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Public File

Anti-Dumping Continuation 611 – Zinc Coated (Galvanised) Steel exported from China, Korea, and Taiwan

1. Introduction

BlueScope Limited (**BlueScope**) is the manufacturer of zinc coated (**galvanised**) steel in Australia. BlueScope was the applicant company that requested the Anti-Dumping continuation inquiry applicable to exports of the goods from China, Korea, and Taiwan – refer ADN No. 2022/086.

The Commission's recently published Statement of Essential Facts (**SEF 611**) makes the preliminary finding that the expiration of the measures under assessment would not likely lead to a continuation or recurrence of dumping of exports from Korea or Taiwan, but that such an expiration would likely lead to a continuation of dumped and or subsidised exports from China.¹

In SEF 611, the Commission considers that the available evidence supports the finding that exports from China at dumped and/or subsidised prices are likely to continue or recur if measures expire and it is therefore likely that these exports will cause material injury to the Australian industry.² Given that the Commission does not consider that the expiration of the measures will lead to a recurrence of dumping of the goods from Korea and Taiwan, it has not considered whether it is likely these goods will cause material injury to the Australian industry.³

The Commissioner therefore proposes to recommend that the Minister allow the measures to expire on goods exported to Australia from Korea and Taiwan, and to take steps to secure the continuation of the dumping and countervailing measures as they apply to the goods exported from China.⁴

In response to SEF 611, BlueScope makes the following comments and representations.

2. China Preliminary Finding

BlueScope supports the Commission's finding that exports from China at subsidised and/or dumped prices are likely to continue or recur in the event the measures expire, and that the injury that this may cause to the Australian industry would be material.

The Commission's assessment highlights the ongoing prevalence and impact of China's exports of the subject goods, and confirms that China remains a relevant factor to the economic condition of the Australian industry in terms of its ability to compete on price and volume in a price sensitive market.

¹ SEF 611, p. 7.

² Ibid, p. 8.

³ Ibid.

⁴ Ibid.

The forward-looking preliminary conclusions made for China convey the Commission's view that the continued imposition of trade measures will mitigate against future Australian market dynamics where Korea and Taiwan, in the absence of such measures, would not revert to exporting at dumped and materially injurious prices and compete alongside China in doing so.

BlueScope submits that this is neither a correct or preferable preliminary conclusion in relation to Korea and Taiwan. The Commission's SEF 611 analysis, the proposed changes to China's variable factors, and the additional positive evidence provided here indicate that it is highly likely that Korean and Taiwanese exporters will export at dumped prices in the absence of measures, and injury from such will therefore be material.

3. Korea/Taiwan Preliminary Finding

The Commission's SEF 611 assessment of whether the measures should be continued for Korea and Taiwan is such that:⁵

While the commission acknowledges that exporters from Korea and Taiwan have exported the goods at dumped prices during the life of the measures, and that the Australian market is normalising after a period of disruption caused by the pandemic, the commission nonetheless affords greater weight to:

- *the magnitude of the negative margins ascertained during the inquiry period*
- *negative dumping margins observed in this inquiry as well as recent matters where variable factors have been ascertained for the exporters cooperating with the inquiry*
- *changes in the pricing dynamics of the import market over recent years which indicate that exporters from Korea and Taiwan have increased sales volumes at higher prices relative to their Chinese competition and would have little incentive to reduce prices to dumped levels*
- *falling global HRC prices which indicate that the Korean and Taiwanese domestic markets are also likely to normalise after the pandemic.*

The commission considers that, should the measures expire, it is possible that exporters from Korea and Taiwan may export at dumped prices. However, the commission does not consider on the evidence available that this is likely.

In relation to injury therefore, the Commission concluded that while future exports from Korea and Taiwan may cause material injury to the Australian industry, such injury cannot be attributed to dumping.⁶

BlueScope submits that the Commission has drawn erroneous conclusions from the factors it has given weight to, and that it should reassess its preliminary findings based on the following:

- i. Negative dumping margins highlight the pandemic's impact; these are reversing;
- ii. Home market hot-rolled coil (HRC) prices are trending up, not down;
- iii. Exporters respond opportunistically to trade measures; and
- iv. The China disconnect is temporary – historical trends cannot be ignored.

