyze and verify the information provided.

[80] A full resubmission of the Dumping RFI was received from TCHB on November 29, 2019. An initial review of that resubmission revealed that deficiencies still remained. As such, on December 6, 2019, the CBSA issued a correspondence to TCHB outlining essential information that was still outstanding. On December 16, 2019, the CBSA received further revised documents relating to the resubmission received on November 29, 2019, unrelated to the CBSA's correspondence of December 6, 2019. Consequently, information provided by TCHB remains incomplete and has not been considered by the CBSA.

[81] For purposes of making a preliminary determination, the highest amount by which the estimated normal value exceeded the estimated export price on a single transaction, based on the methodology set out at the beginning of the Dumping Investigation section, excluding anomalies resulted in an estimated margin of dumping of 27.3% for TCHB, expressed as a percentage of the export price.

## **Mexico**

### Tubos de Acero de Mexico S.A.

[82] Tubos de Acero de Mexico S.A. (TAMSA) is a producer and exporter of subject goods. TAMSA is located in Veracruz, Mexico, and has one production facility capable of producing the subject goods. During the POI, all subject goods from Mexico were exported by TAMSA to Canada and were sold to a related importer, TGS Canada.

[83] TAMSA provided an incomplete response on November 6, 2019 to the Dumping RFI and was issued a letter of deficiency on November 19, 2019. The letter noted deficiencies and advised TAMSA to provide a revised RFI response as soon as possible to ensure that the CBSA has sufficient time to review, analyze and verify the information provided.

[84] A full resubmission of the Dumping RFI was received from TAMSA on November 29, 2019. An initial review of that resubmission revealed that deficiencies still remained. As such, on December 6, 2019, the CBSA issued a correspondence to TAMSA outlining essential information that was still outstanding. On December 16, 2019, the CBSA received further revised documents relating to the resubmission received on November 29, 2019, unrelated to the CBSA's correspondence of December 6, 2019. Consequently, information provided by TAMSA remains incomplete and has not been considered by the CBSA.

[85] For purposes of making a preliminary determination, the highest amount by which the estimated normal value exceeded the estimated export price on a single transaction, based on the methodology set out at the beginning of the Dumping Investigation section, excluding anomalies resulted in an estimated margin of dumping of 48.9% for TAMSA, expressed as a percentage of the export price.

## Summary of Preliminary Results - Dumping

[86] 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 (July 1, 2018 to June 30, 2019)

Country of Origin or Export	Estimated Margin of Dumping*	Estimated Volume of Subject Goods as Percentage of Total Imports
<b>Argentina</b>		
All exporters	30.5%	10.1%
<b>Brazil</b>		
All exporters	27.3%	5.1%
<b>Mexico</b>		
All exporters	48.9%	31.8%
<b>All other countries</b>	N/A	53.0%

\* Expressed as a percentage of the export price.

[87] 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.

[88] 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.

[89] As can be seen from the table above, the volume of subject goods from Argentina, Brazil, and Mexico are 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 Argentina, Brazil, and Mexico are, therefore, not negligible.

[90] 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. 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.

[91] A summary of the estimated margins of dumping and provisional duties is presented in **Appendix 1**.



## DECISION

[92] On December 30, 2019, pursuant to subsection 38(1) of SIMA, the CBSA made a preliminary determination of dumping respecting certain sucker rods originating in or exported from Argentina, Brazil, and Mexico.

## PROVISIONAL DUTY

[93] 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 duties will not be imposed on importations of the goods from that particular exporter.

[94] Pursuant to subsection 8(1) of SIMA, provisional duty payable by the importer in Canada will be applied to dumped imports of certain sucker rods 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 certain sucker rods has caused injury or is threatening to cause injury to the domestic industry.

[95] Imports of certain sucker rods originating in or exported from Argentina, Brazil, or Mexico and released by the CBSA on or after December 30, 2019, 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.

[96] 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.

## **FUTURE ACTION**

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

[97] The CBSA will continue its investigation of the dumping and will make final decision by March 30, 2020.

[98] If the margins of dumping of any exporter are 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**

[99] The CITT has begun its inquiry into the question of injury to the Canadian industry. The CITT is expected to issue its finding by April 28, 2020.

[100] 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.

[101] 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 sucker rods that are of the same description as goods described in the CITT's finding.

[102] 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**

[103] 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**

[104] 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.

[105] 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](http://www.cbsa-asfc.gc.ca/publications/dm-md/d14/d14-1-9-eng.html).

[106] Interested parties may provide comments regarding the acceptability of an undertaking 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.

[107] If an undertaking was to be accepted, the investigation and the 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**

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

## **INFORMATION**

[109] The investigation schedule and a complete listing of all exhibits and information are available at: [www.cbsa-asfc.gc.ca/sima-lmsi/i-e/menu-eng.html](http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/menu-eng.html). The exhibits listing will be updated as new exhibits and information are made available.

[110] 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, 11<sup>th</sup> floor  
Ottawa, Ontario K1A 0L8  
Canada

**Telephone:** Aaron Maidment 613-948-4415  
Andrew Manera 613-946-2052

**E-mail:** [simaregistry@cbsa-asfc.gc.ca](mailto:simaregistry@cbsa-asfc.gc.ca)

**Web site:** [www.cbsa-asfc.gc.ca/sima-lmsi](http://www.cbsa-asfc.gc.ca/sima-lmsi)

Doug Band  
Director General  
Trade and Anti-dumping Programs Directorate

## **ATTACHMENTS**

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

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

The following table lists the estimated margins of dumping and the provisional duty as a result of the decision mentioned above. Imports of subject goods released from the Canada Border Services Agency on or after December 30, 2019, will be subject to provisional duties at the rates specified below.

<b>Exporters</b>	<b>Estimated Margin of Dumping*</b>	<b>Total Provisional Duty Payable*</b>
<b>Argentina</b>		
All exporters	30.5%	30.5%
<b>Brazil</b>		
All exporters	27.3%	27.3%
<b>Mexico</b>		
All exporters	48.9%	48.9%

\* As a percentage of export price.