

DOF: 08/19/2020

FINAL RESOLUTION of the Administrative Procedure for the examination of the validity of the countervailing duty imposed on imports of carbon steel connections for butt welding originating in the People's Republic of China, regardless of the country of origin.

In the margin a stamp with the National Shield, which reads: United Mexican States.- Ministry of Economy.

FINAL RESOLUTION OF THE ADMINISTRATIVE PROCEDURE FOR EXAMINING THE VALIDITY OF THE COMPENSATORY FEE IMPOSED ON IMPORTS OF CARBON STEEL CONNECTIONS FOR BUTT WELDING ORIGINATING FROM THE PEOPLE'S REPUBLIC OF CHINA, REGARDLESS OF THE COUNTRY OF ORIGIN

Seen to resolve in the final stage the administrative file EC 13/19 filed in the International Commercial Practices Unit (UPCI) of the Ministry of Economy (the "Secretariat"), this Resolution is issued in accordance with the following

RESULTS

A. Final resolution of the anti-dumping investigation

1. On August 4, 2004, the Final Resolution of the anti-dumping investigation on imports of carbon steel butt-weld connections originating in the People's Republic of China (" China ") was published in the Official Gazette of the Federation (DOF).), regardless of the country of origin. Through said Resolution, a final compensatory fee of 81.04% was determined.

B. Review of the compensatory fee

2. On November 7, 2006, the final resolution of the review of the compensatory fee referred to in the previous point was published in the DOF . It was determined to modify the countervailing duty from 81.04% to 2.07 United States dollars (" dollars ") per kilogram.

C. Previous validity tests

3. On February 2, 2011, the final resolution of the first examination of the validity of the countervailing duty was published in the DOF . It was decided to modify the compensatory quota from 2.07 to 1.05 dollars per kilogram and extend it for another five years.

4. On July 2, 2015, the final resolution of the second examination of the validity of the countervailing duty was published in the DOF . It was decided to extend it for another five years.

D. Notice on the Effectiveness of Countervailing Duties

5. On September 11, 2018, the Notice on the validity of countervailing duties was published in the DOF. By this means, the national producers and any person with a legal interest were informed that the definitive countervailing duties imposed on the products listed in said Notice would be eliminated as of the expiration date indicated in it for each one, except that a domestic producer express in writing its interest in having an examination procedure initiated. The listing included the carbon steel butt-weld connections that are the subject of this review.

E. Expression of interest

6. On June 24, 2019, Tubos de Acero de México, SA (TAMSA), expressed its interest in the Secretariat initiating the examination of the validity of the final countervailing duty imposed on imports of carbon steel connections for butt welding. originating in China.

F. Resolution to initiate the third examination of the validity of the compensatory quota

7. On July 17, 2019, the Secretariat published in the DOF the Resolution declaring the beginning of the examination of the validity of the countervailing duty imposed on imports of carbon steel connections for butt welding originating in China (the " Start Resolution "). The examination period was set from July 1, 2018 to June 30, 2019 and the analysis period from July 1 , 2014 to June 30, 2019.

G. Product under review

1. Product description

8. The product under examination are steel connections to coal butt welding with diameters outside the range of ½ to 16 inches, including both, and comprises elbows, " tees " , reductions and caps (elbows, tees, reducers and caps, in English). They are also known as carbon steel butt weld fittings , or by their English name " fittings . "

9. In addition to the product dimensions, other physical and chemical properties that also describe

The product under examination are ductility, resistance to impact and static or dynamic loads, as well as durability, which depend on its end use.

2. Tariff treatment

10. The product under examination enters the national market through tariff section 7307.93.01 of the Tariff of the General Import and Export Tax Law (TIGIE), the description of which is as follows:

Tariff coding	Description
Chapter 73	Articles of cast iron, iron or steel
Item 7307	Pipe fittings (for example: fittings (fittings), elbows, sleeves), cast iron, iron or steel.

	- Others:
Subheading 7307.93	- Accessories for butt welding.
Fraction 7307.93.01	Butt welding accessories.

Source: Tariff Information System Via Internet (SIAVI).

11. The unit of measurement used in the TIGIE is the kilogram, although commercial operations are normally carried out in pieces.

12. Based on the information from SIAVI, the Secretariat observed that imports of carbon steel connections for butt welding that enter through tariff section 7307.93.01 of the TIGIE are exempt from tariffs.

3. Production process

13. The process for making carbon steel butt weld fittings is basically the same all over the world. It begins with the cutting of the steel pipe and the sheet plate, in sections and circles, respectively, in appropriate sizes, according to the type of connection to be manufactured and its dimension. It can be finished by heat treatment, chamfering, shot peening, stamping or painting, or not finished.

14. The process to produce each connection is as follows:

a. Elbows: The lengths of pipe are passed over a mandrel that provides the elbow shape through force and heat. For this, automatic hydraulic presses and natural gas furnaces are used at a controlled temperature with an accuracy of +/- 3 degrees centigrade.

b. " Tees " : the third branch of the tube is formed by extrusion. Heat and force are required in double action automatic presses to perform this process.

c. Reductions: the sections of pipe are preheated, then they are introduced into a mold where, by means of an automatic press, the reduced part is formed. A heat treatment is applied to the obtained product to eliminate the stresses of forging.

d. Covers: by means of dice and bullets, the shape of the cover is provided to the circle from plate to sheet. The process is done hot or cold. The pieces are subjected to heat treatment for normalization.

15. By shot blasting machines and automatic over, elbows, " tees " and reductions are cleaned and bevelled ends. Caps are chamfered on lathes.

16. The main inputs to manufacture the product under review are the seamless carbon steel pipe from which the elbows, tees and reductions are produced, and the sheet plate from which the caps are manufactured. Other raw materials are electricity, natural gas, paints and varnishes.

4. Standards

17. The connections of steel coal butt welding is typically manufactured according to the standards ASTM A 234 / A 234 M-00, issued by the American Society for Testing and Materials (ASTM the acronym for " American Society for Testing and Materials ") and ANSI / ASME (B16.9-2001 and B16.28-1994), issued by the American Institute for National Standards and the American Society of Mechanical Engineers (" ANSI " and " ASME " , by the acronyms of " American National Standards Institute " and " American Society of Mechanical Engineers " , respectively), although, according to what has been stated by TAMSA, they are usually manufactured without complying with any specific standard.

18. Various international standards establish the maximum of carbon, phosphorus, sulfur, manganese, silicon

and chrome that must be contained in carbon steel connections for butt welding. For example, the B16.9-2001 standard establishes that an elbow type carbon steel connection that is manufactured with grade B steel and in diameters from 21.3 to 1.219 millimeters must have a maximum content of carbon, manganese, phosphorus, sulfur, silicon and chromium of 0.30, 1.06, 0.05, 0.058, 0.10 and 0.40%, respectively.

5. Uses and functions

19. The main function of elbows, " tees " and reductions is to connect the ends of two or more pipes to change direction, make a branch and reduce or increase the diameter of the pipe line , respectively. The function of the caps is to close the pipe line or the end of a mechanical or hydraulic container .

20. These goods are mainly used in pipe lines for the conduction of various fluids (mainly water, steam, petrochemicals and gas) in various systems, eg industrial, heating, plumbing, air conditioning and irrigation. They are also usually used as inputs to manufacture boilers or heat exchange equipment, or to connect the pipe lines to some device or machinery.

H. Call and notifications

21. Through the publication of the Initiation Resolution, the Secretariat summoned the national producers, importers, exporters and any person who considered to have a legal interest in the result of this examination, to appear to present the arguments and evidence they deem pertinent .

22. The Secretariat notified the initiation of this proceeding to the parties known to it and to the Government of China.

I. Appearing interested parties

23. Only the national producer appeared in the procedure in due time and form:

Tubos de Acero de México, SA
Champs Elysees No. 400, 17th floor

Col. Chapultepec Polanco
CP 11560, Mexico City

J. First period of offering evidence

24. At the request of TAMSA, the Secretariat granted it an extension of ten business days to present its response to the official form, as well as the arguments and evidence corresponding to the first period for offering evidence. On September 9, 2019, TAMSA presented the response to the official form, as well as the arguments and evidence agreed to by its law, which appear in the reference administrative file, which were considered for the issuance of this Resolution.

K. Replicas

25. Due to the fact that no counterparts of the national production appeared, no replies were presented.

L. Information requirements

1. Extensions

26. The Secretariat granted an extension of ten business days to TAMSA to present its response to the request for information made on October 16, 2019. The deadline expired on November 13, 2019, respectively.

2. National producer

27. On October 16, 2019, the Secretariat requested TAMSA to, among other issues, present the methodology to calculate the adjustment for maritime freight, as well as those corresponding to the term of sale, cost and freight (CFR, for the acronym in English). " Cost and Freight "); Provide, with respect to the product under examination, elements to prove that cost and price structures prevail in its production and sale that are not determined according to market principles, the similarity between the technology used in the production process of China and Mexico, its production cost structure and the share of each of the factors of production that are used intensively in their manufacture; explain the distortion in the use of these factors by government intervention in China, how the distortions in the production of seamless carbon steel pipe are transferred to the product under examination, if the companies producing steel connections in China are from state or private ownership, and whether there is any degree of integration with seamless carbon steel pipe producers; provide elements to infer that China's export price to Hong Kong can be considered as a domestic price for China; the support

of the documents used to draw up the " Analysis of China as a non - market economy " that present, as well as those used to calculate the amounts reported in respect of raw material and other manufacturing costs, selling expenses and administration, financial expenses, interest and yield, reported, and to show that the United States imposed countervailing measures on China; elements to support that if the countervailing duty is eliminated on the product under examination, the practice of dumping would continue or be repeated; that the steel fittings industry in the United States performs under the principles of a market economy; the similarity between the product sold in the United States market and the product under examination, its production process, an explanation as to whether the intensity in the use of production factors is equivalent in both countries and whether they are main producers of sheet plates, the main input for the manufacture of caps, and energy; provide the support of the documents that served to prepare the market study for the determination of normal value, prepared by White & Case, clarify why it made an adjustment for marketing margin and if the prices of the producers that it reported are at the former level factory; information on imports from product under review, indicators of the domestic industry and your company for the review period, as well as the four previous comparable periods and projections for the periods July 2019 to June 2020 and July 2020 to June 2021. Regarding its projections, it will provide an explanation on the adjustment for hospitalization expenses that it proposed, on the use of the growth forecast of the Gross Domestic Product (GDP) reported by the Bank of Mexico to project the Apparent National Consumption (CNA), and arguments on the transmission mechanism of China's export potential to the national industry. He submitted his response on November 13, 2019.

28. On January 28, 2020, the Secretariat requested TAMSA to, among other issues, explain and provide documentary support of the freight prices per 20-foot container from various ports in China to the United States; documentary support of the maximum load of a 20-foot container; an explanation of the methodology used to estimate the inflation index for October 2019 and the inflation index for the period July 2018-June 2019, with data from the International Monetary Fund (IMF); Regarding the market study for the determination of the normal value, it will clarify if the reported prices correspond to quotes or price lists, it will present the worksheets for each distributor, as well as the support documentary that the products considered to calculate the discount adjustment correspond to those identified as products of greater consumption in Mexico, and clarify various aspects in relation to the deflation that it presented to make the adjustments for discount and marketing margin. He submitted his response on February 11, 2020.

3. No parts

29. On October 16, 2019, the Secretariat requested CANACERO to clarify various aspects of the methodology it used to purify imports of steel connections made during the analysis period. He filed a response on November 6, 2019.

30. On October 23 and November 14, 2019, the Secretariat requested various customs agents and importing companies, respectively, to submit import requests, as well as documentation attached to them. The deadline expired on November 6 and 29, 2019, respectively.

M. Second period for offering evidence

31. On November 21, 2019, the Secretariat notified TAMSA of the opening of the second period

for offering evidence. On January 15, 2020, TAMSA presented arguments and complementary evidence, which are in the administrative file of the case, which were considered for the issuance of this Order.

N. Other appearances

32. On September 3, 2019, CANACERO presented a study to determine the export price of the product under examination, as well as the methodology used for said calculation and for the analysis of imports, prepared from statistical information of imports that entered through tariff 7307.93.01 of TIGIE during the period July 2014 to June 2019 which provided the Tax Administration Service (SAT).

O. Essential facts

33. On May 8, 2020, the Secretariat notified TAMSA of the essential facts of this procedure, which served as the basis for issuing this Resolution, in accordance with Articles 6.9 and 11.4 of the Agreement on the Application of Article VI of the General Agreement on Tariffs and Trade 1994 (the "Anti-Dumping Agreement"). TAMSA did not present representations to the essential facts.

P. Public hearing

34. On May 15, 2020, the public hearing in this procedure was held. Only TAMSA participated, who had the opportunity to present its arguments, according to the record that was drawn up for that reason, which constitutes a public document of full evidentiary effectiveness, in accordance with article 46, section I of the Federal Law of Procedure Administrative Litigation (LFPCA).

Q. Allegations

35. On May 19, 2020, TAMSA presented its arguments, which were considered for issuing this Resolution.

R. Opinion of the Foreign Trade Commission

36. Based on articles 89 F section III of the Foreign Trade Law (LCE) and 19 section XI of the Internal Regulations of the Ministry of Economy (RISE), the draft of this Resolution was submitted to the opinion of the Commission of Foreign Trade, which considered it in its session on July 22, 2020. The project received a favorable opinion by the majority.

CONSIDERING

A. Competition

37. The Secretariat is competent to issue this Resolution, in accordance with articles 16 and 34 sections V and XXXIII of the Organic Law of the Federal Public Administration; 1, 2 section A section II number 7 and 19 sections I and IV of the RISE; 11.1, 11.3, 11.4, 12.2 and 12.3 of the Anti-Dumping Agreement, and 5 section VII, 67, 70 section II and 89 F of the LCE.

B. Applicable law

38. For the purposes of this procedure, the Anti-Dumping Agreement, the LCE, the Regulations of the Foreign Trade Law (RLCE), the Fiscal Code of the Federation, the LFPCA applied additionally, in accordance with the Second Transitory Article of the Decree by the one issued by the LFPCA, as well as the Federal Code of Civil Procedures, these last three of supplementary application.

