



OTTAWA, June 27, 2014

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STATEMENT OF REASONS

Concerning the initiation of investigations into the dumping and subsidizing of

**CERTAIN CONCRETE REINFORCING BAR
ORIGINATING IN OR EXPORTED FROM
THE PEOPLE'S REPUBLIC OF CHINA,
THE REPUBLIC OF KOREA
AND THE REPUBLIC OF TURKEY**

DECISION

Pursuant to subsection 31(1) of the *Special Import Measures Act*, the President of the Canada Border Services Agency initiated investigations on June 13, 2014, respecting the alleged injurious dumping and subsidizing of hot-rolled deformed steel concrete reinforcing bar in straight lengths or coils, commonly identified as rebar, in various diameters up to and including 56.4 millimeters, in various finishes, excluding plain round bar and fabricated rebar products, originating in or exported from the People's Republic of China, the Republic of Korea and the Republic of Turkey.

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

TABLE OF CONTENTS

SUMMARY	1
INTERESTED PARTIES	2
COMPLAINANTS	2
IMPORTERS	3
EXPORTERS.....	3
GOVERNMENTS OF CHINA, THE REPUBLIC OF KOREA, AND TURKEY	3
PRODUCT INFORMATION.....	4
DEFINITION.....	4
PRODUCTION PROCESS	5
PRODUCT USE.....	5
CLASSIFICATION OF IMPORTS	6
LIKE GOODS.....	6
THE CANADIAN INDUSTRY	7
CANADIAN MARKET	7
EVIDENCE OF DUMPING.....	8
NORMAL VALUE.....	9
EXPORT PRICE	11
ESTIMATED MARGINS OF DUMPING.....	11
MARGIN OF DUMPING AND VOLUME OF DUMPED GOODS	12
SECTION 20 INQUIRY	13
EVIDENCE OF SUBSIDIZING	14
PROGRAMS BEING INVESTIGATED - CHINA.....	15
CONCLUSION - CHINA.....	17
PROGRAMS BEING INVESTIGATED - REPUBLIC OF KOREA	17
CONCLUSION – REPUBLIC OF KOREA.....	18
PROGRAMS BEING INVESTIGATED - TURKEY	19
CONCLUSION - TURKEY	20
ESTIMATED AMOUNT OF SUBSIDY – CHINA, THE REPUBLIC OF KOREA AND TURKEY	20
AMOUNT OF SUBSIDY AND VOLUME OF SUBSIDIZED GOODS.....	21
EVIDENCE OF INJURY	22
PRICE UNDERCUTTING, EROSION AND PRICE SUPPRESSION.....	22
LOST SALES AND MARKET SHARE.....	23
FINANCIAL RESULTS.....	23
PRODUCTION, CAPACITY UTILIZATION AND EMPLOYMENT	24
IMPACT ON CAPITAL INVESTMENTS	24
CBSA’S CONCLUSION - INJURY FACTORS	25
THREAT OF INJURY	25
CAUSAL LINK – DUMPING/SUBSIDIZING AND INJURY	26
CONCLUSION.....	27
SCOPE OF THE INVESTIGATION	27
FUTURE ACTION.....	27
RETROACTIVE DUTY ON MASSIVE IMPORTATIONS.....	28

UNDERTAKINGS	29
PUBLICATION	29
INFORMATION.....	29
APPENDIX 1 - DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES.....	32
DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES - CHINA.....	32
DETERMINATIONS OF SUBSIDY AND SPECIFICITY - CHINA.....	37
DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES - REPUBLIC OF KOREA.....	38
DETERMINATIONS OF SUBSIDY AND SPECIFICITY – REPUBLIC OF KOREA.....	39
DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES - TURKEY	40
DETERMINATIONS OF SUBSIDY AND SPECIFICITY - TURKEY	41

SUMMARY

[1] On April 24, 2014, the Canada Border Services Agency (CBSA) received a written complaint from ArcelorMittal LCNA (Arcelor), located in Contrecoeur, Quebec, Gerdau Longsteel North America (Gerdau), located in Whitby, Ontario and Alta Steel Inc. (Alta), located in Edmonton, Alberta, (hereafter ‘the Complainants’), alleging that imports into Canada of certain concrete reinforcing bar originating in or exported from the People’s Republic of China (China), the Republic of Korea and the Republic of Turkey (Turkey) are being dumped and subsidized. The Complainants allege that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing like goods.

[2] The Complainants provided evidence to support the allegations that certain concrete reinforcing bar from China, the Republic of Korea and Turkey have been dumped and subsidized. The evidence also discloses a reasonable indication that the dumping and subsidizing have caused injury and are threatening to cause injury to the Canadian industry producing like goods.

[3] On May 15, 2014, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the Complainants that the complaint was properly documented. The CBSA also notified the governments of China (GOC), the Republic of Korea (GOK) and Turkey (GOT) that a properly documented complaint had been received and provided each of them with the relevant non-confidential version of the subsidy complaint. The GOC, GOK, and GOT were invited for consultations prior to the initiation of the investigations, pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures* (ASCM).

[4] On June 5, 2014 the government of Canada received written representations from the GOK with respect to its views on the adequacy of the evidence presented in the non-confidential version of the subsidy portion of the complaint. On June 11, 2014, consultations pursuant to Article 13.1 of the ASCM were held between the government of Canada and the GOK. During these consultations, the GOK reiterated the written representations with respect to its views on the adequacy of the evidence presented in the non-confidential version of the subsidy complaint. The CBSA considered these written representations in its analysis of whether there was sufficient evidence of subsidization to warrant the initiation of a subsidy investigation.

[5] On June 11, 2014, consultations pursuant Article 13.1 of the ASCM were held between the government of Canada and the GOT. On the same day, the government of Canada received written representations from the GOT with respect to its views on the accuracy and adequacy of the evidence presented in the non-confidential version of the subsidy complaint. The CBSA considered these written representations in its analysis of whether there was sufficient evidence of subsidization to warrant the initiation of a subsidy investigation.

[6] On June 13, 2014, pursuant to subsection 31(1) of SIMA, the President of the CBSA (President) initiated investigations respecting the dumping and subsidizing of certain concrete reinforcing bar from China, the Republic of Korea and Turkey (hereafter ‘the named countries’)

INTERESTED PARTIES

Complainants

[7] The Complainants are the only Canadian producers of like goods in Canada.¹

[8] The names and addresses of the Complainants are as follows:

ArcelorMittal LCNA
4000 Routes des Acieries
Contrecoeur, QC
J0L 1C0

Gerdau Longsteel North America
Hopkins Street South
Whitby, ON
L1N 5T1

Alta Steel Inc.
9401 34 Street
Edmonton, AB
T6B 2X6

Alta Steel Inc.

[9] The company now known as Alta was founded in 1955. It has undergone various ownership changes and is now owned by Arrium Limited (previously known as OneSteel Limited).

[10] Alta is a scrap-based mini-mill with melting and casting manufacturing facilities in Edmonton, Alberta. The company employs over 370 people. Alta makes a variety of round, flat, and square bar shapes for use by downstream manufacturers in the mining, oil and gas, automotive, construction, agriculture and OEM industries.

ArcelorMittal LCNA

[11] Arcelor is a subsidiary of ArcelorMittal and has eleven steel manufacturing facilities in Canada and the US. Arcelor produces over 5 million metric tons (MT) per year and has 3,400 employees. It produces a range of products including rebar, billets, flats, and wire rod. These facilities produce billets and slabs as primary products. For value added products, the company's Montreal facility produces rebar, wire rod and downstream wire products, flat bar and round bar, and other products.

¹ Refer to the definition of like goods in the Like Goods section below.

[12] Arcelor has three rebar manufacturing facilities in Quebec, the Contrecoeur East facility produces rebar in coil form while the Contrecoeur West and the Longueuil facilities produce cut-to-length rebar.

Gerdau Longsteel North America

[13] The parent company of Gerdau is Gerdau S.A of Brazil. Gerdau entered the North American market in 1989 with the acquisition of Courtice Steel in Cambridge, Ontario. In 1995, Gerdau acquired MRM Steel in Selkirk Manitoba. In 2002, Gerdau merged its North American operations with Co-Steel of Whitby, Ontario, and the combined entity became Gerdau Ameristeel Corporation. Gerdau acquired 100% ownership of Gerdau Ameristeel in 2010. Gerdau now operates these three Canadian plants, as well as six American plants producing rebar, as Gerdau Longsteel North America, a division of Gerdau Ameristeel.

[14] Gerdau has manufacturing facilities in Whitby and Cambridge, Ontario and in Selkirk, Manitoba. Gerdau's three Canadian rebar-producing operations are capable of producing the full range of sizes and grades of rebar. The Whitby plant has produced straight rebar since 1964, as well as other bars and structural shapes. The Cambridge plant has produced rebar since 1986. It also produces rounds, squares, channels and angles. Gerdau MRM in Selkirk has produced rebar for over 75 years.

Importers

[15] The CBSA has identified 32 potential importers of the subject goods from CBSA import documentation and from information submitted in the complaint.

Exporters

[16] The CBSA has identified 137 potential exporters (90 located in China, 13 in the Republic of Korea and 34 in Turkey) of the subject goods from CBSA import documentation and from information submitted in the complaint.²

Governments of China, the Republic of Korea, and Turkey

[17] For the purpose of these investigations, "GOC", "GOK" or "GOT" each refers to all levels of government, i.e., federal, central, provincial/state, regional, municipal, city, township, village, local, legislative, administrative or judicial, singular, collective, elected or appointed. It also includes any person, agency, enterprise, or institution acting for, on behalf of, or under the authority of, or under the authority of any law passed by, the government of that country or that provincial, state or municipal or other local or regional government.

² Refer to the definition of subject goods in the Product Information section below.

PRODUCT INFORMATION

Definition

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

Hot-rolled deformed steel concrete reinforcing bar in straight lengths or coils, commonly identified as rebar, in various diameters up to and including 56.4 millimeters, in various finishes, excluding plain round bar and fabricated rebar products, originating in or exported from the People's Republic of China, the Republic of Korea and the Republic of Turkey.

[19] Hot-rolled deformed steel concrete reinforcing bar in straight lengths or coils, commonly identified as rebar, in various diameters up to and including 56.4 millimeters, in various finishes, excluding plain round bar and fabricated rebar products, will hereafter be referred to as Rebar.

Additional Product Information

[20] For further clarity, the subject goods include all hot-rolled deformed bar, rolled from billet steel, rail steel, axle steel, low alloy-steel and other alloy steel that does not comply with the definition of stainless steel.

