



Ottawa, Tuesday, January 20, 2004

Preliminary Injury Inquiry No. PI-2003-004

IN THE MATTER OF a preliminary injury inquiry, under subsection 34(2) of the *Special Import Measures Act*, respecting:

**THE DUMPING OF CERTAIN STAINLESS STEEL WIRE ORIGINATING IN
OR EXPORTED FROM CHINESE TAIPEI, INDIA, THE REPUBLIC OF
KOREA, SWITZERLAND AND THE UNITED STATES OF AMERICA AND
THE SUBSIDIZING OF CERTAIN STAINLESS STEEL WIRE ORIGINATING
IN OR EXPORTED FROM INDIA**

PRELIMINARY DETERMINATION OF INJURY

The Canadian International Trade Tribunal, under the provisions of subsection 34(2) of the *Special Import Measures Act*, has conducted a preliminary injury inquiry into whether the evidence discloses a reasonable indication that the dumping of cold-drawn and annealed stainless steel round wire, up to and including 0.300 inches (7.62 mm) in maximum solid cross-sectional dimension, originating in or exported from Chinese Taipei, India, the Republic of Korea, Switzerland and the United States of America, and the subsidizing of such product originating in or exported from India have caused injury or retardation or are threatening to cause injury.

This preliminary injury inquiry is pursuant to the notification, on November 21, 2003, that the Commissioner of the Canada Customs and Revenue Agency had initiated an investigation into the alleged injurious dumping and subsidizing of the above-mentioned stainless steel wire.

Pursuant to subsection 37.1(1) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby determines that the evidence discloses a reasonable indication that the dumping and subsidizing of the above-mentioned stainless steel wire have caused injury.

Ellen Fry
Ellen Fry
Presiding Member

Zdenek Kvarda
Zdenek Kvarda
Member

James A. Ogilvy
James A. Ogilvy
Member

Michel P. Granger
Michel P. Granger
Secretary

The statement of reasons will be issued within 15 days.

Date of Determination: January 20, 2004
Date of Reasons: February 4, 2004

Tribunal Members: Ellen Fry, Presiding Member
Zdenek Kvarda, Member
James A. Ogilvy, Member

Director of Research: Sandy Greig

Researchers: Josée St-Amand
Rhonda Heintzman

Counsel for the Tribunal: Dominique Laporte

Assistant Registrar: Gillian E. Burnett

Participants:

for Ronald C. Cheng
Benjamin P. Bedard
Paul D. Conlin
Central Wire Industries Ltd.

Joseph Tatone
Furnace Belt Co.

Dan McMahon
Greening Donald Co. Ltd.

Rod Bratton
Industrial Process Products Ltd.

Rahul Suri
VSL Wires Limited

Ron Van Noort
The Wire Mesh Belt Company of Canada Limited

Robert A. Bond
Siri Manufacturing

Jay Hickey
Custom Wire & Bar Ltd.

Ron Cook
Morningstar Industries Limited

William A. Wellock
Carpenter Technology Corporation

D.K. Deb Varma
High Commission of India

Richard Evanshen
Indwisco Limited



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TRIBUNAL: ELLEN FRY, Presiding Member
ZDENEK KVARDA, Member
JAMES A. OGILVY, Member

STATEMENT OF REASONS

BACKGROUND

On January 20, 2004, pursuant to subsection 37.1(1) of the *Special Import Measures Act*,¹ the Canadian International Trade Tribunal (the Tribunal) issued a preliminary determination of injury relating to the dumping of cold-drawn and annealed stainless steel round wire, up to and including 0.300 inches (7.62 mm) in maximum solid cross-sectional dimension, originating in or exported from Chinese Taipei, India, the Republic of Korea (Korea), Switzerland and the United States of America (the subject goods), and the subsidizing of such product originating in or exported from India.

On November 21, 2003, the Commissioner of the Canada Customs and Revenue Agency (the Commissioner) initiated an investigation into the alleged dumping and subsidizing of the subject goods further to a complaint filed by Central Wire Industries Ltd. (Central Wire) on October 2, 2003.

On November 24, 2003, the Tribunal issued a notice of commencement of preliminary injury inquiry.² On December 1, 2003, after a review of the record provided by the Commissioner, the Tribunal issued a request for information to domestic producers and importers of stainless steel wire. The request sought additional information on cold-drawn stainless steel wire and cold-drawn and annealed stainless steel wire with respect to their physical characteristics, manufacturing process, marketing, distribution, prices, end use, competition, substitution and production.

1. R.S.C. 1985, c. S-15 [*SIMA*].

2. C. Gaz. 2003.I.3866.

COMMISSIONER'S DECISION

The Canada Customs and Revenue Agency (CCRA) estimated margins of dumping for the period from September 1, 2002, to August 31, 2003. The estimated margins of dumping, when expressed as a percentage of the export price, were 138 percent for Chinese Taipei, 28 percent for India, 34 percent for Korea, 12 percent for Switzerland and 9 percent for the United States. The estimated volume of dumped goods from each of the subject countries was greater than the negligibility threshold of 3 percent, and the estimated weighted average margin of dumping for each country was greater than the insignificance threshold of 2 percent.

