CPTI

Committee on Pipe & Tube Imports

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May 31, 2017

Via Email: Steel232@bis.doc.gov

Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, D.C. 20230

Re: Section 232 Investigation of Steel Imports – Written Submission of the Committee on Pipe & Tube Imports

Dear Director Botwin:

This submission is filed on behalf of the Committee on Pipe and Tube Imports ("CPTI") pursuant to the notice published in the Federal Register on April 26, 2017 requesting public comments on the National Security Investigation of steel imports under Section 232 of the Trade Expansion Act of 1962 (82 Fed. Reg. 19,205).

As an initial matter, CPTI appreciates that its chairman was selected to testify during the Department's hearing on May 24, 2017. As highlighted during this testimony, CPTI is the leading trade association for the steel pipe and tube industry in the United States, with 40 members employing more than 35,000 employees in 32 states. The instant investigation is vital to CPTI and its members. Imports of pipe and tube have been harming domestic producers for decades, leading to lower revenues, job losses, plant closures, and missed opportunities for investment in new equipment and technologies. In testimony before the panel, for example, the

representative of TMK IPSCO detailed its declining capital spending and plant closures resulting from low-priced imports.

The domestic industry has repeatedly pursued and won relief from unfairly traded pipe and tube imports, but – as the government panel heard from witnesses including the representative of Cliffs Natural Resources, Inc. – relief is often fleeting as importers seek out new suppliers willing to undersell domestic prices in order to gain market share. For example, as shown in the following chart, import volumes for 2017 are up by more than 50 percent compared to 2016 notwithstanding the issuance of multiple new trade remedy orders last year.[1]

U.S. PIPE AND TUBE IMPORTS VS. DOMESTIC SHIPMENTS
1Q 2016 VS.1Q 2017

	1Q 2016				1Q 2017			
	Imports	Shipments	Consumption	Import (%) Penetration	Imports	Shipments	Consumption	Import (%) Penetration
Standard	201	94	295	68.1	262	122	384	68.2
OCTG	267	219	486	54.9	652	404	1,056	61.7
SD Line Pipe*	119	65	184	64.7	233	39	272	85.7
LD Line Pipe*	250	71	321	77.9	213	85	298	71.5
Mechanical	151	117	268	56.3	181	118	299	60.5
Pressure	12	4	16	75.0	13	5	18	72.2
Structural	132	240	372	35.5	158	265	423	37.4
Stainless	32	5	37	86.5	35	4	39	89.7
Total	**1,164**	**815**	**1,979**	**58.8**	**1,747**	**1,042**	**2,789**	**62.6**

Sources: AISI Imports 2 (with changes in nomenclature based on Commerce Agreements Compliance Procedure) and AISI 10P.
*Small diameter (SD) line pipe = 16" or under in outside diameter; Large diameter (LD) line pipe = over 16" in outside diameter

[1] *See Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 81 Fed. Reg. 62,874 (Sep. 13, 2016); *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Korea, Mexico, and the Republic of Turkey: Antidumping Duty Orders*, 81 Fed. Reg. 62,865 (Sep. 13, 2016); *Welded Stainless Pressure Pipe from India: Antidumping Duty and Countervailing Duty Orders*, 81 Fed. Reg. 81,062 (Nov. 17, 2016); *Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman, Pakistan, and the United Arab Emirates: Amended Final Affirmative Antidumping Duty Determination and Antidumping Duty Orders*, 81 Fed. Reg. 91,906 (Dec. 19, 2016).

CPTI therefore supports the Trump Administration's initiation of this investigation and requests that the President include downstream steel products such as pipe and tube as well as pipe spools and pipe modules in the remedy.

CPTI files the following comments in order to augment its oral testimony and include information that could not be presented during the five minutes allotted. In particular, CPTI addresses: (1) how pipe and tube are essential to national security; (2) how the relief offered to the domestic pipe and tube industry through trade remedy proceedings is insufficient to protect national security; and (3) a recommendation for how the President should adjust imports in order to protect our national security.

I. STEEL PIPE AND TUBE IS ESSENTIAL TO NATIONAL SECURITY

The Department has correctly recognized that national security in the context of Section 232 involves far more than military equipment. In the most recent investigation, *Iron Ore and Semi-Finished Steel*, the Department "adopted a broader concept of national security, one that also embraces the needs of those industries that the U.S. Government has determined are critical to minimum operations of the economy and government."[2] CPTI agrees with the Department that

> the term "national security" can be interpreted more broadly to include the general security and welfare of certain industries, beyond those necessary to satisfy national defense requirements, that are critical to the minimum operations of the economy and government ("critical industries"). . . [3]

On this basis, the Department defined national security to include "the requirements of certain critical industries for finished steel and based thereon, for iron ore and semi-finished steel

[2] *The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security* (Oct. 2001), at 14.

[3] *Id*. at 5.

as inputs."[4] The Department then concluded that input consumption by 28 critical industries implicated national security, including numerous industries where pipe and tube play a key role, such as construction, petroleum and natural gas, pipelines, motor vehicles, and aircraft.[5]

As witnesses testified during the hearing, steel pipe and tube have myriad direct military applications, including as casings for munitions and components in piping systems for an array of vehicles and weapons systems, as well as in prefabricated buildings like barracks.[6] Steel pipe and tube also contribute to national security in other ways, including through their widespread use in oil wells, pipelines, and refineries.[7] Without steel pipe and tube, the United States would not be able to extract, process, or transport petroleum products that are essential not only for the mobility of our military, but also for the day-to-day functioning of our economy. Pipe and tube also play an important role in other essential operations, including the transmission of critical fluids and gases for fire protection, industrial production, heating and cooling, and water systems.

Domestic pipe and tube manufacturing is also important to our national security because it

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[4] *Id*.

[5] *Id*. at 16, Table 2.

[6] *See, e.g.*, Stupp Corporation Website, available at http://www.stuppcorp.com/about ("Stupp has devoted its manufacturing capacity to support the defense needs of the United States in every major war except the Spanish American War. Since 1973, Stupp has produced Mk82, Mk83 and Mk84 bomb bodies for the Department of Defense."); Department of Defense, *Military Standard for Bending of Pipe or Tube for Ship Piping Systems* (Dec. 1975), available at http://everyspec.com/MIL-STD/MIL-STD-1600-1699/download.php?spec=MIL_STD_1627B.1676.pdf.