[21] Uncoated Rebar, sometimes referred to as black Rebar, is generally used for projects in non-corrosive environments where anti-corrosion coatings are not required. On the other hand, anti-corrosion coated Rebar is used in concrete projects that are subjected to corrosive environments, such as road salt. Examples of anti-corrosion coated Rebar are epoxy or hot-dip galvanized Rebar. The Subject goods include uncoated Rebar and Rebar that has a coating or finish applied.

[22] Fabricated Rebar products are generally engineered using computer automated design programs, and are made to the customer's unique project requirements. The fabricated Rebar products are normally finished with either a protective or corrosion-resistant coating. Fabricated Rebar is not included in the product definition of subject goods. Rebar that is simply cut-to-length is not considered to be a fabricated Rebar and it is included in the definition of subject goods.

[23] Rebar is produced in Canada in accordance with the National Standard of Canada CAN/CSA-G30.18-M92 for Billet-Steel Bar for Concrete Reinforcement (National Standard) prepared by the Standards Association and approved by the Standards Council of Canada.

[24] The following are the most common bar designation numbers for the Subject goods in Canada, with the corresponding diameter in millimetres in brackets: 10 (11.3), 15 (16.0), 20 (19.5), 25 (25.2), 30 (29.9), 35 (35.7). Rebar sizes are commonly referred to as the bar designation number combined with the letter "M". Thus, 10M Rebar has a designation number of 10 and a diameter of 11.3 millimetres. Other diameters may also be demanded, and other measurement systems employed. For example, Imperial measure #7 bar (approximately 22 mm) is a common designation used in the mine roofing industry.

[25] The National Standard identifies two grades of Rebar, namely regular or “R” and weldable or “W”. R grades are intended for general applications while W grades are used where welding, bending or ductility is of special concern. Welded Rebar was a premium product for the Canadian industry, reflecting the higher cost of alloy steel; however, since all imports have been weldable product, Canadian production has shifted to weldable as a standard product. Weldable Rebar is substitutable for regular Rebar in all applications, though the reverse does not hold.

[26] The National Standard also identifies yield strength levels of 300, 400, and 500. This number refers to the minimum yield strength and is measured in megapascal (MPa). The grade and yield strength of Rebar is identified by combining yield strength number with grade. Thus, 400R is regular Rebar with a yield strength of 400 MPa, and 400W is weldable Rebar with a yield strength of 400 MPa. Yield strength is measured with an extensometer in accordance with the requirements of section 9 of the National Standard.

[27] The standard lengths for Rebar are 6 metres (20 feet), 12 metres (40 feet) and 18 metres (60 feet), although Rebar can be cut and sold in other lengths as specified by customers, or sold in coils.³

Production Process

[28] Deformed steel concrete reinforcing bar can be produced in an integrated steel production facility, or using ferrous scrap metal as the principal raw material. Scrap metal is melted in an electric arc furnace and is further processed in a ladle arc-refining unit. The molten steel is then continuously cast into rectangular billets of steel that are cut-to-length. An integrated facility would also produce billets from molten steel. The billets are then rolled into various sizes of Rebar, which is cut to various lengths depending on the customers’ requirements.

[29] Deformed Rebar is rolled with deformations on the bar, which provides gripping power so that concrete adheres to the bar and provides reinforcing value. The deformations must conform to requirements set out in national standards.

Product Use

[30] The subject goods are used in a number of applications, the most common of which is construction.

[31] Rebar is most commonly used to reinforce concrete and masonry structures. It enhances the compressional and tensional strength of concrete and helps prevent the concrete from cracking during curing or following changes in temperature.

[32] Residential markets primarily use Rebar in smaller sizes, while the heavy construction and fabrication markets use most of the larger sizes of Rebar.

³ Complaint (NC) – Section E pg. 6

Classification of Imports

[33] As of 2012, imports of the subject goods are now usually classified in Section XV of the *Customs Tariff* under the following Harmonized System (HS) classification numbers:

7213.10.00.00	Bar and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel. - Containing indentations, ribs, grooves or other deformations produced during the rolling process
7214.20.00.00	Other bar and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling. - Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling

[34] 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

[35] 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.

[36] Rebar produced by the domestic industry competes directly with, has the same end uses as, and can be substituted for, the subject goods. Also, both are made from the same input material and are produced in the same general manner. Therefore, the CBSA has concluded that the Rebar produced by the Canadian industry constitutes like goods to the subject goods.

[37] After considering questions of use, physical characteristics and all other relevant factors, the CBSA is of the opinion that subject and like goods constitute only one class of goods.

THE CANADIAN INDUSTRY

[38] The Complainants represent all production of like goods in Canada.

Standing

[39] Subsection 31(2) of SIMA requires that the following conditions for standing be met in order to initiate an investigation:

- the complaint is supported by domestic producers whose production represents more than 50% of the total production of like goods by those domestic producers who express either support for or opposition to the complaint; and
- the production of the domestic producers who support the complaint represents 25% or more of the total production of like goods by the domestic industry.

[40] Since the Complainants are the only producers of Rebar in Canada, the CBSA is satisfied that the standing requirements pursuant to subsection 31(2) of SIMA have been met.

CANADIAN MARKET

[41] According to the Complainants, subject goods and domestic like goods are distributed through the same channels and the conditions of competition apply to all Rebar whether produced in the subject countries or by the domestic industry, or from any other import source.

[42] The domestic industry markets its Rebar to customers across Canada. Rebar may be sold directly to Rebar fabricators, or steel service centres/distributors. Rebar fabricators are the major link in the supply chain. They quote jobs to the construction sector, buy the steel, cut and bend to order and deliver to job sites.

[43] The Complainants estimate that approximately 90% of market sales go directly to Rebar fabricators. Service centres/distributors purchase Rebar in a range of grades and sizes and stock the product for re-sale, primarily to smaller Rebar fabricators. Canadian distributors and Rebar fabricators may purchase domestically from the Canadian mills, from imports or from other distributors located in Canada or abroad. Service centres/distributors and Rebar fabricators may also import directly from mills in the named countries.⁴

[44] The Complainants estimated the market based on their domestic sales, publicly available information and import data obtained from Statistics Canada for 2011 to February 2014. The Department of Foreign Affairs, Trade and Development (DFATD) import permit data was used to estimate March 2014 figures.

[45] The CBSA conducted its own analysis of imports of Rebar based on actual import data.

[46] The CBSA's import data demonstrated similar trends and volumes as the information provided by the Complainants.

⁴ Complaint (NC) – Section J pg. 7

[47] Detailed information regarding domestic production and the volume of imports of subject goods cannot be divulged for confidentiality reasons. The CBSA, however, has prepared the following table to show the estimated import share of subject goods in Canada.

Table 1
CBSA Estimates of Import Share
(by volume)

	2011	2012	2013 and Q1-2014
China	1.3%	0.9%	7.4%
Republic of Korea	4.6%	3.9%	9.5%
Turkey	11.9%	20.7%	12.0%
Total – Imports named countries	17.8%	25.5%	28.9%
United States	70.3%	69.9%	71.0%
Other Countries	11.9%	4.6%	0.1%
Total Imports	100%	100%	100%

EVIDENCE OF DUMPING

[48] The Complainants alleged that subject goods from China, the Republic of Korea and Turkey have been injuriously dumped into Canada. Dumping occurs when the normal value of the goods exceeds the export price to importers in Canada.

[49] Normal values are generally based on the domestic selling price of like goods in the country of export where competitive market conditions exist or on the full cost of the goods plus a reasonable amount for profits.

[50] The Complainants provided information to support the allegation that the concrete reinforcing bar industry, which is part of the long products steel sector in China may not be operating under competitive market conditions and as such, normal values should be determined under section 20 of SIMA.

[51] If there is sufficient reason to believe that conditions described in section 20 of SIMA exist in the sector under investigation, normal values will be determined, where such information is available, on the basis of the domestic selling price or full cost plus a reasonable amount for profits of the like goods sold by producers in any country designated by the President and adjusted for price comparability; or on the basis of the selling price in Canada of like goods imported from any country designated by the President and adjusted for price comparability.

[52] The export price of goods sold to importers in Canada is generally the lesser of the exporter's selling price and the importer's purchase price, less all costs, charges, and expenses resulting from the exportation of the goods.

[53] The CBSA's analysis of the alleged dumping is based on a comparison of the Complainants' estimated normal values with estimated export prices based on the actual declared value for duty during the period examined, that is, between January 1, 2013 and March 31, 2014. The export price information was obtained from customs entry documentation. The CBSA found that a three month lead time was reasonable for purposes of comparing available market pricing with imports into Canada and so used this approach as well when analyzing the data.

[54] Estimates of normal value and export price by both the Complainants and the CBSA are explained as follows.

Normal Value

[55] The Complainants had limited information on the actual selling prices of the like goods to unrelated purchasers in each of the named countries. The Complainants have calculated normal values and dumping margins in accordance with section 15 of SIMA where possible, based on the domestic selling price of like goods in the country of export.

[56] For purposes of these section 15 estimates, the Complainants conducted a survey of available information pertaining to home market pricing in the Republic of Korea and Turkey. They were able to obtain home market pricing for the Republic of Korea from *Metal Bulletin* and for Turkey from *Steel Business Briefing* (SBB). The dumping calculations compare the offer/selling price in Canada from Statistics Canada import data which reflects the value for duty to the home market price reported in *Metal Bulletin* and SBB.⁵

[57] The CBSA found the Complainants' overall section 15 normal value estimates to be reasonable and representative. For increased accuracy, the CBSA re-calculated the weighted average normal values on an entry-by-entry basis as opposed to the monthly average used by the Complainants. This approach proved to be slightly more conservative than the straight average used by the Complainants.

[58] The Complainants also estimated normal values for the subject goods using the methodology set out in paragraph 19(b) of SIMA. Under this methodology, normal values are determined 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.

[59] Using their own costs of production as a starting point the Complainants made certain adjustments to take into account differences in labour costs and substituted a reasonable amount for profit suitable for those markets based on publicly available information.

[60] Due to the significant number of products within the subject goods definition, the Complainants selected representative high-volume models to act as benchmarks. Normal values were constructed for these benchmark models.

⁵ Assumption that order would have been made three months prior to importation, therefore the Metal Bulletin and SBB pricing for the month which is three months prior to importation was used.

[61] The Complainants provided information supporting the initiation of a section 20 inquiry respecting the allegedly dumped goods from China and are of the opinion that domestic selling prices in China are substantially influenced by government policies and should not be used in the calculation of normal values since the prices are not reflective of competitive market conditions. The Complainants argued that normal values in China should be determined based on information from producers in a surrogate country, and went on to identify both Turkey and the Republic of Korea as suitable surrogates.