The estimated amount of subsidy for the producers of the subject goods from India was 28 percent, expressed as a percentage of the export price. The estimated amount of subsidized goods from India was greater than the negligibility threshold of 4 percent,³ and the estimated percentage of subsidy for India was greater than the insignificance threshold of 2 percent.

SUBMISSIONS

Domestic Industry

In its complaint, Central Wire submitted that the dumped and subsidized subject goods have caused and threaten to cause injury to the domestic industry. Central Wire provided evidence of increased volume of dumped imports, price erosion, price suppression, loss of market share, lost sales, reduced profitability, reduced capacity utilization and loss of employment.

Parties Opposed to the Industry Complaint

The Tribunal received five submissions from the following companies opposed to Central Wire's complaint: Custom Wire & Bar Ltd., Industrial Process Products Ltd., Morningstar Industries Limited, Siri Manufacturing and The Wire Mesh Belt Company of Canada Limited.

Submissions were made on the quality and supply of Central Wire's stainless steel wire and on the expected price competitiveness of the downstream users of stainless steel wire if trade remedies were to be imposed.

ANALYSIS

The Tribunal's mandate, in a preliminary injury inquiry, is set out under subsection 34(2) and section 37.1 of *SIMA*, which require the Tribunal to determine whether the evidence discloses a reasonable indication that the dumping or subsidizing of the subject goods has caused injury or retardation or is threatening to cause injury. "Injury" is defined in *SIMA* as "material injury to a domestic industry". "Domestic industry" means the domestic producers as a whole of the "like goods" or whose collective production constitutes a "major proportion" of the total domestic production of the like goods. Therefore, the Tribunal has to identify the like goods and the domestic industry that produces those goods before addressing the injury issues.

3. The 4 percent threshold was used because the CCRA considered India a developing country.

The Tribunal notes that, when the CCRA initiated its investigation, it defined the subject goods as cold-drawn and annealed stainless steel round wire, up to and including 0.300 inches (7.62 mm) in maximum solid cross-sectional dimension. Based on the evidence on the record, the Tribunal finds the cold-drawn and annealed stainless steel round wire in the defined dimensions produced in Canada to be “like goods” to the subject goods.

With respect to the domestic industry, the Tribunal finds that, according to the evidence, Central Wire is the only known producer of cold-drawn and annealed stainless steel wire in Canada. In January 2003, Central Wire purchased the wire plant of Greening Donald Co. Ltd. in Erin, Ontario, which is the only other plant producing like goods in Canada. Accordingly, the Tribunal finds that Central Wire constitutes the domestic industry.

The evidence on the record suggests that imports of the subject goods increased by about 15 percent between 2001 and 2002 and represented about half of the overall Canadian market.⁴ Prices at which the subject goods were sold led to eroded and suppressed domestic prices and lost sales for the domestic industry. According to the evidence filed by Central Wire, the average price for stainless steel wire sold by Canadian producers dropped modestly between 2000 and the first quarter of 2003. The information on the record indicates that, contrary to the domestic industry’s practice, exporters in Chinese Taipei, Korea and India quote a fixed price without any alloy surcharge to reflect the fluctuations in the costs of raw materials. Thus, Central Wire has been unable to increase its prices to account for increases in the costs of its wire rod inputs. Central Wire also provided evidence of pressure to reduce prices and examples of lost sales following quotations from importers at individual accounts.

The financial statements for Central Wire, as well as financial data from Greening Donald Co. Ltd., show decreases in operating income, from profit to loss, for each of the companies, between their respective financial years 2000 and 2002. The evidence shows that the domestic industry’s production capacity has been underutilized since 2000 due to the dumping and subsidizing of the subject goods and that, over the past two years, the domestic industry struggled to maintain employment, but was forced to decrease staff. In the Tribunal’s view, the eroded and suppressed domestic prices and the lost sales resulting from the dumped and subsidized imports accounted for some portion of this reduced profitability, capacity utilization and employment.

The Tribunal is therefore satisfied that the evidence shows that the volume of imports from the subject countries increased and accounted for a large share of the total Canadian market. In the Tribunal’s opinion, the evidence at this stage discloses a reasonable indication that the dumping and subsidizing of the subject goods have caused injury to the domestic industry and that, to different extents, the injury has taken various forms such as price erosion, price suppression, lost sales, a reduction in financial performance, a diminution of capacity utilization and loss of employment.

4. Domestic producer data are from the complaint. Import data are from the CCRA’s complaint analysis using its internal information system.

CONCLUSION

On the basis of the information before it, the Tribunal determines, pursuant to subsection 37.1(1) of *SIMA*, that the evidence discloses a reasonable indication that the dumping and subsidizing of the subject goods have caused injury.

Ellen Fry
Ellen Fry
Presiding Member

Zdenek Kvarda
Zdenek Kvarda
Member

James A. Ogilvy
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Member