[7] *See, e.g.*, *Certain Oil Country Tubular Goods from India, Korea, the Philippines, Taiwan, Thailand, Turkey, Ukraine, and Vietnam*, Investigation Nos. 701-TA-499-500 and 731-TA-1215-1217 and 1219-1223 (Final), USITC Publication 4489 (Sep. 2015) at 8.

consumes significant volumes of steel made by U.S. companies.[8] This volume is critical to the operations – and profitability – of domestic steel makers. As witnesses testified during the hearing, domestic steel producers need to sell large volumes in order to generate sufficient revenue to stay competitive by investing in new technologies, equipment, and worker training. Domestic pipe and tube makers tend to buy their input materials from domestic sources, helping to strengthen upstream producers. Imported pipe and tube tends to be made from foreign steel, damaging the U.S. economy twice over – once for the steel and then again for the pipe. A strong steel industry is important for the national security, and a strong pipe and tube manufacturing base is one of the keys to ensuring a healthy steel industry.

II. THE RELIEF OFFERED TO DOMESTIC PIPE AND TUBE MAKERS THROUGH TRADE REMEDIES IS INSUFFICIENT TO PROTECT THE INDUSTRY AND NATIONAL SECURITY

As numerous witnesses testified during the May 24, 2017 hearing, the domestic steel industry has been weakened by years of competition against dumped and subsidized imports. The same is true of downstream industries like pipe and tube.

From 2000 to 2016, global steelmaking capacity more than doubled, from approximately 1.0 billion tons to 2.4 billion tons.[9] Demand grew much more slowly, however, so that by 2014 the world had 0.7 billion tons of excess capacity.[10] China accounted for most of this growth in steel capacity, and a vast quantity of excess capacity: from 2005 through 2015 China added 716

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[8] *See, e.g.*, *Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom*, Investigation Nos. 701-TA-545-547 and 731-TA-1291-1297 (Final), USITC Publication 4638 (Sept. 2016).

[9] OECD, *World Crude Steelmaking Capacity* (Dec. 2015), available at http://www.oecd.org/sti/ind/steelcapacity.htm.

[10] OECD, *Capacity Developments in the World Steel Industry*, at 8 (April 2016), available at http://www.oecd.org/sti/ind/Capacity-Developments-Steel-Industry.pdf.

million tons of net new capacity, or approximately 80 percent of the total growth in world steel capacity in that period.[11] As of 2014, however, China used only 72 percent of this amount, giving it unused factory production capability to make 317 million tons of steel – almost double total North American steel-making capacity.[12]

Chinese subsidies to steel manufacturers and the resulting overcapacity have reached epic proportions.[13] This overcapacity bleeds over into other countries where Chinese steel is converted into pipe and tube and then exported to the United States.[14] The publication WORLD STEEL DYNAMICS in April 2017 reported, for example, that Chinese hot-rolled steel was being offered at $384 per metric ton whereas the price for the same product from a U.S. supplier was $710. This price differential allows foreign pipe and tube manufacturers to sell products into the United States at low prices with which domestic manufacturers cannot compete without selling at prices less than costs of production.

It is no accident that China's neighbor South Korea rapidly increased its exports of steel pipe and tube to the United States commensurate with growing Chinese steel production.[15] The decrease in imports of pipe and tube from China at the same time imports of the same products from Korea grew is reflected in the following chart:

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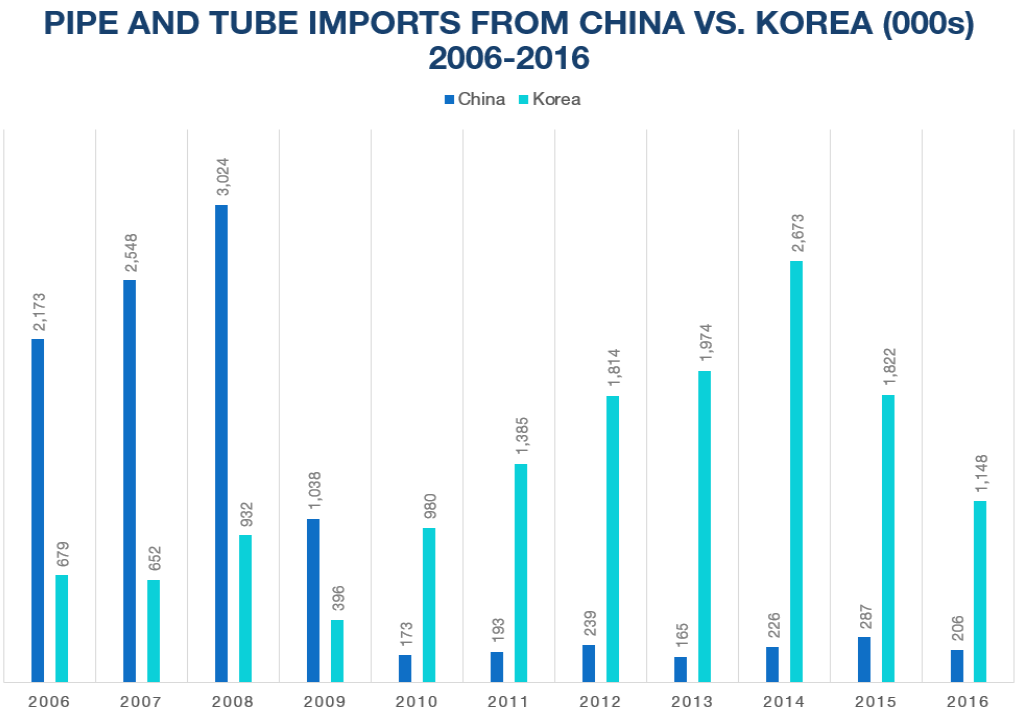
[11] *Id.* at 14-15 & Table 3.

[12] *Id.* at 12, 15 & Table 4.

[13] *See* STEEL INDUSTRY COALITION, *Report on Market Research into the People's Republic of China Steel Industry – Executive Summary* (June 30, 2016), full report available at https://www.steel.org/~/media/Files/AISI/Reports/Steel-Industry-Coaliton-Full-Final-Report-06302016, **Exhibit 1**.

[14] *See generally* L. Brun, *Overcapacity in Steel: China's Role in a Global Problem*, DUKE UNIVERSITY (Sept. 2016).

[15] *Compare* Department of Commerce, *U.S. Imports of Steel Mill Products*, **Exhibit 2**; Trading Economics, *China Steel Production 1990-2017*, **Exhibit 3.**



In 2011, Korean imports of pipe and tube overtook those from Canada.[16] Regrettably, although the pipe and tube trade with Canada is relatively balanced,[17] trade with Korea is one-sided. As the President of U.S. Steel Tubular Products testified, for example, Korea has no domestic demand for Oil Country Tubular Goods and thus its entire industry was built for export.