[62] For China, the Complainants estimated an amount for profit at 11.0% of costs based on 2013 results of SMIC⁶, a large Chinese manufacturing company operating a semiconductor foundry traded on the New York Stock Exchange. The Complainants submit that this amount for profit is appropriate as it reflects recent, publicly available information of a large Chinese industrial concern that is not subject to the same degree of Chinese government control of operations. The Complainants submit that this profit amount is being used only for the alternative section 19 estimate of Chinese normal values since they maintain that section 20 ought to be applied for China.

[63] For the Republic of Korea, the amount for profit was estimated based upon the publicly reported 7.5% profit amount as a percentage of costs, sourced from a large Korean steel producer POSCO for 2013.⁷ POSCO produces subject goods.

[64] For Turkey, the amount for profit was estimated based upon the publicly reported 14.6% as a percentage of costs of the large steel producing company named Erdemir group from Turkey for 2013.⁸ Erdemir is a large integrated steel manufacturer from Turkey that produces a range of steel products including subject goods.⁹

[65] The CBSA considers the amounts for profit to be reasonable for purposes of initiation and accepts the amounts of profit estimated by the Complainants.

[66] The CBSA found the Complainants' overall section 19 normal value estimates to be reasonable and representative. In terms of adjustments to the section 19 normal values, the CBSA concluded that using an average of the three benchmark models in Attachment 19 of the complaint was more appropriate as opposed to the way the Complainants separated the normal values based on the three benchmark models since the export price that these normal values will ultimately be compared to in order to calculate margins of dumping will also be an average.

⁶ Complaint (NC) – Attachment 14: SMIC, “2013 Annual Report, pg. 103”.

⁷ Complaint (NC) – Attachment 15: POSCO, “Separate Financial Statements December 31, 2013 and 2012”, pg. 5.

⁸ Complaint (NC) – Attachment 16: Erdemir, “2013 Annual Report”, pg. 30.

⁹ Erdemir’s subsidiary İskenderun Demir ve Çelik A.Ş. (“İsdemir”) produces Rebar. Complaint (NC) – Attachment 17: Erdemir, “İskenderun Demir ve Çelik A.Ş.”, and Attachment 16: Erdemir 2013 Annual Report, pg. 24 confirming İsdemir is a subsidiary of Erdemir.

Export Price

[67] The export price of goods sold to an importer in Canada is generally determined in accordance with section 24 of SIMA as being an amount equal to the lesser of the exporter's sale price for the goods and the price at which the importer has purchased or agreed to purchase the goods adjusted by deducting all costs, charges, expenses, and duties and taxes resulting from the exportation of the goods.

[68] The Complainants estimated export prices based on Statistics Canada import data for HS classification numbers 7213.10 and 7214.20 for 2013 and January-February 2014 data as well as the DFATD import permit data for Rebar for March 2014, the most recent period available.¹⁰

[69] The CBSA estimated export prices based on actual import data for the period January 1, 2013 to March 31, 2014. Customs documentation for the selected entries not yet received will be reviewed in respect of subjectivity and products for the purposes of the preliminary determination. Since this analysis was based on actual import data, the CBSA considers its estimates to be more comprehensive and accurate than those provided by the Complainants.

Estimated Margins of Dumping

[70] The CBSA compared the estimated normal values with the estimated export prices for the subject imports. The estimated margins of dumping were then calculated by deducting the estimated total export price from the estimated total normal value and expressing the result as a percentage of the estimated total export price of the subject goods by country.

[71] For purposes of initiation, the CBSA used its more conservative section 15 estimates of margins of dumping for both Turkey and the Republic of Korea.

[72] It should be noted that section 16 of SIMA requires that sales used for the purpose of normal value determination under section 15 be profitable. The Complainants allege that goods in the named countries are benefiting from significant countervailable subsidies. They allege that selling prices in the country of export are lower than could be the case in the absence of the subsidies and may not be profitable. Estimates of normal values based on market pricing may therefore be understated.

[73] For purposes of initiation, the CBSA estimated margins of dumping for China using an average of domestic pricing in Turkey and the Republic of Korea as surrogate countries pursuant to the methodology of section 20 of SIMA.

¹⁰ Complaint (NC) – Attachment 8: Apparent Canadian Consumption; Attachment 31: Export pricing data sheets (Statistics Canada import data)

[74] Based on the preliminary analysis, it is estimated that the subject goods from China, the Republic of Korea and Turkey were dumped. The margins of dumping estimated for each subject country are shown in the following table.

Table 2
CBSA Estimates of Margins of Dumping
(expressed as a percentage of export price)

Country	Margin of Dumping
China	2.3%
Republic of Korea	8.9%
Turkey	5.6%

MARGIN OF DUMPING AND VOLUME OF DUMPED GOODS

[75] Under section 35 of SIMA, if, at any time before the President makes a preliminary determination, the President is satisfied that the margin of dumping of the goods of a country is insignificant or the actual and potential volume of dumped goods of a country is negligible, the President must terminate the investigation with respect to that country.

[76] Pursuant to subsection 2(1) of SIMA, a margin of dumping of less than 2% of the export price is defined as insignificant and a volume of dumped goods 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 dumped goods.

[77] On the basis of the estimated margins of dumping and the estimated volumes of dumped imports for the period of January 1, 2013 to March 31, 2014, summarized in the following table, the estimated margins of dumping and the estimated volumes of dumped goods are greater than the thresholds outlined above.

Table 3
Estimated Margins of Dumping and Volume of Dumped Goods
(January 1, 2013 to March 31, 2014)

Country	Estimated Share of Total Imports by Volume	Estimated Dumped Goods as % of Total Imports by Volume	Estimated Margin of Dumping as % Export Price
China	7.4%	7.4%	2.3%
Republic of Korea	9.5%	9.5%	8.9%
Turkey	12.0%	12.0%	5.6%
All Other Countries	71.1%	-	-
Total Imports	100.0%	-	-

SECTION 20 INQUIRY

[78] Section 20 is a provision of SIMA that may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of a prescribed country¹¹ under paragraph 20(1)(a) of SIMA, it is applied where, in the opinion of the President, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.

[79] The Complainants allege that the conditions described in section 20 prevail in the concrete reinforcing bar industry, which is part of the long products steel sector, in China. That is, the Complainants allege that this industry in China does not operate under competitive market conditions and consequently, prices established in the Chinese domestic market for Rebar are not reliable for determining normal values.

[80] The CBSA recognizes that governments can both directly and indirectly determine domestic prices through a variety of mechanisms. These can include influencing the supply or price of the inputs used in the production of subject goods or manipulating the supply or price of the goods themselves. In this regard, the Complainants presented evidence that the GOC strongly influences the supply and price of steel billet, the major input of the subject goods.¹²

[81] The Complainants provided a variety of evidence supporting its claim that the GOC substantially determines domestic prices of Rebar, such as evidence of state-ownership. The Complainants also cited specific GOC policies such as the *12th Five-Year Plan: Iron and Steel (Development Plan for the Steel Industry)*.¹³

[82] The information currently available to the CBSA indicates that there are numerous GOC industrial policies and measures including import and export restrictions and subsidization that have been implemented which influence the long products steel sector, which includes the Rebar industry, in China.

[83] With respect to the long products steel sector, the CBSA has information which demonstrates that the prices of steel may be significantly affected by the GOC's policies and that prices of Rebar in China may not be substantially the same as they would be if they were determined in a competitive market.

[84] Consequently, on June 13, 2014, the CBSA initiated a section 20 inquiry based on the information available in order to determine whether the conditions set forth in paragraph 20(1)(a) of SIMA prevail in the concrete reinforcing bar industry, which is part of the long products steel sector, in China. A section 20 inquiry refers to the process whereby the CBSA collects information from various sources so that the President may, on the basis of this information, form an opinion regarding the presence of the conditions described under section 20 of SIMA, in the sector under investigation.

¹¹ China is a prescribed country under section 17.1 of the *Special Import Measures Regulations*

¹² Complaint (NC) – See pg. 24, paragraph 96

¹³ Complaint (NC) – See pg. 30, paragraph 119

[85] As part of this section 20 inquiry, the CBSA sent section 20 questionnaires to all potential Rebar producers and exporters in China, as well as to the GOC requesting detailed information related to the concrete reinforcing bar industry, which is part of the long products steel sector, in China. To enable the determination of normal values should paragraph 20(1)(a) be applicable, the CBSA requested domestic pricing and costing information from 23 producers of Rebar in the Kingdom of Thailand (Thailand) and Chinese Taipei. These countries were selected as their growing economies and well-developed steel industries are comparable to the situation in China.

[86] Information from these parties was requested on a courtesy basis as there was no requirement for compliance. The CBSA also requested information from Canadian importers of Rebar regarding their sales from other countries.

[87] In the event that the President forms the opinion that domestic prices of Rebar in China are substantially determined by the GOC and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be if they were determined in a competitive market, the normal values of the goods under investigation from China will be determined, pursuant to paragraph 20(1)(c), where such information is available, on the basis of the domestic selling price or full cost plus a reasonable amount for profits of the like goods sold by producers in any country designated by the President and adjusted for price comparability; or on the basis of the selling price in Canada of like goods imported from any country designated by the President and adjusted for price comparability, pursuant to paragraph 20(1)(d).

EVIDENCE OF SUBSIDIZING

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

[89] Pursuant to subsection 2(1.6) of SIMA, a financial contribution exists where:

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

[90] A state-owned enterprise (SOE) may be considered to constitute “government” for the purposes of subsection 2(1.6) of SIMA if it possesses, exercises, or is vested with, governmental authority. Without limiting the generality of the foregoing, the CBSA may consider the following factors as indicative of whether the SOE meets this standard: 1) the SOE is granted or vested with authority by statute; 2) the SOE is performing a government function; 3) the SOE is meaningfully controlled by the government; or some combination thereof.

[91] If a subsidy is found to exist, it may be subject to countervailing measures if it is specific. A subsidy is considered to be specific when it is limited, in law or in fact, to a particular enterprise or is a prohibited subsidy. An “enterprise” is defined under SIMA as also including a “group of enterprises, an industry and a group of industries”. Any subsidy which is contingent, in whole or in part, on export performance or on the use of goods that are produced or that originate in the country of export is considered to be a prohibited subsidy and is, therefore, specific according to subsection 2(7.2) of SIMA for the purposes of a subsidy investigation.

[92] In accordance with subsection 2(7.3) of SIMA, notwithstanding that a subsidy is not specific in law, a subsidy may also be considered specific in fact, having regard as to whether:

- a) there is exclusive use of the subsidy by a limited number of enterprises;
- b) there is predominant use of the subsidy by a particular enterprise;
- c) disproportionately large amounts of the subsidy are granted to a limited number of enterprises; and
- d) the manner in which discretion is exercised by the granting authority indicates that the subsidy is not generally available.

