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Mr Rhys Piper  
Director, Operations 1  
Anti-Dumping Commission  
Level 35  
55 Collins Street  
Melbourne Victoria 3000

**Public File**

Dear Mr Piper

**Continuation investigation No. 449 – Galvanised steel exported from P R China, Korea and Taiwan – POSCO Submission dated 6 February 2018**

I. Introduction

I refer to the Anti-Dumping Commission's ("the Commission") inquiry into the continuation of anti-dumping measures on exports of zinc coated (galvanised) steel "Galvanised steel" exported from the People's Republic of China, Korea and Taiwan (Investigation No. 449).

BlueScope Steel Limited ("BlueScope") seeks to comment on the submission by POSCO dated 6 February 2018. The submission contains a number of assertions that misrepresent the threat of injury to the Australian industry should the measures be allowed to expire. It is appropriate therefore for BlueScope to address these issues.

II. Likelihood of dumping

POSCO claims that it has not dumped galvanised steel onto the Australian market "*in recent years*" and that "*it has no intention of doing so in the future*". BlueScope notes the distortion of the words used in the POSCO submission as to whether POSCO "*would probably engage in dumping*" versus the legislative requirement of a "*likelihood*" of a recurrence of dumping. The Assistant Minister is only required to be satisfied that future dumping is likely; not that it is probable.

BlueScope has correctly referenced the position as to the existence of measures in other jurisdictions on exporters the subject of the notice on galvanised steel exported from China, Korea and Taiwan. Anti-Dumping measures exist in the USA, Taiwan and Vietnam in relation to corrosion-resistant sheet and galvanised steel exported from China and Korea. POSCO seeks to exclude itself from the coverage of the USA measures on the basis that it was not a "*selected mandatory respondent*" and therefore claims that no dumping margin was specifically determined for its exports to the USA. This does not exempt POSCO from the coverage of the measures, but merely indicates POSCO was not selected for verification.

POSCO seeks to further exclude itself from the Taiwanese investigation on the grounds it elected not to participate in the inquiry. Again, this does not obfuscate POSCO from the fact its exports into Taiwan were at dumped prices.

POSCO further criticizes the Vietnamese authorities as to an “irregular” investigation alleging the investigation was based upon “protectionist bias”. The grounds proffered by POSCO for overlooking the facts that POSCO is the subject of measures on equivalent goods to galvanised steel cannot be ignored.

### III. Variable factors reviews

POSCO has sought to challenge the commentary included in Explanatory Memorandum accompanying the recent proposed changes to Part XVB Section 269TAB of the Customs Act that apply to Division 5 as referenced by BlueScope in its continuation application. POSCO has commented on the four examples referred to in the Explanatory Memorandum and disputes the commentary that the margins of dumping post a review application actually increase.

BlueScope considers that POSCO has missed the point. The information relied upon by POSCO confirms that post the reviews (in each case) the exporters resumed exports at dumped prices. That is, the exporters the subject of the measures continued to dump into the Australian market causing injury to the local industry following the review.

### IV. POSCO's behaviour

POSCO recounts submissions from earlier investigations suggesting that it is a model company that requires its agents to make it “aware” of the export destinations of its products. BlueScope does not disagree that POSCO’s behaviour must be assessed on its information. That said, it is a fact that POSCO is the subject of the measures from its past dumping behaviour and that it is the subject of measures in other jurisdictions due to its behaviour in setting export prices into those export markets.

For POSCO to suggest that there exists “clear evidence” that POSCO is unlikely to export galvanised steel again at dumped prices into the Australian market is a judgment call for the Commission. There are many factors to be considered, including, the most recent decisions in the USA to impose a blanket 25 per cent tariff on all steel imports into the US market. BlueScope acknowledges that South Korea is at this time expected to be exempted to some degree from the tariffs, however, the excess supply in the Asia Pacific region that will result from the barriers into the US market will result in an increase in supply in the region and place significant downward pressure on prices. BlueScope also notes the 26<sup>th</sup> March 2018 initiation of a steel safeguard investigation by the European Commission, in part as a response to the recent US S232 measures adopted by the US. These recent actions will increase downward pressure on export prices to Australia, including for products the subject of measures.

