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29 July 2016

Mr Tim King
Case Manager
Dumping Operations
Anti-Dumping Authority
Level 35, 55 Collins Street
Melbourne Victoria 3000

Public File

Dear Mr King

Investigation No. 341 – A4 Copy Paper from Brazil, P R China, Indonesia and Thailand – Submission on behalf of Government of Indonesia dated 2 & 20 June 2016

Executive Summary

Australian Paper Pty Ltd ('AP") refers to the submissions made on behalf of the Government of Indonesia ("GOI") in Investigation No. 341 dated 2 and 20 June 2016.

The submissions are seeking a termination of the investigation into exports of copy paper from Indonesia. AP rejects the requests made on behalf of the GOI as AP's application included sufficient prima facie to evidence:

- A particular market situation for copy paper sold domestically in Indonesia; and
- The receipt of subsidies for raw material inputs (i.e. timber at less than adequate remuneration) were of sufficient magnitude to impact domestic copy paper prices in Indonesia.

AP reaffirms its view that a particular market situation for copy paper prevails in Indonesia and that domestic selling prices for the goods under consideration are lower than they otherwise would be due to the government influence on raw material timber prices. AP also considers that the impact of the subsidies received by Indonesian pulp producers is such that the benefit passes through to lower (or reduce) copy paper prices.

Submission of 2 June 2016

It is argued on behalf of the GOI that Indonesia is recognized as a 'free market economy' and that no evidence has been advanced by AP to demonstrate domestic selling prices for copy paper in Indonesia are artificially low. Respectfully, AP's application details the basis for the grounds for the particular market situation claims and the Anti-Dumping Commission ("the Commission") was satisfied that for the purposes of initiation of an investigation the evidence provided by AP was sufficient to warrant an investigation (into the allegations).

AP rejects the representations made on behalf of the GOI that the artificial lowering of the raw material inputs to manufacture does not preclude fair comparison of domestic and export prices. AP notes that in completed Investigations No. 177, 181, 190, 198, 237, 300, 301 and 316 the Commission (or the then Customs and Border Protection as appropriate) where a market situation was determined in China for the investigated goods, the fact that the

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artificially low inputs were used in the manufacture of both domestic and export goods was not at issue. A key factor which involved the government's influence (via the mechanisms employed) materially influenced the market conditions for the goods under consideration such that the domestic prices for the goods under investigation were substantially different to what it would have been in the absence of these interventions.

AP re-asserts that in the Indonesian pulp and paper industry, in the absence of the GOI's intervention to cause locally-sourced timber to be priced at artificially low levels, prevailing pulp and hence uncoated woodfree paper, including copy paper, would be priced at higher levels.

In respect of the claim made on behalf of the GOI that Program 1 was not specific, AP addressed this issue in its application and referenced the US Department of Commerce ("USDOC") finding that the program applied to five wood processing industries and is therefore countervailable.

AP strongly refutes the suggestion that it has sought the Commission to investigate concerning benefits received by Indonesian exporters. The programs have been accurately identified and supporting information provided in AP's application.

Submission of 20 June 2016

In this submission on behalf of the GOI, the focus is on addressing the three subsidy programs identified in AP's application that are considered countervailable.

(i) Log export ban

It is contended that as there are no bans on woodchips and pulp wood, the ban on the export of logs has no relevance. This is incorrect. The log export ban encourages local wood purchasing companies (including pulp manufacturers) to purchase domestically at attractive low prices. The two examples provided - woodchip and pulp wood – are further value-added processing steps following the purchase of the artificially low logs for which the GOI does not have the same level of ownership as it does for standing timber. Hence no bans are applied.

At 3.7 of the submission, it is suggested that AP has relied upon a series of assumptions to conclude that the harvested logs (at artificially low prices) have been used in the manufacture of copy paper. This is not the case as evidenced by the exporter questionnaire responses for cooperative Indonesian exporters that acknowledge the purchase of locally harvested logs consumed by their affiliated pulp manufacturing entities (e.g. PT Pabrik Kertas Tjiwi Kimia TBK EQR at Section I).