[93] For purposes of a subsidy investigation, the CBSA refers to a subsidy that has been found to be specific as an “actionable subsidy”, meaning that it is countervailable.

[94] The Complainants alleged that the exporters of the subject goods originating in China, the Republic of Korea and Turkey have benefited from actionable subsidies provided by various levels of government, which may include the governments of the respective provinces in which the exporters are located, and the governments of the respective municipalities in which the exporters are located.

Programs Being Investigated - China

[95] The Complainants identified 224 subsidy programs and allege that all of these programs have conferred benefits to the Chinese producers of subject goods, which in turn have resulted in the countervailable subsidizing of Chinese exports of subject goods to Canada.

[96] Information from the CBSA’s previous subsidy investigations involving steel products in China as well as the material included in the complaint provide support for many of the Complainants’ allegations that the subject goods have been subsidized.

[97] The CBSA removed certain subsidy programs that were identified as duplicates, expired or those that were specific to a certain geographical location in which none of the potential manufacturers and/or exporters of the subject goods are located. The CBSA relied on its address

list, which contains all potential manufacturers and/or exporters identified by the Complainants, as well as CBSA internal sources of information when performing this exercise.

[98] Of the 224 subsidy programs identified by the Complainants and obtained by the CBSA through its own research, the CBSA eliminated 45 programs and composed a single list of 179 potentially actionable subsidy programs to be investigated. These 179 potential subsidy programs and incentives that may be provided to manufacturers of the subject goods in China were grouped into the following categories:

- I. Special Economic Zones (SEZ) and other Designated Areas Incentives;
- II. Preferential Loans and Loan Guarantees;
- III. Grants and Grant-equivalents;
- IV. Preferential Income Tax Programs;
- V. Relief from Duties and Taxes on Inputs, Materials and Machinery;
- VI. Goods/Services Provided by the Government at Less than Fair Market Value; and
- VII. Equity Programs.

[99] It should also be noted that the Complainants allege that large Chinese integrated steel mills producing Rebar fall directly within the scope of several previous CBSA subsidy investigations¹⁴ in respect of steel products. The Complainants are of the opinion the CBSA's determination of subsidies in these other steel cases are directly applicable to producers of subject goods in these proceedings.

[100] As the GOC did not provide complete responses to the CBSA during recent subsidy investigations to permit a proper analysis, these programs require further investigation by the CBSA to confirm whether they are actionable and countervailable. Since other integrated steel mills have received benefit from these programs the CBSA has reason to believe that Rebar producers in China may have also benefited from these same programs.

[101] A full listing of all programs to be investigated by the CBSA may be found in **Appendix 1**. As explained in more detail therein, there is sufficient reason to believe that these programs may constitute actionable subsidies provided by the GOC and that the producers and/or exporters of the subject goods may have benefitted from these programs.

[102] In the case of programs where an enterprise's eligibility or degree of benefit is contingent upon export performance or the use of goods that are produced or originate in the country of export, such programs may constitute prohibited subsidies under SIMA.

¹⁴ *Certain Carbon Steel Welded Pipe Originating in or Exported from the Republic of India, the Sultanate of Oman and the United Arab Emirates; Certain Steel Grating Originating in or Exported from the People's Republic of China; Certain Pup Joints originating in or Exported from the People's Republic of China; and Certain Steel Piling Pipe Originating in or Exported from the People's Republic of China.*

[103] For those programs where incentives are provided to enterprises operating in SEZs or Other Designated Areas, the CBSA considers that these may constitute actionable subsidies for the reason that eligibility is limited to enterprises operating in such regions or is limited to certain enterprises operating within those regions.

[104] As well, the CBSA is satisfied that there is sufficient evidence indicating that the exporters of subject goods may receive subsidies in the form of grants and grant-equivalents, preferential loans, relief from duties or taxes, and provision of goods and services, which provide a benefit and that are not generally granted to all companies in China.

[105] The CBSA will investigate whether exporters of subject goods received benefits under these 179 programs and whether such programs constitute actionable subsidies.

Conclusion - China

[106] Sufficient evidence is available to support the allegation that the subsidy programs outlined in **Appendix 1** are available to exporters and producers of the subject goods in China. In investigating these programs, the CBSA has requested information from the GOC, producers and exporters to determine whether exporters of subject goods received benefits under these programs and whether these programs are actionable subsidies and, therefore, countervailable under SIMA.

Programs Being Investigated - Republic of Korea

[107] The Complainants identified 30 subsidy programs and allege that all of these programs have conferred benefits to producers of subject goods in Korea, which in turn have resulted in the countervailable subsidizing of exports of subject goods from Korea to Canada.

[108] The Complainants relied on United States Department of Commerce (USDOC) subsidy rulings on several products from the Republic of Korea as their primary reference source. The USDOC has found 14 of the 30 alleged subsidy programs to be countervailable.¹⁵ The Complainants also relied on other publically available information such as public articles, as well as various Korean bank and government websites. A general description of the alleged subsidy programs was provided, and the documents that formed the basis for these allegations were included in the complaint.

[109] The 30 alleged subsidy programs identified by the Complainants are listed in **Appendix 1** and were grouped into the following seven categories:

- I. National Excellence in Steel Products Strategy;
- II. Government Owned Banks Providing Subsidies through Various Preferential Export-Contingent Assistance;
- III. Subsidies programs administered by the Korea Trade Insurance Corporation;
- IV. Targeted Tax Exemptions, Deductions, and Credits;
- V. Government of Korea Subsidies to Dongbu Steel's Plants in Asan Bay;

¹⁵ Complaint (NC) – Attachment 93

- VI. Other Preferential Loans and Financing Assistance; and
- VII. Other Korean Subsidies.

[110] The CBSA analysis did not benefit from having access to a similar body of evidence that exists for the other two named countries, and in particular China. The CBSA analysed reference documents submitted by the Complainants that supported their allegations of countervailable subsidies, source documents supporting the Complainants' calculations of estimated amounts of subsidy, subsidy investigations against the Republic of Korea in other countries and other publicly available information.

[111] In the case of programs where an enterprise's eligibility or degree of benefit is contingent upon export performance or the use of goods that are produced or originate in the country of export, such programs may constitute prohibited subsidies under SIMA.

[112] At least some of the programs in all of the listed categories except for the National Excellence in Steel Products Strategy category, were determined to be countervailable subsidies by the USDOC in past subsidy proceedings.

[113] The Complainants identified potential subsidy programs in the National Excellence in Steel Products Strategy category because the programs were announced by the Korean Ministry of Knowledge Economy (now the Ministry of Trade, Industry Energy) in June 2011.¹⁶

[114] The Complainants' provided positive evidence pertaining to potential producers of subject goods having received benefits from three of the above programs. Given that these benefits are likely attributable to the subject goods, and due to the evidence provided by the complainants of the existence of the other programs, the CBSA will investigate whether exporters of subject goods received benefits under each of these 30 programs and whether such programs constitute actionable subsidies.

Conclusion – Republic of Korea

[115] Sufficient evidence is available to support the allegation that the subsidy programs outlined in **Appendix 1** are available to exporters and producers of the subject goods in the Republic of Korea. In investigating these programs, the CBSA has requested information from the GOK, producers and exporters to determine whether exporters of subject goods received benefits under these programs and whether these programs are actionable subsidies and, therefore, countervailable under SIMA.

¹⁶ Complaint (NC) – See paragraph 395 and attachment 95

Programs Being Investigated - Turkey

[116] The Complainants identified 57 subsidy programs and allege that all of these programs have conferred benefits to the producers of subject goods in Turkey, which in turn have resulted in the countervailable subsidizing of exports of subject goods from Turkey to Canada.

[117] The Complainants relied on information from previous and current USDOC subsidy investigations, Turkey's 2012 World Trade Organization (WTO) subsidy notification, and other publicly available information, including the 2013 annual report of a large steel products producer in Turkey. A general description of the alleged subsidy programs was provided, and the documents that formed the basis for these allegations were included in the complaint.

[118] The CBSA removed certain subsidy programs where there was not sufficient evidence to suggest that Rebar producers would have access to them. If information is found during the course of the investigation that supports the existence of these programs and their use by Rebar producers or exporters in Turkey, the CBSA will request information from the exporters and the GOT as appropriate.

[119] Of the 57 alleged subsidy programs identified by the Complainants, 40 will be investigated by the CBSA, together with an additional three programs identified by the CBSA.

[120] The 43 alleged subsidy programs identified by the Complainants are listed in **Appendix 1** and were grouped into the following six categories:

- I. Investment Encouragement Program (IEP);
- II. Turk Eximbank Programs;
- III. Regional-based, Organized Industrial Zone (OIZ), and Free Zone Programs;
- IV. Goods/Services Provided by the GOT at Less Than Fair Market Value;
- V. Research and Development Programs; and
- VI. Other Programs.

[121] In the case of programs where an enterprise's eligibility or degree of benefit is contingent upon export performance or the use of goods that are produced or originate in the country of export, such programs may constitute prohibited subsidies under SIMA.

[122] Turkey's 2012 WTO subsidy notification identifies six different forms of benefits available: exemption from customs duties, value-added tax exemptions, interest support measures, social security premium support, corporate or income tax reductions and land allocation. Evidence available to the CBSA indicates that Rebar producers in Turkey may be eligible to receive some of these benefits under the IEP category.

[123] At least some of the programs in each of the five remaining categories were identified as countervailable, or potentially countervailable subsidies by the USDOC in past and/or ongoing subsidy proceedings.

[124] Further, the Turk Eximbank is a state-owned bank acting as the GOT's major export incentive instrument in Turkey's sustainable export strategy. Turk Eximbank is mandated to support foreign trade and contractors/investors from Turkey operating overseas.

[125] The 17 programs identified by the Complainants that are not being investigated by the CBSA all fall under Turk Eximbank Programs and Other Programs.

[126] The CBSA will investigate whether exporters of subject goods received benefits under each of these 43 programs and whether such programs constitute actionable subsidies.

Conclusion - Turkey

[127] Sufficient evidence is available to support the allegation that the subsidy programs outlined in **Appendix 1** are available to exporters and producers of the subject goods in Turkey. In investigating these programs, the CBSA has requested information from the GOT, producers and exporters to determine whether exporters of subject goods received benefits under these programs and whether these programs are actionable subsidies and, therefore, countervailable under SIMA.

Estimated Amount of Subsidy – China, the Republic of Korea and Turkey

[128] The Complainants stated that they do not have access to publicly available information upon which to base an estimate of the amount of subsidy that may be conferred as a result of the various subsidy programs.

