



**INVESTIGATION 370**

**ALLEGED DUMPING OF ZINC COATED  
(GALVANISED) STEEL EXPORTED FROM  
MALAYSIA, THE REPUBLIC OF INDIA AND THE  
SOCIALIST REPUBLIC OF VIETNAM**

**AND**

**ALLEGED SUBSIDISATION OF GALVANISED  
STEEL FROM THE REPUBLIC OF INDIA AND THE  
SOCIALIST REPUBLIC OF VIETNAM**

**VISIT REPORT - EXPORTER**

**China Steel Sumikin Vietnam Joint Stock  
Company**

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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## **1 BACKGROUND**

Public notification of the initiation of this investigation was made on 7 October 2016 in Anti-Dumping Notice (ADN) No. 2016/105<sup>1</sup>. The background relating to the initiation of this investigation is contained in Consideration Report 370<sup>2</sup>.

The Anti-Dumping Commission (the Commission) notified China Steel Sumikin Vietnam Joint Stock Company (CSVC) of the initiation of the investigation and sought its cooperation through the completion of an exporter questionnaire. CSVC had been identified as an exporter in the Australian Border Force import database.

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<sup>1</sup> Electronic Public Record (EPR) 370/001 refers.

<sup>2</sup> EPR 370/002 refers.

## 2 THE GOODS AND LIKE GOODS

### 2.1 The goods exported to Australia

During the investigation period CSVC exported zinc coated (galvanised) steel ('the goods') to Australia. The goods were produced with various base metal thicknesses and coating mass.

### 2.2 Like goods sold on the domestic market

During the investigation period CSVC sold like goods on the domestic market in a variety of base metal thicknesses and coating mass.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are produced at the same facilities, with similar raw material inputs and the same manufacturing processes; and
- can be considered functionally and commercially alike.

### 2.3 Model matching

For the purpose of model matching, the verification team used the following criteria:

- Base material
- Coating Mass

### 2.4 Like goods – preliminary assessment

The verification team considers that galvanised steel produced by CSVC for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901*.<sup>3</sup>

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<sup>3</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

### 3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

#### 3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of CSVC's Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

#### 3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of CSVC's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were two amendments to the Australian sales listing relating to packaging and inland freight. The verification team did not identify any further issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

##### 3.2.1 Packaging costs

At the start of the verification, CSVC provided a revised copy of its Australian and domestic sales listings, containing amendments to calculated packaging costs. CSVC also provided an amended packaging cost allocation worksheet. The verification team did not identify any issues with the revised allocation of packaging costs.

##### 3.2.2 Inland freight

At the start of the verification, CSVC provided a revised Australian sales listing, containing amendments to inland freight. CSVC provided an explanation for the revision and the verification team did not identify any issues with this.

#### 3.3 The exporter

For all Australian export sales during the investigation period, the verification team considers CSVC to be the exporter of the goods.<sup>4</sup>

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<sup>4</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

### **3.4 The importer**

In relation to the goods exported to Australia by CSVC, the verification team considers that the Australian customers listed in CSVC's Australian sales listing were the beneficial owner of the goods at the time of importation, and therefore the 'importer' of the goods.

### **3.5 Related party customers**

The verification team identified a related Australian customer, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

Sales to both related and unrelated customers were reviewed and it was determined that the sales to related customers were at the market price.

### **3.6 Arms length**

In respect of Australian sales of the goods made by CSVC to importers during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>5</sup>

The verification team therefore considers that all export sales to Australia made by CSVC during the investigation period were arms length transactions.

### **3.7 Export price – preliminary assessment**

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate and recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>5</sup> Section 269TAA refers.

## 4 COST TO MAKE AND SELL

### 4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of CSVC's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30. During this process, there was one amendment made to the CTMS data relating to the export selling expense allocation. The verification team did not identify any further issues.

#### 4.1.1 Export selling expense

At the start of the verification, CSVC provided a revised copy of its selling, general and administration (SG&A) allocation spreadsheet. The revised SG&A allocation spreadsheet corrected an omission of a direct export selling expense in the response to the Exporter Questionnaire (REQ).

### 4.2 Verification of costs to source documents

The verification team verified the accuracy of CSVC's CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

### 4.3 Related party purchases

The verification team identified two related party suppliers of raw materials.

The verification team compared the purchase price of these raw materials from related suppliers with purchase prices by other Vietnamese exporters from unrelated suppliers and is satisfied that the purchase price from related entities is commensurate with the prices paid to unrelated suppliers for those raw materials.

### 4.4 Cost to make and sell – summary

Having verified CSVC's CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the CTMS spreadsheet is complete, relevant and accurate.

CSVC's CTMS spreadsheet is at **Confidential Appendix 2**.

