

CERTAIN STEEL GOODS

GC-2018-001-E4

JULY 9, 2021

FOREWORD

On May 9, 2019, by the *Order Referring to the Canadian International Trade Tribunal, for Inquiry into and Reporting on, the Matter of the Exclusion of Certain Steel Goods from the Order Imposing a Surtax on the Importation of Certain Steel Goods*, the Canadian International Trade Tribunal was directed by Her Excellency the Governor in Council, on the recommendation of the Minister of Finance, to conduct periodic inquiries regarding exclusion requests concerning certain heavy plate and stainless steel wire which are subject to safeguard measures enacted in the *Order Imposing a Surtax on the Importation of Certain Steel Goods*.

The present report of the Tribunal is in respect of the fourth inquiry conducted in response to the *Order Referring to the Canadian International Trade Tribunal, for Inquiry into and Reporting on, the Matter of the Exclusion of Certain Steel Goods from the Order Imposing a Surtax on the Importation of Certain Steel Goods*.

Serge Fréchette
Serge Fréchette
Presiding Member

Randolph W. Heggart
Randolph W. Heggart
Member

Frédéric Sepey
Frédéric Sepey
Member

EXECUTIVE SUMMARY

On May 9, 2019, by the *Order Referring to the Canadian International Trade Tribunal, for Inquiry into and Reporting on, the Matter of the Exclusion of Certain Steel Goods from the Order Imposing a Surtax on the Importation of Certain Steel Goods*, the Canadian International Trade Tribunal was directed by Her Excellency the Governor in Council, on the recommendation of the Minister of Finance, to conduct periodic inquiries regarding exclusion requests concerning certain heavy plate and stainless steel wire which are subject to safeguard measures enacted in the *Order Imposing a Surtax on the Importation of Certain Steel Goods*. This was the Tribunal's fourth and final inquiry conducted in response to the *Order Referring to the Canadian International Trade Tribunal, for Inquiry into and Reporting on, the Matter of the Exclusion of Certain Steel Goods from the Order Imposing a Surtax on the Importation of Certain Steel Goods*.

The Tribunal was required to submit to the Governor in Council, within 60 days of the commencement of this inquiry, i.e. by July 9, 2021, a report including the Tribunal's determination, reasons and any recommendations in respect of exclusion requests made concerning the above-mentioned steel goods.

The Tribunal received a request for exclusion from one company. The Tribunal recommends that the request be granted as follows:

Type 304L/316L/321L stainless steel knitting wire in outside diameters of 0.011 inch (0.279 mm) and 0.006 inch (0.152 mm) packaged on new spools compatible with custom and proprietary high-speed knitting machines.

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PART I

INTRODUCTION

[1] On October 10, 2018, the Governor in Council adopted the *Order Imposing a Surtax on the Importation of Certain Steel Goods*,¹ thereby imposing a temporary surtax on the importation of certain classes of steel products that were alleged to have been imported into Canada in increased quantities and to have caused or threatened to cause serious injury to domestic producers of like or directly competitive goods.

[2] On the same day, the Tribunal was directed by the *Order Referring to the Canadian International Trade Tribunal, for Inquiry into and Reporting on, the Matter of the Importation of Certain Steel Goods*,² to conduct a safeguard inquiry concerning the importation into Canada of certain steel goods subject to the *Surtax Order*. The classes of goods subject to the inquiry were: (1) heavy plate; (2) concrete reinforcing bar; (3) energy tubular products; (4) hot-rolled sheet; (5) pre-painted steel; (6) stainless steel wire; and (7) wire rod.

[3] On April 3, 2019, the Tribunal published its report in response to the *Safeguard Inquiry Order*. The Tribunal's determinations and recommendations were as follows:

- Heavy plate from the subject countries (other than goods originating in Korea, Panama, Peru, Colombia and Honduras) was being imported in such increased quantities and under such conditions as to be a principal cause of a threat of serious injury to the domestic industry. The Tribunal therefore recommended a remedy in the form of a tariff rate quota (TRQ) on imports of heavy plate from subject countries, other than goods originating in Korea, Panama, Peru, Colombia, Honduras, or countries whose goods are eligible for *General Preferential Tariff* (GPT) treatment.
- Stainless steel wire imported from the subject countries (other than goods originating in Korea, Panama, Peru, Colombia and Honduras) was being imported in such increased quantities and under such conditions as to be a principal cause of a threat of serious injury to the domestic industry. Therefore, the Tribunal recommended a remedy in the form of a TRQ on imports of stainless steel wire from subject countries, other than goods originating in Korea, Panama, Peru, Colombia, Honduras, or countries whose goods are eligible for GPT treatment.
- The Tribunal did not recommend remedies with respect to the other five classes of goods.