Domestic pipe and tube producers have tried using domestic trade remedy proceedings to shield themselves from the deleterious effects of unfairly traded imports. There are currently 60 trade remedy orders covering steel pipe or fittings products – approximately 15 percent of total

[16] *See* Department of Commerce, *U.S. Imports of Steel Mill Products*, **Exhibit 2**.

[17] **Exhibit 4** contains a spreadsheet showing U.S. imports and exports of pipe and tube to and from Canada from 2010-2016. The United States enjoyed a surplus from 2011-2014. Canada ran a surplus with the United States in 2010 and then again in 2015 and 2016.

orders.[18] In recent years domestic pipe producers have filed petitions seeking relief from, *inter alia*,

- Welded Line Pipe from the Republic of Korea and the Republic of Turkey;[19]
- Heavy-Walled Rectangular Carbon Steel Pipes and Tubes from Korea, Mexico, and Turkey;[20]
- Welded Stainless Pressure Pipe from India;[21] and
- Circular Welded Carbon-Quality Steel Pipe from Oman, Pakistan, the United Arab Emirates, and Vietnam.[22]

Although successful in the sense that the Department generally found dumping or subsidization and the International Trade Commission found material injury, leading to the imposition of remedial duties, the duties themselves are not sufficient to offset the tremendous price advantage that foreign producers can enjoy as a result of subsidized and dumped Chinese steel input materials, as well as the pipe producers' own subsidies, government patronage and other factors.

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[18] *See* United States International Trade Commission, Antidumping and Countervailing Duties in Place (May 2017), available at https://www.usitc.gov/trade_remedy/documents/orders.xls.

[19] *Welded Line Pipe from the Republic of Korea and the Republic of Turkey: Initiation of Countervailing Duty Investigations*, 79 Fed. Reg. 67,419 (Nov. 13, 2014); *Welded Line Pipe from the Republic of Korea and the Republic of Turkey: Initiation of Less-Than-Fair-Value Investigations*, 79 Fed. Reg. 68,213 (Nov. 14, 2014).

[20] *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Korea, Mexico, and the Republic of Turkey: Initiation of Less Than-Fair-Value Investigations*, 80 Fed. Reg. 49,203 (Aug. 17, 2015); *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Initiation of Countervailing Duty Investigation*, 80 Fed. Reg. 49,207 (Aug. 17, 2015).

[21] *Welded Stainless Pressure Pipe from India: Initiation of Antidumping Duty Investigation*, 80 Fed. Reg. 65,696 (Oct. 27, 2015); *Welded Stainless Pressure Pipe from India: Initiation of Countervailing Duty Investigation*, 80 Fed. Reg. 65,700 (Oct. 27, 2015).

[22] *Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman, Pakistan, the Philippines, the United Arab Emirates, and the Socialist Republic of Vietnam: Initiation of Less Than-Fair-Value Investigations*, 80 Fed. Reg. 73,708 (Nov. 25, 2015).

Individual trade remedy cases are expensive and time-consuming, and are often the legal equivalent of putting a finger in a dike to plug a leak. Even with such efforts, the flood of imports continues. The domestic industry recently filed, for example, a new case on Cold-Drawn Mechanical Tubing from China, Germany, India, Italy, Korea and Switzerland.[23] The number of target countries reflects the widespread nature of the problem, and the need for a global solution.

There are additional reasons why trade remedy orders are not enough. To take an example from the steel business, domestic producers in the past would file cases on "carbon" steel products. Foreign producers would then sprinkle trace amounts of alloying elements in their products and declare the products to be "alloy" steel not subject to the duties, even though whatever alloying elements were added (if any) did not change the nature of the carbon steel product.[24] Now, domestic producers need to target "carbon quality" steel products and include a long list of chemical properties in the definition of the covered products.[25] Still, efforts to

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[23] *Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from the Federal Republic of Germany, India, Italy, the Republic of Korea, the People's Republic of China, and Switzerland: Initiation of Less-Than-Fair-Value Investigations*, 82 Fed. Reg. 22,491 (May 16, 2017); *Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel from India and the People's Republic of China: Initiation of Countervailing Duty Investigations*, 82 Fed. Reg. 22486 (May 16, 2017).

[24] *See, e.g.*, *Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate from the People's Republic of China*, 74 Fed. Reg. 40,565 (Aug. 12, 2009); *Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate From the People's Republic of China*, 76 Fed. Reg. 50,996 (Aug. 17, 2011).

[25] *See, e.g.*, *Circular Welded Carbon-Quality Steel Pipe from the Sultanate of Oman, Pakistan, and the United Arab Emirates: Amended Final Affirmative Antidumping Duty Determination and Antidumping Duty Orders*, 81 Fed. Reg. 91,906 (Dec. 19, 2016) ("Specifically, the term 'carbon quality' includes products in which: (a) Iron predominates, by weight, over each of the other contained elements; (b) the carbon content is 2 percent or less, by weight; and (c) none of the elements listed below exceeds the quantity, by weight, as indicated: (i) 1.80 percent of manganese; (ii) 2.25 percent of silicon; (iii) 1.00 percent of copper; (iv) 0.50 percent of aluminum; (v) 1.25 percent of chromium; (vi) 0.30 percent of cobalt; (vii) 0.40 percent of lead; (viii) 1.25 percent of nickel; (ix) 0.30 percent of tungsten; (x) 0.15 percent of

circumvent the orders continue.

Some foreign companies blatantly advertise services to help importers avoid trade remedy duties by, for example, transshipping merchandise through third countries.[26] They offer, for example, that:

> we can help you to provide the documents to your government certifying that the products are made of other low tariff countries instead of China.
>
> How can we do it?
>
> 1st: We need to export those products (made in China) to other country (just as Malaysia). It is easy for us to do it and which just need cost your little money.
>
> 2nd: We will finish custom clearance for those cargos in Malaysia and then send it to our warehouse. Picking up those to re-load it to the new container (booking with Malaysia).
>
> 3rd: Finding a local factory to provide all the original documents to your country. And then export the products to your instruction Post.
>
> After the operation of above, the original will be changed from China to Malaysia. You just need to pay the normal import duty.[27]

This clearly criminal activity demonstrates the lengths to which unscrupulous foreign entities will go in order to dump their products in the United States market.

Another example of how importers work to avoid trade remedies comes from the International Trade Commission's report in *Drill Pipe and Drill Collars from China*:

> [T]he issue that concerned Staff most was the substantial level of mis-reporting: more than $60 million worth of imports of casing and tubing from China, now subject to antidumping and countervailing duty orders in the United States, have been reported to have entered the United States in 2008 and 2009 under statistical

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molybdenum; (xi) 0.10 percent of niobium; (xii) 0.41 percent of titanium; (xiii) 0.15 percent of vanadium; or (xiv) 0.15 percent of zirconium.").