## 5 VERIFICATION OF DOMESTIC SALES

### 5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of CSVC's domestic sales by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

### 5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of CSVC's domestic sales by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

### 5.3 Related party customers

The verification team identified four related domestic customers, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

Sales to both related and unrelated customers were reviewed and it was determined that the sales to related customers were at the market price.

### 5.4 Arms length

In respect of domestic sales of the goods made by CSVC during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>6</sup>

The verification team therefore considers that all domestic sales made by CSVC during the investigation period were arms length transactions.

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<sup>6</sup> Section 269TAA refers.



## **5.5 Ordinary course of trade**

Section 269TAAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale to the corresponding monthly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

## **5.6 Suitability of domestic sales**

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia.

The verification team found there was a sufficient domestic sales volume made in OCOT for a number of identical models exported to Australia during the investigation period.

For those models where there were insufficient domestic sales made in OCOT, or where there were no OCOT sales in the relevant month, the verification team considered using a surrogate model, however, any other models with sufficient sales required significant specification adjustments for multiple specification differences including coating mass and width. As such, for models and months where there were insufficient domestic sales of the identical model exported to Australia, the verification team constructed a normal value under section 269TAC(2)(c) using the cost to make the exported goods, plus SG&A applicable to the goods sold domestically, and an additional amount for profit. Details of the verification team's assessment are at **Confidential Attachment 2**.

The profit has been calculated by comparing the price of domestic sales of like goods with the corresponding monthly CTMS. In calculating the profit, the verification team has only included domestic sales made in the OCOT<sup>7</sup>.

## **5.7 Domestic sales – summary**

The verification team is satisfied that the revised domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1) for models that were found to have sufficient sales in the OCOT and to calculate profit for normal values constructed under subsection 269TAC(2)(c).

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<sup>7</sup> Section 45(2) of the *Customs (International Obligations) Regulation 2015*

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The domestic sales listing is at **Confidential Appendix 3**.

## **6 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8) and (9).

### **6.1 Credit insurance**

The verification team considers that a downwards adjustment to the normal value for domestic insurance expense is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the amount of credit insurance premium charged for each transaction for 269TAC(8) adjustments and the weighted average over the investigation period for 269TAC(9) adjustments.

The verification team also considers that an upwards adjustment for export credit insurance expense is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average credit insurance premium charged during the investigation period.

### **6.2 Inland transport**

The verification team considers that a downwards adjustment to the normal value for domestic inland transport expenses is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the inland transport costs listed for each domestic transaction for 269TAC(8) adjustments and the weighted average over the investigation period for 269TAC(9) adjustments.

The verification team also considers that an upwards adjustment for export inland transport expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost for export inland transport over the investigation period.

### **6.3 Packing**

The verification considers that a downwards adjustment to the normal value for domestic packing expenses is necessary, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average packing expense over the investigation period.

The verification team also considers that an upwards adjustment for export packing expenses is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost for export packing over the investigation period.

### **6.4 Commission**

The verification team note that commission is paid to an unrelated party on export sales to Australia. The verification team verified the rate of commission paid and applied this as an upwards adjustment to the normal value based on the weighted average commissions over the investigation period.

## **6.5 Customs declare fee**

CSVC have included a customs declare fee for export sales to Australia. The verification team considers that an upwards adjustment to the normal value for export customs declare fee is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost for export customs declare fee over the investigation period.

## **6.6 Handling and other**

CSVC have included handling and other expenses for export sales to Australia. The verification team considers that an upwards adjustment to the normal value for export handling and other expenses is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the weighted average cost for handling and other expenses over the investigation period.

## **6.7 Adjustments – conclusion**

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8) and (9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic credit	<b>Deduct</b> the cost of domestic credit
Domestic inland transport	<b>Deduct</b> the cost of domestic inland transport
Domestic packing	<b>Deduct</b> the cost of domestic packing
Export credit	<b>Add</b> the cost of export credit
Export inland transport	<b>Add</b> the cost of export inland transport
Export packing	<b>Add</b> the cost of export packing
Export commission	<b>Add</b> the cost of export commission
Export customs declare fee	<b>Add</b> the cost of export customs declare fee
Export handling and other	<b>Add</b> the cost of export handling and other

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 1**.

## 7 NORMAL VALUE

The verification team is satisfied that it found sufficient volumes of domestic sales of certain models, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of tomatoes are suitable for assessing normal value under subsection 269TAC(1).

For other models where there were insufficient sales made in the OCOT in the domestic market, the normal value has been 'constructed' in accordance with paragraph 269TAC(2)(c), using the CTM for Australian export sales, plus SG&A applicable to goods sold domestically, plus profit of domestic OCOT sales.