[4] On May 9, 2019, the Governor in Council, on the recommendation of the Minister of Finance, adopted the *Order Amending the Order Imposing a Surtax on the Importation of Certain Steel Goods (Final Safeguards)*,³ thereby implementing the recommendations of the

1. SOR/2018-206 [*Surtax Order*].

2. P.C. 2018-1275 [*Safeguard Inquiry Order*].

3. SOR/2019-127.

Tribunal to impose final safeguard measures with respect to heavy plate and stainless steel wire.⁴

[5] Also on May 9, 2019, the Tribunal was directed under the terms of the *Order Referring to the Canadian International Trade Tribunal, for Inquiry into and Reporting on, the Matter of the Exclusion of Certain Steel Goods from the Order Imposing a Surtax on the Importation of Certain Steel Goods*⁵ to conduct periodic inquiries regarding exclusion requests concerning heavy plate and stainless steel wire products which are subject to the *Surtax Order*, with each inquiry set to commence six months after the Tribunal has submitted its report for the previous inquiry. Subject countries are all countries except the United States, Mexico, Chile, Israel, Korea, Colombia, Honduras, Panama, Peru and all countries benefitting from the GPT (as listed in Appendix B to the Tribunal's Notice of Commencement of Exclusions Inquiry).

[6] The present report of the Tribunal is in respect of the fourth inquiry conducted in response to the *Exclusions Inquiry Order*. The inquiry is the last to be conducted as the *Surtax Order* will cease to apply on October 24, 2021.

⁴ The provisional measures regarding the other classes of goods expired on April 29, 2019.

⁵ P.C. 2019-0476 [*Exclusions Inquiry Order*].

LEGAL FRAMEWORK

[7] The purpose of this inquiry is to determine whether certain heavy plate and stainless steel wire products for which exclusion requests were submitted should be excluded from the safeguard measures imposed by the *Surtax Order*. The details of the legal framework under which the inquiry is conducted were described in the Tribunal's report in GC-2018-001-E1 and are adopted for the purposes of the current report.

PART II

EXCLUSION REQUESTS AND RECOMMENDATIONS

[8] The Tribunal received a request for exclusion from one company in this inquiry. The request is briefly discussed below.

Heavy Plate

[9] There were no requests regarding heavy plate. The Tribunal therefore does not recommend that any exclusions regarding heavy plate be granted.

Stainless Steel Wire

[10] The *Surtax Order* defined “stainless steel wire” as follows:

Cold drawn and cold drawn and annealed, stainless steel round wire, up to 0.256 inches (6.50 mm) in maximum solid cross-sectional dimension; and cold drawn, and cold drawn and annealed, stainless steel cold-rolled profile wire, up to 0.031 square inches (0.787 sq. mm) in maximum solid cross-sectional area.

[11] An exclusion was implemented by the *Order Amending the Order Imposing a Surtax on the Importation of Certain Steel Goods (Exclusions)*⁶ as a result of the Tribunal’s recommendations in GC-2018-001-E1. Thus, the “stainless steel wire” class of goods excludes “439 copper-coated TiCu stainless steel wire in diameters of 0.030 inch to 0.187 inch.”

Request by Industrial Process Products Ltd.

[12] Industrial Process Products Ltd. (IPP), an importer and end user of stainless steel wire, filed an exclusion request for type 304L/316L/321L stainless steel knitting wire in outside diameters of 0.011 inch (0.279 mm) and 0.006 inch (0.152 mm) packaged on new spools compatible with custom and proprietary high-speed knitting machines. IPP made a similar request in the previous exclusions proceeding,⁷ which was denied.

