

30 April 2018

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 and 450 – Galvanised steel and aluminium zinc coated steel exported from P R China, Korea and Taiwan – Dongbu Submission

I. Introduction

I refer to the submission on behalf of Dongbu Steel Co., Ltd (“Dongbu”) dated 17 April 2018 concerning the continuation investigations on galvanised steel and aluminium zinc coated steel (Inquiries 449 and 450, respectively) exported from the People’s Republic of China (“China”), Korea and Taiwan.

II. Statements by Dongbu

The representations on behalf of Dongbu target BlueScope Steel Limited’s (“BlueScope”) claims that in the event the measures are allowed to expire, the Australian industry manufacturing like goods would suffer material injury that the measures are intended to prevent.

BlueScope stands by its comments and assertions contained in the respective applications for the continuation of the measures applicable to galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. The matters examined by Dongbu’s representative do not dispel or alter BlueScope’s request of the Commissioner to recommend the continuation of the measures. Rather, the recent confirmation by the Anti-Dumping Commission (“the Commission”) that Dongbu’s exports of galvanised steel to Australia during the current investigation period were at dumped prices confirm BlueScope’s concerns that dumping and material injury would recur in the absence of the measures. In respect of Dongbu’s exports of aluminium zinc coated steel, it is noted that the Commission is continuing to examine whether Dongbu’s exports may be considered “low volume” for the purposes of determining export prices to Australia.

The Dongbu submission is aimed at influencing the Commission into concluding that Dongbu’s dumped exports – at least in the case of galvanised steel – are not injurious to BlueScope. In its initial claims, it is argued on behalf of Dongbu that the measures should only be continued in “extraordinary circumstances”. The legislative provisions nor the Dumping and Subsidy manual suggest this to be the case.

The submission then extends into a detailed timeline history of Dongbu’s exports to Australia leading up to its second application for the review of the variable factors, namely:

- Dongbu's review of variable factors based on the 1 October 2013 to 30 September 2014 period established no dumping;
- Following the review of measures applicable to Dongbu, the determined ascertained export price ("AEP") was higher than other exporters and hence Dongbu was "not competitive" to other suppliers of galvanised steel; and
- As a consequence of its uncompetitive position, Dongbu requested a second review of its variable factors.

The intent here is to dispel any conclusion (by the Commission) that Dongbu has exported at dumped prices and that it only "exercised its rights under law" applicable at the time. BlueScope disagrees as Dongbu capitalised on the absence of exports during the second review to secure a "zero" dumping margin finding.

Dongbu's representations then shift to contrasting its export volumes to Australia with the export volumes from other sources of supply. Dongbu's submission seeks to downplay the volumes of exports the subject of measures and highlight volumes that are not the subject of measures – including exports from Japan that are priced above exports from the countries the subject of measures.

BlueScope is aware that certain exporters were exempt from the measures (including Union Steel Co., Ltd, Sheng Yu Co., Ltd and Ta Fong Steel Co., Ltd), however, and that exports from China have increased in recent times. That said, the issue before the Commission is however whether the expiration of the measures on the exporters (in China, Korea and Taiwan) will likely lead to a recurrence of material injury that the measures are intended to prevent. Dongbu's comments – including references to exports from suppliers not the subject of the measures – should not deflect the Commission's attention away from the key consideration of the continuation inquiry.

Dongbu also seeks to dismiss the relevance of investigations by other Administrations involving Korean exporters (including any by Dongbu) by suggesting that as Dongbu was not a "mandatory respondent", the goods were not a "significant part of Dongbu's product mix" or the market "is a small market for Dongbu", that Dongbu was not a key exporter (or targeted) in these investigations. The relevance, however, is that Dongbu's exports to the USA, Taiwan and Vietnam were included in the coverage of the measures imposed by the appropriate Administrations.

Whilst it is difficult to interpret redacted text from Dongbu's submission concerning Dongbu's sales trends since the measures were originally imposed, it would seem that Dongbu is suggesting that its volumes have diminished and that it does not present as a future threat to the Australian industry. BlueScope rejects this suggestion and points to the dumping determination (of 2.4 per cent) made for the recent investigation period for Dongbu's galvanised steel sales to Australia, as evidence that even with measures in place, Dongbu has exported at dumped prices.

The Dongbu submission then focuses its attention on BlueScope's improved sales volumes since the imposition of the measures and BlueScope's pricing practices to suggest that BlueScope is not suffering injury (or a threat thereof) and that any injury caused must be due BlueScope's import parity pricing model. It would be expected that following an anti-dumping investigation where anti-dumping (and countervailing) measures were applied that there would indeed be a level of recovery for the Australian industry. It can be recalled that this 'recovery' was temporary as imports from India, Malaysia and Vietnam filled the void of the dumped and injurious exports from China, Korea and Taiwan. The claim that BlueScope's pricing model is the cause of its own injury is fanciful - BlueScope is merely responding to the competitive forces at the time, including dumped offers from sources of supply that have proven capability to readily increase export volumes to Australia in a short period of time.

III. Import Parity Pricing

Dongbu contends that “the lagged nature of BSL’s pricing mechanism” is the cause for the injury sustained by BlueScope and any subsequent threat of injury. BlueScope rejects this suggestion. It can equally be stated that the exporter that is the subject of measures would monitor its own domestic sell prices when exporting to Australia to ensure that it does not export at dumped and injurious prices. Clearly, Dongbu has not exported to Australia with the level of care in the recent periods to not export at dumped prices.

It is relatively easy for the exporter to contend that an injury sustained by the Australian industry is due to that industry’s own practices, however, mention is rarely made of the exporter exercising care not to export at dumped prices that will result in injury to the importing country’s local industry.

IV. Closing Remarks

BlueScope requests the Commission to reject the assertions of Dongbu and to recognise that its representations are intended to purposefully minimise the impact of its actions (to export at dumped prices during the investigation period) and to attribute any cause of injury (or threat thereof) to factors other than exporters the subject of measures in these coated steel continuation inquiries.

Dongbu has provided little evidence in support of a position that it will not export at dumped prices should the measures be allowed to expire. BlueScope is correct in referring to the key matters relevant to the Assistant Minister’s decision as to whether to continue the measures, including:

- Whether recent exports have been at dumped prices;
- If the measures have been effective in limiting material injury;
- That exporters have maintained distribution links into Australia;
- The exporters are the subject of measures in other jurisdictions; and
- That should the measures be allowed to expire it is likely that the exporters will re-commence exports at dumped prices to secure increased volumes in Australia.

BlueScope’s concern that the expiry of measures will likely result in dumping and a recurrence of material injury, is valid. The Australian market for coated steel products (i.e. galvanised steel and aluminium zinc coated steel) is competitive and price-sensitive. The successive requests by Dongbu for the review of measures within a four-year period indicates Dongbu is seeking an ongoing position in the Australian market. Should the measures on exporters in China, Korea and Taiwan be allowed to expire in a price-sensitive market, it is considered likely that suppliers free of the valid impost of anti-dumping measures will seek to increase sales volumes and market share in Australia.

BlueScope reiterates its request to the Commissioner to recommend to the Assistant Minister that the measures not be allowed to expire and be continued for a further five-year period so that the Australian industry does not experience a recurrence of dumping and material injury that the measures are intended to prevent.

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,

A handwritten signature in black ink, appearing to read 'C Uphill', written in a cursive style.

Chad Uphill
Senior Commercial Specialist – International Trade Affairs