Each of these is considered further below.

⁵ SEF 611, p. 81.

⁶ Ibid.

i. Negative dumping margins highlight the pandemic's impact; these are reversing

The Commission found that the inquiry period was marked by anomalous supply and demand conditions that could be attributed to the pandemic, and that these will abate:

- The size of the market in 2022 remained above pre pandemic levels. The growth in the market was coincident with expansionary fiscal and monetary policy implemented against a backdrop of significant disruption to the global supply chain. This led to significant increases in the prices of the goods within the Australian market, to the benefit of the Australian industry as well as exporters of the goods.⁷
- The increase in prices of the goods sold in the Australian market during the inquiry period is unlikely to be sustained in the short to medium term.⁸
- Domestic demand for the goods is likely to moderate to a more sustainable level given that the fiscal stimulus applied during the pandemic, which has led to an increase in activity within the building and construction industry, has dissipated.⁹
- Monetary policy settings have recently been tightened to try to curb the burgeoning inflationary pressures caused by the unusual combination of supply and demand factors that emerged during the pandemic. This will likely lead to a decrease in building and construction activity.¹⁰
- In the medium to long-term, freight costs would likely return to lower levels than those seen during the inquiry period, as the rebalancing in demand will address issues of port congestion and container movements. In time, export supply will likely be as cost effective and timely as had been the case prior to the pandemic.¹¹
- Decreasing demand and increasing supply are likely to see a stabilisation of HRC prices toward the longer-term average.¹²

The Commission considers in SEF 611 that the above supply and demand factors will likely see galvanised steel pricing in the Australian market moderate from the elevated levels observed during the inquiry period. This in turn will likely see falling export prices for exporters from the subject countries.¹³

The anomalous supply and demand conditions observed throughout the pandemic and during the inquiry period were characteristic of a market driven by reliable product availability – in this case, the availability of galvanised steel for the Australian building and construction, distribution, and manufacturing industries. The subsequent high prices driven by demand and sovereign fiscal/monetary initiatives, alongside fractured and unreliable supply channels and a tense geopolitical environment between Australia and China all served to force the key purchasing decision away from price and create a market dynamic based on dependable steel availability. A market dynamic that was unparalleled with any other prior period, and one which will not be repeated.

This circumstance created uncharacteristically large (but expected) variances between subject country normal values and export prices, and consequently uncharacteristically large (but again, expected) negative dumping margins during the inquiry period. While the Commission has concluded that the impacts of the pandemic will recede, its preliminary determination that Korea and Taiwan will not revert to dumping the subject goods on the Australian market in the absence of measures fails to recognise that once galvanised steel supply exceeds demand and that multi-country exporter supply returns to being reliable and predictable,

⁷ SEF 611, p. 77.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid. Refer also Confidential Attachment's 1(a) and (b). These provide a contemporary freight market update, and support the Commission's view.

¹² Ibid.

¹³ Ibid, p. 78.

price will again become the fundamental (principle) driver of purchasing activity. The negative dumping margins observed have (and will continue to) reverse based on the reversion back to price as the key driver of subject exporter/importer behaviour in the Australian market.

In its public file submission of 30 March 2023,¹⁴ BlueScope highlighted that the comparison of Korean and Taiwanese normal values and export prices for the inquiry period, as submitted in the application for measures continuation, aligned with the Commission's Exporter Verification Report (EVR) findings for KG Dongbu Steel Co Ltd (**Dongbu**) and Yieh Phui Enterprise Co Ltd (**Yieh Phui**). In summary:

[Confidential Table 1: CY2022 dumping margin comparisons]

Given this close alignment, BlueScope's view is that an assessment applying the same methodology to the period following the inquiry period would provide an accurate indication of likely future margins of dumping. In SEF 611, the Commission notes it does not consider that there is sufficient available evidence to support a finding that any resultant export price reductions relative to changes in Korean and Taiwanese home market prices would result in the large negative dumping margins determined during the inquiry period becoming positive.¹⁵

SEF 611 does not detail whether the Commission has conducted a prima facie dumping margin assessment for Dongbu or Yieh Phui for the post-inquiry-period that would support this view. The Commission does however note on multiple occasions throughout SEF 611 where it has considered/assessed/analysed what has transpired after fiscal year 2022 (FY2022) in supporting various other preliminary conclusions.¹⁶ It is therefore reasonable that a prima facie margin assessment be undertaken and that it be considered positive evidence as to likely future margins of dumping.