[26] *See, e.g.*, Ningbo Eversky International Forwarding Agency Website and Hanhen Shipping Website, **Exhibit 5**; *Steel Wire Garment Hangers from the People's Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty Order*, 76 Fed. Reg. 66,895 (Oct. 28, 2011).

[27] Ningbo Eversky International Forwarding Agency Website, **Exhibit 5**.

> reporting numbers that are clearly designated for drill pipe. In addition, in the final phase of the investigations, U.S. importer *** reported the opposite error, entering *** of imports of drill pipe from China in 2010 under a non-drill pipe HTS statistical reporting number. *** stated that its customs broker had changed the HTS statistical reporting number to classify the imports as parts (of offshore oil and gas rigs). Letter from ***, January, 18, 2011. [28]

Thus, after the domestic industry obtained relief from unfairly traded imports, that relief was subverted because importers serially misreported the nature of the merchandise to avoid any remedial duties.

Domestic producers of pipe and tube have also filed numerous e-Allegations of fraud with U.S. Customs and Border Protection ("CBP"). What, if anything, CBP has done with this information is unclear, which led CPTI to push for the adoption of the Trade Facilitation and Trade Enforcement Act of 2015, which Congress enacted to provide some transparency for investigations into customs fraud. The experience of CPTI's members with this new system indicates that it is only incrementally better than the old one in that CBP at least provided notice that it was not pursuing certain allegations,[29] whereas under the old system the agency never provided any information at all.

The relief CPTI seeks through this Section 232 process is separate from the relief available through U.S. trade remedy laws. The glut of foreign steel puts the United States at a competitive disadvantage such that the industry cannot rely on traditional trade remedies. The United States must go after the root cause of devastating import surges; government action is needed to reduce global excess capacity. This Section 232 investigation can do just that: address

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[28] *Drill Pipe and Drill Collars from China*, Investigation Nos. 701-TA-474 and 731-TA-1176 (Final), USITC Publication 4213 (Feb. 2011) at IV-1 n. 3.

[29] U.S. Customs and Border Protection, *EAPA Case No. 15434: Nextracker, Notice of Non-Initiation* (Oct. 17, 2016).

the problems created by subsidized foreign overcapacity and that remain even after successful trade remedy cases.

III. QUOTAS ON ALL PRODUCTS IN HTSUS CHAPTERS 72 AND 73 ARE NEEDED TO ENSURE NATIONAL SECURITY

The relief afforded by this Section 232 investigation should strengthen the competitiveness of the domestic steel industry and producers of downstream products such as pipe and tube as well as pipe spools and pipe modules, the latter of which consist primarily of pipe that has been joined together. The Department should not grant relief on a basis that is limited to certain countries or products. Such piecemeal relief would only engender creativity to avoid the remedy – as commonly seen with AD/CVD orders.[30] For example, a remedy limited to China would incentivize the movement of Chinese steel to other countries for further processing before exportation to the United States. Likewise, a remedy limited to flat products would incentivize the importation of steel tubular products processed abroad, reducing the demand for domestic steel for use in such products.

To ensure realization of the benefits afforded by this Section 232 investigation, the Department should recommend – and the President should authorize – trade relief in the form of quotas on all imported steel products covered by HTSUS Chapters 72 and 73, with the exception of imports from Canada – provided Canada implements similar trade relief against imports – because of the reciprocal nature of our steel trade with that country and because Canadian producers could be counted on to assist the United States in a crisis. These quotas should be

[30] *See, e.g.*, *Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate from the People's Republic of China*, 74 Fed. Reg. 40,565 (Aug. 12, 2009); *Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate From the People's Republic of China*, 76 Fed. Reg. 50,996 (Aug. 17, 2011).

based on the average import levels for 2010 and 2011, which was a period of significantly lower imports prior to the injurious import surges. Those import surges were directly related to the explosion of massive subsidized overcapacity created by the Chinese government during this decade.

IV. CONCLUSION

For the foregoing reasons, CPTI respectfully requests that the Department find that steel imports are threatening to impair national security, and recommend that the President authorize trade relief in the form of quotas covering all steel products in HTSUS Chapters 72 and 73 with the exception of imports from Canada.

Please contact the undersigned should you have any questions regarding this submission.

Respectfully submitted,

/s/ Roger B. Schagrin

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EXHIBIT 1

Report on Market Research into the Peoples Republic of China Steel Industry Part 1

Final Report
30 June 2016

Prepared by the Steel Industry Coalition:
American Iron & Steel Institute (AISI)
Steel Manufacturers Association (SMA)
Specialty Steel Industry of North America (SSINA)
The Committee on Pipe and Tube Imports (CPTI)
American Institute of Steel Construction (AISC)

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2. EXECUTIVE SUMMARY

Comprehensive research was conducted to obtain available information and intelligence regarding the Chinese steel industry, in this part specifically focused on government support. This is a summary of key findings.

Overview of the Industry

China has engineered remarkable growth in its steel industry over the past 20 years, producing over 822 million tons in 2014, which accounted for half of the world's steel production. The rapid growth has been both supported and fueled by government subsidies and preferential policies, and this has led to enormous overcapacity in the industry while also creating a highly fragmented domestic sector made up of many weak, inefficient, and heavily polluting companies. But despite these trends and increasingly challenging market conditions for China's steel producers, given the importance of the industry to the economy, steel capacity is expected to continue expanding in the short term as new production under construction comes online.

Specific Type of State Support Identified in the Chinese Steel Industry

- State support used by the Chinese steel industry includes: cash grants; equity infusions; government-mandated mergers and acquisitions; preferential loans and directed credit; land use subsidies; subsidies for utilities, raw material price controls; tax policies and benefits; currency policies; and lax enforcement of environmental regulation.

- Pressure from international steel producers and the WTO has forced China to adjust how the government uses subsidies and preferential policies; it has shifted away from unconditional cash grants, tax rebates and protectionist price controls, to using these same tools to reform the industry into being more environmentally and economically sustainable. The government seems to be using the economic slowdown as an opportunity to restructure the steel industry, and will likely gear its support toward industry consolidation and environmental improvements over promoting growth ahead.

Overview of Types and Amounts of Steel Subsidies Received by the Steel Producers

- The most common subsidies received by the Steel Producers have been a variety of cash grants and capital infusions. Many have also benefited from tax payment subsidies and preferential loans. We note that several of the Steel Producers have sizeable subsidiaries, some of which have directly received subsidies. It is further noted that the amount of subsidies has generally been increasing over time, with a lower amount received by the Steel Producers in 2008 compared to 2014.

