



Canadian International  
Trade Tribunal

Tribunal canadien du  
commerce extérieur

CANADIAN  
INTERNATIONAL  
TRADE TRIBUNAL

# Dumping and Subsidizing

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## ORDER AND REASONS

Expiry Review No. RR-2016-001

Pup Joints

*Order and reasons issued  
Friday, April 7, 2017*

**TABLE OF CONTENTS**

ORDER .....	i
STATEMENT OF REASONS .....	1
INTRODUCTION .....	1
PRODUCT .....	1
Product Definition .....	1
Additional Product Information.....	2
LEGAL FRAMEWORK .....	2
LIKE GOODS AND CLASSES OF GOODS .....	3
DOMESTIC INDUSTRY .....	3
CROSS-CUMULATION.....	4
LIKELIHOOD OF INJURY ANALYSIS .....	5
Changes in Market Conditions .....	5
Likely Performance of the Domestic Industry if the Finding is Continued.....	7
Likely Volumes of Dumped Goods if the Finding is Rescinded .....	8
Likely Price Effects of Dumped and Subsidized Goods if the Finding is Rescinded.....	9
Likely Impact on the Domestic Industry if the Finding is Rescinded .....	10
DETERMINATION .....	11
CONCLUSION .....	11

IN THE MATTER OF an expiry review, pursuant to subsection 76.03(3) of the *Special Import Measures Act*, of the finding made by the Canadian International Trade Tribunal on April 10, 2012, in Inquiry No. NQ-2011-001, concerning:

**THE DUMPING AND SUBSIDIZING OF PUP JOINTS ORIGINATING IN OR  
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

**ORDER**

The Canadian International Trade Tribunal, pursuant to subsection 76.03(3) of the *Special Import Measures Act*, has conducted an expiry review of its finding made on April 10, 2012, in Inquiry No. NQ-2011-001.

Pursuant to paragraph 76.03(12)(b) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby continues its finding in respect of the aforementioned goods.

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Presiding Member

Serge Fréchette  
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## STATEMENT OF REASONS

### INTRODUCTION

1. This is an expiry review, pursuant to subsection 76.03(3) of the *Special Import Measures Act*,<sup>1</sup> of a finding of injury made by the Canadian International Trade Tribunal (the Tribunal) on April 10, 2012, in Inquiry No. NQ-2011-001 [*Pup Joints NQ*], concerning the dumping and subsidizing of pup joints originating in or exported from the People's Republic of China (China) (the subject goods).

2. Under *SIMA*, findings of injury or threat of injury and the associated protection in the form of anti-dumping or countervailing duties expire five years from the date of the last order or finding, unless an expiry review has been initiated before that date. The finding made on April 10, 2012, is therefore scheduled to expire on April 9, 2017.

3. The Tribunal initiated its expiry review on August 2, 2016. On November 30, 2016, the Canada Border Services Agency (CBSA) determined that there was a likelihood of resumed or continued dumping and subsidizing of the subject goods.

4. The Tribunal requested that domestic producers, importers and foreign producers of pup joints complete questionnaires. From the replies to the questionnaires, and other information on the record, public and protected investigation reports were prepared and put on the record. The period of review (POR) in this case is from January 1, 2013, to September 30, 2016.

5. On January 27, 2017, the Tribunal received submissions in support of a continuation of the finding from Dover Canada ULC – Alberta Oil Tool Division (AOT), Westcan Oilfield Supply Ltd. (Westcan), Hydril Canada Company Ltd. (Hydril) and Hengshui Weijia Petroleum Equipment Manufacturing Co. Ltd. (Hengshui). The Tribunal did not receive any submissions opposing the continuation of the finding.

6. Given that this proceeding was unopposed, and that the Tribunal was satisfied that the record contained sufficient evidence, the Tribunal, with the consent of participating parties, conducted this review without an oral hearing.

### PRODUCT

#### Product Definition

7. The subject goods are defined as follows:

oil country tubular goods (OCTG) pup joints, made of carbon or alloy steel, welded or seamless, heat-treated or not heat-treated, regardless of end finish, having an outside diameter from 2 3/8 inches to 4 1/2 inches (60.3 mm to 114.3 mm), in all grades, in lengths from 2 feet to 12 feet (61 cm to 366 cm), originating in or exported from China.

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

## Additional Product Information<sup>2</sup>

8. The subject goods are used for the exploration and exploitation of oil and natural gas. They may be made by the electric resistance welded (ERW) or seamless production method, and are generally supplied to meet American Petroleum Institute (API) specifications 5CT or equivalent standard.