BlueScope has undertaken this exercise at Confidential Attachment 2. For the most current 3-month period ending 31 March 2023, the Korean dumping margin has been assessed at [XX]%. This equates to a materially significant [XX]% movement in the Korean margin from the FY2022 inquiry period. For Taiwan, the dumping margin has been assessed at [XX]%, a material movement vis-à-vis FY2022 of [XX]%.

This evidences recent home market price appreciations for galvanised steel and the corresponding fall in Australian export prices.¹⁷ Critically also, these margins and the emerging normal value and Australian export price trends have transpired whilst Korea and Taiwan are still under measures, as continued from July 2018. Assuming these had not been in place, dumping margins would have certainly been higher.

For the FY2022 inquiry period, BlueScope has also assessed Korean and Taiwanese galvanised steel exports to third countries. Comparing normal values to export prices, Korea and Taiwan were dumping by the following margins to the following countries:

[Confidential Table 1: South Korea Third Country Exports]

[Confidential Table 2: Taiwan Third Country Exports]

On a weighted average volume basis (and excluding Australia) Korea and Taiwan dumped to third countries by respective margins of [XX]% and [XX]% during FY2022. As highlighted above, instances of [commercial-in-confidence dumping margin levels] are primarily to those countries and regions where trade defence mechanisms are imposed (the U.S., the EU, and Canada). In SEF 611, the Commission considered that the

¹⁴ Electronic Public Record (EPR) Folio No. 23.

¹⁵ SEF 611, p. 81.

¹⁶ At p. 7 of SEF 611, the Commission notes that ...the export price for Dingxin was the lowest in the Australian market during the inquiry period, and has reduced further **following the inquiry period** (and remains materially lower than the export prices for the goods from Korea and Taiwan). At p. 79 of SEF 611, the Commission notes in relation to landed duty paid import prices that The commission has used ABF import data to compare quarterly landed duty paid import prices from 1 July 2016 to **31 December 2022** for the 3 largest sources of imports over that time – China, Korea and Taiwan. This was accompanied by Figure 16 at p. 79. At p. 80 of SEF 611, The commission does not consider that exporters from Korea and Taiwan have priced goods during **or after the inquiry period** to compete with the cheaper prices offered by Chinese exporters, and in that context is not satisfied that exporters from Korea and Taiwan would have an incentive to dramatically lower prices to the extent that they would be dumped. [emphasis added].

¹⁷ Confidential Attachment 3.

application of trade remedies and measures in other jurisdictions is a factor that influences global trade by altering comparative access to markets, and that the expiration of the measures may make Australia a comparatively more attractive and accessible market for exports from Korea and Taiwan given the prevalence of trade measures against them in other jurisdictions.¹⁸

The Commission has also concluded that the subject countries to this inquiry have substantial excess capacity.¹⁹

*The commission determined that one exporter was operating at full capacity, however each of the other exporters had spare capacity. While capacity utilisation had increased in the inquiry period relative to the previous year, in weighted average terms these exporters still had approximately **18% spare capacity.***

...

In addition to the assessment of available production capacity, the commission also assessed total export volumes of the goods for each cooperating exporter using data submitted in response to the exporter questionnaires. This analysis shows that export volumes as a proportion of total sales ranged between 16% and 62%. Given that a significant proportion of production is exported, the commission considers this indicates the importance of export sales for the subject exporters. [emphasis added].

Combining this excess capacity with the removal of measures on Korea and Taiwan would highly likely result in additional exports of the subject goods to the Australian market at material margins of dumping (as is the case on galvanised steel trade to third country destinations). This is clearly illustrated in the wide range of export prices to different export markets where these exporters are willing to sell considerable volumes at much lower prices in order to fulfill their production capacity. For example, in FY2022 [commercial-in-confidence country source] exporters sold [XX] tonnes of galvanised steel to [commercial-in-confidence country source] at a price AU\$[XX] per tonne less than the price [commercial-in-confidence price analysis] – effectively demonstrating the willingness to forgo AU\$[XX] revenue in selling a similar annualised volume. This is a clear theme throughout Tables 1 and 2 for both Korea and Taiwan.

