



Ottawa, Wednesday, December 22, 1993

**Reference No.: RE-93-002**

IN THE MATTER OF a reference, under paragraph 35(2)(b) of the *Special Import Measures Act*, made by TecSyn International Inc., a Canadian producer, to the Canadian International Trade Tribunal;

AND IN THE MATTER OF an advice rendered by the Canadian International Trade Tribunal, under section 37 of the *Special Import Measures Act*;

RESPECTING the dumping in Canada of synthetic baler twine, originating in or exported from the United States of America.

**ADVICE**

The Tribunal hereby concludes that the evidence before the Deputy Minister of National Revenue for Customs, Excise and Taxation discloses a reasonable indication that the dumping of synthetic baler twine with a knot strength of 200 lbs or less, originating in or exported from the United States of America, has caused, is causing or is likely to cause material injury to the production in Canada of like goods.

W. Roy Hines  
W. Roy Hines  
Presiding Member

Kathleen E. Macmillan  
Kathleen E. Macmillan  
Member

Desmond Hallissey  
Desmond Hallissey  
Member

Michel P. Granger  
Michel P. Granger  
Secretary

**Reference No.: RE-93-002**

*Date of Advice:*

*December 22, 1993*

*Tribunal Members:*

*W. Roy Hines, Presiding Member  
Kathleen E. Macmillan, Member  
Desmond Hallissey, Member*

*Director of Research:  
Research Manager:*

*Réal Roy  
John O'Neill*

*Counsel for the Tribunal:*

*Hugh J. Cheetham  
David M. Attwater*



Ottawa, Wednesday, December 22, 1993

Reference No.: RE-93-002

ADVICE rendered under section 37 of the *Special Import Measures Act* respecting:

**SYNTHETIC BALER TWINE ORIGINATING IN OR EXPORTED  
FROM THE UNITED STATES OF AMERICA**

TRIBUNAL: W. ROY HINES, Presiding Member  
KATHLEEN E. MACMILLAN, Member  
DESMOND HALLISSEY, Member

**STATEMENT OF REASONS**

On July 30, 1993, on the basis of a properly documented complaint filed by TecSyn International Inc. (TecSyn), the Deputy Minister of National Revenue for Customs, Excise and Taxation (the Deputy Minister) initiated investigations into the alleged injurious dumping of synthetic baler twine originating in or exported from Portugal and the United States of America, and into the alleged injurious subsidizing of synthetic baler twine originating in or exported from Portugal. The Deputy Minister was of the opinion that the evidence before him at that time disclosed a reasonable indication that the alleged dumping and subsidizing had caused, were causing or were likely to cause material injury to the production in Canada of like goods.

Synthetic baler twine is used with agricultural baling equipment to bind bales of hay or straw. In Canada, it is commonly sold in a carton containing two spools, totalling 9,000 ft. of twine that weighs 17 or 18 lbs. Baler twine is a commodity-type product, and the Canadian-produced baler twine is completely interchangeable with imported goods. Synthetic baler twine is available in a number of different strengths and lengths. The two major types of synthetic baler twine available in Canada are synthetic baler twine with a knot strength of 200 lbs or less and synthetic baler twine with a knot strength greater than 200 lbs (commonly known as wire replacement baler twine).

During the course of the investigations, the Deputy Minister became aware that synthetic baler twine with a knot strength greater than 200 lbs is not produced in Canada. Subsequently, the Deputy Minister's investigations carried forward with respect to imports of synthetic baler twine with a knot strength of 200 lbs or less. Therefore, the relevant information contained in the Deputy Minister's file related only to synthetic baler twine with a knot strength of 200 lbs or less.

The investigations revealed that the subject goods originating in or exported from Portugal were not dumped and did not benefit from countervailable subsidies. The investigation into the dumping of the subject goods from the United States revealed that 80 percent of those goods were dumped by a weighted average margin of dumping of 17.4 percent.

On October 27, 1993, the Deputy Minister terminated the investigations concerning the alleged dumping and subsidizing of synthetic baler twine originating in or exported from Portugal on the basis that the investigations did not reveal sufficient evidence of dumping or subsidizing of synthetic baler twine originating in or exported from that country. On the same date, the Deputy Minister announced his intention to terminate the investigation concerning the alleged injurious dumping of synthetic baler twine originating in or exported from the United States on the basis that the evidence did not disclose a reasonable indication that the dumping of synthetic baler twine from that country had caused, was causing or was likely to cause material injury to the production in Canada of like goods.

On November 22, 1993, TecSyn, a Canadian producer of synthetic baler twine through its subsidiary, Poli-Twine Canada (Poli-Twine), referred to the Canadian International Trade Tribunal (the Tribunal), under paragraph 35(2)(b) of the *Special Import Measures Act*<sup>1</sup> (SIMA), the question of whether the evidence before the Deputy Minister disclosed a reasonable indication that the dumping of synthetic baler twine, originating in or exported from the United States, had caused, was causing or was likely to cause material injury to the production in Canada of like goods.