[13] IPP explained that it uses this type of wire with its proprietary high-speed knitting machines as part of the manufacturing process for producing mesh pads that are used as filters to remove liquids from gas streams.⁸ It further explained that the quality of the wire and the spools is critical as the wire must be able to come off the spools at high speed and not break or snag during the knitting process.

[14] IPP submitted that it has, in the past, ordered this type of wire from Central Wire Industries Ltd. (CWI), the sole domestic producer of stainless steel wire, but that the product was unusable as it was not able to come off the spools fast enough without breaking. It added

6. SOR/2019-313.

7. *Certain Steel Goods* (10 November 2020), GC-2018-001-E3 (CITT) [GC-2018-001-E3].

8. Exhibit GC-2018-001-E4-05.01 at 3-4.

that it was granted a similar exclusion by the Tribunal in 2004 in Inquiry No. NQ-2004-001.⁹ It further asserted that CWI did not dispute the problems with the wire it had supplied to IPP in its response to the exclusion request in GC-2018-001-E3.

[15] IPP further submitted that CWI is its direct competitor, as it produces an equivalent mesh pad, and therefore cannot be relied upon as a source of a critical input product for IPP. IPP also submitted that CWI would not be injured by the exclusion as it only requires a very small proportion of CWI's total wire production output.

[16] In its response to IPP's request, CWI submitted that, given the pending expiry of the safeguard measures, it decided not to oppose IPP's request. However, it noted that, as found by the Tribunal in GC-2018-001-E3, it does produce type 304L/316L/321L stainless steel knitting wire in outside diameters of 0.011 inch (0.279 mm) and 0.006 inch (0.152 mm),¹⁰ and denied IPP's allegations regarding the quality of the wire it produces and its suitability for use in IPP's high-speed knitting machines.

[17] In reply to CWI's response, IPP reiterated that the wire it purchased from CWI in the past did not work with its machines, and that it should not be required to disclose to CWI the proprietary information that would enable CWI to produce wire that would work with IPP's machines, as it is now IPP's direct competitor in producing mesh pads. IPP noted that there are no other domestic sources of supply, and again argued that CWI would not be injured by the exclusion as IPP's annual procurement of wire is a fraction of CWI's annual production.

[18] Given the reasons for the request and the domestic industry's response, the Tribunal recommends that IPP's exclusion request be granted.

^{9.} *Certain Stainless Steel Wire* (30 July 2004), NQ-2004-001 (CITT). In this injury inquiry conducted pursuant to section 42 of the *Special Import Measures Act*, the Tribunal found that the dumping of certain stainless steel wire from Korea, Switzerland and the United States, and the subsidizing of the same product from India caused injury to the domestic industry. However, the Tribunal excluded a number of products from its injury findings, including stainless steel wire in diameters of 0.032 inch (0.813 mm) and smaller (i.e. stainless steel fine wire), which encompassed the products covered by IPP's request in that inquiry, which are identical to the products covered by its request in the present proceedings.

^{10.} GC-2018-001-E3 at para. 21.

APPENDIX I

LIST OF PARTICIPANTS

Domestic Producers

Algoma Steel Inc.

Central Wire Industries Ltd.

SSAB Central Inc.

Importers/Exporters/Others

Industrial Process Products Ltd.

Embassy of Brazil in Ottawa

Ministry of Foreign Affairs of Brazil

Delegation of the European Union to Canada

United Steelworkers

Counsel/Representatives

Benjamin P. Bedard

Linden Dales

Greg Landry

Kahina Haroune

Benjamin P. Bedard

Paul Conlin

Shannon McSheffrey

Greg Landry

Angel Li

Alison FitzGerald

Erika Woolgar

Counsel/Representatives

Rodney Bratton

Felipe Alexandre Gomes Sequeiros

Sergio Podgornik Abramovici

Maud Labat

Craig Logie

Christopher Somerville

APPENDIX II

**ADMINISTRATIVE TRIBUNALS SUPPORT SERVICE OF CANADA STAFF
INVOLVED IN THE INQUIRY**

Mark Howell, Lead Analyst

Kalyn Eadie, Lead Counsel

Stephanie Blondeau, Registrar Officer