C. Protection of confidential information

39. The Secretariat may not publicly reveal the confidential information that the interested parties presented, nor the confidential information that it collected, in accordance with the provisions of Articles 6.5 of the Anti-Dumping Agreement, 80 of the LCE, and 152 and 158 of the RLCE.

D. Right of defense and due process

40. The interested parties had ample opportunity to present all kinds of arguments, exceptions and defenses, as well as the evidence to support them, in accordance with the Anti-Dumping Agreement, the LCE and the RLCE. The Secretariat assessed them subject to the essential formalities of the administrative procedure.

E. Analysis of continuation or recurrence of dumping

41. The Secretariat conducted the examination of the continuation or repetition of dumping based on the information and evidence presented by the national producer TAMSA, as well as that submitted, in accordance with the provisions of Articles 54 second paragraph and 64 last paragraph of the LCE. During the examination procedure, the Secretariat gave the exporting companies, as well as the government of China, ample opportunity to state what was in their right, however, they did not appear.

1. Export price

42. TAMSA stated that, in a validity review, the Anti-Dumping Agreement does not require a new calculation of the margin of price discrimination. In this regard, he cited the Report of the Appellate Body of the World Trade Organization (WTO) in the United States- Sunset Review of Anti-Dumping Duties on Corrosion-Resistant Carbon Steel Flat Products from Japan (WT / DS244 / AB / R), dated December 15, 2003, which in paragraph 123 indicates that Article 11.3 of the Anti-Dumping Agreement "neither expressly requires the authorities in a sunset review to calculate new margins of dumping, nor does it expressly prohibit them from being based on margins of previously calculated dumping." In addition, it added that paragraph 127 of the same report also states that "However, if the investigating authorities choose to rely on dumping margins when making their likelihood determination, the calculation of these margins must be consistent with the disciplines of Article 2.4".

43. TAMSA proposed six scenarios to prove the export price, four of which were presented by

CANACERO and prepared based on the import statistics obtained from the SAT. Given that, through tariff section 7307.93.01 of the TIGIE, a product other than the one examined also enters, CANACERO used the automatic notices of the Comprehensive Foreign Trade Information System (SIICEX) to verify the dimensions, standards, steel grade, as well as that the operations correspond to elbow, tee, reduction and cover shapes, in order to identify the imports corresponding to the product under examination that paid a countervailing duty, during the examination period.

44. The two remaining export price scenarios, presented by TAMSA, correspond to export prices of manufacturers of steel connections in China, and to the export price from China to India, as a third country, obtained from the statistics of export from China, the latter, as an alternative option and to confirm that China continues to export the subject merchandise at discriminated prices.

45. However, TAMSA stated that, to prove the export price, it considered one of the scenarios provided by CANACERO, which contains only the purified imports of the product under examination shipped directly from China.

46. For its part, the Secretariat obtained the list of total imports that entered through tariff section 7307.93.01 of the TIGIE, during the examination period, which it obtained from the Mexican Commercial Information System (SIC-M). He compared this information with that provided by CANACERO, finding differences in the number of operations that paid a compensatory fee and, therefore, in value and volume, for which he determined to use the SIC-M base of operations, by virtue of the fact that the information contained in said database is obtained after validation of the customs requests that occurs in a framework of information exchange between agents and customs representatives, on the one hand, and the authority customs on the other, which is reviewed by the Bank of Mexico and, therefore, is considered the best information available.

47. Additionally, in order to have more elements regarding the identification of the product under examination, the Secretariat required importers and customs agents to provide import requests and complementary information on the operations that paid a compensatory fee during the examination period. The information obtained represented 94% of the total volume of imports that paid a countervailing duty.

48. Based on the foregoing, the Secretariat identified 89 types of carbon steel connections for butt welding, considering the type of connection and the outside diameter, that is, elbows, "tees", reductions and caps, in diameters that they are in the range of ½ to 16 inches.

49. Based on the information and documents indicated, the Secretariat calculated the weighted average export price in dollars per kilogram for each of the 89 types of carbon steel butt-weld connections, for the examination period, in accordance with articles 39 and 40 of the RLCE. The volume in kilograms for each type of connection was identified in the invoices and in the attached documents.

to. Export price adjustments

50. TAMSA pointed out that, derived from the information that CANACERO provided, it was aware that prices are expressed at the entry border level (customs value) and also at commercial value, that is, invoice value. It considered that said invoice price does not need to be adjusted for ocean freight, so it was not necessary to make any adjustment to the export price.

51. For its part, the Secretariat identified the terms and conditions of sale for each operation in the import pedimentos or in the sales invoices. According to the revised information, imports were made at Free on Board (FOB), cost, insurance and freight (CIF, Cost, Insurance and Freight). and Delivered at Place (DAP).

52. In this regard, the Secretariat requested TAMSA to present the information and methodology to calculate the adjustment for sea freight, as well as those corresponding to the CFR sale term. In its response to the request for information, TAMSA only provided the calculation for the adjustment for maritime freight, so the Secretariat, depending on the terms of sale, adjusted the export price for said concept, based on the information provided by TAMSA.

i. Sea freight

53. TAMSA presented an estimate of the cost in dollars per ton that was incurred to transport the merchandise to Mexico in a 20-foot container, during the examination period. To document the cost of the freight, he used the monthly price reports reported by the Drewry company on its website and information obtained from the website <http://es.thetimenow.com>, to obtain the distance of three

different ports in China to the port of Manzanillo, Mexico. With the above information, the Secretariat estimated the cost in dollars per kilogram for the review period to transport the merchandise from China to Mexico.

ii. Determination

54. Based on Articles 2.4 of the Anti-Dumping Agreement, 36 of the LCE and 53 and 54 of the RLCE, the Secretariat accepted the information provided by TAMSA and adjusted the export price for ocean freight.

2. Normal value

to. China as a non-market economy

55. TAMSA noted that non-market conditions prevail in China and in the steel butt-weld connection industry, in accordance with the Protocol of Accession of the People's Republic of China to the World Trade Organization (the "Protocol of China's accession to the WTO") and articles 33 of the LCE and 48 of the RLCE.

56. It indicated that pursuant to subparagraph a) of paragraph 15 of China's Protocol of Accession to the

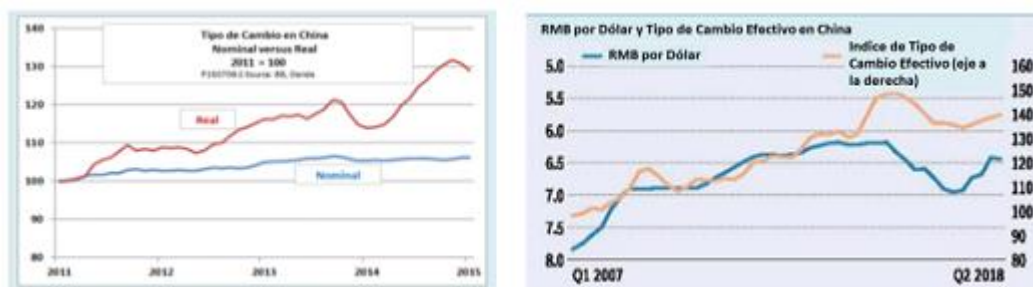
WTO, the possibility of using prices or costs in China or a different methodology for the purposes of price comparability is established. In this regard, it considers that according to subparagraph a) romanita (i) of paragraph 15 of the Protocol of Accession of China to the WTO, which continues in force, the use of domestic prices in China is subject to the condition that the producers subject to The investigation clearly demonstrate that market conditions prevail in the industry. On the other hand, the expiration of subparagraph a) Romanite (ii) of paragraph 15 of China's Protocol of Accession to the WTO does not prevent the authority from using a different methodology if it is not proven that the respective sector operates under market conditions .

57. He added that, in the case of China, the Secretariat has stressed that, even though some clauses of China's Protocol of Accession to the WTO are no longer applicable, the possibility that China is considered as a non-market economy has not disappeared , and that this determination depends on the arguments and evidence presented by the interested parties in the proceeding.

58. In this sense, TAMSAs presented the following arguments and evidence to demonstrate that in China and in the sector of steel connections for butt welding, structures and costs prevail that are not determined according to market principles, according to the criteria of article 48 of the RLCE:

a. The exchange rate is under state control:

i. TAMSAs pointed out that the intervention of the Chinese authority in the foreign exchange market continues to be considerable. It provided the following graphs with the historical evolution of the real and nominal exchange rate, according to the Oanda exchange portal and The Hindu BusinessLine magazine;



ii. explained that the graph on the left compares the historical evolution of the real and nominal exchange rate from 2011 to 2015. The graph illustrates how in the long term the Chinese authorities establish an exchange rate that tends to be rigid compared to the derivative fluctuations of the real evolution of the purchasing power of currencies. The graph on the right, published in The Hindu BusinessLine magazine for the period 2007 to 2018, shows a gap between the real versus the nominal exchange rate. In particular, it is observed that, in the short term, the authorities have appreciated their local currency, but in such a way that the nominal exchange rate continues to be considerably separated from the real exchange rate. In summary, the graphs show a management of the foreign exchange market that does not reflect

consistency with market signals;

iii. argued that the role of the Chinese government is not limited to determining the exchange rate, but encompasses severe control, through a rigorous dual control mechanism, since, although there is only one nominal currency, it is managed in two separate markets: onshore (CNY) and offshore (CNH), as noted in the document " The dual exchange rate system (CNY vs CNH) " published by Mizuho Bank, Ltd in June 2018;

iv. according to the document " CNH vs CNY: What are the main differences between the two yuan " , published in the journal DailyFX, on September 12, 2018, the CNH refers to the Chinese yuan in the foreign market, which Encuentra Outside mainland China, this includes the traditional centers of Hong Kong, Singapore, London and newly developed centers such as Luxembourg, while in mainland China the CNY is handled. The exchange of foreign currency and the yuan can only be carried out in certain banks that are owned by the State, in strictly limited amounts and in accordance with the exchange rate established by the Chinese government;

v. Although companies can exchange currencies for CNH, they must prove that they require it for trade operations or international financial movements, since the participation of entities in the CNH market is restricted to companies qualified for it, as indicated in the Report from CME Group " Chinese Renminbi Offshore Market (CNH) " , published on the Internet page <http://www.cmegroup.com/trading/fx/emerging-market7usd-cn.html>, March 4, 2014;

saw. Since 2016 the IMF has incorporated the yuan as part of the basket of international currencies that make up the financial instrument called Special Drawing Rights (SDR), however, the IMF itself has pointed out that China's monetary reforms have been insufficient. According to the document " IMF Country Report No. 18/240 " of that body, the renminbi remained stable against the basket published by the Chinese Foreign Exchange Trading System in 2017, but with a greater fluctuation compared to the dollar and has appreciated by around 2% in real effective terms in the first half of 2018. It indicates that it is continuous structural reforms are necessary; In particular, it highlights that the central

parity mechanism for the daily floating band must be transparent and mechanical, with the exchange rate influenced by the intervention of the external exchange market and by public communication when necessary, rather than by administrative measures. and

vii. Article 48 of the RLCE does not require an analysis of this criterion at the industry level, but clarified that the centralized determination of the exchange rate and the restriction on currency convertibility affect the steel sector and, in particular, the industry object of exam. In this regard, it indicated that according to the information obtained from the Internet pages of producers of steel connections in China and <https://www.made-in-china.com>, these companies typically export between 30% and 90% of its total production. Under these conditions, Chinese producers of connections orient important shipments of merchandise that are usually priced in dollars per ton in international markets. Thus, if the currency local is undervalued, this will result in a competitive advantage.

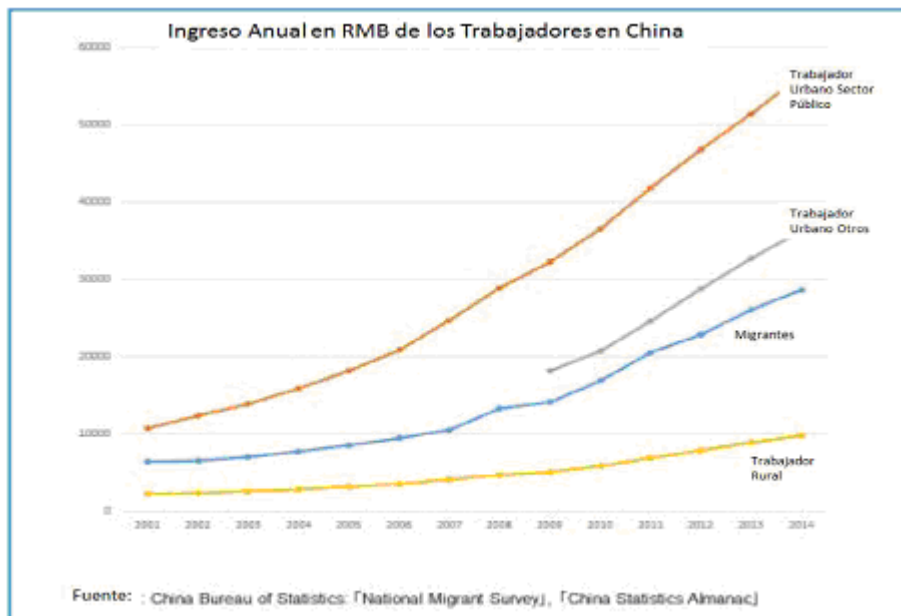
b. The wages and flow of labor are under the control of the State:

i. TAMSА mentioned that wages are another of the economic variables that are subject to rigorous control by the State. According to information from the Observatory of International Labor Relations of the Complutense University of Madrid, China refuses to ratify the Conventions of the International Labor Organization (" ILO "), relating to the right to freedom of association, as well as fundamental instruments related to the abolition of forced labor, labor inspection and others;

ii. the most recent information on the status of the relationship between unions, government and single party , remains the same, that is, union organization is allowed in theory, but must be integrated into a single union body, controlled in turn by the Communist Party of China (CCP), according to the China Business Review report, " Union Law and Collective Bargaining in China " , published on the website <https://www.chinabusinessreview.com/trade-union-law-and-collective-bargaining-in-china/>, in April 2017;

iii. according to the article " Outdated urban passports still rule the lives of China's rural citizens " , posted on the website <https://www.independent.co.uk/news/world/politics/outdated-urban-passports-still-rule-the-lives-of-china-s-rural-citizens-a7517181.html>, on January 13, 2017, the hukou system is an internal migration control mechanism that centrally regulates the flow of the hand of work, which was imposed during the industrialization policy since the 1950s by the CCP and which persists to this day;

iv. TAMSА presented the following graph that illustrates the fact that the migrant worker sector has lagged behind and its gap with urban workers has widened, so it can be considered as an anchor with respect to the average cost of labor in China , according to the study " A Simple Model of the Chinese Hukou System and Some Ongoing Reforms " , published by the Research Institute of Economics and Business Administration of the University of Kobe, Japan in 2017:



v. In the same document, it is pointed out that the hukou reform is one of the most complex issues in the Chinese transition, and is closely related to the urbanization of millions of peasants, the migration of urban residents through cities, the ownership of the land and the equity of the educational system;

saw. TAMSА provided the article " The Chinese hukou system at 60: continuity and reform" by Kam Wing Chan, a professor at the University of Washington, published on February 2 , 2018. The paper states that, despite the dramatic changes Social and Economic In the past four decades, the Hukou system remains an enduring institution . Its continuing importance indicates how far or even how little China has strayed from its socialist path. Beyond migration control, the hukou system was the mechanism to organize labor for rapid industrialization in the first three decades in that country. The immobilization of the peasantry

allowed the state to organize Farmers' crops to support the first overriding goal of industrialization. In the reform era, the hukou system has been reshaped to serve the new imperative of the state on export-oriented industrialization, contrary to the previous strategy of immobilization, the peasantry was liberated to create a huge class of extremely labor force. cheap and mobile, and

vii. He added that Article 48 of the RLCE does not require an analysis of this criterion at the industry level, but the centralized determination of the cost of labor affects the steel sector and the industry of the product under examination. He indicated that labor is an integral part of the

operations of the steel sector, under these conditions, if wages are not determined according to market conditions, this will result, in conjunction with the rest of the factors under consideration, an artificial competitive advantage.