The normal value under these provisions has been adjusted for certain factors in accordance with subsection 269TAC(8) and (9) to achieve fair comparison of normal values with export prices.

Details of the verification team's assessment of normal value calculations are at **Confidential Attachment 2**.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

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**8 Subsidies**

The verification team noted that CSVC has benefited from 2 of the 19 alleged subsidy programs as summarised below. Detailed discussion and assessment of each of the programs where CSVC has received a benefit is discussed below.

Program no.	Program Title	Benefits Received by CSVC?
1	Preferential Import Tariff Rates contingent upon Localisation Ratios with respect to products and Parts of Mechanical-Electric-Electronic Industries (updating Program II of Notification of Subsidies period 2003-2004);	Y
2	Support for the Implementation of Projects Manufacturing Priority Industrial Products (Updating Programme III of 2003-2004)	N
3	Investment Incentives Contingent upon Export Performance For Domestic Businesses (Updating Programme IV of 2003-2004)	N
4	Other Investment Incentives for Domestic Businesses (Updating Program V of Period 2003-2004)	N
5	Investment Incentives Contingent upon Export Performance for Foreign Invested Enterprises (Updating Programme VI of the Period 2003-2004)	N
6	Other Investment Incentives for Foreign Invested Enterprises (Updating Programme VII for Period 2003-2004)	N
7	Preferential Investment Credit for Development Contingent upon Export Criteria (Updating Programme VIII of Period 2003-2004)	N
8	Preferential Development Credit for Investment Contingent Upon Localisation Ratios (Updating Programme IX of Period 2003-2004)	N
9	Other Preferential Investment Credit for Development (Updating Program X of Period 2003-2004)	N
10	Export Promotion (Updating Program XII of Period 2003-2004)	N
11	Trade Promotion (Updating of Programme XIII of Period 2003-2004)	N
12	Support for Mechanical Products (Updating Program XV of Period 2003-2004)	N
13	Support for Shipbuilding Industry (Updating of Programme XV of Period 2003-2004)	N
14	Assistance for Commercial Development in Mountainous, Island and Ethnic Minority Areas (Updating Programme XVI of Period 2003-2004)	N
15	Assistance to Enterprises Facing Difficulties Due to Objective Reasons (Updating of Programme XVII of Period 2003-2004)	N

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16	Incentives for Investment Projects in Science and Technology (Updating Programme XVIII of Period 2003-2004)	Y
<b>Program alleged to have benefited Hoa Sen Steel</b>		N
17	Preferential Import Tariff Rates for enterprises investing in regions or sectors entitled to investment incentives	N
18	Incentives on corporate income tax for enterprises operating in regions or sectors entitled to incentives	N
19	Incentives on Non-Agricultural Land Use Tax to encourage enterprises to invest in sectors or regions which require investment	N

### 8.1 Preferential Tax Programs

#### 8.1.1 Income tax benefit

CSVC provided the verification team with corporate income tax declarations from 2012 to 2015 as part of the REQ. The verification team note that CSVC have not received an income tax benefit.

#### 8.1.2 Tariff exemption

CSVC provided the verification team with a list of all imported assets eligible for preferential import tariff rates along with all shipping documents for these imports and applications for duty exemptions. The verification team is satisfied that all tariff exemptions obtained by CSVC were accurately captured in the exporter questionnaire response.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

### 8.2 Financial Grant Programs

The verification team verified the completeness of the grants list declared in the exporter questionnaire by reconciling the amounts to the non-operating income ledger over the investigation period. The team was satisfied that all grants obtained by CSVC were accurately captured in the exporter questionnaire response.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

### **8.3 Preferential Loans**

The verification team verified CSVC's credit loan agreements declared in the REQ and are satisfied that CSVC did not receive any benefit from preferential loans during the investigation period.



## 9 DUMPING AND SUBSIDY MARGINS

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

On this basis, the preliminary dumping margin in respect of the goods exported to Australia by CSVG for the investigation period is **8.37%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 4**.

The subsidy margin has been assessed by comparing weighted average unit Australian export price to the corresponding unit benefit for the investigation period, in accordance with paragraph 269TACD(2) of the Act. The preliminary subsidy margin in respect of galvanised steel exported to Australia by CSVG for the investigation period is **0.02%**.

Details of the preliminary subsidy margin calculation are at **Confidential Appendix 5**.

**10 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Australian export sales
<b>Confidential Appendix 2</b>	CTMS spreadsheet
<b>Confidential Appendix 3</b>	Normal value and OCOT
<b>Confidential Appendix 4</b>	Dumping margin
<b>Confidential Appendix 5</b>	Subsidy margin
<b>Confidential Attachment 1</b>	Verification work program, with attachments
<b>Confidential Attachment 2</b>	Assessment of normal value calculation