9. The subject goods are primarily used for the purpose of adjusting the depth of strings or down hole tools, particularly where exact depth readings in a well are required for any given purpose, such as setting valves, packers, nipples or circulating sleeves. They are also used with down hole pumps. The number and lengths of pup joints vary widely from well to well, depending on the various equipment and performance requirements established by engineers of the purchasing end users.

10. The subject goods range from 2 feet to 12 feet in length, with a permitted tolerance of plus or minus 3 inches. The sizes are generally 2, 4, 6, 8, 10, and 12 feet in length.

11. The subject goods are, by virtue of the outside diameter range, essentially short lengths of OCTG tubing.

12. Theoretically, the subject goods meet or are supplied to meet any grade, including but not limited to H40, J55, K55, M65, N80, L80, L80 HC, L80 Chrome 13, L80 LT, L80 SS, C90, C95, C110, P110, P110 HC, P110 LT, T95, T95 HC, Q125 and proprietary grades manufactured as substitutes for these specifications.

13. The grade numbers define the minimum yield strength required of the grade in kilo-pounds (force) per square inch (ksi), or 1,000 pounds per square inch. Pup joints may also be made to proprietary specifications.

14. As with all OCTG, a standard pup joint must be able to withstand outside pressure and internal yield pressures within the well. Also, it must have sufficient joint strength to hold its own weight and must be equipped with threads sufficiently tight to contain the well pressure where lengths are joined.

15. Perforated pup joints are included as goods subject to this inquiry. These are pup joints with holes in the body of the pup joint (usually 3/8 inch, although they may have holes or slots of various sizes in the body). The product is produced with API 5CT tubing, though once perforated, the product no longer conforms to an API 5CT specification, since it no longer meets the yield strength requirements. Perforated pup joints are employed to allow fluids to enter the production tubing. They can also be used to create a mud anchor.

## LEGAL FRAMEWORK

16. The Tribunal is required, pursuant to subsection 76.03(10) of *SIMA*, to determine whether the expiry of the finding is likely to result in injury to the domestic industry.<sup>3</sup>

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2. The information in this section is derived from the CBSA's statement of reasons, information contained in parties' submissions and responses to Tribunal questionnaires.

3. Subsection 2(1) of *SIMA* defines "injury" as "... material injury to the domestic industry" and "retardation" as "... material retardation of the *establishment* of a domestic industry" [emphasis added]. Given that there is currently an established domestic industry in this case, the issue of whether the expiry of the finding is likely to result in retardation does not arise in this expiry review.

17. The Tribunal is also required, pursuant to subsection 76.03(12), to make an order rescinding the finding, if it determines that the expiry of the finding is unlikely to result in injury, or continuing the finding, with or without amendment, if it determines that the expiry of the finding is likely to result in injury.

18. Before proceeding with its analysis of the likelihood of injury, the Tribunal must first determine what constitutes “like goods”. Once that determination has been made, the Tribunal must determine what constitutes the “domestic industry”.

19. The Tribunal must also determine whether it will make an assessment of the cumulative effect of the dumping and subsidizing of the subject goods (i.e. whether it will cross-cumulate their effects).<sup>4</sup>

## LIKE GOODS AND CLASSES OF GOODS

20. In order for the Tribunal to determine whether the resumed or continued dumping and subsidizing of the subject goods that would occur upon the expiry of the finding is likely to cause material injury to the domestic producers of like goods, it must determine which domestically produced goods, if any, constitute like goods in relation to the subject goods. The Tribunal must also assess whether there is, within the subject goods and the like goods, more than one class of goods.<sup>5</sup>

21. Subsection 2(1) of *SIMA* defines “like goods”, in relation to any other goods, as follows:

(a) goods that are identical in all respects to the other goods, or

(b) in the absence of any goods described in paragraph (a), goods the uses and other characteristics of which closely resemble those of the other goods.

22. In *Pup Joints NQ*, the Tribunal determined that domestically produced tubing pup joints were a single class of like goods in relation to the subject goods.

23. No evidence was submitted in this expiry review to suggest that the Tribunal should reach a different conclusion.

24. Therefore, the Tribunal finds that domestically produced tubing pup joints are the like goods in relation to the subject goods.