- Examples of subsidies received by a few selected Steel Producers are as follows:

    - Hebei Steel Group: Reported to have received a total of RMB71 million in governmental subsidies in 2014, in addition to RMB15 million as deferred subsidies. These included a large number of subsidies for technology-related upgrading, and development and environmental protection. It also had tax benefits, preferential loans, and energy and water subsidies.
    - Ansteel Group: Reported to have received total government subsidies amounting to RMB385 million in 2014. In addition to many cash grants and capital infusions, the company has received tax benefits and utilities subsidies each year. It has also benefited from other subsidies on land use and loan interest.

- Shougang Group: Reported to have received a total of RMB655 million in subsidies from the government in 2014, in addition to deferred subsidies amounting to RMB935 million. These included cash grants and capital infusions, tax benefits and preferential loan subsidies, and other subsidies on land-use and utilities.
- Valin Steel Group: Reported to have received total government subsidies amounting to RMB386 million in 2014. In addition to cash grants and capital infusions, it also received government support in the form of tax benefits, land-use benefits and preferential loans.
- Jiuquan Steel: Reported to have received total government subsidies of RMB324 million in 2014. These included cash grants and capital infusions, as well as loan interest discounts and land-use subsidies. It subsidiary has also received cash grants and land-use benefits directly, including through special funding for rental housing.
- TPCO: Reported to have received total government subsidies amounting to RMB5.4 million in 2014. It received cash grants and capital infusions for various purposes such as market expansion, technology research and transformation, and preferential loans and tax subsidies.

Most Commonly Used / Favoured Support at Different Levels of Government

- The most frequently seen forms of support in important national-level programs directed toward the steel industry are cash grants, preferential loans and tax benefits. At the national level, subsidies have increasingly been focused on environmental protection, energy-savings, technology upgrading, and industry consolidation and restructuring. Government bodies and subordinate administrations often allocate cash grants via 'special funds'. The authorities usually publish a regulation of how each special fund should be managed and forms of subsidies disbursement; funds should not be used for other purposes. However, review of the corporate filings of China's largest steel companies revealed that fewer companies have been receiving large subsidies in recent years.

- The 12th Five-Year Plan (2011-2015) for the steel industry includes region-specific guidelines. For northern and central areas the focus is clearly on restructuring the steel industry through M&A, removing obsolete or unused production capacity, and upgrading technology. Industry development is still encouraged in western China to take advantage of resources and to accommodate relocated production from the east. Border regions meanwhile are encouraged to explore and utilize mining resources, energy and markets beyond China's borders. In relation to issues of overcapacity and environmental pollution in the steel industry, Hebei province is especially important; it shoulders more responsibility for capacity reduction and has received more subsidies for environmental protection from the national government than any other province.

- Local governments are required to implement the overall policies set by the central government. However, there persists some parting between the central government's policy directive and implementation at the local level due to divergent interests of the local and central governments. While the central government wants to reduce overcapacity, steel enterprises usually are responsible for much social stability in local areas, including through providing employment. Subsidies from local governments can be divided into two categories: those tied to special funds local governments budgeted to meet directives from central government, and other subsidies directly from the local governments. The main forms of subsidies include loan repayment support and cash grants for projects related to R&D, energy-efficiency and environmental protection.

EXHIBIT 2

U.S. Imports of Steel Mill Products

FOR Pipe and Tube – C & A

Quantity in Metric Tons

Same Table - Annual U.S. Dollars

Same Table - Average Unit Value

Same Table - Monthly Average Metric Tons

Same Table - Monthly Average U.S. Dollars

'C & A' = Carbon and Alloy products, 'S' = Stainless products

Back to Homepage

Country	Census Data									
	Annual Total Quantity 2009	Annual Total Quantity 2010	Annual Total Quantity 2011	Annual Total Quantity 2012	Annual Total Quantity 2013	Annual Total Quantity 2014	Annual Total Quantity 2015	Annual Total Quantity 2016	Total Quantity YTD Jan through Mar 2016	Total Quantity YTD Jan through Mar 2017
WORLD	4,017,712	4,966,011	6,197,420	7,710,529	6,893,975	7,805,308	6,297,655	4,049,919	1,013,982	1,544,658
KOREA	355,537	878,343	1,244,034	1,631,965	1,778,957	2,409,086	1,491,008	935,106	231,809	445,222
CANADA	724,985	937,984	980,338	1,078,308	1,022,956	989,566	937,923	648,634	173,889	211,472
MEXICO	313,746	471,499	564,336	525,393	567,288	777,181	580,241	606,577	142,345	203,137
TURKEY	98,829	124,311	187,969	298,917	294,781	318,288	339,468	201,349	58,472	67,867
JAPAN	272,994	282,143	390,336	533,083	363,600	289,050	286,760	192,810	42,498	32,901
CHINA	927,255	154,630	185,851	196,811	136,130	188,571	186,513	190,108	55,773	48,514
GERMANY	163,717	225,854	266,687	447,812	296,369	413,468	380,224	162,049	38,443	37,887
GREECE	53,449	36,483	60,370	111,683	47,713	42,776	203,719	102,707	19,356	125.4
INDIA	367,082	412,081	400,836	328,871	279,242	206,269	191,324	95,442	25,188	128,433
TAIWAN	27,573	104,910	151,024	135,031	125,417	161,623	146,093	89,432	16,055	36,404
RUSSIA	59,213	133,629	166,678	233,443	156,033	208,119	168,418	87,772	9,506	17,350
AUSTRIA	85,656	143,600	209,208	209,479	171,690	190,465	109,941	86,313	27,805	36,920
ITALY	156,519	199,482	70,714	166,428	144,670	192,293	155,224	74,407	21,102	16,012
VIETNAM	22,491	33,666	110,595	253,099	229,577	106,384	110,319	72,034	17,119	20,200
THAILAND	35,162	27,157	53,393	147,640	79,482	75,926	93,491	68,712	21,897	45,527
ARGENTINA	46,609	123,337	166,818	188,151	269,549	197,969	100,772	53,586	1,399	42,164
UNITED ARAB EMIRATES	17,360	32,309	61,132	37,888	44,143	71,647	102,559	50,182	21,844	25,550
ROMANIA	30,853	88,190	83,662	124,093	95,166	118,662	81,671	37,211	15,692	11,494
BRAZIL	40,750	42,928	42,928	58,286	61,604	107,692	110,054	34,920	11,539	16,311
UKRAINE	12,274	67,387	133,355	159,794	109,946	78,065	50,430	30,151	3,707	9,320
SPAIN	35,737	59,396	69,082	73,599	53,917	82,026	64,484	27,352	6,728	16,426
OMAN	17,224	30,824	33,077	44,047	42,027	62,578	41,999	25,671	4,283	10,416
CZECH REPUBLIC	14,189	60,054	91,116	84,707	74,031	80,932	35,817	23,584	2,957	9,900
UNITED KINGDOM	11,334	27,288	27,383	141,033	72,107	25,839	36,036	17,734	6,577	5,622
PHILIPPINES	57.1	5,586	51,615	96,966	96,636	80,161	55,724	16,437	5,129	9,722
SOUTH AFRICA	4,197	33,727	31,654	28,321	26,281	54,612	28,188	16,081	3,663	3,572
FRANCE	56,970	53,700	63,047	68,866	54,296	68,477	44,431	15,171	4,771	2,582
SAUDI ARABIA	61.6	12,851	74,140	80,616	73,957	49,476	44,516	11,328	1,720	10,062
SWITZERLAND	4,251	7,836	7,496	14,501	8,273	10,517	10,960	11,324	2,764	2,398
PORTUGAL	.	.	.	.	42.1	.	.	10,404	2,881	4,218
MALAYSIA	14,582	7,686	8,532	26,255	5,390	6,153	6,065	6,991	1,672	1,571
PAKISTAN	509.7	1,998	3,320	23,682	11,541	21,606	26,979	6,593	6,359	291.9
DOMINICAN REPUBLIC	6,010	3,179	5,128	7,925	5,073	3,507	3,840	6,541	1,552	2,652
GUATEMALA	289.8	2,044	2,610	4,053	4,644	2,780	3,856	5,984	1,292	1,354