The Tribunal, under paragraph 37(b) of SIMA, is required to render its advice on the question without holding hearings and solely on the basis of the information that was before the Deputy Minister when he reached his decision, and not later than 30 days from the date that the Tribunal received notice of the reference.

The information provided to the Tribunal by the Deputy Minister included the confidential and non-confidential versions of the properly documented complaint filed by TecSyn, the statements of reasons for the initiation of the investigations, and for the termination and intention to terminate the investigations, responses to questionnaires sent to producers in the United States and importers of synthetic baler twine from the United States, and internal memorandums and reports of the Department of National Revenue (Revenue Canada) dealing with the issues of domestic production, imports, the market, product pricing and the financial performance of the Canadian industry. This information dealt primarily with imports of synthetic baler twine with a knot strength of 200 lbs or less.

In addition to Poli-Twine, there is one other known producer of synthetic baler twine in Canada, Guelph Twines Limited. The evidence before the Tribunal discloses that TecSyn, through Poli-Twine, accounts for a major proportion of the domestic production of synthetic baler twine.

Under section 37 of SIMA, the Tribunal must be satisfied that there is a reasonable indication that the dumping of synthetic baler twine, originating in or exported from the United States, has caused, is causing or is likely to cause material injury to the production in Canada of like goods. In arriving at its decision in this case, the Tribunal must determine whether the evidence in the Deputy Minister's file provides a reasonable indication that the production in Canada has suffered, or is threatened with, material injury. The Tribunal must also be satisfied that the evidence provides a reasonable

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1. R.S.C. 1985, c. S-15.

indication that there is a causal link between the material injury being suffered or threatened and the dumped imports from the United States.

In announcing his intention to terminate the investigation, the Deputy Minister stated that he was of the opinion that there was a reasonable indication of material injury from the cumulative effects of low-priced imports from both Portugal and the United States, but that the evidence failed to sufficiently establish a causal link between the dumped imports from the United States and the material injury suffered by the complainant.

The Tribunal is of the view that the evidence discloses that Poli-Twine was able to increase its share of the Canadian market during 1991, despite stiff price competition from imported product. However, maintaining market share came at the cost of substantially eroded price levels, which had an adverse effect on Poli-Twine's profitability that year. The market share gained in 1991 was lost during 1992, and Poli-Twine's share of the market during the first five months of 1993 declined even further. The loss of market share experienced by Poli-Twine since 1991 has resulted in underutilization of capacity, a decrease of approximately 38 percent in the employment of production personnel and reduced revenues for the company.

While the evidence reveals improved financial results and employment levels for Poli-Twine during its fiscal year ending September 30, 1993, these results encompass the company's entire product line and may not be entirely indicative of the results for the subject goods only. In any event, these improved results were influenced by wage and rent concessions obtained by Poli-Twine and, to some extent, may have been the result of the market uncertainty caused by Revenue Canada's dumping investigations.

On the basis of the evidence before it, the Tribunal is satisfied that there is a reasonable indication that the production of synthetic baler twine in Canada is suffering, or is threatened with, material injury.

As noted previously, the Tribunal must also be satisfied that there is a reasonable indication of a causal link between the dumped imports from the United States and the material injury being suffered by the domestic industry.

The evidence suggests that imports from Portugal have been the price leaders in the Canadian market during the last several years. In order to remain competitive, U.S. exporters have followed this lead aggressively and, in some cases, appear to have exceeded the price reductions initiated by Portuguese exporters. However, the imports from Portugal were not sold at dumped prices, while 80 percent of the imports from the United States during the first six months of 1993 were found to have been dumped by an estimated weighted average margin of dumping of 17.4 percent. These actions have resulted in considerable price erosion in the Canadian market. The Tribunal notes that imports from the United States command a higher percentage of the Canadian market than imports from Portugal and, during 1992, gained more market share than imports from Portugal.

The Deputy Minister's file includes examples of sales which are thought to have been lost to the subject goods imported from the United States. Collectively, those alleged lost sales represent a large percentage of the Canadian production of like goods.

The Tribunal also notes that U.S. exporters of the subject goods were able to maintain their share of the declining Canadian market in 1991 and increased their share of the market substantially during 1992. Imports from the United States for the first five months of 1993 increased by approximately 21 percent over the comparable period in 1992.

The Tribunal is of the opinion that the evidence suggests a correlation between the material injury being suffered by the domestic industry and the dumping of synthetic baler twine originating in or exported from the United States. The Tribunal considers that this correlation provides a reasonable indication that the dumping of synthetic baler twine from the United States has caused material injury. However, full proof of causation goes beyond correlation and can only be determined through a full inquiry process.

Therefore, the Tribunal advises, under section 37 of SIMA, that the evidence before it discloses a reasonable indication that the dumping of synthetic baler twine with a knot strength of 200 lbs or less originating in or exported from the United States of America has caused, is causing or is likely to cause material injury to the production in Canada of like goods.

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