## DOMESTIC INDUSTRY

25. Subsection 2(1) of *SIMA* defines “domestic industry” as follows: “. . . the domestic producers as a whole of the like goods or those domestic producers whose collective production of the like goods constitutes a major proportion of the total domestic production of the like goods . . .”

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4. See subsection 76.03(11) of *SIMA*.

5. Should the Tribunal determine that there is more than one class of goods in this inquiry, it must conduct a separate injury analysis and make a decision for each class that it identifies. See *Noury Chemical Corporation and Minerals & Chemicals Ltd. v. Pennwalt of Canada Ltd. and Anti-dumping Tribunal*, [1982] 2 F.C. 283 (F.C.).

26. The Tribunal must therefore determine whether there is a likelihood of injury to the domestic producers as a whole or those domestic producers whose production represents a major proportion of the total production of like goods.<sup>6</sup>

27. The Tribunal has identified one major domestic producer of pup joints in Canada: AOT. Although other domestic companies did produce small volumes of pup joints sporadically over the POR, only AOT produced meaningful volumes of pup joints over the entirety of the POR.<sup>7</sup> As such, the Tribunal is satisfied that AOT represents at least a major portion of the total domestic production of the like goods.

## CROSS-CUMULATION

28. The Tribunal must also determine whether it will make an assessment of the cumulative effect of the dumping and subsidizing of the subject goods.

29. The parties did not make any submissions on cross-cumulation, nor are there any legislative provisions that directly address the issue of cross-cumulation.

30. In Inquiry No. NQ-2007-001, the Tribunal stated that it would not differentiate any effect resulting from the dumping of the subject goods from any effect resulting from the subsidizing of the same goods for the purposes of its analysis, as it continued to hold the view that it was not possible to isolate the effects caused by the dumping of goods from those caused by the subsidizing of the same goods because they are so closely intertwined that it was impossible to unravel them so as to allocate specific or discrete portions to the dumping and subsidizing.<sup>8</sup>

31. Given that this expiry review is in respect of dumped and subsidized goods from China only, the likely effects of the resumption of dumping and subsidizing of the subject goods will likewise be manifested in a single set of prices. Therefore, the Tribunal finds it appropriate to cumulatively assess the likely impact of the resumption of dumping and subsidizing of the subject goods on the domestic industry.<sup>9</sup>

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6. The term “major proportion” means an important, serious or significant proportion of total domestic production of like goods and not necessarily a majority: *Japan Electrical Manufacturers Assn. v. Canada (Anti-Dumping Tribunal)*, [1986] F.C.J. No. 652 (F.C.A.); *McCulloch of Canada Limited and McCulloch Corporation v. Anti-Dumping Tribunal*, [1978] 1 F.C. 222 (F.C.A.); *China – Anti-dumping and Countervailing Duties on Certain Automobiles from the United States* (23 May 2014), WTO Doc. WT/DS440/R, Report of the Panel at para. 7.207; *European Community – Definitive Anti-dumping Measures on Certain Iron or Steel Fasteners from China* (15 July 2011), WTO Doc. WT/DS397/AB/R, Report of the Appellate Body at paras. 411, 419, 430; *Argentina – Definitive Anti-dumping Duties on Poultry from Brazil* (22 April 2003), WTO Doc. WT/DS241/R, Report of the Panel at paras. 7.341-7.344.

7. Exhibit RR-2016-001-14.01, Vol. 1 at 155; Exhibit RR-2016-001-14.04, Vol. 1 at 167; Exhibit RR-2016-001-14.08, Vol. 1 at 178; Exhibit RR-2016-001-14.11, Vol. 1 at 184; Exhibit RR-2016-001-14.13, Vol. 1 at 194 ; Exhibit RR-2016-001-15.02 (protected), Vol. 2 at 37; Exhibit RR-2016-001-15.03 (protected), Vol. 2 at 40; Exhibit RR-2016-001-15.05 (protected), Vol. 2 at 50; Exhibit RR-2016-001-15.06 (protected), Vol. 2 at 55; Exhibit RR-2016-001-15.07 (protected), Vol. 2 at 59; Exhibit RR-2016-001-15.09 (protected), Vol. 2 at 64; Exhibit RR-2016-001-15.12 (protected), Vol. 2 at 73; Exhibit RR-2016-001-15.10 (protected), Vol. 2 at 67.

8. *Seamless Carbon or Alloy Steel Oil and Gas Well Casing* (10 March 2008), NQ-2007-001 (CITT) at paras. 76-77.