Country	Census Data									
	Annual Total Quantity 2009	Annual Total Quantity 2010	Annual Total Quantity 2011	Annual Total Quantity 2012	Annual Total Quantity 2013	Annual Total Quantity 2014	Annual Total Quantity 2015	Annual Total Quantity 2016	Total Quantity YTD Jan through Mar 2016	Total Quantity YTD Jan through Mar 2017
FINLAND	2,543	4,500	3,312	4,880	3,588	4,853	4,050	4,866	1,128	1,405
NETHERLANDS	1,350	1,923	1,949	5,557	3,789	4,096	3,536	3,864	886.8	1,980
SWEDEN	2,551	3,952	7,843	6,931	8,356	6,601	5,177	3,855	731.3	616.3
BELARUS	2,633	17,863	17,050	31,255	44,406	65,372	28,832	3,574	1,059	299.9
INDONESIA	7,700	26,742	43,712	31,383	5,227	4,668	3,520	3,351	721.8	1,611
SLOVAKIA	1,310	5,133	4,723	7,753	9,139	7,531	4,368	3,006	729.7	861.2
COLOMBIA	15,708	40,176	52,653	48,974	11,598	15,274	10,672	2,600	51.3	72.4
COSTA RICA	579.9	703.0	678.8	1,400	1,589	580.6	1,203	1,024	131.6	400.3
POLAND	635.4	4,830	7,221	3,572	2,215	1,893	1,172	730.4	595.8	213.7
ECUADOR	.	.	.	.	.	.	.	722.3	.	.
KAZAKHSTAN	.	.	985.1	.	75.4	1,090	.	481.0	.	217.7
HONDURAS	.	.	.	.	57.2	434.9	167.5	316.8	23.2	123.3
JORDAN	.	.	.	.	.	.	.	289.7	.	.
SINGAPORE	1,000	13.7	1,568	19.6	27.7	13.7	49.0	238.4	49.6	0.00
DENMARK	0.61	50.3	207.3	1,093	366.5	146.6	62.8	61.4	18.3	3.55
BELGIUM	672.4	194.1	266.8	156.2	122.1	185.3	183.8	57.5	15.0	10.4
EL SALVADOR	.	47.5	.	.	20.0	20.6	340.7	39.9	.	.
CAMBODIA	.	.	.	.	.	.	.	29.1	10.8	11.3
NORWAY	39.5	484.7	2.59	6.44	44.4	104.9	6.95	23.8	1.44	1,267
ISRAEL	3.57	0.80	16,902	1.83	.	24.7	52.3	22.7	0.05	0.02
LUXEMBOURG	.	.	.	.	.	.	2.67	21.7	17.4	45.6
IRELAND	49.8	.	3.35	15.2	10.5	7.81	17.3	8.72	.	2.44
LIECHTENSTEIN	.	.	.	.	.	.	.	7.57	.	.
BULGARIA	.	.	.	13.0	.	.	.	3.95	.	0.08
HONG KONG	177.7	49.1	12.4	413.4	4.99	1.42	8.40	2.61	2.21	0.05
AUSTRALIA	414.4	140.9	126.5	205.9	45.3	204.1	9.92	2.47	0.46	0.03
HUNGARY	.	15.7	36.8	80.9	29.0	.	.	1.19	.	2.77
BAHAMAS	.	.	.	.	436.3	.	.	0.93	0.93	.
TRINIDAD AND TOBAGO	.	.	.	.	0.45	0.06	5,146	0.92	.	.
SLOVENIA	.	.	.	.	.	.	1.31	0.91	0.16	.
ICELAND	.	.	.	.	.	.	.	0.56	.	.
NEW ZEALAND	0.13	.	.	.	.	.	0.43	0.32	.	2.01
QATAR	.	.	.	.	.	.	.	0.07	.	.
ALGERIA	.	.	38.1	.	.	.	.	.	.	.
ANGOLA	.	.	.	.	.	.	1.78	.	.	.
BURMA (MYANMAR)	.	.	.	.	.	.	.	.	.	138.2
CHILE	8.68	.	0.90	.	31.3	305.1	.	.	.	1,756
CROATIA	.	21,330	31,857	4,005	16.0	20.2	.	.	.	.
EGYPT	.	.	.	414.5	.	.	.	.	.	.
ESTONIA	.	.	.	.	.	1.13	.	.	.	1.16
GEORGIA	.	.	.	.	148.2	.	.	.	.	.
IRAQ	.	.	.	.	.	.	3.07	.	.	.