c. Prices, costs and supply are under the control of the State:

i. TAMSAs argued that in China the State continues to control in a centralized and planned manner the macroeconomic variables that determine prices and costs, particularly in the steel sector. According to the China Trade Policy Review Report number WT / TPR / S / 342, published by the WTO on June 15, 2016 (China Trade Policy Review 2016), a basic economic model in which public ownership continues to be the central pillar of the economy, even when it allows the parallel evolution of various forms of ownership, sectors of strategic importance (for example, energy, public services, transport, financial, telecommunications, education and health care) are so the partially opened to private investment;

ii. The 2016 China Trade Policy Review also notes that the Chinese authorities may apply price controls to goods and services considered of direct importance to the national economy and the livelihoods of the population, and that these price controls are established by the National Development and Reform Commission at the central level , and by the Provincial Development and Reform Commissions and the Product Price Office in each province;

iii. According to the Report of the Trade Policy Review of China number WT / TPR / S / 375, published by the WTO on June 6, 2018 (Trade Policy Review of China 2018), this situation continues, since Although the government reports direct control only over a limited number of products and services, in reality Article 18 of China's Price Law allows the government to set prices for " products that have a significant influence on the economy. national and the means of subsistence of the population " , as well as services and products that the government determines are key to its economy;

iv. at the sector and industry level, TAMSAs argued that the European Commission, in the document " On significant distortions in the economy of the People's Republic of China for the purposes of trade defense investigations " , dated December 20, 2017, confirmed that in the sector steelmaker state-owned companies play a central role. The European Commission estimated that around half of the companies in the sector are directly state-owned (51% private and 49% state-owned when measuring production, and 56% private and 44% state-owned when measuring capacity);

v. The document indicates that there is also a significant presence of state companies in the mining industry, supplier of raw material for steel production; For example, large steel production companies such as Anshan Iron & Steel Corporation, Panzhihua Iron & Steel Corporation and Benxi Steel, are companies in the steel sector and also own iron mines;

saw. He added that the government exercises control of the sector through state-owned companies. According to the European Commission report, these companies play a leading role in the steel sector, in such a way that private companies cannot operate under market conditions;

vii. He mentioned that the supply of basic inputs for the steel sector is done through state companies that handle prices determined by the authorities. In addition to oil and gas, electricity is another of the basic inputs of the steel sector and is also controlled by the State. The authorities have implemented reforms to liberalize electricity prices (especially industrial ones), but transmission and distribution tariffs are officially established in accordance with the principle of reasonable costs plus benefits at different voltages, with the government calculating this. cost and determines the reasonableness of those benefits, in accordance with the Policy Review 2018 China Commercials;

viii. presented electricity and gas prices obtained from the website [https:// www.statista.com](https://www.statista.com) and from the World Bank, respectively. He mentioned that, when comparing international electricity and gas prices with Chinese prices, it is observed that the latter reports artificially low prices. The effects of artificially low prices on inputs are seen in the prices of tickets or billets that can be used for

manufacture seamless pipe, the main input for the connections under examination. The prices of the inputs used to make the fundamental raw material for steel butt weld connections are significantly different from international prices;

ix. According to the document " On significant distortions in the economy of the People's Republic of China for the purposes of trade defense Investigations " , of December 2017, the European Commission observed that coke, together with iron ore, were subject to a 40% export tax , as well as the imposition of quantitative restrictions; According to the European Commission, these mechanisms have led to a situation in which the price of raw material continues to be the result of State intervention, which it considers will continue to affect steel producers, including those of seamless tubing, which are those who supply the raw material for the steel connections or are themselves producers of the product under examination;

x. stated that authorities such as the United States Department of Commerce (USDOC), the European Commission and Canada have conducted investigations on subsidies directed at various Chinese companies in the steel sector, in that compensatory measures have been imposed. He added that the subsidies identified directly affect the inputs, raw materials and final prices of the sector under examination, in addition, the amount of the subsidies has been valued as significant by international authorities;

xi. explained that from the list of the main steel producing countries published by the World Steel Association (WSA), it identified the two main Chinese producers of seamless pipe, Valin Group and Baotou Steel, those which are state - owned. He added that the USDOC found that these companies receive round steel billets, electricity and land use at distorted prices; support through the transfer of funds for technology projects in the industry, regional subsidies , tax benefits with accelerated depreciation programs, exemptions in the import of equipment and reduced regional taxes, as well as tax credits in acquisition of household equipment;

xii. He stated that the information regarding the manufacturing industry of steel connections is highly dispersed and not very transparent, however, the available data allow to conclude that the economic distortions that have been described also characterize this subsequent stage of the productive chain;

xiii. He indicated that Chinese exporters of steel connections face anti-dumping measures in the international market. In particular, in the case of the United States, they face countervailing duties ranging from 35% to 182.9% since July 1992. The foregoing, according to the document of the United States International Trade Commission (USITC, by the United States International Trade Commission) " Investigation Nos. 731- TA - 308-310 and 520-521 (Fourth Review) " publication 4628;

xiv. Based on the USDOC document " Factsheet-multiple-forged-steel-fittings-AD-CVD-final " , available on the website <https://enforcement.trade.gov>, it indicated that Chinese producers of steel connections forged have been subject to countervailing measures, since the USDOC found that these producers enjoy subsidies of 13.41%, in addition to incurring price discrimination of between 8% and 142.72%. He clarified that such manufacturers often also produce the steel connections under review;

xv. In the Implementing Regulation (EU) 2017/141 of the European Commission, it is indicated that in the European Union, Chinese exporters of stainless steel connections face anti- dumping measures ranging from 30.7% to 64.9%. He clarified that the producers of carbon steel connections are usually also suppliers of stainless steel connections;

xvi. presented a list of Chinese companies producing carbon steel butt-welding connections, which it compiled with information obtained from the website <https://www.made-in-china.com> and from the companies themselves. In this regard, he mentioned that 20 companies identified are direct manufacturers of steel connections in China and, in turn, 50% of them are located in the so-called economic development zones, which are strategic areas in which the government implements policies such as tax exemptions, debt forgiveness and direct fund transfers, among other government support programs;

xvii. from the above analysis, identified the company Hainan Huatongxinda Trade Co., Ltd., which reports

the largest production capacity, and who, in turn, is an integrated company that also manufactures seamless pipe. According to his information, the company has relations of long - term oil companies owned by the government and exports between 71% and 90% of its production. It also identified Guangzhou Kingmetal Steel Industry Co., Ltd and Chengdu Derbo Steel Co., Ltd. as producers of steel fittings and pipe suppliers , the latter with an export level of 90%. Regarding the company China North Industries Corp., which faces an antidumping quota of 154.72% in steel connections in the United States, it indicated that it is a 100% state-owned corporation, which is listed as one of the 500 largest companies in the country;

xviii. Among the 20 producers of connections identified, he observed that 13 of them (65%) also produce forged steel connections, products that are manufactured with the advantage of government support in the form of subsidies. It indicated that these subsidies are not necessarily limited to an isolated product line, for which reason it concluded that there are reasonable indicators that these companies, in their capacity as manufacturers of the connections under examination, operate with such artificial advantages;

xix. concluded that industry-level information shows that steel connection manufacturing companies enjoy state support via the supply of seamless pipe at non-market prices. Additionally, they enjoy similar benefits in the subsequent phase of the production chain, as indicated by the geoeconomic development area in which they are located, as well as the fact that the main producers of connections have strategic links with state companies. or they are themselves state-owned, and that they are integrated companies and / or with parallel production lines that, in both cases, operate with substantial government support;

xx. Additionally, it presented the following table that shows that the prices of the connections in the Chinese domestic market, the selling price of China to its autonomous province called Hong Kong Special Administrative Region, are significantly below international prices. The foregoing, based on statistical information published by the International Trade Center, Trade Map of the United Nations:

**Precio Interno de China vs Precios Internacionales
Conexiones de Acero (usd/ton)**

Pais	2016	2017	2018
Promedio Principales Exportadores	4,358	4,268	4,561
Italia	5,163	4,391	4,675
Corea, República de	3,526	3,526	3,941
Alemania	5,241	5,893	7,745
Tailandia	3,049	3,135	2,868
Austria	3,901	4,234	4,354
Estados Unidos de América	9,937	9,178	9,988
China a Hong Kong	1,184	1,279	1,631

xxi. In this regard, he explained that the price of connections in Chinese territory, being below international benchmarks, occurs in parallel with the existence of subsidies and other forms of public funds transfers, both to the Chinese steel sector, and to its seamless pipe industry and connection manufacturing companies in particular.

d. Foreign investment is under state control:

i. At the macroeconomic level, TAMSAs indicated that the 2018 China Trade Policy Review confirms that the Foreign Investment Catalog (the "Investment Catalog") continues to operate, which constitutes the main instrument to guide foreign direct investment in that country. The 2017 version of the Investment Catalog classifies them in the recommended category, or in a negative list that contains a list of industries where direct foreign investment is restricted or prohibited;

ii. projects that are outside the negative list require submission of requests for registration or not allowed. For their part, projects in the recommended category are eligible for preferential treatment, for example, they enjoy exemptions from customs duties for the import of equipment;

iii. In the 2018 China Trade Policy Review, the WTO noted that China continued to encourage foreign direct investment in the central and western regions, where projects can benefit from favorable policies, in addition to the application of subject to administrative processes of approval and registration;

iv. in the document "OECD's FDI restrictiveness index, 2010 update", of the Organization for Economic Cooperation and Development (OECD), the index on restriction of foreign direct investment is presented, which quantifies four types of measures of a country in 22 different sectors: (i) restrictions on foreign capital, (ii) requirements for selection and prior approval, (iii) rules for key personnel, and (iv) other restrictions related to the operation of foreign companies. According to this index, the score obtained for China represents a wide range of practically closed sectors, including the financial sector, being that China is the worst rated country, with key sectors of the economy completely out of reach of foreign investment;

v. at the sectoral and industrial level, TAMSAs added that the steel sector is not explicitly indicated in the Investment Catalog of the Chinese authorities, which means that, although it is not a prohibited sector, it is not considered encouraged either, so it remains subject to control mechanisms via the registration and examination of the authorities;

saw. According to information on the Internet page <https://www.scmp.com>, foreign companies wishing to invest in China's steel sector must possess intellectual property rights, have an annual general steel production capacity of more 10 million tons, or at least one million tons of special alloyed steel; In addition to having capital strength and relatively high credibility, verifiable with supporting documentation from banks and accounting firms;

vii. On the aforementioned website, it is also noted that foreign companies must comply with government restrictions designed to limit new capacity, so that they can only invest in old plants, renovate projects, or invest in new plants while closing capacity. equivalent in obsolete installations; Consequently, despite the strategic position of China as the world's largest consumer and producer of steel, foreign companies so they have limited investment in a Chinese steel industry dominated by companies backed by the State;

viii. TAMSAs argued that the foreign investment management policy also affects the steel sector through its impact on the companies that provide it with raw materials, inputs and services. According to the 2018 China Trade Policy Review, there is state control over gas and electricity, inputs required by the steel industry, as well as in the mining sector, which is a supplier of inputs in steel production. The distribution of the natural gas is mainly controlled by state-owned enterprises China National Petroleum Corporation and China Petrochemical Corporation, while private companies DESEM Penan só a more important role as retail gas sectors;

ix. In the 2018 China Trade Policy Review, it is also noted that the foreign investment regime in the electricity sector is regulated by the 2017 Investment Catalog, which stipulates that the construction and operation of grids, including transmission and electricity distribution, is in the restricted category and must be controlled by the Chinese government. Foreign investors can participate in the construction and operation of networks through partnerships with Chinese companies, but the networks must be controlled by the government. It is the authorities who define the transmission and distribution rates officially, which naturally helps to restrict the flow of investment in this energy sector;

x. In the same document, it is indicated that the mining sector is included in the prohibited category in the Investment Catalog and remained unchanged between 2015 and 2017; this includes the exploration and exploitation of tungsten, molybdenum, tin, stibium, fluorite, rare earths and other minerals that can be used by the steel sector. Some changes have been made

for the recommended and restricted categories related to mining, but the exploration and exploitation of special and rare types of coal and graphite, as well as the smelting and separation of rare earths and the smelting of tungsten fall within the restricted category, and

xi. investment regulation also affects industrial consumers of seamless pipe, raw material for steel connections. According to the aforementioned document, most of the pipeline networks, which are used to transport oil and natural gas, belong to three state-owned companies, which are listed on the Hong Kong Stock Exchange and the minority participation of foreign investors, but is subject to a national security review.