9. *Carbon and Alloy Steel Line Pipe* (29 March 2016), NQ-2015-002 (CITT) at paras. 84-85. This is consistent with the recent World Trade Organization (WTO) panel decision in *Canada – Anti-Dumping Measures on Imports of Certain Carbon Steel Welded Pipe from The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu*, DS482, which confirms that cross-cumulation is appropriate in cases where goods are both dumped and subsidized.



## LIKELIHOOD OF INJURY ANALYSIS

32. An expiry review is forward-looking.<sup>10</sup> It follows that evidence from the period of review during which a finding or order was being enforced is relevant insofar as it bears upon the prospective analysis of whether the expiry of the finding or order is likely to result in injury.<sup>11</sup>

33. There is no presumption of injury in an expiry review; the Tribunal's findings must be based on positive evidence, in compliance with domestic law and consistent with the requirements of the WTO agreements.<sup>12</sup> In the context of an expiry review, positive evidence can include evidence based on past facts that tend to support forward-looking conclusions.<sup>13</sup>

34. In making its assessment of likelihood of injury, the Tribunal has consistently taken the view that the focus should be on circumstances that can reasonably be expected to exist in the near to medium term, which is generally considered to be within 12 to 24 months from the date on which the finding or order would expire.

35. Subsection 37.2(2) of the *Special Import Measures Regulations*<sup>14</sup> lists factors that the Tribunal may consider in addressing the likelihood of injury. The factors that the Tribunal considers relevant in this expiry review are discussed in detail below.

### Changes in Market Conditions

36. In order to assess the likely volumes and prices of the subject goods and their impact on the domestic industry if the finding is rescinded, the Tribunal typically first considers any changes in domestic and international market conditions.<sup>15</sup>

#### Domestic Market Conditions

37. Domestic market conditions are poor and unlikely to improve much in the near term. Both AOT and Westcan stated that projected increases in wells drilled since the original inquiry have not materialized.<sup>16</sup> On the contrary, the Petroleum Services Association of Canada's (PSAC) revised 2012 forecast was for a 3 percent *decrease* in wells drilled as compared to 2011.<sup>17</sup> This was followed by a

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10. *Certain Dishwashers and Dryers* (25 April 2005), RR-2004-005 (CITT) at para. 16.

11. *Copper Pipe Fittings* (17 February 2012), RR-2011-001 (CITT) at para. 56. In *Thermoelectric Containers* (9 December 2013), RR-2012-004 (CITT) [*Thermoelectric Containers*] at para. 14, the Tribunal stated that the analytical context pursuant to which an expiry review must be adjudged often includes the assessment of retrospective evidence supportive of prospective conclusions. See, also, *Aluminum Extrusions* (17 March 2014), RR-2013-003 (CITT) [*Aluminum Extrusions*] at para. 21.

12. *Flat Hot-rolled Carbon and Alloy Steel Sheet and Strip* (16 August 2006), RR-2005-002 (CITT) at para. 59.

13. *Thermoelectric Containers* at para. 14; *Aluminum Extrusions* at para. 21. Due to the small number of participants involved in this expiry review, most of the import, sales, pricing, production and financial data, even in aggregate form, cannot be disclosed in order to protect their confidentiality. Where possible, these reasons give an approximate percentage or general range of magnitude.

14. S.O.R./84-927 [*Regulations*].

15. Paragraph 37.2(2)(j) of the *Regulations* states that the Tribunal may consider "...any changes in market conditions domestically or internationally, including changes in the supply of and demand for the goods, as well as any changes in trends and in sources of imports into Canada . . . ."

16. *Pup Joints NQ* at para. 178.

17. Exhibit RR-2016-001-B-01 at para. 146, Vol. 11.

more than 50 percent decrease in wells drilled in 2015 and a further 26 percent decrease in 2016.<sup>18</sup> While the parties anticipate that the economy will make a “modest” recovery in 2017, the projection for wells drilled in 2017 remains 63 percent lower than the number of wells drilled in 2014.<sup>19</sup>

38. Demand for pup joints in Canada has followed this trend. Sales increased slightly in 2014 (up by 6 percent), but fell by 44 percent in 2015 and a further 14 percent in the interim period of January to September of 2016.<sup>20</sup>

