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Ms Kerry Taylor
Director, Operations 4
Anti-dumping Commission

By Email: **operations4@adcommission.gov.au**

cc. Mr Paul Sexton, General Manager, Anti-dumping Commission
Mr Dale Seymour, Commissioner, Anti-dumping Commission

Dumping Investigation ADC 300 - Steel Reinforcing Bar exported from China

Dear Ms Taylor,

This submission supports OneSteel's request that the Commission publish a preliminary affirmative determination ("PAD") and impose provisional measures at the earliest opportunity following Day 60 of the investigation.

On the 1st of July 2015 the Commission initiated an investigation of steel reinforcing bar exported from China based on OneSteel's claims of material injury caused by dumping of exports from China. On the 3rd of August 2015 the investigating team verified OneSteel's claims of material injury and causation.

Due to the significant influence of the Government of China ("GOC) in their domestic steel industry that affects steel reinforcing bar prices, it will be necessary for the Anti-Dumping Commission ("Commission") to determine whether a particular market situation exists in order to appropriately determine Chinese normal values.

Influence of GOC on Chinese domestic prices of Rebar

Whilst China is treated as a market economy under Australia's Anti-Dumping provisions, the provisions provide for the rejection of domestic selling prices where it can be established that a situation in the market for the goods in the exporting country renders domestic selling prices unsuitable for normal value purposes.

Australia's section 269TAC(2)(a)(ii) permits the use of a different method of calculating the normal value where

> *" the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1)"*

Although the Commission may not have previously assessed whether long products such as billet or rebar are distorted by the GOC policies, other WTO compliant jurisdictions have recently formally made this assessment.

In December 2014 the Canadian Border Service Agency ("CBSA") concluded its dumping investigation into concrete steel reinforcing bar that included exports from China. As part of the Canadian investigation the CBSA conducted a 'Section 20 Inquiry' to determine if

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the GOC's influence distorted steel reinforcing bar prices so that they were not reflective of normal competitive market conditions.

Whilst there are clear differences between the Australian and Canadian anti-dumping frameworks in relation to their treatment of China's status as a market economy, both frameworks permit alternative methods of calculating normal values where it is determined that the government has influenced market prices so that they are not reflective of normal competitive markets.

- The Canadian Special Import Measures Act ("SIMA") allows for a 'Section 20 Inquiry' to assess if domestic prices are substantially determined by the government of that country and there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market.

- Australia's 269TAC(2)(a)(ii) permits the use of different method of calculating the normal value where *" the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1)"*

The CBSA's 'Section 20 Inquiry' of Chinese rebar exports found that the GOC exerts control over the Chinese steel industry which affects the long products steel sector including steel reinforcing bar. In deriving this conclusion the CBSA analyzed many of the same elements that OneSteel included in its dumping application including details of :

- the high level of State Owned Enterprises ("SOEs")[1]

- the *National Steel Industry Development Policy* ("2005 National Steel Policy") dated July 8, 2005 [2]

- the *Blueprint for the Adjustment and Revitalization of the Steel Industry* ("2009 Steel Revitalization/Rescue Plan")

- Provincial versions to the *2009 Steel Revitalization/Rescue Plan*, for example, the *Shandong Province Iron and Steel Industry Restructuring and Revitalization Plan*.

- the *12th Five-Year Plan: Iron and Steel* ("2011-2015 Development Plan for the Steel Industry") [3]

- the GOC's value added tax (VAT) export rebates on various steel products to promote their export. In addition, the GOC has also imposed export taxes on products to curtail their export:

    > "This has the effect of promoting certain types of production while at the same time reducing the level of exports of other steel products, ultimately affecting pricing of the goods" [4]

[1]CBSA Statement of Reasons concerning the final determination with respect to dumping of Certain Concrete Reinforcing Bar originating in or exported from the People's Republic of China, the Republic of Korea and the Republic of Turkey p.14-21
[2] Ibid., p. 15
[3] Ibid., p. 16
[4]Ibid., p. 18