and. Accounting does not follow international standards:

i. According to the 2018 China Trade Policy Review, the practice of accounting services in China is permitted only in the form of limited liability companies or partnerships, established and managed by certified public accountants licensed by the companies. Chinese authorities. Foreigners can take the China National Accounting Exam, and foreign accounting firms can join Chinese firms and enter into contractual agreements;

ii. According to the document "Managing your accounting and bookkeeping in China", by the international accounting services firm Dezan Shira & Associates, the presence of foreign accounting firms is in the category of encouraged in the Investment Catalog, but subject to the main partner is a local Chinese company. This source observes that the "China Accounting Standards" system continues to be the mandatory system for use in China, and points out that rules have been issued called Generally Accepted Accounting Practices in China, which seek greater convergence with the International accounting, however, these are published by the Ministry of Finance of China, who decides whether a standard issued by an international body is incorporated into the Chinese accounting system, which implies regulation by the government;

iii. In the 2017 Annual Financial Report of the Hunan Valin Group, which integrates seamless pipe manufacturing companies, it is indicated that the 2017 annual financial report has been audited by Tianjian certified public accountants, but adds that, during the reporting period, the accounting company issued an unqualified standard audit report to the company and clarifies that, in said report, the Accounting Standards for commercial companies No. 42, formulated by the Ministry of Finance since May 28, 2017, have been implemented TAMSA concludes that, even when it is a company listed on the local stock exchange, the accountants certified by the authority that made the report do not apply the standard accounting standards and, rather, those centrally formulated by the financial authority of that country, and

iv. There is no availability of accounting information of the companies in the sector, or it is scarce or not reliable. In general, international observers point out that accounting standards in China follow rudimentary recording patterns or follow government guidelines. Regarding the connections industry, he pointed out that none of the identified companies disseminates basic financial data or annual reports, and their accounting information is not accessible to the public.

F. Distortions in costs and financial situation:

i. At the macroeconomic level, TAMSA noted that the 2018 China Trade Policy Review indicates that financial control in China continues without major changes, where the main monetary policy decisions on loans and deposit rates require approval by the Council of the State, and are established directly by the Central Bank of China;

ii. the banking sector continues to be characterized by the existence of predominant categories of state ownership. According to the European Commission working document, "On significant distortions in the economy of the People's Republic of China for the purposes of trade defense investigations" of December 2017, government control in the Chinese banking sector is observed in large commercial banks, commercial stock banks and state policy banking. Government banking, under any of these modalities, represents almost the

70% of the total bank assets in China. The remainder corresponds mainly to smaller rural or urban commercial banks, mostly owned by local or provincial governments. Foreign-invested banks remain insignificant in China;

iii. In the same document from the European Commission, it is explained that the Chinese legal framework establishes that banks are mechanisms to implement China's economic policy, since article 1 of the Banking Law stipulates that banks must promote the development of the market economy socialist and

article 34 establishes that commercial banks must conduct their business in accordance with the needs of national economic and social development , and under the guidance of the State's industrial policies;

iv. the Commission's working document concludes that, financially, there is a distorted situation that is not de facto comparable with what happens in other market-based economies. The current Chinese financial system is characterized by: (1) a strong presence of state banks, and (2) a generalized influence of the state that imposes on the financial system a large number of political objectives, in particular for the implementation of its sophisticated system of economic planning;

v. At the sector and industry level, TAMSA pointed out that companies in the Chinese steel sector, in general, are obliged to obey the guidelines of the State, the supply of raw materials is regulated by the government, the use of geographical areas is encouraged through subsidies, they apply incentives or export taxes and prices do not reflect international market signals , they receive financial support from the State and preferential loans despite their low profitability;

saw. To support the foregoing, TAMSA relied on USDOC data showing that seamless steel pipe producers (Wixu, Jiangsu, Tianjin and others) receive financial support from the State in the form of loans at preferential rates, as well as debt forgiveness , subsidies, among others, which, according to his saying, by affecting seamless steel pipe , necessarily affect the production of steel connections that uses it as a raw material;

vii. To demonstrate the cost and financial distortion price impact, TAMSA estimated a reconstructed value of the steel butt weld connections. He pointed out that, according to his data, the raw material corresponds to 69% of the manufacturing cost, so for this item he considered the prices of seamless pipe in dollars per ton reported by exporters from Southeast Asia (excluding China), for the examination period, based on the statistical information published by Trade Map. To calculate the selling, administrative and financial expenses and the profit margin, it considered the financial information of the Chinese companies Baotou Steel and Valin Group, which manufacture seamless steel pipe, obtained from the Internet page www.financials.morningstar.com:

Estimación Valor Reconstruido en China

		Jul 2018 - Jun 2019	
	Concepto	Valor (usd/ton)	Referencia
A	Tubería	1,585.18	Tubería en Sudeste asiático, precio internacional (TradeMap)
B = A x (1- I) / I	Insumos y otros Gastos de Fabricación	728.41	Factor usando información de Tamsa I = 68.5%
C = A + B	Total Costo fabricación	2,313.59	Suma
D = C x J	Gastos Venta y Admon	154.11	Ratio de Gastos Generales, de Venta, Administrativos y Otros J = 7%
E = C x K	Gastos Financieros e Interes	145.98	Ratio de Gastos Financieros K = 6.3%
F = C + D + E	Total Costo Operativo	2,613.68	Suma
G = F x L	Rendimiento	318.17	Ratio de Beneficio Operativo L = 12.17%
H = F + G	Valor Reconstruido	2,931.85	Suma

viii. In this regard, it indicated that the estimate of the reconstructed value, based on the prices international data on raw materials, allows us to observe the impact of the operation of the steel connection industry. He added that the comparison of the constructed value with the prices observed in the domestic market of China, allows to appreciate the degree of distortion through which the producers in China operate.

59. The Secretariat analyzed the information provided by TAMSA and required it to present additional arguments and evidence proving that, in the production and sale of steel connections for butt welding, manufactured by companies in the sector or industry in China, prevail cost and price structures that are not determined according to market principles, in accordance with article 48 of the RLCE, an explanation of the similarity between the technology used in the production process of steel butt-weld connections in China and Mexico, the cost structure of carbon steel butt weld connections, the share of production factors that are used intensively in the manufacture of steel butt-weld connections, credit the distortion in these factors by government intervention in China, and point out how distortions in the production of seamless carbon steel pipe are transferred to carbon steel connections for butt welding.

60. In this regard, TAMSA presented the following arguments and evidence to demonstrate that structures and costs that are not determined according to market principles prevail in the Chinese steel butt weld connection industry :

a. commented that the technological process of the product under examination is determined by the need to comply with international standards ASTM or their equivalents, which govern its commercialization. He clarified that the particular details of the Chinese production process are not within

his reach, since they are considered confidential by the companies. However, the information that was available allows us to infer that the production process and technology, determined by the manufacturing equipment and machinery, is similar to that of other international producers, including TAMSA;

b. To support the above, it presented information from Chinese companies that indicate on their Internet pages that the steel connections for butt welding comply with the specifications of the international ASME / ASTM standards, as well as illustrative examples of the production process and machinery used. by Chinese producers, also provided the production process in Mexico for the manufacture of the product under examination, and the testimony of the electrical mechanical engineer with experience in the butt-weld connection market, Edgar Alberto Garay Acevedo, which indicates that the connections, production processes and manufacturing equipment in China are the same or very similar to those in Mexico;

c. provided the production cost structure of the steel butt weld connections, during the period under review, which it prepared based on its own accounting records, as it stated that it did not have detailed information on the production cost structure of the target product exam. According to the cost structure, it is observed that the raw material represents 68.5% of the manufacturing cost of the product under examination. As documentary support, it provided screen prints of its cost system;

d. reiterated that there are subsidies in the supply of steel in China, particularly to pipe producers who provide the raw material for the production of connections, or who are the ones who produce them, as well as in the supply of electricity and natural gas, components significant cost of production. He added that other components such as labor, financial resources and land use are also distorted, given the economic structure of China, its regulations and the weight of the State as a regulator, owner and supplier of strategic products;

and. stated that the distortions in the production of seamless carbon steel pipe are transferred to the product under examination, since the pipe is the main input in the production of carbon steel connections for butt welding, being that it corresponds about 69% of the total manufacturing cost of the product under review. These distortions are evidenced by the fact that the pipe manufacturing companies are eventually also manufacturers of connections, so the distortions in the prices of the input are transferred via the supply of the basic raw material or directly, since it is a line of production

concatenated to the interior of the plant of the company;

F. presented the following table, which he prepared with information obtained from the statistics published by Trade Map, which compares the price of Chinese pipe exports with the international price in the Southeast Asian region:

EXPORTACIONES DE PAISES DEL SUDESTE ASIATICO (SIN CHINA)

Codigo	Descripcion	Jul 2018 - Jun 2019		
		Valor 000 USD	Tons	USD/Ton
HTS 730419	Producto: 730419 Tubos sin soldadura, de hierro o acero, de los tipos utilizados en oleoductos o gasoductos ...	462,586.00	314,216.68	1,472.19
HTS 730439	Producto: 730439 Tubos y perfiles huecos, sin soldadura, de sección circular, de hierro o acero sin alear, distintos ...	223,196.00	118,404.28	1,885.03
Total		685,782.00	432,620.96	1,585.18

EXPORTACIONES DE CHINA

Codigo	Descripcion	Jul 2018 - Jun 2019		
		Valor 000 USD	Tons	USD/Ton
HTS 730419	Producto: 730419 Tubos sin soldadura, de hierro o acero, de los tipos utilizados en oleoductos o gasoductos ...	1,765,658.00	1,849,748.13	954.54
HTS 730439	Producto: 730439 Tubos y perfiles huecos, sin soldadura, de sección circular, de hierro o acero sin alear, distintos ...	472,493.00	400,905.07	1,178.57
Total		2,238,151.00	2,250,653.20	994.45

Diferencia -37% B/A

g. In this regard, he explained that, when comparing these prices, it is observed that the prices of Chinese pipe exports were 37% below the international price. Thus, a producer who uses a raw material at such low levels obtains an artificial competitive advantage by placing his costs around a quarter below his normal levels;

h. provided price references for seamless carbon steel pipe for the Chinese domestic market , obtained from the website <https://www.alibaba.com>. In this regard, he pointed out that the average price of the raw material to manufacture connections is 676.96 dollars per ton, which is 57% below the international prices of this input in the Southeast Asian region;

i. reiterated that the information provided, indicated in previous points, allows us to infer that the

companies that produce steel connections have a dependency relationship with state-owned companies, who are their suppliers or strategic clients, and that there is indeed integration with the pipeline producers seamless carbon steel;

j. To substantiate that the domestic prices in China of steel butt-weld connections are distorted, he stated that, according to the reconstructed value of the product under examination, it is observed that the production cost of steel connections, in a scenario in which Chinese producers face the levels set by the international market in the prices of their inputs, would result in an operating cost of 2,613.68 dollars per ton, therefore, when comparing said cost with the price of the final product in the market internal, taking the price of China to Hong Kong as a reference, the price of the product under consideration is located around of half of the operating cost,

k. presented price references for steel connections in the Hebei, Shanxi and Tianjin regions, which it obtained from the Internet pages <https://www.alibaba.com> and <https://www.made-in-china.com>. In this regard, it pointed out that domestic prices, during the examination period, averaged \$ 965.33 per ton, so when comparing this price with the reconstructed value, it is clear that the price of the Chinese final product does not reach cover the cost of raw material of \$ 1,585.18 per ton.

b. Determination

61. The Secretariat carried out a comprehensive analysis of the arguments and information provided in this examination and that are in the administrative file. It noted that, pursuant to subparagraph d) of paragraph 15 of China's Protocol of Accession to the WTO, only subparagraph a) Romanite ii) expired in December 2016. However, subparagraph a) and the romanita i) of paragraph 15 of the Protocol of

China's accession to the WTO. The aforementioned subparagraph a) establishes the possibility of applying a methodology based on prices or costs in China, of Chinese producers, or a methodology that is not based on those prices or costs. Thus, the Secretariat considers that the mere expiration of the validity of subparagraph a) romanita ii) of paragraph 15 of the Protocol of Accession of China to the WTO, does not mean that the possibility of using a methodology that is not based on a strict comparison with domestic prices or costs in China.

62. Indeed, the methodological bases to determine price comparability in anti-dumping proceedings in which products of Chinese origin are investigated are expressly contained in subparagraph a) of paragraph 15 of the Protocol of Accession of China to the WTO, same which, like Romanite i), has not expired. Pursuant to subparagraph (a), there is a legal possibility to use producers' prices or costs in China, or to use a methodology that is not based on a strict comparison with prices or costs in China.

63. In this vein, it is important to note that no Chinese exporters or any other interested party, apart from the domestic producer, appeared in these proceedings. Consequently, the substantiation that in China and, specifically, in the industry that produces steel butt-weld connections, cost and price structures prevail that are not determined in accordance with market principles, is subject to the analysis of the arguments and evidence TAMSA provided.