BlueScope is concerned that exporters the subject of measures will match the prices of the lowest-priced exporter(s) and, in order to secure export sales, resume dumping into Australia.

BlueScope does not consider that a simple statement that POSCO “will not dump” can be accepted as a guarantee that the company will not do so when past behaviour confirms that POSCO has exported at dumped prices.

### V. Likelihood of injury

POSCO challenges BlueScope’s statements that the company has suffered injury in 2016/17 due to dumping. POSCO states that Figure 1 in the application confirms that BlueScope has raised prices to recover cost increases. What POSCO has failed to consider is that recent reviews of measures based upon the 2015/16 investigation periods re-calibrated variable factors at decade-long lows. Subsequent export prices from exporters the subject of measures did not reflect higher domestic selling prices that followed due to the uplift in hot rolled coil (“HRC”) selling prices. BlueScope, therefore, experienced a sharp increase in price suppression brought about by higher HRC input costs and suppressed galvanised steel prices caused by imports.

POSCO seeks to reject BlueScope's claims that it is open to a recurrence of material injury in the absence of measures by suggesting that BlueScope sources significant volumes of steel "externally" and that there are significant volumes of imported galvanised steel in the Australian market not the subject of measures. In relation to the sourcing of steel from external sources, POSCO referenced one line in an 82 page BlueScope company Financial Results presentation that relates solely to BlueScope's Asean and US coating operations that source the majority of their input cold rolled and hot rolled feed from non-related steel companies within those regions. This is clearly unrelated to BlueScope's coated steel business in Australia that sources all of its input feed from the Port Kembla steelworks.

BlueScope's Distribution businesses do however externally source and resell a wide range of steel products manufactured in Australia by companies such as XXXXXXXXXX and XXXXXXXXXX as well as Aluminium products ex XXXXXXXXXX. Approximately XXXXX tonnes or less than XX% of all externally sourced products in Australia is sourced from import supply, the vast majority being products outside of BlueScope Australia's manufacturing capability. This is an immaterial volume in the context of BlueScope's total supply of all its steel products (i.e. 2.3 million tonnes).

The second aspect relates to exporters not the subject of measures that were found not to be dumping in the original investigation. Reference is also made of the Vietnamese export volumes of galvanised steel to Australia. In 2017, there were no exports of the goods from Vietnam. BlueScope is unable to comment on the volumes from exporters not the subject of the measures; however, BlueScope is not experiencing price undercutting from the subject exports during the investigation period.

VI. Conclusion

BlueScope does not consider that POSCO's submission of 6 February 2018 represents a categorical denial that the Korean exporter will not export at dumped prices and cause material injury to the Australian industry in the absence of measures.

BlueScope contends that POSCO has failed to acknowledge that the measures – at levels determined from the most recently completed reviews – are at levels that are injurious to the Australian industry. Further, POSCO has missed the point of the commentary to the Explanatory memorandum accompanying changes to Section 269TAB of Part 5 of the Customs Act that exporters have continued to export at dumped prices (above negligible levels) post a review investigation.

In the current investigation period, BlueScope has experienced a downturn in profit. This can be attributed to operating variable factors being at levels that do not reflect contemporary prices. Exporters the subject of measures have maintained distribution links into the Australian market and, in the absence of measures, will seek to secure increased volumes at reduced export prices to BlueScope's detriment. This will likely result in the recurrence (or threat) of material injury – the minimum legislative standard required in a continuation of measures inquiry.

If you have any questions concerning this application, please do not hesitate to contact me on (02) 4240 1214, or BlueScope's representative Mr John O'Connor on (07) 3342 1921.

Yours faithfully,



Chad Uphill  
Senior Commercial specialist  
International Trade Affairs