There exists clear and verifiable evidence by the Indonesian exporters of copy paper of the purchase of domestically harvested logs in the pulp manufacturing phase of paper manufacture.

(ii) Provision of standing timber at less than adequate remuneration

It is argued that AP's application was deficient in not sufficiently evidencing the domestic pricing of timber in Indonesia. Timber prices are not published in industry newsletters or similar publications and it is difficult to obtain pricing information in Indonesia.

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The USDOC did not receive any information from the GOI on timber pricing in privately-owned plantations, which accounts for a relatively minor percentage of total timber sales in Indonesia (as the GOI is the major owner of harvested forests in Indonesia). The USDOC was therefore limited to an external benchmark and it considered the location and species of timber harvested in Indonesia to determine a suitable benchmark. On this basis, Malaysian export log prices were relied upon.

In the absence of any more reliable information, Malaysian export prices were considered appropriate.

AP relied upon world woodchip prices to demonstrate a difference in Indonesian domestic and globally traded prices. This basis was considered reasonable for the purposes of the application (and initiation by the Commission).

The Commission is in receipt of information on actual log prices from cooperative exporter's EQR's and will be able to contrast these prices with a suitable benchmark. AP would highlight, however, that in order for private suppliers to sell harvested logs in Indonesia, they must compete with the prices paid by wood processing companies (including pulp manufacturers) for harvested wood from GOI plantations. Hence it is unlikely that domestic selling prices for harvested timber from private plantations can be considered to be free of influence from the GOI.

Material injury and causal link

The GOI submission suggests that the decline in AP's sales volumes since 2012 cannot be due to imports that have experienced increasing export prices over the duration of the injury analysis period.

This is a broad generalization and fails to take account of the decline in the Australian dollar which would see import prices for copy paper increase. AP submits that import prices for copy paper from Brazil, China, Indonesia and Thailand have not increased by the same magnitude as the Australian dollar has depreciated against the US dollar (for which most sales are made). With the slowing of economic activity in the exporter's home markets, combined with the recent imposition of measures on uncoated woodfree paper exported from Brazil, China and Indonesia by US authorities, exporters in each of the countries nominated in this investigation have been motivated to continue to supply the Australian market – at prices that have undercut the Australian industry's selling prices.

The price undercutting from imports (that have not been priced to reflect the depreciation of the Australian dollar) has contributed to price suppression and price depression in 2015, impacting AP's profit and profitability.

AP therefore disagrees with the assertions made on behalf of the GOI that "*factors other than dumping and subsidization have led to Paper Australia's [sic] claimed injury during the injury period*". It is AP's position that the dumped exports from Brazil, China, Indonesia and Thailand have been a significant source of the injury experienced by the Australian industry and that the injury suffered is material in nature.

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Concluding remarks

AP does not consider that the representations and assertions made on behalf of the GOI detract or raise any doubts as to the grounds included in AP's application for dumping and countervailing measures. More specifically, the submissions do not provide any reliable evidence to challenge the existence of a particular market situation for copy paper sold in Indonesia during 2015, nor do the submissions dispute the operation of the subsidy programs applicable to stumpage (Program 1) or the export ban on logs (Program 2). AP maintains its stated position that a particular market situation applies to copy paper sold in Indonesia due to the influence of the GOI's policies on the provision of harvested timber at less than adequate remuneration.

In respect of Program 3, AP is reliant on the Commission's investigations with the APP companies.

AP also reaffirms its position that the available evidence indicates that export prices from the exporting countries under investigation have undercut AP's selling prices during 2015 and this has resulted in price suppression, price depression and reductions in profit and profitability.

If you have any questions concerning this submission please do not hesitate to contact me on (03) 8540 2451 or AP's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

Matt Decarne
Trade Affairs Manager