39. The parties point to the decline in oil prices as the driving force behind the decrease in demand for wells drilled and pup joints. According to data collected by the Canadian Association of Petroleum Producers (CAPP), in 2013 the price of oil ranged from US\$92.07 to US\$106.54/bbl. However, by the end of 2014 prices had dropped to US\$59.29/bbl. In 2015, prices reached a high of US\$59.83/bbl in June, before falling to just US\$37.33/bbl in December of that year.<sup>21</sup> PSAC assumes a price of approximately US\$52/bbl in 2017,<sup>22</sup> which represents an improvement over the average prices of 2015 and 2016, but nonetheless remains well below the average price of approximately US\$94 to US\$97/bbl seen in the lead-up to the oil price collapse.<sup>23</sup>

40. Recent announcements approving the Keystone XL Pipeline and Trans Mountain Expansion Project should remove a potential supply bottleneck and accommodate an increase in demand for Canadian oil, which in turn may drive up both prices and demand for pup joints in Canada.<sup>24</sup> However, the timing of these projects is not set, and it is difficult to predict when any positive impacts will occur. Similarly, the Organization of Petroleum Exporting Countries’ (OPEC) agreement to decrease oil production has seemingly helped oil prices increase, but AOT noted that this could be offset by increased production by non-OPEC members.<sup>25</sup>

41. The parties agree that domestic demand for pup joints is likely to recover somewhat in the next 12 to 18 months; however, AOT submitted that exact predictions vary from a minimal 5 percent increase to as high as a 31 percent.<sup>26</sup> Given that the numbers of wells drilled fell by 52 percent in 2015,<sup>27</sup> however, demand will likely still be significantly less than it had been prior to the oil price collapse of 2014.

#### International Market Conditions

42. The oil price collapse of 2014 permeated throughout the international market. In February 2016, global oil benchmark prices reached their lowest price in nearly 13 years, with the CAPP recording a price

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18. Exhibit RR-2016-001-05, Tables 57, 58, Vol. 1.1; Exhibit RR-2016-001-A-01 at paras. 110-116, Vol. 11; Exhibit RR-2016-001-A-05 at 54, Vol. 11.

19. Exhibit RR-2016-001-05, Table 58, Vol. 1.1; Exhibit RR-2016-001-B-01 at paras. 53 and 61, Vol. 11; Exhibit RR-2016-001-A-05 at 57, Vol. 11; Exhibit RR-2016-001-D-03 at para. 11, Vol. 11B; *ibid.* at 16, Vol. 11B.

20. Exhibit RR-2016-001-05, Table 11, Vol. 1.1.

21. Exhibit RR-2016-001-34.07 at 101-102, Vol. 1A.

22. Exhibit RR-2016-001-34.01 at 21, Vol. 1A.

23. Exhibit RR-2016-001-34.07 at 103, Vol. 1A.

24. Exhibit RR-2016-001-B-01 at paras. 63-70, Vol. 11.

25. *Ibid.* at paras. 80-81.

26. *Ibid.* at paras. 53, 61 and 199-200; Exhibit RR-2016-001-A-05 at 57, Vol. 11; Exhibit RR-2016-001-D-03 at para. 11, Vol. 11B.

27. Exhibit RR-2016-001-05, Table 57, Vol. 1.1.

of just US\$30.62/bbl.<sup>28</sup> China also struggled with an oversupply of steel, with an estimated 336 tonnes of overcapacity in 2015.<sup>29</sup> At the same time, demand for steel in China fell by 5.4 percent in 2015, though it did increase slightly in January to November of 2016.<sup>30</sup> Chinese steel production is expected to continue to outpace demand in 2017, and the situation will be exacerbated if planned increases in capacity of 41 tonnes are added in 2017.<sup>31</sup>

43. While there is no data regarding pup joints in particular, Chinese consumption of OCTG (which includes pup joints) fell significantly in 2014 and was expected to decrease again in 2015.<sup>32</sup> The forecasted modest increase in oil prices for 2017, discussed above, could lead to some increase in demand and consumption of OCTG in China. However, the evidence indicates that Chinese producers of pup joints already have substantial unused capacity.<sup>33</sup> Even with a modest increase in demand for pup joints, Chinese production capacity would likely continue to outstrip demand by a significant margin.

### **Likely Performance of the Domestic Industry if the Finding is Continued**

44. Paragraph 37.2(2)(c) of the *Regulations* directs the Tribunal to examine the likely performance of the domestic industry, taking into account the industry's recent performance, including trends in production, capacity utilization, employment levels, prices, sales, inventories, market share, exports and profits.