[129] For purposes of this initiation, the CBSA estimated the amount of subsidy conferred to exporters of the subject goods in the named countries by calculating the difference between their average 2013 cost of production, as estimated by the CBSA, and the selling prices reported in customs entry documents of subject goods sold to importers in Canada.

[130] In this regard, it is assumed that these costs of production reflect what the costs in the named countries would be if not distorted by government subsidies. It is further assumed that the export price of the subject goods to Canada is at least equal to the subsidized costs of the exporter. The difference between the export price of the goods, being the estimated subsidized cost of a given exporter and the average cost of production as estimated by the CBSA reflects the amount of subsidy embedded in the cost of the subject goods.

[131] The CBSA's analysis of the information indicates that subject goods imported into Canada during the period of January 1, 2013 to March 31, 2014, were subsidized and the average amounts of subsidy applicable to subject goods are estimated to be 4.3% for China, 14.6% for the Republic of Korea and 18.7% for Turkey, expressed as a percentage of the export prices of the subject goods.

AMOUNT OF SUBSIDY AND VOLUME OF SUBSIDIZED GOODS

[132] Under section 35 of SIMA, if, at any time before the President makes a preliminary determination, the President is satisfied that the amount of subsidy on the goods of a country is insignificant or the actual and potential volume of subsidized goods of a country is negligible, the President must terminate the investigation with respect to the goods of that country. Under subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the export price of the goods is defined as insignificant and a volume of subsidized goods 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 subsidized goods, the same threshold for the volume of dumped goods.

[133] However, according to section 41.2 of SIMA, the President is required to take into account Article 27.10 of the *WTO Agreement on Subsidies and Countervailing Measures* when conducting a subsidy investigation. This provision stipulates that a countervailing duty investigation involving a developing country should be terminated as soon as the authorities determine that the overall level of subsidies granted upon the product in question does not exceed 2% of its value calculated on a per unit basis or the volume of subsidized imports represents less than 4% of the total imports of the like product in the importing Member.

[134] SIMA does not define or provide any guidance regarding the determination of a “developing country” for purposes of Article 27.10 of the *WTO Agreement on Subsidies and Countervailing Measures*. As an administrative alternative, the CBSA refers to the *Development Assistance Committee List of Official Development Assistance Recipients* (DAC List of ODA Recipients) for guidance.¹⁷ As China and Turkey are both included in the listing, the CBSA extends developing country status to China and Turkey for purposes of this investigation.

[135] The CBSA used actual import data for all countries for the period of January 1, 2013 to March 31, 2014. On the basis of this information, the volume of subsidized goods as a percentage of the volume of total imports is estimated as follows:

Table 4
Estimated Amount of Subsidy and Volume of Subsidized Goods
(January 1, 2013 to March 31, 2014)

Country	Percentage of Total Imports	Estimated volume of Subsidized Goods as % of Total Imports	Estimated Amount of Subsidy as % of Export Price
China	7.4%	7.4%	4.3%
Republic of Korea	9.5%	9.5%	14.6%
Turkey	12.0%	12.0%	18.7%

¹⁷ The Organization for Economic Co-operation and Development, DAC List of ODA Recipients as at January 1, 2013, the document is available at www.oecd.org/dac/stats/DAC%20List%20used%20for%202012%20and%202013%20flows.pdf

[136] On the basis of the estimated amounts of subsidy and the estimated volumes of subsidized imports for the period of January 1, 2013 to March 31, 2014, summarized in the above table, the estimated amounts of subsidy and the estimated volumes of subsidized goods are greater than the thresholds outlined above.

EVIDENCE OF INJURY

[137] The Complainants alleged that the subject goods have been dumped and subsidized and that such dumping and subsidizing have caused or are threatening to cause material injury to the Rebar industry in Canada.

[138] SIMA refers to material injury caused to the domestic producers of like goods in Canada. The CBSA has accepted that Rebar produced by the Complainants are like goods to those imported from the named countries.

[139] In support of its allegations, the Complainants provided evidence related to: price undercutting, erosion and suppression; lost sales and market share; financial results; production, overcapacity and employment; and the impact on capital investments.

Price Undercutting, Erosion and Price Suppression

[140] The Complainants allege that dumped imports of subject goods have captured market share at the expense of the Canadian industry by aggressively undercutting their prices. Even with the expense of shipping Rebar long distances, Rebar from the named countries is still priced below the prices offered by the Canadian producers.

[141] The Complainants submitted evidence showing that the average selling prices from the named countries are substantially lower than those of the Complainants, and they are also substantially lower than those of other non-named countries. The subject goods are the price leaders in the Canadian market and undercut comparable domestic producer prices. Of note is the fact that the price gap has increased from 2011 through the first quarter of 2014.

[142] Not only do the average price figures show significantly lower prices for subject goods, but the customer specific evidence gathered by the Complainants also reflects substantial price undercutting by subject goods. The confidential import reports included in the complaint demonstrate, on a product-by-product basis, that subject goods are the price leaders in the Canadian market and substantially undercut comparable domestic producer pricing.

[143] The Complainants documented numerous specific instances where the prices of subject goods undercut its selling prices of like goods. The Complainants pointed out that this is of particular importance because Rebar is a commodity product and purchasing decisions are made primarily on the basis of price.

[144] The CBSA agrees that allegedly dumped and subsidized imports from named countries have forced the Complainants to not only keep their prices from rising as costs rose, but reduce their pricing during a time of increased cost pressures, all of which have caused the Complainants material injury.

[145] Based on the evidence, the CBSA finds that the Complainants' claims of price undercutting, erosion and price suppression are well supported and sufficiently linked to imports of the allegedly dumped and subsidized goods.

Lost Sales and Market Share

[146] The Complainants explained that the recession that started at the end of 2008 had a significant impact on sales in 2009. Canadian demand began to improve in 2010, but while the Canadian market has grown since 2010, the domestic industry's sales of Rebar from Canadian production have struggled to keep pace. As demonstrated by the confidential apparent Canadian market table, sales from domestic production from 2011 to 2013 increased by only 6% while imports from the named countries rose by 46%.

[147] In 2013, the domestic industry's market share increased to 48.1%, while the named countries' share decreased slightly to 14.6%. The Complainants state that the domestic industry's gain in market share in 2013 was mainly done by capturing market share that was previously held by US and other non-subject imports which are priced relatively similar to that of Canadian producers.

[148] The Complainants documented numerous specific instances where sales were lost to subject goods in the confidential import activity reports.

[149] While the CBSA does agree that the named countries have increased their market share and that the rate of the increase has been faster than that of the domestic industry, it does not appear that the Complainants have lost market share in absolute terms. As a result the CBSA does not agree that this evidence sufficiently supports the Complainants injury arguments with respect to lost market share. The CBSA does agree, however, that the Complainants' claims of lost sales are well supported and sufficiently linked to the imports of the alleged dumped and subsidized goods.

Financial Results

[150] The Complainants relied on confidential Attachment 9 of the complaint containing their consolidated income statement for much of the evidence presented in this section.

[151] The domestic industry as a whole has suffered poor financial performance since 2011 and has posted combined net losses during each of the last three years. Although their financial performance improved in 2012, it has worsened significantly in 2013. Indeed, the majority of the losses in 2013 occurred in the second half of 2013.

[152] The CBSA agrees that the domestic industry as a whole has had poor financial performance and that this is at least partly attributable to the injurious dumping and subsidizing of the subject goods. It should be noted, however, that when looking at the three different complainant's financial statements independently, it appears that the impact is not the same for each of the three producers.

[153] Nevertheless, the Complainants' aggregate financial performance is in decline and is likely due to lost sales, price undercutting, price erosion and price suppression resulting from allegedly dumped and subsidized goods from the named countries.

Production, Capacity utilization and Employment

[154] The Complainants relied on confidential Attachment 10 of the complaint containing their consolidated capacity, capacity utilization, employment, hours worked and wages data for much of the evidence presented in this section. This attachment also shows the data separately for each of the three producers.

[155] The Complainants' combined Rebar production increased in 2012, but decreased in 2013.

[156] The Complainants' utilization rate for Rebar specifically hovered at a mostly steady ratio of total capacity from 2011 to 2013. The Complainants' total utilization rate (i.e., Rebar and other products produced on the same equipment as rebar) decreased slightly from 2011 to 2013. The Complainants still have significant unused capacity.

[157] The Complainants stated that they have lost employees since 2010 as a result of the poor performance caused by competition with subject goods. Direct employment for the three Complainants combined dropped over 6% from 2011 to 2013.

[158] In analyzing this information, the CBSA also looked at the data for each complainant individually. For falling production levels and capacity utilization, evidence of injury does exist, for one of the Complainants. The CBSA finds that this evidence can be reasonably linked to the increased volume of the allegedly dumped and subsidized imports. Looking at the company specific direct employment levels, two of the three Complainants saw reductions in employment while the other's most recent data is trending downward. In summary, evidence of injury is sufficient for this factor.

Impact on Capital Investments

[159] The Complainants submitted that in order for them to be successful, they must have the ability to support the investment that they require to sustain and improve their operations. Arcelor has plans to invest in new Rebar equipment in 2014.

[160] The Complainants submitted that unfairly traded imports in the Canadian market, and in particular the massive volume of low-priced subject goods imports which are entering the Canadian market at an increasing rate, pose a significant threat to the Complainants' ability to continue to make the necessary investments.

[161] The CBSA does agree that this example poses a threat of injury, but the Complainants have not provided any evidence that suggests this injury factor has already occurred. This will therefore be considered in the appropriate threat of injury section below.

CBSA'S Conclusion - Injury Factors

[162] While certain injury factors outlined above are not as well supported as others in the complaint, there is evidence that material injury has occurred to the domestic Rebar industry. The nature of the injury incurred by the Complainants is well-documented in terms of price undercutting, erosion and suppression and lost sales, which are the backbone of this injury analysis. Employment levels also went down marginally and evidence of injury is sufficient for this factor.

[163] The CBSA is of the view that two of the Complainants have suffered negative financial results, and one of the Complainants has been injured in terms of falling production levels and capacity utilization. The CBSA finds that this evidence can be reasonably linked to the increased volume of the allegedly dumped and subsidized imports

THREAT OF INJURY

[164] The complaint contains reasonable evidence regarding the threat of injury due to increasing import volumes of subject goods from the named countries. The increasing volumes of imports of subject goods, at prices that substantially undercut domestic producer pricing will continue to depress and/or suppress domestic prices and threatens to take market share from the Canadian producers and impact capital investments.¹⁸ The Complainants allege that the adverse volume and price effects of increasing dumped imports threatens to cause domestic producers to suffer further declines in production, capacity utilization, employment, market share, prices, operating income, return on investment and other indicators of material injury.