64. Accordingly, the Secretariat believes that there is a legal basis for assessing the proposal of TAMSA, referring to consider China as a non-market economy in the production and sale of steel connections for butt welding, and analyze the origin of apply the proxy country methodology in accordance with articles 33 of the LCE and 48 RLCE, mainly for the following reasons:

a. From the information provided by TAMSA, it is observed which steel connection manufacturers are located in economic development zones, areas where the government implements various government support programs, such as: tax exemptions, debt forgiveness and direct fund transfers; Either they are state-owned companies or have strategic links with state-owned companies;

b. There are integrated companies that also produce seamless steel pipe, the main input in the production of the connections. These companies can enjoy state support via the supply of steel pipe, since, according to USDOC information, companies that produce this input receive financial support from the State, either through loans at preferential rates, debt forgiveness, grants or others. Elements that, within the integral analysis carried out by the Secretariat, allow it to conclude that the prices of the main input in the production of carbon steel connections for butt welding are not adopted in response to market signals, but are fixed through significant state interference;

c. price distortions of seamless carbon steel pipe can be transferred to carbon steel butt weld connections, by virtue of productive integration and because seamless carbon steel pipe is the main input in the production of steel connections, since it represents 69% of the production cost;

d. In addition to government support programs or subsidies granted by the Chinese government, either to companies that produce steel connections or companies that produce seamless carbon steel pipes, there are also the various supports that the state government grants to the steel sector in In general, through the supply of electricity and natural gas, use of land, labor, among others, or because steel companies are owned by the State, which play a central role in said sector, according to information from the European Commission, since all this creates distortions in the prices and costs of steel connections due to the intervention of the Chinese government;

and. On the other hand, based on the information provided by TAMSA, it can be seen that the prices of the connections in the Chinese domestic market (prices in the Hebei, Shanxi and Tianjin regions and sales from China to its autonomous province of Hong Kong) are below international prices for carbon steel butt-weld connections;

F. In addition to the above, the significant presence of state-owned steel companies in raw material suppliers is observed :

i. in relation to gas, its distribution is controlled mainly by China National

Petroleum Corporation and China Petrochemical Corporation, state-owned companies;

ii. Regarding electricity, transmission and distribution rates are officially established in accordance with the principle of reasonable costs plus benefits at different voltages, with the government calculating this cost and determining the reasonableness of those benefits. In addition, it is a sector that is within the restricted category within the 2017 Investment Catalog , and

iii. iron, together with coke, are subject to an export tax and the imposition of quantitative restrictions, which is a clear example that the price of these raw materials is affected by state intervention.

g. The Secretariat warns that another relevant aspect is the restriction that exists on foreign direct investment , since China is ranked as the most restrictive country on the list published by the OECD, a situation that translates into the requirement to comply with difficult requirements to meet for foreign companies wishing to invest in China's steel sector. The Secretariat observed that the mining sector, which provides raw material for the production of steel, is also in the prohibited category of the 2017 Investment Catalog;

h. Additionally, the Secretariat confirmed that, at the macroeconomic level, there are also distortions in variables such as foreign direct investment, the exchange rate, and wages, due to the following:

i. The Investment Catalog continues to operate as the main instrument to guide foreign direct investment in China. In this catalog, investments are classified as recommended or in a list where direct foreign investment is restricted or prohibited. In addition, the Chinese government continues to encourage foreign direct investment in regions of the country where projects can benefit from favorable policies;

ii. The exchange rate policy established by the Chinese government, which affects all sectors of the economy in general, translates into a containment of the exchange rate allowing it to fluctuate only within a band determined by it, in order to give boost its exports. This policy results in exports priced below international prices set by the laws of supply and demand, and

iii. The workforce, being subject to residency controls by the Chinese government, does not allow wages to be established through free negotiation between employees and employers, which causes them to be contained.

i. The foregoing shows that the active intervention by the Chinese government causes distortions that come from government policies, regulatory provisions or direct intervention that selectively discriminate between companies owned or by capital participation, by region or by type of product, which have repercussions in the price and cost formation of the factors of production where the manufacture of carbon steel butt-weld connections is intensive, either through the repression of capital and energy costs, and restrictions on the labor mobility.

65. Based on the foregoing, the Secretariat considers that the information provided by TAMSA creates the presumption that, in the companies that produce carbon steel butt-weld connections in China, cost and price structures prevail that are not determined. according to market principles, because distortions were identified in the market of the factors that affect the allocation of resources in the production of carbon steel butt-weld connections and interfere with the determination of the costs and prices of the productive factors in which it is intensive.

66. Due to the foregoing, and in accordance with paragraph 15 literal a) of the Protocol of Accession of China to the WTO, articles 33 of the LCE and 48 of the RLCE, the Secretariat proceeded to analyze the proposal to use a surrogate country of China for purposes of calculating normal value.

c. Surrogate country selection

67. TAMSA proposed the United States as a surrogate country for China to determine normal value. To substantiate that market conditions exist in the United States, it provided the publication " The United States Economy in Brief " , from the United States Department of State, which was obtained from the Internet page <http://usinfo.state.gov> and the " United States Country File " , of the Ministry of Foreign Affairs, European Union and Cooperation, of Spain, of June 2019, which was obtained from the website <http://www.exteriores.gob.es>.

68. Based on article 48 third paragraph of the RLCE, TAMSA argued the following:

a. Regarding the fact that the currency is convertible in a generalized way in international currency markets , he pointed out that the American dollar is a currency that constitutes a convertible currency in a generalized way in international financial markets, and that works internationally as one of the currencies for the international reserves of the Central Banks;

b. Regarding the fact that wages are established through free negotiation between workers and employers, he argued that wages in the United States are set directly through the interaction between workers and their employers; the government establishes the existence of minimum wages by region, and they are normally set above this benchmark in industrial sectors. In some industrial sectors there are unions whose membership is voluntary, in a legal regime that establishes freedom of association;

c. Regarding that the decisions of the sector or industry under investigation on prices, costs and supply of inputs, including raw materials, technology, production, sales and investment, are adopted in response to market signals and without significant interference from the State, presented the market study to determine

the normal value, prepared by White & Case, where it is indicated that the companies that operate in said sector offer their prices through the publication of price lists, which are adjusted according to the signals in the market of that country. He added that these are companies that make their input purchasing decisions, production levels and determination of final prices in response to the interaction of supply and demand of the product in the market;

d. In relation to allowing foreign investments and joint ventures with foreign firms, he pointed out that the United States constitutes one of the nations with a greater degree of openness to foreign investment;

and. because it makes the industry under own research one clear set of books accounting records used for all purposes, and are audited in accordance with principles of generally accepted accounting indicated that US companies must have ledgers unique, which must follow generally accepted accounting principles, given existing tax obligations, and

F. that the production costs and financial situation of the sector or industry under investigation do not suffer distortions in relation to the depreciation of assets, bad debts, barter trade and debt compensation payments, or other factors that are considered pertinent, it said that the companies in the sector in question operate with commercial market relationships, in which there are no barter mechanisms, but rather purchase and sale transactions under market conditions.

i. The United States is a producer of steel connections

69. TAMSA stated that carbon steel butt-weld fittings are manufactured in the United States. To prove this, he presented a market study on the industry of steel butt-weld connections in the United States, prepared by the consultancy White & Case, where it is observed that production in the United States is centered on four producing companies of carbon steel butt-weld connections.

70. He also provided the profile of the consulting company that carried out the market study and indicated that White & Case is a legal services company that provides consulting on international trade and that it has a professional team specialized in the matter. The Secretariat corroborated this information on the company's website and observed that the consultancy firm has a presence in more than 30 countries and has more than 100 years of experience in various areas, including the area of international trade.

71. The market study carried out by White & Case indicates that the steel connections made in the United States are similar to those made in China, meet the same international standards (ASTM and ANSI) and follow the same standardized stages in its production process.

72. In addition to the above, TAMSA presented a comparative table of the similarity of the carbon steel butt-weld connections manufactured in both countries. It also presented information obtained from the Internet pages of Chinese producers of carbon steel butt-weld fittings and of US producers, describing the characteristics of said product.

ii. Similarity in the production process

73. TAMSA noted that the production process for the manufacture of carbon steel butt-weld fittings in China, the United States and the rest of the world follows a similar pattern. It begins with the cutting of the steel pipe and the sheet plate, in sections and circles, respectively, in appropriate sizes, according to the type of connection to be manufactured and its dimension. These cuts are processed in presses and, where appropriate, in molding machines that reduce or shape the connections. The resulting connections may or may not be finished with heat treatment, chamfering, shot blasting, stamping or painting.

74. To demonstrate the similarity in the manufacturing processes of each of the types of steel butt-weld connections, TAMSA presented the diagrams of the production process in China and in the United States, obtained from the Internet pages <https://www.steeljrv.com/industrial-standards-pipe-fittings.html> and <https://hardhat-engineer.com/pipe-fittings/pipe-fittings-manufacturing-process>, respectively.

iii. Availability of the main inputs

75. TAMSA stated that the main inputs used to produce the carbon steel connections for butt welding are the seamless carbon steel pipe with which the elbows, "tees" and reductions are produced, as well as the steel plate, sheet with which the covers are made. Other raw materials are electricity, natural gas, paints and varnishes.

76. Regarding the production of seamless carbon steel pipe, TAMSA presented information from the report "Steel Statistical Yearbook 2018", which shows that in 2017 China and the United States were among the three main producers worldwide.

77. Regarding the production of sheet steel plate, TAMSA presented the statistics obtained from the report "Steel Statistical Yearbook 2018" on the five main producing countries worldwide, where it is observed that in 2017 China ranked first place while the United States was fourth.

78. Based on information from the energy consulting company Canadian Enerdata Ltd., obtained from the Internet page <http://www.enerdata.com>, which publishes statistical yearbooks for each country, TAMSA pointed out that, in 2018, China and the United States maintained a dominant position in energy matters, both as producers and consumers of electrical energy on an international scale.

iv. Other elements

79. TAMSA pointed out that in the WTO there are no anti-dumping or countervailing measures against the United States, referring to carbon steel connections for butt welding, to support the above, it presented the semi-annual reports to the WTO Committee on Anti-Dumping Practices, of 2018.

d. Determination

80. The third paragraph of article 48 of the RLCE states that a substitute country shall be understood as a third country with a market economy similar to the exporting country with a centrally planned economy. The similarity between the substitute country and the exporting country will be defined in a reasonable way, in such a way that the normal value in the exporting country can be approximated on the basis of the domestic price in the substitute country, considering economic criteria.

81. To comply with this provision, the Secretariat conducted a comprehensive analysis of the information provided by TAMSA to consider the United States as a substitute country for China. The Secretariat noted that carbon steel butt-weld fittings are manufactured in both countries and that there is similarity in production processes. Regarding the availability of inputs necessary for the manufacture of carbon steel connections for butt welding, both in China and the United States, there is a significant production of seamless carbon steel pipe and sheet steel plate. , main inputs for the manufacture of carbon steel connections for butt welding. From From the above, it can be reasonably inferred that the intensity in the use of factors for the production of carbon steel connections for butt welding is similar in both countries.

82. Based on the information and evidence presented by TAMSA and the analysis described above, in accordance with articles 33 of the LCE, 48 of the RLCE, the Secretariat confirmed the selection of the United States as a market economy surrogate country for China. for purposes of calculating normal value.

and. Prices in the domestic market of the United States

83. To establish normal value in the United States domestic market, TAMSA submitted the market study prepared by White & Case. It indicated that it is a source of information specialized in the market for seamless steel pipe in the United States, so it faithfully shows and

representative of the market price levels used by the main producers in that country. In this study market product catalogs and price lists to the steel connections include coal butt welding (elbows, " tees " , reductions and caps) producing four Americans.

84. According to the market study prepared by White & Case, the prices reported are in dollars per piece and are at the ex-factory level. The volume in kilograms for each type of connection was obtained from the product catalogs of the production companies themselves and from the conversion factors of parts to kilograms that TAMSA presented. Prices were in effect during the review period.

85. The Secretariat verified the information that TAMSA presented on the Internet pages of each of the production companies . It observed that these companies are manufacturers of carbon steel butt-weld connections in various diameters, that their facilities are located in the United States and that they have carried out productive activities for more than 60 years, for which it considered that said information constitutes an reasonable basis for determining prices in the domestic market in the United States.

86. Additionally, the Secretariat observed that, according to the market study, the four companies that produce carbon steel butt-weld connections in the United States represented 90% of the domestic industry in 2016, therefore they correspond to leading manufacturers of carbon steel butt weld fittings.

87. Based on the information provided by TAMSA, the Secretariat identified 87 types of carbon steel connections for butt welding, exported to Mexico, considering the type of connection and the outer diameter , according to the information described in point 48 of this Resolution, and calculated a normal value for each type of connection, in dollars per kilogram. For two types of connections, no normal value information was available.

88. The foregoing, based on articles 2.1 of the Anti-Dumping Agreement, 31 of the LCE, 39 and 40 of the RLCE.

F. Adjustments to normal value

89. TAMSA proposed to make adjustments to normal value for discount and marketing margin . To support these adjustments, he presented the market study prepared by White & Case.

i. Discount

90. According to the market study carried out by White & Case, purchases from producers are , as a general rule, made through distributors, in addition, it is usual that products are offered at discounted prices , therefore, for To obtain the net sale price, TAMSA applied a discount adjustment.

91. In order to assign the discount applicable to the prices of each one of the companies producing carbon steel butt-weld connections, TAMSA presented in the market study the prices of carbon steel butt-weld connections of two distributors Americans, as well as the worksheets where he estimated an average discount percentage for each producer. Since dealer prices are outside the review period, TAMSA presented the producer price index for the sector to which carbon steel butt-weld connections belong, obtained from the United States Bureau of Labor Statistics, with which he took the prices to the examination period.

ii. Marketing margin

92. TAMSA indicated that it considered reasonable to adjust prices by marketing margin. It stated that the prices of US producers, in general, are list prices, which are usually adjusted according to market signals, purchase volumes and other aspects of commercial policy applied by manufacturers to their distribution clients. To estimate the amount of the adjustment, it considered reasonable to compare the price offered by the distributors to the end customer with the list price offered by the manufacturer.

93. In this regard, the Secretariat did not consider the adjustment for the marketing margin in the calculation, because the percentage of the discount obtained based on the information on the prices of

the distributors includes this concept, so if it applied it would be doubling the setting.

iii. Determination

94. The Secretariat considered the information and methodology provided by TAMSA to calculate the discount adjustment, and applied the adjustment for each of the 87 types of carbon steel butt-weld connections that it identified, as indicated in the Point 87 of this Resolution. The foregoing, based on the provisions of articles 2.4 of the Anti-Dumping Agreement, 36 of the LCE and 51 and 58 of the RLCE.