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The CBSA then conducted an analysis of Domestic prices of rebar in China which showed that prices of rebar during the POI were significantly lower in China than in the other two countries they were investigating. The CBSA Section Inquiry found:

> *"Given that concrete reinforcing bar is a commodity product freely traded on the world market, this price discrepancy further indicates that domestic prices of concrete reinforcing bar in China are not the same as they would be if they were determined under competitive market conditions."* [5]

The CBSA finding supports OneSteel's assertions that the domestic selling prices for rebar sold in China are artificially low and there are conditions in the Chinese rebar market which render sales in that market not suitable for use in determining prices under subsection 269TAC(1) of the *Customs Act.* Indeed, in our application, OneSteel included evidence of this fact, an extract of which is reproduced below:

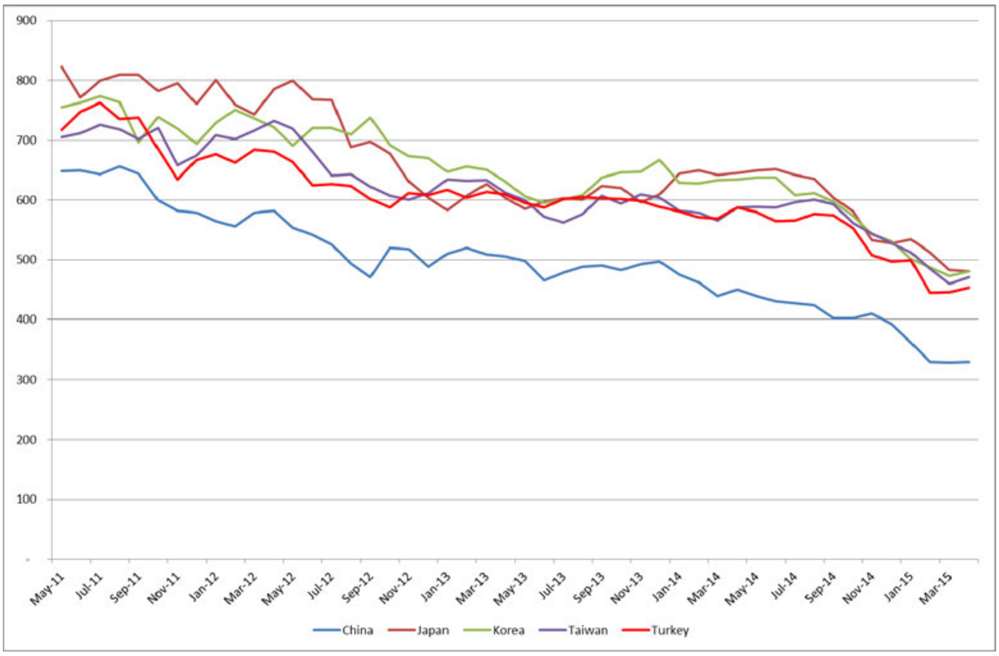

Chart B-3.5 *Domestic transaction prices for rebar from China and other sources*

Given the fact that the CBSA has made this finding of market distortions as a result of the GOC influence in the Chinese steel market, the Commission should have confidence to calculate a preliminary dumping margin based on construction of cost as per paragraph 269TAC(2)(c), as proposed in OneSteel's application.

Further to the constructed selling price model that OneSteel provided in its application, we have identified an appropriate level of profit for the Chinese exporters. Shandong Shiheng (an exporter named in both the Australian and the Canadian rebar investigations) published on their website that their steel industry profit for 2014 was 9.93%[6].

Due the continued material injury being caused by the large volumes of dumped Chinese rebar being exported to Australia, OneSteel urges the Commission to calculate a dumping

[5] Ibid., p. 19

[6] http://www.sdstg.com/news_421_14_14_44.html (Refer attached)

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margin based on the constructed selling price model using published Turkish export billet prices, Chinese conversion costs and a 9.93% level of profit.

Yours sincerely

Matt Condon
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