Korean and Taiwanese exporters are financially motivated to retain or increase their volume of export sales to Australia and can do so even at considerably reduced prices – as the ultimate returns for these exporters are still greater than diverting volume to nearly any other export market at even lower prices. Therefore, when there is no constraint to dumped pricing behaviour, in the absence of measures, Australian industry will again be unilaterally subjected to unfair trade and be materially impacted.

The Commission estimates in SEF 611, based on the Australian market size and average selling prices during the inquiry period, that total revenue for the Australian market was over AU\$1.4 billion – meaning each 1% of market share represented approximately \$14 million in revenue.²⁰ Applying this methodology, BlueScope has assessed at Confidential Attachment 4 the revenue impact of displaced volumes to the Australian market in the absence of measures against Korea and Taiwan driven by this confirmed 18% excess capacity.

The annualised impact on the Australian industry's revenue would be material, of between AU\$[XX] and AU\$[XX].²¹ Any revenue impact between this lower and upper range would be detrimental to Australian industry, and presents an opportunity for Korean and Taiwanese exporters to direct excess capacity to the Australian market at dumped and injurious prices.

¹⁸ SEF 611, p. 73-74.

¹⁹ SEF 611, p. 72-73.

²⁰ SEF 611, p. 88.

²¹ Confidential Attachment 4.

ii. Home market HRC prices are trending up, not down

SEF 611 considers that falling global HRC prices indicate that the Korean and Taiwanese domestic markets are likely to normalise after the pandemic. In the context of assessing likely future margins of Taiwanese and Korean dumping in the absence of measures, SEF 611 includes the following table and comments:²²

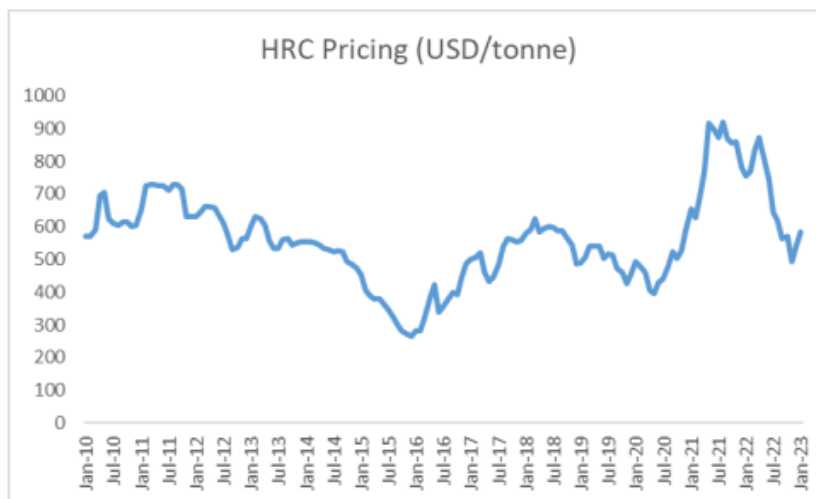


Figure 15: HRC CFR Southeast Asia prices (USD/tonne)⁵⁸

Figure 15 indicates that between 2010 to 2020, HRC prices fluctuated within a range between US\$250 to US\$750 per tonne, before spiking toward US\$1000 per tonne during 2021. Despite some month-to-month volatility during 2022 prices have trended downward toward the pre pandemic averages.

The commission considers that these supply and demand factors will likely see galvanised steel pricing in the Australian market moderate from the elevated levels observed during the inquiry period. This in turn will likely see falling export prices for exporters from the subject countries. In terms of the domestic markets of the exporters subject to the inquiry, the commission considers that the falling HRC will similarly result in a reduction in prices of galvanised steel in those markets.

Figure 15 advances the Commission’s earlier Southeast Asian HRC price analysis in Report No. 594 (REP 594)²³ where it concluded that in the absence of measures, dumping of HRC from Taiwan would likely continue:²⁴

²² SEF 611, p. 78.

²³ Report No. 594 – Continuation of the Anti-Dumping Measures Applying to Certain Hot Rolled Coil Steel from Taiwan. 9 November 2022.