[165] Indeed, low priced imports are increasing and are likely to continue to do so, given the unused and growing production capacity in the named countries¹⁹, their export focus on the Canadian market, the U.S. trade remedy finding concerning Rebar against China and an on-going investigation involving Turkey, as well as the other factors described below:

- Global market conditions
- Softening European demand
- Softening Asian demand
- Poor market conditions in named countries
- Attractiveness of the Canadian market
- Capacity
- Likely volume of dumped goods
- Likelihood that measures taken by other countries will cause diversion of dumped goods into Canada

¹⁸ As described above in the "Injury Factors" section.

¹⁹ The combined excess capacity in the subject countries is 60 million MT.

[166] The Complainants indicated that the increase in the volume of allegedly dumped and subsidized imports from January 1, 2011 to March 31, 2014 at prices that undercut domestically produced like goods, poses a threat of further injury to the Canadian industry. The Complainants believe that this increase in imports indicates that their producers have an aggressive exporting agenda for Canada and that this trend is likely to continue to increase in the near future.

[167] Current evidence available to the CBSA supports the fact that import volumes from the named countries are continuing to increase recently at an accelerated pace which, in all likelihood, will continue into the near future. It is noteworthy that imports of subject goods from China appear to be increasing at the fastest rate. Imports from China were somewhat negligible in 2011, but they have since increased significantly, specifically during the latter part of 2013 and the first quarter of 2014.

[168] The Complainants demonstrated that subject imports were offered in the Canadian market at prices that forced the Complainants to lower its prices or lose sales. Several of these allegations pertain to sales during the latter part of 2013 and early part of 2014.

[169] The Complainants estimated that the excess capacity in the named countries will, in all likelihood, cause injury to the Canadian production of like goods. The CBSA acknowledges that exporters from the named countries have excess capacities and should they seek export markets, such as Canada, to increase their capacity utilization, this would lead to further injury to the Canadian industry. Producers in these countries will, in all likelihood, be seeking export markets to absorb their excess capacity.

CAUSAL LINK – DUMPING/SUBSIDIZING AND INJURY

[170] The CBSA finds that the Complainants have provided sufficient evidence that there is a reasonable indication that they have suffered injury due to the alleged dumping and subsidizing of subject goods imported into Canada. The information provided indicates an increase in the volume of imports of allegedly dumped and subsidized goods, as described above, posing a threat to the Canadian industry. There is a reasonable indication that the injury the Complainants have suffered in terms of price undercutting, erosion and suppression; lost sales; negative financial results and reduced production, capacity utilization and employment levels is related to the price advantage the alleged dumping and subsidizing has produced between the imported subject goods and the Canadian produced goods.

[171] The CBSA also finds that the Complainants have provided sufficient evidence that there is a reasonable indication that continued alleged dumping and subsidizing of subject goods imported into Canada threaten to cause injury to the Canadian industry producing these goods.

CONCLUSION

[172] Based on information provided in the complaint, other available information, and the CBSA's internal import documentation, the President is of the opinion that there is evidence that Rebar originating in or exported from China, the Republic of Korea and Turkey has been dumped and subsidized, and there is a reasonable indication that such dumping and subsidizing has caused and is threatening to cause injury to the Canadian industry. As a result, based on the CBSA's examination of the evidence and its own analysis, dumping and subsidy investigations were initiated on June 13, 2014.

SCOPE OF THE INVESTIGATION

[173] The CBSA is conducting investigations to determine whether the subject goods have been dumped and/or subsidized.

[174] The CBSA requested information from all potential exporters and importers to determine whether or not subject goods imported into Canada, during the period of investigation of January 1, 2013 to March 31, 2014, were dumped. The information requested will be used to determine the normal values, export prices and margins of dumping, if any.

[175] The CBSA requested information from producers of Rebar in China, as well as the GOC, to determine whether the conditions of section 20 exist in the concrete reinforcing bar industry, which is part of the long products steel sector. The CBSA also requested costing and sales information from producers of Rebar in the Kingdom of Thailand and Chinese Taipei. Where sufficiently available, this information may be used to determine normal values of the goods in China in the event that the President of the CBSA forms an opinion that the evidence in this investigation demonstrates that section 20 conditions apply in the concrete reinforcing bar industry, which is part of the long products steel sector in China.

[176] The CBSA also requested information from the GOC, the GOK and the GOT and all potential exporters in the named countries to determine whether or not subject goods imported into Canada, during the period of investigation of January 1, 2013 to March 31, 2014, were subsidized. The information requested will be used to determine the amounts of subsidy.

[177] All parties have been clearly advised of the CBSA's information requirements and the time frames for providing their responses.

FUTURE ACTION

[178] The Canadian International Trade Tribunal (Tribunal) will conduct preliminary inquiries to determine whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of the goods have caused or are threatening to cause injury to the Canadian industry. The Tribunal must make its decisions on or before the 60th day after the date of the initiation of the investigations. If the Tribunal concludes that the evidence does not disclose a reasonable indication of injury to the Canadian industry, the investigations will be terminated.

[179] If the Tribunal finds that the evidence discloses a reasonable indication of injury to the Canadian industry and the CBSA investigations preliminarily reveal that the goods have been dumped and/or subsidized, the CBSA will make a preliminary determination of dumping and/or a preliminary determination of subsidizing within 90 days after the date of the initiation of the investigations, by September 11, 2014. Where circumstances warrant, this period may be extended to 135 days from the date of the initiation of the investigations.

[180] If, in respect of subject goods of any country, the CBSA investigation(s) reveal that imports of the subject goods have not been dumped and/or subsidized, that the margin of dumping and/or amount of subsidy is insignificant or that the actual and potential volume of dumped or subsidized goods is negligible, the investigation(s) will be terminated.

[181] Imports of subject goods released by the CBSA on and after the date of preliminary determinations of dumping and/or subsidizing may be subject to provisional duty in an amount not greater than the estimated margin of dumping or the estimated amount of subsidy on the imported goods.

[182] Should the CBSA make preliminary determinations of dumping and/or subsidizing, the investigations will be continued for the purpose of making final determinations within 90 days after the date of the preliminary determinations.

[183] If final determinations of dumping and/or subsidizing are made, the Tribunal will continue its inquiries and hold public hearings into the question of material injury to the Canadian industry. The Tribunal is required to make findings with respect to the goods to which the final determinations of dumping and/or subsidizing apply, not later than 120 days after the CBSA's preliminary determinations.

[184] In the event of injury findings by the Tribunal, imports of subject goods released by the CBSA after that date will be subject to anti-dumping duty equal to the applicable margin of dumping and countervailing duty equal to the amount of subsidy on the imported goods. Should both anti-dumping and countervailing duties be applicable to subject goods, the amount of any anti-dumping duty may be reduced by the amount that is attributable to an export subsidy.

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[185] When the Tribunal conducts its inquiries concerning injury to the Canadian industry, it may consider if dumped and/or subsidized goods that were imported close to or after the initiation of an investigation constitute massive importations over a relatively short period of time and have caused injury to the Canadian industry.

[186] Should the Tribunal issue such findings, anti-dumping and countervailing duties may be imposed retroactively on subject goods imported into Canada and released by the CBSA during the period of 90 days preceding the day of the CBSA making preliminary determinations of dumping and/or subsidizing.

[187] In respect of importations of subsidized goods that have caused injury this provision is only applicable where the CBSA has determined that the whole or any part of the subsidy on the goods is a prohibited subsidy, as explained in the previous “Evidence of Subsidizing” section. In such a case, the amount of countervailing duty applied on a retroactive basis will be equal to the amount of subsidy on the goods that is a prohibited subsidy.

UNDERTAKINGS

[188] 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.

[189] Similarly, after a preliminary determination of subsidizing by the CBSA, a foreign government may submit a written undertaking to eliminate the subsidy on the goods exported or to eliminate the injurious effect of the subsidy, by limiting the amount of the subsidy or the quantity of goods exported to Canada. Alternatively, exporters with the written consent of their government may undertake to revise their selling prices so that the amount of the subsidy or the injurious effect of the subsidy is eliminated.

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

[191] If an undertaking were to be accepted, the investigations and the collection of provisional duties would be suspended. Notwithstanding the acceptance of an undertaking, an exporter may request that the CBSA’s investigations be completed and that the Tribunal complete its injury inquiries.

PUBLICATION

[192] Notice of the initiation of these investigations is being published in the Canada Gazette pursuant to subparagraph 34(1)(a)(ii) of SIMA.

INFORMATION

[193] Interested parties are invited to file written submissions presenting facts, arguments, and evidence that they feel are relevant to the alleged dumping and subsidizing. Written submissions should be forwarded to the attention of one of the officers identified below.

[194] To be given consideration in this phase of these investigations, all information should be received by the CBSA by July 21, 2014.

[195] Any information submitted to the CBSA by interested parties concerning these investigations is considered to be public information unless clearly marked “confidential”. Where the submission by an interested party is confidential, a non-confidential version of the submission must be provided at the same time. This non-confidential version will be made available to other interested parties upon request.

[196] Confidential information submitted to the President will be disclosed on written request to independent counsel for parties to these proceedings, subject to conditions to protect the confidentiality of the information. Confidential information may also be released to the Tribunal, any court in Canada, or a WTO/NAFTA dispute settlement panel. Additional information respecting the Directorate’s policy on the disclosure of information under SIMA may be obtained by contacting one of the officers identified below or by visiting the CBSA’s Web site.

[197] The investigation schedules and a complete listing of all exhibits and information are available at 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.

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

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

Telephone: Sean Robertson 613-948-8581
Paul Pomnikow 613-948-7809

Fax: 613-948-4844

E-mail: simaregistry@cbsa-asfc.gc.ca

Web site: www.cbsa-asfc.gc.ca/sima-lmsi



Brent McRoberts
Director General
Trade and Anti-dumping Programs Directorate

Attachment: Description of Identified Programs and Incentives

APPENDIX 1 - DESCRIPTION OF IDENTIFIED PROGRAMS AND INCENTIVES

Evidence provided by the Complainants suggests that the governments of the named countries may have provided support to manufacturers of subject goods in the following manner. For purposes of this investigation, the GOC, GOK, and GOT refers to all levels of government, i.e., federal, central, provincial/state, regional, municipal, city, township, village, local, legislative, administrative or judicial. Benefits provided by state-owned enterprises, which possess, exercise or have been vested with governmental authority may also be considered to be provided by the GOC, GOK and GOT for purposes of this investigation.