3. Conclusion

95. In accordance with the information and methodology described above, and based on articles 11.3, 11.4 of the Anti-Dumping Agreement, 54 second paragraph, 64 last paragraph and 89 F of the LCE, the Secretariat analyzed the information on export prices and normal value, and determined that there are sufficient elements to support that, if the countervailing duty were eliminated, the practice of dumping would be repeated in exports to Mexico of carbon steel butt-weld connections originating in China.

F. Analysis of continuation or recurrence of damage

96. The Secretariat analyzed the information in the administrative file and the information that it provided, regarding the list of import operations of the SIC-M, import requests and statistics from the United Nations Commodity Trade Statistics Database (UN Comtrade), in order to determine whether there are elements to support that the elimination of the final countervailing duty, imposed on imports of carbon steel butt-weld connections originating in China, would result in continuation or recurrence of injury to the industry domestic similar product.

97. The analysis of the economic and financial indicators includes the information that TAMSA provided, since this company constitutes the domestic industry of the product similar to the one under examination, as determined in point 100 of this Resolution. To carry out this analysis, the Secretariat considered the information for the period from July 1, 2014 to June 30, 2019, which includes the review period, as well as the information relating to the estimates for the periods from July 1, 2019 as of June 30, 2020 and from July 1, 2020 to June 30, 2021. Unless otherwise indicated, the behavior of economic and financial indicators in a given year or period is analyzed with respect to the immediately preceding equivalent period.

1. National production branch

98. TAMSA stated that it is the only company in Mexico that produces carbon steel butt-weld connections. To support it, he presented a letter from CANACERO dated June 12, 2019 that confirms it.

99. According to the statistics on the list of import operations of the SIC-M, corresponding to tariff section 7307.93.01 of the TIGIE, the Secretariat observed that TAMSA and its related company did not import the product under examination during the period analyzed.

100. Based on what is described in the previous points, the Secretariat determined that TAMSA constitutes the domestic production industry, as it means the totality of the national production of carbon steel connections for butt welding, in accordance with the provisions of the Articles 4.1 and 5.4 of the Anti-Dumping Agreement, 40 and 50 of the LCE and 60 and 61 of the RLCE.

2. International market

101. Based on crude steel production information obtained from the World Steel Association, in its Steel Statistical Yearbook 2018 and 2019 reports, TAMSA argued that China is the main producer of crude steel worldwide and that it is also the main producer of derivative products, as are carbon steel butt-weld connections. He added that China is the main exporter of steel, which shows that it has a purely exporting steel policy.

102. According to information from the International Energy Statistics 2018, TAMSA argued that countries with a large volume of oil production are the main consumers of butt welding connections, therefore the United States represents the main consumer, followed by Saudi Arabia, Russia, Canada, China and Iraq.

103. He also indicated that China is the main producer of seamless steel pipe, the main input for the manufacture of connections, followed by the United States and Japan, according to data from the World Steel Association. He added that the production of pipes and fittings in China between 2014 and 2017 accounted for about 67% of the world's production.

104. TAMSA provided UN Comtrade statistics on imports and exports of subheading 7307.93 of the Harmonized Commodity Description and Coding System established by the World Customs Organization, where the product under review is classified. He argued that, with regard to carbon steel butt-welding connections, China is not among the main importing countries, but it continues to be the world's leading exporter, due to the fact that the levels

The prices at which it exports are lower than those of countries that do not engage in unfair international trade practices.

105. Based on this information, the Secretariat identified that China, South Korea, Italy, Thailand and Malaysia were the main exporters of carbon steel butt weld connections, registering a contribution of 38%, 13%, 12%, 5% and 4% of world exports, respectively, during the period from 2014 to 2018. This same source shows the United States, Russia, United Arab Emirates, Italy and Japan as the largest importing countries, with a participation of 21%, 4.5%, 4.4%, 3.7% and 3.6% of world imports, respectively.

3. National market

106. TAMSA indicated that it is located in the port of Veracruz, and that from there it has access to the main consumers in the country who are located in the areas where the drilling of oil wells is being carried out, or near the main refineries.

107. He pointed out that the areas with the highest consumption of connections are the northern, central, southern and marine regions ; each has its headquarters in Ciudad Reynosa, Veracruz / Poza Rica, Villahermosa and Ciudad del Carmen, respectively. He added that other important consumers of steel connections are the most industrialized cities in the country, such as Mexico City, Monterrey, Guadalajara and Puebla, where the main distributors are based.

108. The Secretariat carried out the analysis of the national market for carbon steel connections for butt welding based on the information on national production and exports that TAMSA provided, as well as with the import figures from the list of import operations of the SIC -M, obtained as indicated in points 116 to 119 of this Resolution, for the period from July 2014 to June 2019.

109. The Secretariat observed that the national market for carbon steel butt-weld connections, measured through the CNA, calculated as national production, plus imports, minus exports, registered a cumulative increase of 5% in the period analyzed: decreased 18% in the July 2015-June 2016 period, increased 1% in the July 2016-June 2017 period, 3% in the July 2017-June 2018 period and 24% in the examination period .

110. Total imports accumulated an increase of 8% in the analyzed period: decreased 1% in the period July 2015-June 2016, increased 18% in the period July 2016-June 2017, decreased 24% in the period July 2017-June 2018 and increased 21% in the examination period. During the period under review, total imports of carbon steel butt weld fittings were imported from 43 countries. In the period July 2018-June 2019, the main supplier was Germany, a country that accounted for 26% of total imports, followed by Taiwan (21%), Malaysia (10%), South Korea (10%) and Cambodia (10%).

111. The volume of total national production decreased 51% in the July 2015-June 2016 period and 37% in the July 2016-June 2017 period, increased 172% in the July 2017-June 2018 period and 25% in the examination period, so that it accumulated an increase of 5% in the analyzed period.

112. Exports accumulated an increase of 7% in the analyzed period: they decreased 52% in the July 2015-June 2016 period and 27% in the July 2016-June 2017 period, they increased 150% in the July period of 2017-June 2018 and 22% in the examination period.

113. For its part, national production oriented to the domestic market, calculated as total national production minus exports, increased 1% in the analyzed period: it decreased 49% and 55% in the periods July 2015-June 2016 and July 2016-June 2017, respectively, but they increased 237% in the July 2017-June 2018 period and 30% in the examination period.

4. Actual and potential analysis of imports

114. TAMSA stated that the countervailing duty has contained Chinese imports of carbon steel butt-welding connections, however, if this measure is eliminated, they could enter at discriminated prices in significant quantities.

115. He indicated that the tariff section 7307.93.01 of the TIGIE also includes other products that are not subject to examination, such as: alloy steel connections, greater than 16 inches, with a different standard than A 234, couplings, stainless steel connections. , slotted, flanged, threaded, nipples, sockolet and weldolets, among others. For this reason, and since it did not have the volumes and specific import values of the carbon steel butt-welding connections under examination, it proposed to use the information that CANACERO provided.

116. For its part, CANACERO presented the SAT import base, corresponding to tariff section 7307.93.01 of the TIGIE, for the period from July 2014 to June 2019 and the

methodology used to calculate the volumes and values of imports of the product under review, both from China and from other origins. He explained that, to purify imports, he considered the automatic notices of SIICEX and managed to reconcile 56% of the records and 74% of the total volume of imports in the analyzed period, according to the following:

a. formed 4 groups of importers: China, the United States, South Korea and the rest of the world and identified: i) those import operations that paid a countervailing duty, in the case of China, and ii) that according to the description of the product of The automatic notices or from the SAT database, comply with the A 234 standard issued by the ASTM, with the grade of carbon steel (WPB or WPC), diameter from ½ to 16 inches and forms of elbow, tee, reduction and lid;

b. identified and excluded merchandise that does not correspond to the product under examination, for example, alloy steel connections, described in point 115 of this Resolution;

c. Regarding imports from TAMSA and its related company, CANACERO noted that none of the companies acquired carbon steel butt-weld fittings from China. TAMSA made imports of pipes and its related company, s or what 5% of imports that made correspond to steel connections originating in Malaysia, Italy, the United States, Korea South and Vietnam, the other imports are connections alloyed or with diameters greater than 16 inches, and

d. For import operations, the description of which does not make it possible to determine whether they correspond to the product under examination, he calculated the volumes and values from a specific proportion factor for each group of importers.

117. From the information described in the previous point, TAMSA indicated that the volume of product

under examination represented 50.5% of the total imports in the period analyzed.

118. The Secretariat considered that the methodology proposed by CANACERO is based on pertinent information. Likewise, the Secretariat obtained the import statistics from the SIC-M, corresponding to tariff section 7307.93.01 of the TIGIE. In order to have more elements regarding the identification of the product under examination, it requested various importers and customs agents to provide import requests and attached documentation, corresponding to operations carried out during the examination period.

119. From the information provided by CANACERO, TAMSAs and that provided by the Secretariat, 98% of the volume imported from China and 66% of the volume imported from other countries, which entered the country during the period analyzed, were reviewed. The Secretariat identified that 9% of the volume imported from China corresponds to the product under review, while 56% of the volume imported from the other origins corresponds to the carbon steel butt weld connections analyzed.

120. Based on the results of the information, the Secretariat observed that total imports of carbon steel connections for butt welding decreased 1% in the July 2015-June 2016 period, and increased 18% in the July 2015 period. 2016-June 2017, they fell 24% in the period July 2017-June 2018 and grew 21% in the period July 2018-June 2019, which is equivalent to an increase of 8% in the period analyzed.

121. Imports originating in China have maintained a limited presence in the domestic market with the application of the countervailing duty, since in the period analyzed they represented on average 3% of total imports. In the period analyzed, they registered an increase of 3%: they grew 179% in the period July 2015-June 2016, although they decreased 5%, 31% and 44%, in the periods July 2016-June 2017, July 2017-June 2018 and July 2018-June 2019, respectively.

122. Imports from other countries increased 8% in the analyzed period: they decreased 4% in the July 2015-June 2016 period, they increased 19% in the July 2016-June 2017 period, they fell 24% in the July 2017-June 2018 period and grew 23% in the July 2018-June 2019 period.

123. In terms of the domestic market, since the volume of imports from China was negligible, recorded an average share of 2% in the analyzed period: 1% for the period July of 2014 to June 2015, 4% period July 2015-June 2016, 3% for the period July 2016 to June of 2017, 2% for the period July 2017-June 2018 and 1% for the period July 2018-June 2019, while that The participation of other countries in the CNA, in the same periods, was 62%, 73%, 86%, 64% and 64%, respectively, so that in the period analyzed they increased their participation by 2 percentage points.

124. In relation to the volume of national production, imports from China represented 1% in the July 2014-June 2015 period, 6% in the July 2015-June 2016 period, 8% in the July 2015 period. 2016-June 2017, 2% in the period July 2017-June 2018 and 1% in July 2018-

June 2019. Meanwhile, the participation of national production oriented to the domestic market in the CNA was 37% in the period July 2014-June 2015, 23% in the period July 2015-June 2016, 10% in the July 2016-June 2017 period, 34% in the July 2017-June 2018 period and 35% in the July 2018-June 2019 period, so that in the analyzed period their participation decreased by 2 percentage points.

125. In order to estimate the probable volume that imports of the product under examination would reach, if the countervailing duty is eliminated, TAMSAs provided projections for the periods July 2019-June 2020 and July 2020-June 2021 imports of connections of steel coal butt welding, originating in China and other sources. For this he considered the following:

a. argued that the steel connections under examination are a product used to connect pipelines for oil, natural gas and various petrochemicals and that the demand for the connections is determined by the behavior of the economy as a whole, therefore, he estimated the CNA in accordance with the growth expectations for GDP. That is, the CNA projected from a growth rate of 1.47% and 1.94%, in accordance with the GDP growth expectations published by the Bank of Mexico for the following two annual periods, 2020 and 2021;

b. In a scenario that considers the elimination of the countervailing duty, it made its estimates based on an economic exercise of comparative statics and partial equilibrium, based on the following assumption: if the prices of a commodity become relatively cheaper, its consumption will increase, compared to its substitute products. He pointed out that the parameter that measures this change is the elasticity of substitution, which measures the percentage by which the quantity of relative product changes, as a result of a percentage change in relative prices, and

c. He indicated that this type of model has already been used in other antidumping investigations in Mexico, as well as in arbitration proceedings before the WTO, as a proposal by the Mexican authority itself.

126. Based on what is described in the previous point, TAMSAs projected that imports originating in China would grow until reaching a participation of 12% and 22% in the CNA in the following two periods comparable to the examination period, according to the following:

a. considered the share of imports originating in China in the CNA and the undervaluation with respect to the domestic price that they registered during the period investigated, in the original investigation, indicators that served to calculate the ratio (quotient) of China's share in the CNA and average undervaluation;

b. With the above information, the prices that it projected and the economic exercise of comparative statics and partial equilibrium, indicated above, obtained the share that imports from China would have in the CNA, and

c. To project the volumes of total imports originating in China for the periods July 2019-June 2020 and July 2020-June 2021, it applied to the projected CNA the respective shares resulting from the economic procedure described.

127. The Secretariat replicated the methodology proposed by TAMSAs to project the imports under review, since: i) it is based on the expected increase in the CNA, in accordance with the GDP growth expectations that the Bank of Mexico estimates and, ii) the The proposed economic model takes into account the interchangeability of the product under examination and its similar from the economic principle of the elasticity of substitution, which defines the demand for the product and its substitution when facing new conditions in supply and the arrival of imports to a lower price. It should be noted that the Secretariat replicated the method based on the volumes and import values obtained as described in points 116 to 119 of this Resolution.

128. The Secretariat observed that, if the countervailing duty is eliminated, imports originating in China would increase 12 times in the period July 2019-June 2020 and 22 times in the period July 2020-June 2021, compared to the period under examination, where they were insignificant. Which would bring as a consequence that the estimated volume would go from representing 1% to 12% and 22% of the CNA in those same periods, respectively. In relation to domestic production, the share of the imports under examination would have a similar behavior, increasing its share by 10 and 21 percentage points, going from a contribution of 1% in the period under examination to 11% and 22% in the two projected periods.