Country	Census Data									
	Annual Total Quantity 2009	Annual Total Quantity 2010	Annual Total Quantity 2011	Annual Total Quantity 2012	Annual Total Quantity 2013	Annual Total Quantity 2014	Annual Total Quantity 2015	Annual Total Quantity 2016	Total Quantity YTD Jan through Mar 2016	Total Quantity YTD Jan through Mar 2017
KYRGYZSTAN	.	5.89	.	.	.	.	.	.	.	.
MOROCCO	.	.	.	.	.	.	3.03	.	.	.
MOZAMBIQUE	362.9	8,145	7,621	1,130	.	.	.	.	.	.
NICARAGUA	.	.	38.9	.	.	.	.	.	.	.
NIGERIA	.	.	.	.	.	59.4	.	.	.	.
PANAMA	.	.	.	43.4	.	.	.	.	.	.
PERU	.	.	.	.	.	32.3	.	.	.	.
SAO TOME AND PRINCIPE	.	.	.	.	.	1.04	.	.	.	.
SRI LANKA	.	.	.	.	.	.	0.17	.	.	.
SURINAME	.	.	.	189.5	.	.	.	.	.	.
SYRIA	52.3	18.6	.	.	.	.	.	.	.	.
TUNISIA	.	.	.	266.6	81.8	.	.	.	.	.
VENEZUELA	2,435	3,578	122.7	.	.	0.99	.	.	.	.

SOURCE: U.S. Department of Commerce, Enforcement & Compliance
Table last modified on: May 30, 2017 , with
Final Census data compiled through March 2017
Data listed in order of descending volume imported during the year - 2016
Steel mill categories are defined by 10-digit HTS codes

Link to License Data at HTS 6-digit level

Link to Monthly Display of Census Data

Link to Summary Level of Monthly Census Data

EXHIBIT 3

China Steel Production 1990-2017 | Data | Chart | Calendar | Forecast

Steel Production in China increased to 71995 Thousand Tonnes in March from 61187 Thousand Tonnes in February of 2017. Steel Production in China averaged 29588.46 Thousand Tonnes from 1990 until 2017, reaching an all time high of 71995 Thousand Tonnes in March of 2017 and a record low of 4918 Thousand Tonnes in February of 1990.

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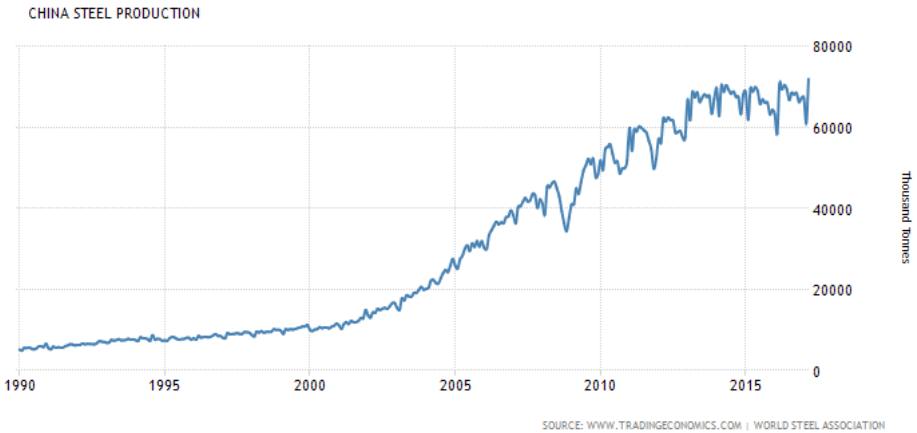
1Y 5Y 10Y MAX



Compare...

Forecast (/china/steel-production/forecast) AlertMe Watch Embed

China Business	Last	Previous	Highest	Lowest	Unit	
Business Confidence (/china/business-confidence)	51.20	51.80	59.20	38.80		[+] (/china/business-confidence)
Non Manufacturing PMI (/china/non-manufacturing-pmi)	54.00	55.10	62.20	50.80	percent	[+] (/china/non-manufacturing-pmi)
Manufacturing PMI (/china/manufacturing-pmi)	50.30	51.20	52.30	47.20		[+] (/china/manufacturing-pmi)
Services PMI (/china/services-pmi)	51.50	52.20	54.70	50.00	Index Points	[+] (/china/services-pmi)
Industrial Production (/china/industrial-production)	6.50	7.60	29.40	-21.10	percent	[+] (/china/industrial-production)
Industrial Production Mom (/china/industrial-production-mom)	0.56	0.83	1.32	0.13	percent	[+] (/china/industrial-production-mom)
Manufacturing Production (/china/manufacturing-production)	6.90	8.00	11.40	6.30	percent	[+] (/china/manufacturing-production)
New Orders (/china/new-orders)	52.30	53.30	65.10	32.30	Index Points	[+] (/china/new-orders)

China Business	Last	Previous	Highest	Lowest	Unit	
Changes in Inventories (/china/changes-in-inventories)	11109.60	12004.70	12662.30	3.00	CNY HML	[+] (/china/changes-in-inventories)
Total Vehicle Sales (/china/total-vehicle-sales)	2075734.00	2542910.00	3057340.00	88416.00		[+] (/china/total-vehicle-sales)
Car Production (/china/car-production)	1782800.00	2188000.00	2644000.00	215533.00	Units	[+] (/china/car-production)
Car Registrations (/china/car-registrations)	1722200.00	2096300.00	2672300.00	213534.00		[+] (/china/car-registrations)
Leading Economic Index (/china/leading-economic-index)	0.20	-0.10	3.00	-3.80	percent	[+] (/china/leading-economic-index)
Mining Production (/china/mining-production)	-0.40	-0.80	7.90	-3.60	percent	[+] (/china/mining-production)
Mni Business Sentiment (/china/mni-business-sentiment)	55.90	53.10	77.20	38.70		[+] (/china/mni-business-sentiment)
Steel Production (/china/steel-production)	71995.00	61187.00	71995.00	4918.00	Thousand Tonnes	[+] (/china/steel-production)
Competitiveness Index (/china/competitiveness-index)	4.95	4.89	4.95	4.55	Points	[+] (/china/competitiveness-index)
Competitiveness Rank (/china/competitiveness-rank)	28.00	28.00	34.00	26.00		[+] (/china/competitiveness-rank)
Composite Pmi (/china/composite-pmi)	51.20	52.10	53.50	48.00		[+] (/china/composite-pmi)
Cement Production (/china/cement-production)	22112.80	20162.40	23427.00	781.50	Ten Thousands of Tonnes	[+] (/china/cement-production)
Corporate Profits (/china/corporate-profits)	1704300.00	1015680.00	6880320.00	1617.00	CNY Million	[+] (/china/corporate-profits)
Ease of Doing Business (/china/ease-of-doing-business)	78.00	80.00	99.00	78.00		[+] (/china/ease-of-doing-business)
Electricity Production (/china/electricity-production)	516890.00	527190.00	561700.00	41760.00	Gigawatt-hour	[+] (/china/electricity-production)
Corruption Index (/china/corruption-index)	40.00	37.00	40.00	21.60	Points	[+] (/china/corruption-index)
Corruption Rank (/china/corruption-rank)	79.00	83.00	100.00	40.00		[+] (/china/corruption-rank)

+ (indicators)

China Steel Production Notes

This page has Steel Production values for China. China Steel Production - actual data, historical chart and calendar of releases - was last updated on May of 2017.