Description of Identified Programs and Incentives - China

I. Special Economic Zone (SEZ) and Other Designated Areas Incentives

- Program 1: Award for Baotou Rare Earth High and New Technology Industrial Development Zone for Excellent Construction Projects
- Program 2: Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers
- Program 3: Science and Technology Fund - Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area
- Program 4: Corporate Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 5: Exemption/Reduction of Special Land Tax and Land Use Fees in SEZs and Other Designated Areas
- Program 6: Income Tax Refund where Profits Re-invested in SEZs and other Designated Areas
- Program 7: Preferential Tax Policies for Enterprises with Foreign Investment (FIEs) Established in Special Economic Zones (excluding Shanghai Pudong Area)
- Program 8: Preferential Tax Policies for FIEs Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones
- Program 9: Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and other Designated Areas
- Program 10: Tax concessions for Central and Western regions
- Program 11: Local Income Tax Exemption and/or Reduction in SEZs and other Designated Areas
- Program 12: Preferential Costs of Services and/or Goods Provided by Government or State-owned Enterprises (SOEs) in SEZs and Other Designated Areas
- Program 13: VAT Exemptions for the Central Region

II. Preferential Loans and Loan Guarantees

- Program 14: Loan from Local Finance Bureau
- Program 15: Loans and Interest Subsidies provided under the Northeast Revitalization Program
- Program 16: Policy Lending to Particular Industries
- Program 17: Preferential Loans Characterized as a Lease Transaction
- Program 18: Preferential Loans for SOEs
- Program 19: Debt Forgiveness

III. Grants and Grant Equivalents

- Program 20: Export Seller's Credit for High- and New-Technology Products by China EMIX Bank
- Program 21: Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)
- Program 22: Changzhou Technology Plan (Jiangsu)
- Program 23: Enterprise Innovation Award of Qishuyan District (Jiangsu)
- Program 24: Enterprise Technology Centers (e.g. Tianjin City and Jinnan District)
- Program 25: Environment Protection Award (Jiangsu)
- Program 26: Grant - Jiangsu Province Finance Supporting Fund
- Program 27: "Large and Excellent" Enterprises Grant
- Program 28: "Two New" Product Special Funds of Guangdong Province
- Program 29: Advanced Science/Technology Enterprise Grant
- Program 30: Allowance to Pay Loan Interest (Zhongshan City, Guangdong)
- Program 31: Assistance for Optimizing the Structure of Import/Export of High-Tech Products
- Program 32: Assistance for Technology Innovation - R&D Project
- Program 33: Award for Good Performance in Paying Taxes
- Program 34: Awards for the Contributions to Local Economy and Industry Development
- Program 35: Awards to Enterprises Whose Products Qualify for "Well-Known Trademarks of China" or "Famous Brands of China"
- Program 36: Business Bureau 2012 Market Monitoring System of Subsidies
- Program 37: Business Development Overseas Support Fund (Foshan)
- Program 38: Circular on Issuance of Management Methods for Foreign Trade Development Support Fund (Support Fund)
- Program 39: Emission Reduction and Energy-saving Award
- Program 40: Energy Saving Grant 2008
- Program 41: Energy-saving Technology Renovation Fund
- Program 42: Export Assistance Grant
- Program 43: Export Brand Development Fund
- Program 44: Export Credit Subsidy Programs: Export Buyer's Credits
- Program 45: Export Grant 2006, 2007, 2008
- Program 46: Financial Subsidy
- Program 47: Five Points, One Line Strategy in Liaoning Province
- Program 48: Foreign Trade Grant 2008
- Program 49: Fund for SME Bank-Enterprise Cooperation Projects
- Program 50: Funds for Outward Expansion of Industries in Guangdong Province
- Program 51: Funds of Guangdong Province to Support the Adoption of E-Commerce by Foreign Trade Enterprises
- Program 52: Foreign Trade Development Fund Program - Grants
- Program 53: Government Export Subsidy and Product Innovation Subsidy
- Program 54: Government of Shijiazhuang City Export Award
- Program 55: Grant - Financial Subsidies from Wei Hai City Gao Cun Town Government
- Program 56: Grant - Large Taxpayer Award
- Program 57: Grant - Patent Application Assistance
- Program 58: Grant - Policy on Value-added Tax for Recyclable Resources
- Program 59: Grant - Provincial Foreign Economy and Trade Development Special Fund
- Program 60: Grant - Provisional Industry Promotion Special Fund

- Program 61: Grant - Resources Conservation and Environment Protection Grant
- Program 62: Grant - Special Fund for Fostering Stable Growth of Foreign Trade in 2009
- Program 63: Grant - State Service Industry Development Fund
- Program 64: Grant - Water Pollution Control Special Fund for Taihu Lake
- Program 65: Grant for key enterprises in equipment manufacturing industry of Zhongshan
- Program 66: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
- Program 67: Grants for International Certification
- Program 68: Grants to Privately-Owned Export Enterprises
- Program 69: Grants Under Regulations for Export Product Research and Development Fund Management
- Program 70: Grants under the Science and Technology programme of Hebei Province
- Program 71: Grants under the Science and technology programme of Jiangsu Province
- Program 72: Guangdong - Hong Kong Technology Cooperation Funding Scheme
- Program 73: Guangdong Supporting Fund
- Program 74: Guaranteed Growth Fund
- Program 75: Hangzhou City Government Grants Under the Hangzhou Excellent New Products/Technology Award
- Program 76: Implementing Measures on the Supporting Fund for Foreign Trade & Economic Development of Jiangxi Province (Implementing Measures)
- Program 77: Important Structural Adjustment Program of Jiangsu Province
- Program 78: Initial Public Offering (IPO) Grants from the Hangzhou Prefecture and the City of Fuyang
- Program 79: Innovative Experimental Enterprise Grant
- Program 80: Innovative Small and Medium-Sized Enterprise Grants
- Program 81: Interim Measures of Fund Management of Allowance for Zhongshan Enterprises to Attend Domestic and Overseas Fair (Zhongshan)
- Program 82: International Market Fund for Small- and Medium-sized Export Companies) [Matching Funds for International Market Development for SMEs]
- Program 83: Jiangxi Provincial Bulk Cement Special Fund: Transformation of Bulk Cement Facilities and Equipment
- Program 84: Jiangxi Provincial Environmental Protection Special Fund
- Program 85: Jiangxi Provincial Wall Material Renovation Special Fund: Special Subsidies for New Wall Materials
- Program 86: Liaoning High-Tech Products & Equipment Export Interest Assistance
- Program 87: Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees
- Program 88: Miscellaneous Grants
- Program 89: Modern Service Grant
- Program 90: Municipal Government - Exhibition Grant
- Program 91: Municipal Government - Export Grant
- Program 92: Municipal Government - Insurance Fee Grant
- Program 93: National Environmental Protection and Resources Saving Program: Grants for the Optimization of Energy Systems
- Program 94: National Innovation Fund for Technology Based Firms
- Program 95: Outstanding Growth Private Enterprise and Small and Medium-sized Enterprises Development in Jiangyin Fund

- Program 96: Patent award in Guangdong province
- Program 97: Pension Fund Grants
- Program 98: Product Quality Grant
- Program 99: Provincial Fund for Fiscal and Technological Innovation
- Program 100: Provincial Government - Equipment Grant
- Program 101: Provincial Loan Discount Special Fund for SMEs
- Program 102: Provincial Scientific Development Plan Fund
- Program 103: Refund from Government for Participating in Trade Fair (Foshan)
- Program 104: Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments
- Program 105: Reimbursement of Foreign Affairs Services Expenses (Foshan)
- Program 106: Repaying Foreign Currency Loan by Returned VAT
- Program 107: Research & Development (R&D) Assistance Grant
- Program 108: Science and Technology Award
- Program 109: Small and Medium-sized Enterprise Support Funds
- Program 110: Special Fund for Significant Science and Technology in Guangdong Province
- Program 111: Special Support Fund for Non-State-Owned Enterprises
- Program 112: Special Supporting Fund for Commercialization of Technological Innovation and Research Findings
- Program 113: State Special Fund for Promoting Key Industries and Innovation Technologies
- Program 114: Subsidy for Promoting Energy-saving Buildings
- Program 115: Subsidy for the Technology Development
- Program 116: Superstar Enterprise Grant
- Program 117: Support Funds for Construction of Project Infrastructure Provided by Administration Commission of LETDZ
- Program 118: Supporting Fund for Non-refundable Export Tax Loss on Mechanical & Electrical Product and High-tech Product (Jiangmen City)
- Program 119: Taxpayer Grant
- Program 120: Technical Renovation Loan Interest Discount Fund
- Program 121: Technology Project Assistance
- Program 122: Technology to Improve Trade R&D Fund
- Program 123: The State key technology project fund
- Program 124: Venture Investment Fund of Hi-Tech Industry
- Program 125: Water Conservancy Fund Deduction
- Program 126: Water Fund Refund/Exemption 2008
- Program 127: Water Saving Enterprise
- Program 128: Award for Excellent Enterprise
- Program 129: Export Award
- Program 130: Financial Assistance for an Overseas Market Survey
- Program 131: Foreign Trade Promotion Award
- Program 132: Fund for Supporting Strategic Emerging Industries by Guangdong Governments
- Program 133: Medium Size and Small Size Enterprises Development Special Fund
- Program 134: Medium Size and Small Size Trading Enterprises Development Special Fund
- Program 135: Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices
- Program 136: Special Supporting Fund for Key Projects of "500 Strong Enterprises in Contemporary Industries" by Guangdong Governments
- Program 137: Stamp Tax Exemption on Share Transfers under Non-tradable Share Reform

- Program 138: Supporting Fund for Becoming Publicly Listed Company
- Program 139: Supporting Fund for the "Working Capital" Loan Interest
- Program 140: Supporting Fund for the Development from Guangzhou Local Governments
- Program 141: Foreign Trade Development Fund Program - VAT Refunds