129. Based on the information and the results of the analysis described above, the Secretariat concluded that there are sufficient elements to support that, if the countervailing duty imposed is eliminated to imports of carbon steel butt weld connections originating in China, there would be an increase in these imports under dumped conditions and they would reach a market share higher than that observed in the period analyzed, to the detriment of domestic production.

5. Actual and potential effects on prices

130. TAMSAs stated that the domestic price shows a downward trend throughout the analyzed period and that favorable cost adjustments mitigated the adverse performance of the profit margins of the domestic industry. He added that in recent periods the prices of imports from Asian countries increased, a situation that slowed down the fall in TAMSAs prices. In this sense, in December 2018 it increased the prices of its steel connections.

131. TAMSAs indicated that domestic production is in a vulnerable situation, because the market under examination involves merchandise that is sold under conditions of total commercial interchangeability and customer purchases respond to changes in prices.

132. Based on the information described in points 116 to 119 of this Resolution, the Secretariat calculated the implicit price of imports of carbon steel connections for butt welding. In this regard, it observed that the average price of imports from other countries fell 53% in the analyzed period: it decreased 47% and 6% in the periods July 2015-June 2016 and July 2016-June 2017, respectively. and increased 14% in the period July 2017-June 2018, to decrease again 18% in the examination period.

133. The average price of imports from China decreased 4% in the analyzed period: it increased 91% in the July 2015-June 2016 period, 15% in the July 2016-June 2017 period, 3% in the July 2017-June 2018 period and decreased 57% in the examination period.

134. The average sale price to the domestic market of the domestic industry, measured in dollars, decreased 18% in the period analyzed: it decreased 8% in the period July 2015-June 2016 and practically maintained its level in the period July 2016-June 2017, however, it decreased 9% and 1% in the July 2017-June 2018 period and in the examination period, respectively.

135. In order to assess the existence of undervaluation, the Secretariat considered the price set in the plant of sales to the domestic market of domestic production and compared it with the average price recorded by imports originating in China during the period analyzed, at that the customs processing right was added. In this sense, the Secretariat observed that the average price of imports originating in China was 4% below the national price in the period July 2014 to June 2015, during the rest of the period of analysis the national price stood at above that of imports originating in China.

136. It is important to point out that the countervailing duty contained the growth of imports originating in China under dumping conditions during the period analyzed, therefore, the volume they registered was practically insignificant, representing only 3% of total imports of carbon steel connections for butt welding, a situation that was reflected in the behavior of their prices.

137. On the other hand, TAMSAs argued that in a scenario where the countervailing duty is eliminated, the low prices of the Chinese product would enjoy an unfair advantage that would translate into a displacement of the domestic product and a deterioration of its prices and profitability indicators. He added that he will face fewer orders for merchandise and / or pressure from customers to reduce their prices due to the undervaluation of imported product prices.

138. He pointed out that prices originating in China to other export destinations, such as Indonesia or Russia, demonstrate the very low prices at which China could export, in the event that the countervailing duty was eliminated in Mexico. He indicated that there are constant offers from Chinese manufacturers of steel connections at discriminated prices.

139. TAMSAs estimated the price of imports of the product under review. For the period July 2019-June 2020, it considered the sale price that Chinese customs reported to a third country (India, the

main destination for Chinese exports) during the examination period, and for the period July 2020-June, 2021, the price of quotes that have been obtained for export sales from China. He pointed out that hospitalization expenses, such as maritime freight and customs processing fees, were added to both prices. To estimate the price of the national product, he added to the reported prices the inflation forecast by the Bank of Mexico.

140. The Secretariat acceptable considered the methodology that TAMSAs used to estimate national and price of imports from China, because it is based on estimated domestic prices growth and the prices at which China usually exports to its major markets and in real quotes. Thus,

The Secretariat replied to TAMSAs proposal and observed that the import prices of the connections under examination would present undervaluation margins of 16% and 30% in the periods July 2019-June 2020 and July 2020-June 2021, respectively. .

141. Based on the available evidence and the results of the analysis described above, the Secretariat concluded that there is a well-founded probability that, if the countervailing duty is eliminated, imports of carbon steel butt-weld connections originating in China , enter the domestic market at price levels such that they would have a negative impact on domestic prices in the domestic market, as they could reach significant undervaluation levels that would increase the demand for new imports, which would have negative effects on sales to the domestic market and profits of the domestic industry, as described in subsequent points of this Resolution.

6. Actual and potential effects on the domestic industry

142. TAMSAs indicated that the countervailing duty contained the injury to the domestic industry, since imports originating in China were significantly reduced and if this measure is eliminated, Chinese imports could enter at discriminated prices and in significant quantities, which it would result in recurrence of injury to the domestic industry.

143. In order to evaluate the behavior of the domestic industry during the analyzed period , the Secretariat considered the economic and financial indicators, included in the statement of costs, sales and profits to the domestic market that TAMSAs contributed, corresponding to connections of Carbon steel for butt welding similar to those under examination, for the period July 2014-June 2019. Likewise, it took into account its audited financial statements, corresponding to fiscal years 2014 to 2018, as well as the internal financial statements for the periods January-June 2018 and January-June 2019. The Secretariat updated the financial information in order to make its figures comparable, which which was carried out through the method of changes in the general price level, based on the National Consumer Price Index published by the National Institute of Statistics and Geography.

144. Based on the information described in the previous point, the Secretariat observed that the volume of production of the domestic industry increased 5% in the period analyzed: it decreased 51% in the period July 2015-June 2016 and 37% in the period July 2016-June 2017, increased 172% in the period July 2017-June 2018 and 25% in the period July 2018-June 2019. The production oriented to the domestic market of the branch of national production behaved in a similar way with a growth of 1% in the analyzed period: it decreased 49% in the period July 2015-June 2016 and 55% in the period July 2016-June 2017, increased 237% in the period July 2017-June 2018 and 30% in the period July 2018-June 2019.

145. In terms of market share, the production oriented to the domestic market of the domestic industry had a 37% share in the CNA in the July 2014-June 2015 period, 23% in the July 2015 period- June 2016, 10% in the period July 2016-June 2017, 34% in the period July 2017-June 2018 and 35% in the period July 2018-June 2019. The above meant that in the period analyzed lost 2 percentage points of market share.

146. Regarding the total sales of the domestic industry, there was an increase of 10% during the analyzed period: they decreased 45% in the period July 2015-June 2016 and 24% in the period July 2016-June 2017, increased 94% in the July 2017-June 2018 period and 36% in the July 2018-June 2019 period.

147. Sales to the foreign market of domestic production accumulated a growth of 7% in the analyzed period: they decreased 52% in the July 2015-June 2016 period and 27% in the July 2016-June 2017 period, they increased 150% in the period July 2017-June 2018 and 22% in the period July of 2018 to June 2019. it is important to note that, in relative terms, exports accounted on average for 68% of domestic production in the period analyzed.

148. Sales to the domestic market of national production accumulated a growth of 16% in the analyzed period: they decreased 28% in the period July 2015-June 2016 and 20% in the period July 2016-June 2017, they increased 9% for the period July 2017-June 2018 and 85% in July period of 2018-June 2019.

149. The positive performance of production and total sales in the analyzed period was reflected in the behavior of the employment level of the domestic industry, as this indicator registered an increase of 33% in the analyzed period: it decreased 2% and 38% in the periods July 2015-June 2016 and

July 2016-June 2017, respectively, and increased 25% and 77% in the periods July 2017-June 2018 and July 2018-June 2019, respectively.

150. The productivity of the domestic industry, measured as the ratio of production and employment, fell 21% in the period analyzed: it decreased 50% in the period July 2015-June 2016, it increased 2% in the period July 2016-June 2017, 118% in the period July 2017-June 2018 and fell 30% in the period July 2018-June 2019.

151. The behavior of wages in the domestic industry shows a decreasing trend in the analyzed period: they decreased 33% and 46% in the periods July 2015-June 2016 and July 2016-June 2017, respectively, and grew 58% and 63% in the periods July 2017-June 2018 and July 2018-June 2019, respectively, which

resulted in a decrease of 6% throughout the period analyzed.

152. Inventories of the domestic industry decreased 13% in the period July 2015-June 2016 and 67% in the period July 2016-June 2017, increased 3.6 times in the period July 2017- June 2018 and 25% in the examination period; behavior that translated into an accumulated increase of 29% in the analyzed period.

153. Regarding the installed capacity of the domestic industry, the Secretariat observed that it remained constant throughout the period analyzed. For its part, the percentage of use was 36% in the period July 2014-June 2015, 18% in the period July 2015 to June 2016, 11% in the period July 2016-June 2017, 31 % in the period July 2017-June 2018 and 38% in the period July 2018-June 2019, which meant an accumulated increase of 2 percentage points in the period analyzed.

154. The described performance of sales volumes to the domestic market of the domestic industry and their prices was reflected in the performance of their income. In this regard, the Secretariat observed that the income from said sales decreased 22%, 16.1% and 8.7% in the periods July 2015-June 2016, July 2016-June 2017 and July 2017-June 2018, respectively. and increased 81.3% in the period July 2018-June 2019, thus accumulating an increase of 8.4% in the period analyzed.

155. On the other hand, operating costs decreased 24.5%, 14.1% and 12.5% in the periods July 2015-June 2016, July 2016-June 2017 and July 2017-June 2018, respectively, but increased 85.3% in the period under review, thus accumulating an increase of 5.1% in the period analyzed.

156. As a result of the behavior of sales income and operating costs, the Secretariat observed that operating results increased by 0.82 times, 1.83 times and 1.24 times in the periods July 2015-June 2016, July 2016-June of 2017 and July 2017-June 2018, respectively, but decreased 3.5 times in the period under review, which was reflected in a decrease in operating loss of 69.3% in the period under review.

157. The foregoing resulted in the operating margin increasing 3.4 percentage points in the July 2015-June 2016 period, decreasing 2.5 percentage points in the July 2016-June 2017 period, increasing 4.4 percentage points in the July period from 2017-June 2018 and decreased by 2.1 percentage points in the period under review, thus accumulating an increase of 3.2 percentage points in the period analyzed, going from a margin of -4.4% to -1.2%.

158. On the other hand, the Secretariat evaluated the variables of return on investment in assets (ROA, for the acronym in English of Return of the Investment in Assets), cash flow and ability to raise capital, based on the financial statements ruled or internal to TAMSA, taking into account that they consider the production of the most restricted group or range of products that include the similar product under examination, in accordance with the provisions of Articles 3.6 of the Anti-Dumping Agreement and 66 of the RLCE.

159. TAMSA indicated in its response to the official form that there are no investments or projects associated with the production of similar merchandise.

160. Regarding the ROA of the domestic coal steel connections industry, calculated at the operational level, the Secretariat observed that it was positive in all the years that are part of the period analyzed.

Index	2014	2015	2016	2017	2018	Jan-Jun 2018	Jan-Jun 2019
Return on investment (ROA)	36.2 %	14.9 %	4.9%	9.1%	14.6 %	7.7%	7.3%

Source: TAMSA's audited and internal financial statements.

161. Based on TAMSA's cash flow statements, the Secretariat observed that cash flow at the operating level reported negative behavior during the period from 2014 to 2018, and the first half of 2019. The cash flow of operation reflected the following movements: 11%, -33%, - 57.3% and 20.3% for 2015, 2016, 2017 and 2018, respectively, in such a way that in 2018, compared to 2014, reported a decrease of 61.7% in the flow of box. In the period January-June 2019, compared to the same period in 2018, it decreased 22.6%.

162. The ability to raise capital is analyzed through the behavior of the solvency, liquidity, leverage and debt ratios . Here is a summary of the behavior in these indicators:

Index	2014	2015	2016	2017	2018	Jan-Jun 2018	Jan-Jun 2019
Current ratio	1.03	0.88	0.94	1.02	1.17	1.08	1.17
Acid test	0.65	0.48	0.51	0.54	0.63	0.57	0.57
Leverage	102%	91%	79%	81%	70%	79%	73%
Debt	fifty%	48%	44%	Four. Five%	41%	44%	42%

Source: TAMSA's audited and internal financial statements.

163. In this regard, the Secretariat observed that solvency and liquidity levels remained unsatisfactory levels (mainly under the acid test, that is, current assets minus the value of inventories, in relation to short-term liabilities); In general, a ratio of current assets to short-term liabilities

is considered adequate if they are 1: 1 or higher.

164. The leverage ratio has remained at manageable levels during the period from 2015 to 2018, and the first half of 2018 and 2019. Normally, a proportion of total liabilities with respect to stockholders' equity, less than 100%, is considered manageable, in this case the leverage levels were manageable (except in 2014). Regarding the level of debt or the ratio of total liabilities to total assets, it remained at acceptable levels.

165. Based on the analysis made of the indicators of the domestic industry, the Secretariat observed that, although the countervailing duty contained Chinese imports of the product under examination, when considering the period analyzed, some of the economic indicators show negative signs, such as national price, market share, wages, inventories, and productivity. At the financial level, losses were observed at the operating level (except in the period July 2017-June 2018) and the operating cash flow was affected with a limited capacity to raise capital. Consequently, the Secretariat considered that the state of the national industry in the analyzed period is vulnerable to the elimination of the countervailing duty.

166. TAMSA argued that the national market is of great importance for exporters because the energy reform has promoted and will continue to promote investment in Mexico, both in the energy sector and in industries that provide the necessary inputs for the exploration and exploitation of deposits. , the construction of distribution networks and gas pipelines, and other necessary infrastructure, such as the steel industry.

167. It indicated that, in accordance with the Anti-Dumping Agreement, a review of the validity of countervailing duties does not require a new determination of injury, or a causal relationship between probable dumping and injury, but rather a prospective analysis. In the context, he argued that the report of the Appellate Body of the WTO so determined and as an example, provided for the United States - Anti - Dumping Measures on Oil Country Tubular Goods from Mexico.