45. For the purposes of this analysis, the Tribunal will first consider the domestic industry's recent performance and then assess the likely performance of the domestic industry if the finding is continued. In both cases, the Tribunal will look at whether there are any relevant factors other than the dumping and subsidizing of the subject goods affecting or likely to affect the domestic industry's performance in the near to medium term.

46. AOT has experienced difficulties during the POR as a result of the reduced demand for pup joints. Its sales volumes have decreased year over year throughout the POR.<sup>34</sup> Its production levels and revenue fell drastically in 2015.<sup>35</sup> AOT was not able to increase prices from 2013-2014, and though there were modest price increases in 2015, they were largely due to product mix issues.<sup>36</sup> Income, profitability, productivity, direct employment and capacity utilization rates have all declined substantially after the oil price collapse in 2014.<sup>37</sup>

47. While AOT predicts that its sales volume will increase in the next 12 to 18 months as demand picks up somewhat, AOT will continue to face difficulties going forward as demand remains comparatively low overall.<sup>38</sup> Even with a modest recovery, AOT does not believe it will be able to raise its prices.<sup>39</sup> While

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28. Exhibit RR-2016-001-B-05 at 53, Vol. 11A; Exhibit RR-2016-001-B-01 at para. 71, Vol. 11; Exhibit RR-2016-001-A-01 at paras. 119-120, Vol. 11; Exhibit RR-2016-001-34.07, Vol. 1A at 102.

29. Exhibit RR-2016-001-B-05 at 212, Vol. 11A.

30. *Ibid.* at 181, Vol. 11; RR-2016-001-D-06 (protected) at 1, Vol. 12A.

31. Exhibit RR-2016-001-B-05 at 150 and 215, Vol. 11.

32. Exhibit RR-2016-001-D-06 (protected) at 2, Vol. 12A.

33. Exhibit RR-2016-001-D-01 at para. 14, Vol. 11B; Exhibit RR-2016-001-A-01 at para. 72, Vol. 11; Exhibit RR-2016-001-C-01 at para. 69, Vol. 11B; Exhibit RR-2016-001-C-05 at 40, Vol. 11B.

34. Exhibit RR-2016-001-06 (protected), Table 10, Vol. 2.1; Exhibit RR-2016-001-B-01 at para. 150, Vol. 11.

35. Exhibit RR-2016-001-06 (protected), Tables 47-48, Vol. 2.1.

36. Exhibit RR-2016-001-B-03 at para. 29, Vol. 11; Exhibit RR-2016-001-06 (protected), Table 32, Vol. 2.1.

37. *Ibid.*, Tables 45 and 48; Exhibit RR-2016-001-B-01 at paras. 152-155, Vol. 11.

38. *Ibid.* at paras. 210 and 213; Exhibit RR-2016-001-B-02 (protected) at paras. 210 and 213, Vol. 12.

39. Exhibit RR-2016-001-B-03 at para. 29, Vol. 11.

2016 saw a slight rise in prices, AOT projected that its prices would be lower in 2017 as they returned to the average price level seen over the POR.<sup>40</sup> Therefore, even with a projected 5 to 31 percent increase in sales volumes, AOT projected that if the finding remains in place its sales revenue will nonetheless be lower than in 2016, and its gross margin would decrease or remain static.<sup>41</sup>

48. For its part, Westcan agreed that the domestic industry will continue to be “in a depressed and desperate economic environment.”<sup>42</sup>

49. Therefore, the Tribunal finds that if the finding is allowed to continue, the domestic industry will likely still face a depressed market.

### **Likely Volumes of Dumped Goods if the Finding is Rescinded**

50. Paragraph 37.2(2)(a) of the *Regulations* directs the Tribunal to consider the likely volume of the dumped or subsidized goods if the finding is rescinded and, in particular, whether there is likely to be a significant increase in the volume of imports of the subject goods, either in absolute terms or relative to the production or consumption of like goods.

51. The Tribunal’s assessment of the likely volumes of imports of the subject goods encompasses the likely performance of the foreign industry, the potential for the foreign producers to produce goods in facilities that are currently used to produce other goods, evidence of the imposition of anti-dumping and/or countervailing measures in other jurisdictions, and whether measures adopted by other jurisdictions are likely to cause a diversion of the subject goods to Canada.

52. The parties contend that, given the excess capacity of Chinese producers of pup joints, weak demand for pup joints in China, and the finding on Chinese pup joints in place in the United States, imports of the subject goods will return in significant volumes if the finding were to expire.