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency	
71995.00	61187.00	71995.00	4918.00	1990 - 2017	Thousand Tonnes	Monthly	Volume, NSA

Steel Production by Country

World (http://www.tradingeconomics.com/country-list/steel-production) Europe (http://www.tradingeconomics.com/country-list/steel-production?continent=europe)

America (http://www.tradingeconomics.com/country-list/steel-production?continent=america) Asia (http://www.tradingeconomics.com/country-list/steel-production?continent=asia)

Africa (http://www.tradingeconomics.com/country-list/steel-production?continent=africa) Australia (http://www.tradingeconomics.com/country-list/steel-production?continent=australia)

G20 (http://www.tradingeconomics.com/country-list/steel-production?continent=g20)

	Last	
Australia (/australia/steel-production)	429.01	Mar/17
Brazil (/brazil/steel-production)	2850.00	Mar/17
Canada (/canada/steel-production)	1275.00	Mar/17
China (/china/steel-production)	71995.00	Mar/17
France (/france/steel-production)	1332.21	Mar/17
Germany (/germany/steel-production)	3882.01	Mar/17
India (/india/steel-production)	9000.00	Mar/17
Italy (/italy/steel-production)	2232.00	Mar/17
Japan (/japan/steel-production)	8885.38	Mar/17
Mexico (/mexico/steel-production)	1830.00	Mar/17
Netherlands (/netherlands/steel-production)	605.00	Mar/17
Russia (/russia/steel-production)	6185.00	Mar/17
South Korea (/south-korea/steel-production)	6100.00	Mar/17
Spain (/spain/steel-production)	1381.00	Mar/17
Turkey (/turkey/steel-production)	3111.40	Mar/17
United Kingdom (/united-kingdom/steel-production)	649.00	Mar/17
United States (/united-states/steel-production)	7003.00	Mar/17

Related

China Inflation Rate At 3-Month High Of 1.2% In April (/china/inflation-cpi)
China Trade Surplus Narrows In April (/china/balance-of-trade)
China Quarterly GDP Growth Weakest In A Year (/china/gdp-growth)
China GDP Growth Beats Estimates In Q1 (/china/gdp-growth-annual)
China Trade Surplus Narrows In March (/articles/04132017054230.htm)
China Inflation Rate Below Estimates In March (/articles/04122017013555.htm)
China Inflation Rate Slows To 2-Year Low In February (/articles/03092017014952.htm)
China Posts First Monthly Trade Gap In 3 Years (/articles/03082017064735.htm)
China Inflation Rate At 32-Month High Of 2.5% In January (/articles/02142017015125.htm)
China Trade Surplus Largest In A year (/articles/02102017035858.htm)
China Quarterly GDP Growth Weakest in 3 Quarters (/articles/01202017035412.htm)
China 2016 GDP Growth Weakest in 26 Years (/articles/01202017023653.htm)
China Trade Surplus Narrows to 8-Month Low in December (/articles/01132017034008.htm)

EXHIBIT 4

Carbon & Alloy Steel Pipe and Tube

Exporter	Importer	2010	2011	2012	2013	2014	2015	2016
U.S.	Canada	796,895	904,103	1,086,039	1,146,612	971,596	695,873	537,904
Canada	U.S.	1,031,500	1,078,873	1,184,737	1,122,690	1,087,463	1,032,191	711,749
Trade Deficit with Canada		234,605	174,770	98,698	-23,922	115,867	336,318	173,845

Deficit	Surplus

Sources: AISI Exports 2 and Imports 3 reports for 2010-2016

Carbon & Alloy Steel Pipe and Tube

Exporter	Importer	2010	2011	2012	2013	2014	2015	2016
World	U.S.	5,474,084	6,831,478	8,499,393	7,599,298	8,603,869	6,941,968	4,464,266
Canada	U.S.	1,033,949	1,080,636	1,188,630	1,127,615	1,090,808	1,033,882	714,996
Canada % of Total Imports		18.89%	15.82%	13.98%	14.84%	12.68%	14.89%	16.02%

Source: SIMA, using Census data for 2010-2016

All Steel Mill Products

Exporter	Importer	2010	2011	2012	2013	2014	2015	2016
U.S.	Canada	6,462,512	6,544,015	6,594,776	6,496,149	6,143,934	4,686,388	4,425,269
Canada	U.S.	6,618,673	6,007,040	5,728,332	5,443,703	6,005,973	5,752,915	5,604,766
Trade Deficit with Canada		156,161	-536,975	-866,444	-1,052,446	-137,961	1,066,527	1,179,497
Deficit	Surplus							

All Steel Mill Products

Exporter	Importer	2010	2011	2012	2013	2014	2015	2016
World	U.S.	22,990,053	27,401,768	32,208,243	28,077,979	43,116,806	37,623,669	31,977,221
Canada	U.S.	6,618,673	6,007,040	5,728,332	5,443,703	6,005,973	5,752,915	5,604,766
Canada % of Total Imports		28.79%	21.92%	17.79%	19.39%	13.93%	15.29%	17.53%

Sources: AISI Imports 3, Exports 2 reports for 2010-2016

All Steel Mill Products

Exporter	Importer	2010	2011	**AVG.**
U.S.	Canada	6,462,512	6,544,015	6,503,264
Canada	U.S.	6,618,673	6,007,040	6,312,857
Trade Deficit with Canada		156,161	-536,975	-190,407
Deficit	Surplus			

Carbon & Alloy Steel Pipe and Tube

Exporter	Importer	2010	2011	**AVG.**
U.S.	Canada	796,895	904,103	850,499
Canada	U.S.	1,031,500	1,078,873	1,055,187
Trade Deficit with Canada		234,605	174,770	204,688
Deficit	Surplus			

EXHIBIT 5

Hanhen Shipping

According to traders' demands in commercial interests and import tariff reduction, we provide BL switch for triangular trade, etc in order to protect the interests of traders and save tariff expenses.

1. Based on the principle of commercial confidentiality, we HANHEN work seriously as a intermediate part between processing manufacturers, traders and end-buyers and switch documents reasonably.

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2nd: We will finish custom clearance for those cargos in Malaysia and then send it to our warehouse. Picking up those to re-load it to the new container(booking with Malaysia).
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