168. TAMSA pointed out that, in a scenario without a countervailing duty, dumped prices would give rise to a greater preference for imported product, so it would have fewer orders for merchandise and / or pressure to reduce its prices. In this sense, for the prospective analysis, TAMSA projected the effect of its economic and financial indicators, considering the following strategies to compete with imports under dumped conditions, if the countervailing duty is eliminated:

- a. a significant reduction in national sales volumes and, consequently, in the production if their prices are not adjusted with opportunity downward;
- b. a downward adjustment of their prices with cushioned impacts on sales volumes, but not on values and that, in any case, will lead to negative results in terms of profitability, and
- c. a drop in the value and volume of sales and, as a consequence, also in production, the presence of the national product in the market, the use of installed capacity, as well as pressure to reduce wages and the workforce.

169. Based on the scenario described in subsection a of the previous point, referring to a reduction in sales volume, TAMSA projected the indicators of the domestic industry for the periods July 2019-June 2020 and July 2019. 2020-June 2021, as follows:

- a. production for the domestic market, based on the participation of national production in the projected ANC ;
- b. national production was estimated from the sum of the volume of production to the domestic market, plus projected exports;
- c. sales to the domestic market were estimated from the quotient of domestic sales and production to the domestic market for the period under review, by the projected domestic market production ;
- d. the inventories, based on the quotient of this indicator and the national production of the period under review, by the projected national production;
- and. salaries, based on the level shown in the period under review by the inflation forecast of Banco de México;

F. considered that the personnel directly employed in the domestic production of carbon steel butt-weld connections, export sales and installed capacity would remain at the same level as observed in the review period, and

- g. the unit operating costs and expenses of the examination period.

170. The Secretariat considered it appropriate to replicate the methodology for estimating the indicators provided by TAMSA and determined that the projections are acceptable, since they are based on the scenario described in points 125 to 124 of this Resolution. It should be noted that the analysis of items b and c of point 168 is not included, as TAMSA did not provide the methodology used. Likewise, in the second probative period, TAMSA presented a new projection of the effect that the elimination of the countervailing duty would have on the indicators of the domestic industry of carbon steel connections for butt welding; However, in this estimate, he considered the volume and prices of total imports, and not those corresponding to the product under examination. Therefore, the Secretariat considered the best information described in paragraphs 168 and 169 of this Resolution.

171. In this regard, under TAMSA's strategy of not adjusting its domestic prices downward, the Secretariat observed that the estimation of the indicators of the domestic industry would register the following effects:

- a. When comparing the period July 2019-June 2020 with respect to the levels of the examination

period, effects would be reflected in: production (3%), production oriented to the domestic market (10%), total sales (3%), sales the domestic market (10%), market share (4 percentage points), productivity (3%) and use of installed capacity (1 percentage point). Likewise, the operating loss would increase (1.78 times), as a result of the decrease, both in sales revenues (6.4%) and operating costs (4.1%), which would lead to a reduction in the operating margin (2.5 percentage points) to -3.7%, and

b. In the period July 2020-June 2021 with respect to the review period, the effects on the indicators of the domestic industry would worsen with drops in: production (6%), production oriented to the domestic market (18%), total sales (5%), sales to the domestic market (18%), revenue (16%), market share (7 percentage points), productivity (6%) and utilization of installed capacity (2 percentage points). In addition, the operating loss would increase (3.45 times), as a result of the decrease, both in sales revenues (12.2%) and operating costs (7.8%), which would lead to a reduction in the operating margin (5.1 points percentage) to be -6.3%.

172. Based on the information and the results of the analysis described above, the Secretariat concluded that the potential volume of imports originating in China, as well as the price level at which they would go to the Mexican market, constitute objective elements that allow establishing the probability founded that, upon the elimination of the countervailing duty, the domestic industry would experience negative effects on the relevant economic and financial indicators, which would lead to the repetition of damage to the domestic industry of carbon steel connections for welding to stop.

7. China's export potential

173. TAMSAs noted that the imposition of the countervailing duty resulted in China's exports being significantly reduced. He added that there are factors that prove the probability that the unfair practice will be repeated in the event of an eventual elimination of the compensatory quota, such as: the export potential of the Chinese steel industry and its large installed capacity.

174. It argued that, in the review period, Chinese domestic production exceeded Mexican production. The foregoing, despite the fact that China did not use its total installed capacity, which is much higher than the installed capacity in the Mexican market.

175. It indicated that in the review period, Chinese producers exported globally equivalent to 10% of China's total production of steel butt-weld connections, or 16 times the CNA of the Mexican market.

176. TAMSAs added that China's surplus capacity and export potential causes that country to trade abroad at discriminated prices. In this regard, he pointed out that in the period from July 2018 to June 2019, the price at which China exported to Mexico was 1,702 dollars per ton and, in the same period, China exported to other countries with even lower prices, for example, exported to Indonesia (\$ 1,381 per ton), Malaysia (\$ 1,323 per ton), Brazil (\$ 1,316 per ton), Thailand (\$ 1,303 per ton) or Cambodia (\$ 1,255 per ton).

177. On the other hand, it estimated the production and installed capacity of carbon steel butt-weld connections in China, based on the indicators of seamless pipe, with information from the World Steel Association and Steel Business Briefing (SBB), respectively:

a. To estimate the production of carbon steel butt-weld connections, it considered the share of line and conduit pipe in exports of seamless pipe published in UN Comtrade, and

b. To estimate installed capacity, TAMSAs used the data of China's total seamless steel pipe production, with the level of operation utilization of plants in China, adding that the installed capacity of seamless pipe has not changed in the last four periods of the analyzed period.

178. With the information described in the previous point, TAMSAs estimated the proportion that represents the production and installed capacity of steel connections with respect to the total pipeline and pipeline, this proportion was taken from the final Resolution of the antidumping investigation.

179. For the export and import statistics, he used information from the Tenaris Information Center, which he obtained from the Internet page <https://teamwork.tenaris.net>. TAMSAs added that this information considers the entire universe of butt-weld connections, therefore, in order to estimate the indicators of the product under examination, it proceeded to apply the proportion in which the carbon steel butt-weld connections participate. examination, with respect to the total universe of imports to Mexico, conducted by tariff item 7307.93.01 of the TIGIE, he obtained from the study by the CANACERO.

180. Additionally, TAMSAs argued that China continues to be the main exporter of steel connections, according to UN Comtrade data. Therefore, China is in constant search of destinations to place the merchandise that have restrictions in other markets and, coupled with the fact of Mexico's proximity to the United States and the construction and rehabilitation projects of refineries promoted by the Mexican administration, the Mexican market is an attractive destination for Chinese goods under dumped conditions, in the event of a possible elimination of the countervailing duty.

181. The Secretariat considered that the methodology that TAMSAs used to estimate China's production and installed capacity is relevant and represents the best information available, as it is based on reliable publications and sources of information. In the respect that was observed in the reporting period of examination:

a. China's exports to the world represented more than 16 times the CNA, 15 times the national production and 5 times the installed capacity;

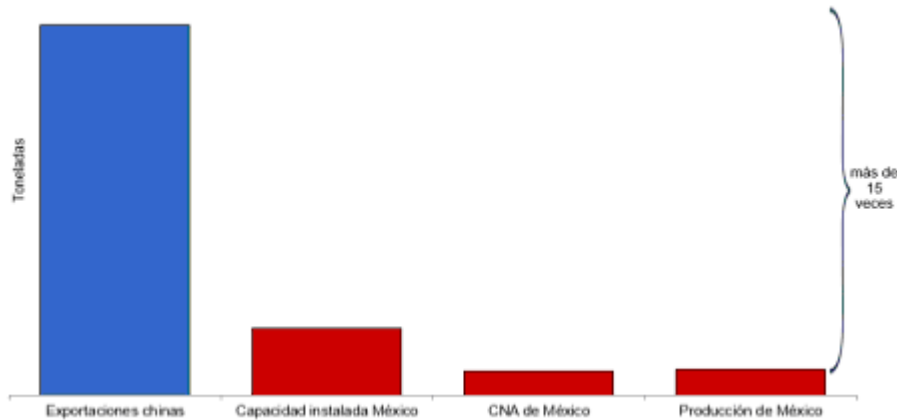
b. China's production represented more than 170 times the CNA and 156 times the national

production;

c. China's freely available capacity (installed capacity minus production) was equivalent to more than 270 times the CNA and 249 times the national production, and

d. The asymmetries between these indicators provide sufficient elements to determine that the use of part of China's production, or its export potential, could be significant in displacing production and the Mexican market.

China exports vs. National market indicators (Tons)



Source: TAMSAs and SIC-M.

182. With respect to China's export profile, UN Comtrade's export statistics for subheading 7307.93, which include carbon steel butt-weld connections, indicate that during the period 2014 to 2018, China's exports they represented an average of 38% of the totals worldwide, ranking as the main exporter.

183. TAMSAs argued that there are additional factors that increase the probability that the unfair practice will be repeated in the event of an eventual elimination of the countervailing duty. In this sense, it indicated that Chinese exports, both of the product under examination, and of the main input for its production (seamless steel pipe), are subject to the payment of countervailing duties in different countries. Regarding the anti-dumping investigations of connections, the trade remedy measures were established by Argentina, the European Union, Japan and Turkey. Regarding the input (seamless steel pipe), the measures were implemented by Argentina, Brazil, Canada, the European Union, India, Mexico, Turkey and the United States.

184. TAMSAs indicated that there are other trade restriction measures in the steel sector worldwide, such as:

a. the trade measures of the United States government that consist of extraordinary fees in relation to the protection of its national security imposed on the seamless pipe, input of the product under examination, and

b. the trade measures by which the United States has subjected certain Chinese goods to additional tariffs, alleging intellectual property violations.

185. It added that, together with the trade defense measures in force in other markets, the foregoing creates incentives for China to divert its exports under conditions of price discrimination to other markets such as Mexico, in the event that Mexico eliminates the current countervailing quota.

186. Based on the information and analysis described above, the Secretariat concluded that the steel connection manufacturing industry in China has significant export potential and freely available capacity, therefore, faced with a slight diversion of its trade towards the National market,

it would be able to supply the national market several times. This, together with the levels of undervaluation, indicates the well-founded probability that, given the elimination of the compensatory quota, exports from China to the Mexican market would increase significantly, in absolute and relative terms, which would give rise to the repetition of injury to the domestic industry.

G. Conclusion

187. Based on the analysis and the results described in this Resolution, the Secretariat concluded that there are sufficient elements to determine that the elimination of the countervailing duty on imports of carbon steel butt-weld connections originating in China would result in lead to recurrence of dumping and injury to the domestic industry. Among the elements that led to this conclusion, without limiting the aspects that were indicated throughout this Resolution, are the following:

a. There are sufficient elements to support that if the countervailing duty is eliminated, the dumping of exports to Mexico of carbon steel butt-weld connections originating in China would be repeated.

b. Despite the fact that in the period analyzed, the application of the countervailing duty discouraged the volume of imports of carbon steel butt-weld connections originating in China, under dumping conditions, the projections of these imports regarding the possible elimination of the countervailing duty, confirm the well-founded probability that these would once again enter the national market in considerable volumes,

which would displace national production and would achieve a considerable market share.

c. There is a well-founded probability that, given the elimination of the countervailing duty, the price of potential imports originating in China will reach a level of undervaluation with respect to the national price of 30%, which would have a negative impact on economic indicators and financial, since it would force it to reduce them by facing operating losses.

d. The elimination of the countervailing duty and the likely increase in imports originating in China would lead to negative effects on the domestic industry. Among the most important effects in the second projected period, with respect to the levels reached in the examination period, there are decreases in production (6%), production oriented to the domestic market (18%), total sales (5%), sales to the domestic market (18%), revenue (16%), market share (7 percentage points), productivity (6%), utilization of installed capacity (2 percentage points), income (12.2%), as well as an increase of operating loss (3.45 times) and reduction in operating margin (5.1 percentage points) to -6.3%.

and. China has considerably more freely available capacity and export potential of carbon steel butt-weld fittings under review to the domestic market. In particular, the freely available capacity of the examination period was equivalent to more than 270 times the size of the Mexican market and more than 249 times the national production of the same period.

F. China ranks as the main exporter of carbon steel connections for butt welding, since during the period analyzed its exports represented an average of 38% of the total worldwide.

g. Exports of carbon steel butt-weld fittings from China are subject to restrictions in several countries by trade remedy measures by Argentina, the European Union, Japan, Turkey and the United States, suggesting that the The investigated country redirects shipments of the product under examination to more open markets such as Mexico.

188. Due to the foregoing and based on articles 11.1 and 11.3 of the Anti-Dumping Agreement, and 67, 70 section II and 89 F section IV literal a of the LCE, the following is issued

RESOLUTION

189. The administrative procedure to examine the validity of the countervailing duty imposed on imports of carbon steel butt-weld connections originating in China, regardless of the country of origin, which enter through tariff section 7307.93, is declared concluded. 01 of the TIGIE, or by any other.

190. The validity of the definitive compensatory quota referred to in points 3 and 4 of this Resolution is extended for five more years, as of August 5, 2019.

191. It is the responsibility of the Ministry of Finance and Public Credit to apply the definitive compensatory quota referred to in points 3 and 4 of this Resolution throughout the national territory.

192. In accordance with the provisions of article 66 of the LCE, importers who, pursuant to this Resolution, must pay the compensatory fee, will not be obliged to pay it if they verify

that the country of origin of the merchandise is different from China. The verification of the origin of the merchandise will be carried out in accordance with the provisions of the Agreement that establishes the rules for determining the country of origin of imported merchandise and the provisions for its certification, for non-preferential purposes (previously Agreement by the that establish the rules for determining the country of origin of imported goods and the provisions for their certification, in the matter of countervailing duties) published in the DOF on August 30, 1994, and its modifications published in the same organ of diffusion November 11, 1996, October 12, 1998, July 30, 1999, June 30, 2000, 1 and 23 March 2001, June 29, 2001, September 6, 2002, May 30, 2003, July 14, 2004, May 19, 2005, July 17, 2008, and October 16, 2008.

193. Notify the present Resolution to the interested parties appearing.

194. Communicate this Resolution to the SAT, for the corresponding legal effects.

195. This Resolution will enter into force the day after its publication in the DOF.

196. File as a totally and definitely concluded case.

Mexico City, August 5, 2020. - The Secretary of Economy, **Graciela Márquez Colín** - Signature.

https://www.dof.gob.mx/nota_detalle.php?codigo=5598649&fecha=19/08/2020