53. The parties pointed to a “random sampling” of six Chinese producers of pup joints, which showed that they have a combined production capacity of 126,016 tonnes, including an excess capacity of 41,000 tonnes per year.<sup>43</sup> Given that this represented the excess capacity of just 6 of the 85 known producers of pup joints in China, the Chinese producers could easily supply the entirety of the Canadian market multiple times.<sup>44</sup> Moreover, Hengshui admitted that prior to the drop in demand caused by the oil price collapse in 2014, it was operating at a modest rate of capacity utilization, and it would therefore easily be able to increase its export volumes if the finding were to expire.<sup>45</sup>

54. In addition, the Tribunal finds that Chinese producers have demonstrated a continued interest in the Canadian market. Despite the drop in demand in the Canadian market and the existence of the finding, the subject goods continued to have a significant market share throughout the POR. While the total volume of subject goods fell in 2015 after the oil price collapse, the percent share of the total market held by subject

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40. Exhibit RR-2016-001-B-02 (protected) at para. 211, Vol. 11; Exhibit RR-2016-001-06 (protected), Table 32, Vol. 2.1.

41. Exhibit RR-2016-001-B-02 (protected) at paras. 210 and 213, Vol. 12.

42. Exhibit RR-2016-001-A-01 at para. 113, Vol. 11.

43. Exhibit RR-2016-001-D-01 at para. 14, Vol. 11B; Exhibit RR-2016-001-A-01 at para. 72, Vol. 11; Exhibit RR-2016-001-C-01 at para. 69, Vol. 11B.

44. Exhibit RR-2016-001-B-01 at para. 140, Vol. 11; Exhibit RR-2016-001-C-01 at para. 69, Vol. 11B.

45. Exhibit RR-2016-001-C-02 (protected) at para. 76, Vol. 12A.

goods remained fairly constant.<sup>46</sup> All of these subject goods were produced by Hengshui, which was able to ship the goods at normal values.<sup>47</sup> Hengshui admits that, if the finding were rescinded, it would resume dumping and subsidizing and would face renewed competition from other Chinese producers in the Canadian market.<sup>48</sup>

55. In addition, evidence filed by Hydril and AOT shows instances in which other Chinese producers offered to ship pup joints from facilities in China to Canada by way of a third country in order to avoid anti-dumping and countervailing duties.<sup>49</sup> Westcan stated that it had reported additional cases of suspected attempts at circumvention by Chinese producers to the CBSA, but that it did not receive a response from CBSA.<sup>50</sup> The parties submitted that, given these producers' attempts to circumvent the finding, they would undoubtedly immediately resume exports to subject goods to Canada if the finding were to expire.

56. This prospect is amplified by the fact that orders in place in the United States have closed off that market to exports of the subject goods.<sup>51</sup>

57. Therefore, the import volumes of the subject imports are likely to increase substantially if the finding is rescinded.

### **Likely Price Effects of Dumped and Subsidized Goods if the Finding is Rescinded**

58. Paragraph 37.2(2)(b) of the *Regulations* directs the Tribunal to consider the likely prices of the dumped and subsidized goods, if the finding is rescinded, and whether the dumping and subsidizing of the subject goods is likely to significantly undercut the prices of like goods, depress those prices or suppress them by preventing increases in those prices that would likely have otherwise occurred. In this regard, the Tribunal distinguishes the price effects of the dumped or subsidized goods from any price effects that would likely result from other factors affecting prices.

59. The parties submitted that if the finding were to expire, imports of subject goods will quickly become the low-price leader.<sup>52</sup> Hengshui maintained that, if the finding is allowed to expire, other Chinese producers will offer pup joints at pre-finding prices, if not lower, to re-enter the market.<sup>53</sup> Moreover, Hengshui acknowledged that, if the finding is allowed to expire, it "will have no alternative but to reduce its selling prices" to dumped levels, and to re-engage in subsidy programs.<sup>54</sup> In short, the influx of increasing volumes of subject goods would likely trigger a race to the bottom, in which Chinese producers and exporters try to recapture market share by offering large volumes of goods at low prices. This is consistent with the conclusion in the original inquiry that while price was not the most important factor driving purchases, it nonetheless played a major role in purchasers' decision to switch suppliers.<sup>55</sup>

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46. Exhibit RR-2016-001-06 (protected), Tables 10 and 12, Vol. 2.1.

47. Exhibit RR-2016-001-C-01 at paras. 18 and 22, Vol. 11B.

48. *Ibid.* at paras. 55-56, Vol. 11B.