IV. Preferential Tax Programs

- Program 142: Corporate Income Tax Reduction for New High-Technology Enterprises
- Program 143: Deed Tax Exemptions For Land Transferred through Merger or Restructuring
- Program 144: Income tax concessions for the enterprises engaged in the comprehensive resource utilisation ('special raw materials')
- Program 145: Income Tax Exemption for Investors in Designated Geographical Regions within Liaoning
- Program 146: Income Tax Refund for Re-investment of FIE Profits by Foreign Investors
- Program 147: Local income tax exemption and reduction programmes for the productive FIEs
- Program 148: Municipal Government - Preferential Tax Program
- Program 149: PGOG Tax Offset for R&D
- Program 150: Preferential income tax policies for particular regions
- Program 151: Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose
- Program 152: Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment
- Program 153: Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive
- Program 154: Preferential Tax Policies for Foreign Invested Export Enterprises
- Program 155: Preferential Tax Policies for the Research and Development of FIEs
- Program 156: Preferential Tax Policies in the Western Regions
- Program 157: Preferential Tax Programs for Encouraged Industries or Projects
- Program 158: Accelerated Depreciation on Fixed Assets
- Program 159: City maintenance and Construction Taxes and education surcharges for Foreign Invested Enterprises
- Program 160: Various local tax discounts (Shandong Province, Chongqing City, Guangxi Region Zhuang, Tax privileges to develop central and western regions)
- Program 161: VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to-Equity Swaps
- Program 162: Tax policies for the deduction of research and development expenses
- Program 163: Tax Preference Available to Companies that Operate at a Small Profit
- Program 164: Two free, three half tax exemptions for the productive FIEs

V. Relief from Duties and Taxes on Inputs, Materials and Machinery

- Program 165: Exemption of Tariff and Import VAT for the Imported Technologies and Equipment
- Program 166: Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs
- Program 167: VAT rebates on domestically produced equipment
- Program 168: VAT refunds to FIEs purchasing domestically produced equipment
- Program 169: VAT deduction on fixed assets in the Central region
- Program 170: Income tax credit for the purchase of domestically manufactured production equipment
- Program 171: Import tariff and VAT exemptions for FIEs and certain domestic enterprises using imported equipment in encouraged industries

VI. Goods/Services provided by the Government at Less Than Fair Market Value

- Program 172: Acquisition of Government Assets at Less than Fair Market Value
- Program 173: Export Restrictions on raw materials (e.g. Coke)
- Program 174: Input Materials Provided by Government at Less than Fair Market Value
- Program 175: Utilities Provided by Government at Less than Fair Market Value

VII. Equity Programs

- Program 176: Debt-to-Equity Swaps
- Program 177: Dividend exemption between qualified resident enterprises
- Program 178: Equity Infusions
- Program 179: Unpaid Dividends

Determinations of Subsidy and Specificity - China

Available information indicates that the programs identified under *SEZ and Other Designated Areas Incentives; Preferential Loans and Loan Guarantees; Preferential Income Tax Programs; Relief from Duties and Taxes on Inputs, Materials and Machinery; and Reduction in Land Use Fees*, may constitute a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.

Grants and Grant-equivalents and Equity Programs may constitute a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in that they involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities; and pursuant to paragraph 2(1.6)(b) of SIMA as amounts owing and due to the government that are forgiven or not collected.

Goods/Services Provided by Government at Less than Fair Market Value may constitute a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA as they involve the provision of goods or services, other than general governmental infrastructure.

Benefits provided to certain types of enterprises or limited to enterprises located in certain areas under program categories *SEZ and Other Designated Areas Incentives; Preferential Loans and Loan Guarantees; Preferential Income Tax Programs; Relief from Duties and Taxes on Inputs, Materials and Machinery; and Reduction in Land Use Fees*, may be considered specific pursuant to paragraph 2(7.2)(a) of SIMA.

As well, *Grants and Grant-equivalents, Equity Programs and Goods/Services Provided by Government at Less than Fair Market Value* may be considered specific pursuant to subsection 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

Description of Identified Programs and Incentives - Republic of Korea

I. National Excellence in Steel Products Strategy

- Program 1: Focused R&D for 30 Steel Products
- Program 2: Green Steel Industry
- Program 3: Specialization through Strengthening the Relationship with the Consumers of Steel Products
- Program 4: Support for Obtaining Stable Raw Material

II. Government Owned Banks Providing Subsidies through Various Preferential Export-Contingent Assistance

- Program 5: Korea Export-Import Bank Short-Term Export Credit
- Program 6: Korea Export-Import Bank Export Factoring
- Program 7: Korea Export-Import Bank Export Loan Guarantees
- Program 8: Korea Export-Import Bank Trade Bill Rediscounting Program
- Program 9: Korea Development Bank and Industrial Bank of Korea Short-Term Discounted Loans for Export Receivables

III. Subsidy programs administered by the Korea Trade Insurance Corporation

- Program 10: Short-Term Export Insurance
- Program 11: Export Credit Guarantees

IV. Targeted Tax Exemptions, Deductions, and Credits

- Program 12: Research and Development Expense Tax Deductions for “New Growth Engines” Under RSTA Article 10(1)(1)
- Program 13: Research and Development Expense Tax Deductions for “Original Technologies” Under RSTA Article 10(1)(2)
- Program 14: Research or Human Resource Development Expense Tax Deductions Under RSTA Article 10(1)(3)
- Program 15: Corporation Tax Exemption on Dividend Income from Investment in Overseas Resource Development

Program 16: Tax Credit for Investment in Energy-Saving Facilities under RSTA
Article 25-2

Program 17: RSTA Article 26

V. Government of the Republic of Korea Subsidies to Dongbu Steel's Plants in Asan Bay

Program 18: Discounted Land to Dongbu Steel for Establishing its Plants in Asan Bay

Program 19: Grants Disguised as Interest Payments to Dongbu Steel for Establishing its Plants in Asan Bay

Program 20: Excessive Exemption of Asan Bay Harbor Fee to Dongbu Steel

VI. Other Preferential Loans and Financing Assistance

Program 21: Loans Under the Industrial Base Fund

Program 22: Targeted Facilities Subsidies through Korea Finance Corporation, Korea Development Bank and Industrial Bank of Korea "New Growth Engine Industry Fund"

Program 23: Corporate Bond Stabilization Policy

VII. Other Korean Subsidies

Program 24: Subsidies to Korean Rebar Producers Located within Industrial Complexes

Program 25: Green Fund Subsidies

Program 26: Promotion of Specialized Enterprises for Parts and Materials

Program 27: Root Industry Promotion Plan

Program 28: Sale of Assets of Hanbo Steel to Hyundai Steel

Program 29: Global Top 10 Logistics Companies Promotion Plan

Program 30: Provision of Electricity at Less Than Fair Market Value

Determinations of Subsidy and Specificity – Republic of Korea

Available information indicates that the programs identified above may constitute a financial contribution pursuant to subsection 2(1.6) of SIMA. The available information indicates that financial contributions may exist due to: the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities from the GOK; amounts that would otherwise be owing and due to the GOK are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption; and the GOK may provide goods or services, other than general governmental infrastructure.

Further, the benefits provided may be limited to certain types of enterprises or limited to enterprises located in certain geographic areas and may be considered specific pursuant to paragraph 2(7.2)(a) of SIMA. Other programs may be considered specific pursuant to subsection 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.

Description of Identified Programs and Incentives - Turkey

I. Investment Encouragement Program (IEP)

- Program 1: Investment Encouragement Program – Exemption of customs duties on imported machinery and equipment
- Program 2: Investment Encouragement Program – Exemption of value-added tax on domestic and imported machinery and equipment
- Program 3: Investment Encouragement Program – Interest support
- Program 4: Investment Encouragement Program – Social security premium support
- Program 5: Investment Encouragement Program – Corporate or income tax reduction
- Program 6: Investment Encouragement Program – Land allocation

II. Turk Eximbank Programs

- Program 7: Turk Eximbank – Pre-shipment export credit program
Including sub-programs:
a. Priority development areas export credit program
b. Free trade zone pre-shipment foreign currency export credit program
- Program 8: Turk Eximbank – Foreign trade companies short-term export credit program
- Program 9: Turk Eximbank – Pre-export credit program
Including sub-program:
a. Free trade zone pre-export foreign currency export credit program
- Program 10: Turk Eximbank – Pre-export credit program for small and medium scale enterprises
- Program 11: Turk Eximbank – Short-term export credit discount program
- Program 12: Turk Eximbank – Short-term pre-shipment rediscount program
- Program 13: Turk Eximbank – Ship-building finance and guarantee program
- Program 14: Turk Eximbank – Specific export credit program
- Program 15: Turk Eximbank – International transportation marketing credit program
- Program 16: Turk Eximbank – Credit program for participating in overseas trade fairs
- Program 17: Turk Eximbank – International Islamic Trade Finance Corporation backed production finance credit program
- Program 18: Turk Eximbank – Export finance intermediation loan agreement
- Program 19: Turk Eximbank – The European Investment Bank credit program
- Program 20: Turk Eximbank – Buyers' credit and guarantee program
- Program 21: Turk Eximbank – Short-term export credit insurance program

III. Regional-based, Organized Industrial Zone (OIZ), and Free Zone Programs

- Program 22: Energy support program
- Program 23: Law 5084 – Withholding of Income Tax on Wages and Salaries
- Program 24: Law 5084 – Incentive for Employers' Share in Insurance Premiums
- Program 25: Law 5084 – Allocation of free land
- Program 26: OIZ – Exemption from property tax, and other exemptions
- Program 27: OIZ –Waste water charges

- Program 28: OIZ – Exemptions from customs duties, value-added tax, and payments for Public Housing Fund
- Program 29: OIZ – Credits for research and development investments, environmental investments, certain technology investments
- Program 30: OIZ – Exemption from building and construction charges
- Program 31: OIZ – Exemption from amalgamation and allotment transaction charges
- Program 32: Free Zones Law – Provision of buildings and land use rights for less than adequate remuneration
- Program 33: Free Zones Law – Corporate income tax exemption
- Program 34: Free Zones Law – Stamp duties and fees exemptions
- Program 35: Free Zones Law – Customs duties exemptions
- Program 36: Free Zones Law – Value-added tax exemptions

IV. Goods/Services provided by the Government of Turkey (GOT) at Less Than Fair Market Value

- Program 37: Provision of natural gas at less than fair market value
- Program 38: Provision of coal at less than fair market value

V. Research and Development Programs

- Program 39: Research and Development – Tax breaks and other assistance
- Program 40: Research and Development – Product development support – UFT

VI. Other Programs

- Program 41: Social Security Grant Program
- Program 42: Deduction from taxable income for export revenue
- Program 43: Inward processing certificate exemption

Determinations of Subsidy and Specificity - Turkey

Available information indicates that the programs identified above may constitute a financial contribution pursuant to subsection 2(1.6) of SIMA. The available information indicates that financial contributions may exist due to: the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities from the GOT; amounts that would otherwise be owing and due to the GOT are reduced or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption; and the GOT may provide goods or services, other than general governmental infrastructure.

Further, the benefits provided may be limited to certain types of enterprises or limited to enterprises located in certain geographic areas and may be considered specific pursuant to paragraph 2(7.2)(a) of SIMA. Other programs may be considered specific pursuant to subsection 2(7.3) of SIMA in that the manner in which discretion is exercised by the granting authority indicates that the subsidy may not be generally available.