49. Exhibit RR-2016-001-D-04 (protected) at 22, Vol. 12A; Exhibit RR-2016-001-B-06 (protected) at 53, Vol. 12A.

50. Exhibit RR-2016-001-A-01 at para. 38, Vol. 11.

51. Exhibit RR-2016-001-B-05 at 474-476, Vol. 11. The order in place in the United States is against oil country tubular goods and is understood to include pup joints within the scope of the product definition.

52. Exhibit RR-2016-001-A-01 at paras. 66-67, Vol. 11; Exhibit RR-2016-001-C-01 at paras. 77-78, Vol. 11B.

53. Exhibit RR-2016-001-C-01 at paras. 77-78, Vol. 11B.

54. *Ibid.* at paras. 55-56.

55. *Pup Joints NQ* at para. 122.

60. If the subject goods return to pre-finding prices, they would likely significantly undercut the price of the domestic goods. From 2009 to 2011, the unit values of the subject goods were substantially lower than the prices of the like goods over the POR.<sup>56</sup> Moreover, price lists from a number of Chinese exporters of subject goods<sup>57</sup> show that, in the absence of anti-dumping and countervailing duties, the subject goods would be available to Canadian importers at prices well below the current selling prices of AOT and Westcan.<sup>58</sup>

61. Given the foregoing, the Tribunal finds that, if the finding is rescinded, the subject goods will significantly undercut the prices of like goods.

### **Likely Impact on the Domestic Industry if the Finding is Rescinded**

62. The Tribunal also assessed the likely impact of the above volumes and prices on the domestic industry if the finding is rescinded, taking into consideration the likely performance of the domestic industry if the finding is continued, as discussed above. In this analysis, the Tribunal distinguishes the likely impact of the dumped or subsidized goods from the likely impact of any other factors affecting or likely to affect the domestic industry as discussed above in the section on the likely performance of the domestic industry if the finding is continued.

63. As the above analysis indicates, if the finding were rescinded, the subject goods would return to the domestic market in significantly increasing volumes and at prices that are likely to significantly undercut prices of the like goods. Hengshui stated that the resultant low-priced subject imports would lead to “chaos” within the Canadian pup joint market which would ultimately cause significant injury to the domestic industry.<sup>59</sup>

64. The return of high volumes of low-priced imports would force AOT to either drastically reduce prices or risk losing its customer base. Considering its already fragile state, AOT warned that the resulting losses would be “catastrophic”<sup>60</sup> and “unsustainable”,<sup>61</sup> and would force it to “re-evaluate the viability of manufacturing pup joints.”<sup>62</sup>

65. Therefore, while the domestic industry would likely begin only a slow recovery if the finding is continued, the reintroduction of dumped and subsidized subject goods into the market would all but nullify any recovery, and likely lead to a complete collapse of the domestic industry.

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56. Exhibit RR-2016-001-11A (protected), Table 44, Vol. 2.3; Exhibit RR-2016-001-06 (protected), Table 32, Vol. 2.1.

57. Exhibit RR-2016-001-B-06 (protected), Tab 45 at 284-289, Vol. 12A.

58. Exhibit RR-2016-001-18.01 (protected), Vol. 4 at 38-39; Exhibit RR-2016-001-21.18 (protected), Vol. 6 at 49 and 60-64. Using the price lists and delivery cost information provided by Westcan in its questionnaire reply, staff estimated a landed-in-Canada unit value for exports from each of the identified exporters.

59. Exhibit RR-2016-001-C-01 at para. 2, Vol. 11B.

60. Exhibit RR-2016-001-B-01 at paras. 252, 259, Vol. 11.

61. Exhibit RR-2016-001-B-03 at para. 44, Vol. 11.

62. Exhibit RR-2016-001-B-01 at paras. 259-260, Vol. 11; Exhibit RR-2016-001-B-03 at para. 42, Vol. 11.

**DETERMINATION**

66. On the basis of the foregoing analysis, the Tribunal finds that, if the finding is rescinded, the likely resumption or continuation of the dumping and subsidizing of the subject goods will likely cause material injury to the domestic industry.

**CONCLUSION**

67. Pursuant to paragraph 76.03(12)(b) of *SIMA*, the Tribunal continues its finding in respect of the subject goods.

Peter Burn

Peter Burn  
Presiding Member

Serge Fréchette

Serge Fréchette  
Member

Daniel Petit

Daniel Petit  
Member