²⁴ REP 594, p. 54.



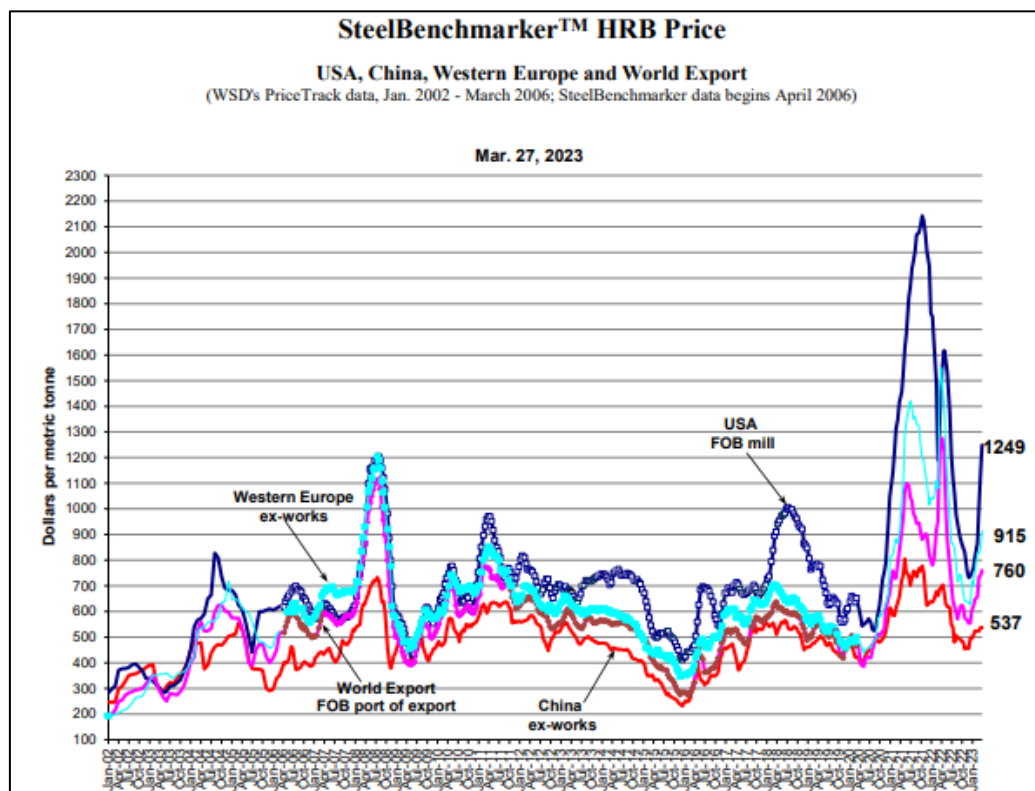
Figure 10: HRC CFR Southeast Asia prices (US\$/tonne)⁷²

Figure 10 of REP 594 hints at the increase in regional Asian HRC prices at the end of fiscal year 2022, and Figure 15 of SEF 611 further confirms this ongoing trend at the beginning of calendar year 2023.

Through to March 2023, prices have continued to climb:

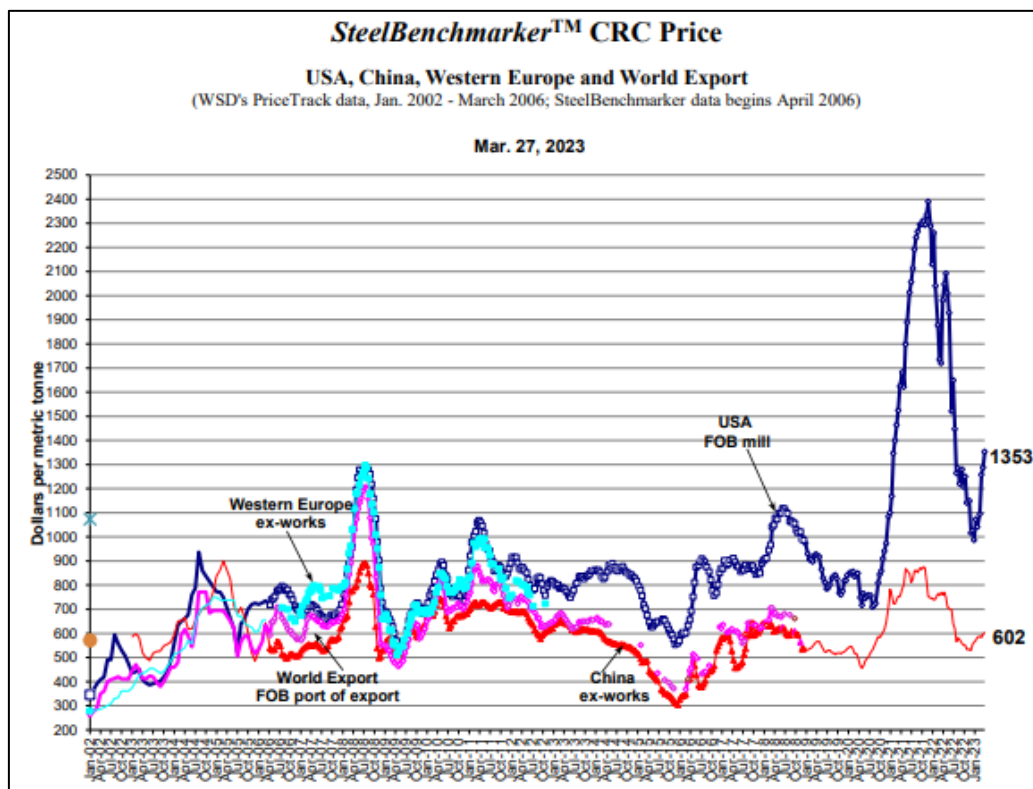
[Confidential Chart 1: East Asia, Europe, China HRC price movements]²⁵

In assessing Southeast Asian HRC price movements however, it is critical to recognise that quoted HRC price indices include a heavy weighting of Chinese-traded HRC (given the dominant volume flow of Chinese HRC around Southeast Asia vis-à-vis the production outputs of smaller steel producing nations). Chinese HRC prices over the same Figure10/Figure 15 period therefore closely align with those prices reflected below (indicated by the red lines, for HRC and cold-rolled coil):



Non-Confidential Chart 2: Global HRC price movements

²⁵ [Commercial-in-confidence data source].



Non-Confidential Chart 3: Global Cold-Rolled Coil price movements

Of more relevance to the Commission's assessment of likely future HRC prices and their consequent impact on Korean and Taiwanese normal values for galvanised steel are the specific HRC price movements in these markets. Confidential Attachment 3²⁶ shows that whilst HRC prices have declined from inquiry-period highs, they are now again on the increase. Since December 2022, Korean HRC prices have increased by an average [XX]%, and Taiwan by an average of [XX]%. For galvanised steel over the same period, prices have increased by [XX]% and [XX]% for Korea and Taiwan respectively. With HRC as the primary input and major cost driver in the production of galvanised steel, it is expected that galvanised steel normal values will continue to accelerate driven by ongoing raw material price increases.

Forecast HRC and galvanised steel prices are expected to trend as follows over the medium term:²⁷

[Confidential Chart 4: East Asian HRC Price Forecast]

[Confidential Chart 5: East Asian Hot Dipped Galvanised Price Forecast]

Contrary to the Commission's preliminary view, the available evidence suggests that HRC prices have and will continue to increase in the period following FY2022. This will result in higher Korea/Taiwan normal values and, as Australian export prices fall, higher dumping margins. This dovetails into the above analysis on current margins of dumping and that in the absence of measures, material injury will recur to the Australian industry.

iii. Exporters respond opportunistically to trade measures

The observed behaviour of cooperative exporters over the life of the measures, the consequent deleterious impact on Australian industry, and the resultant imposition of additional trade measures and legislative change in addressing this, serves as positive evidence as to likely export price and export volume outcomes from Korea and Taiwan in the absence of continued measures.

²⁶ Confidential Attachment 3.

²⁷ Confidential Attachment 5.

The Commission's Continuation 449 (**CON 449**) market share assessment over the 2008 to 2017 period found that subject countries had largely maintained their share in the market, with imports from non-subject countries losing market share.²⁸ The salient points of the Commission's analysis were such that:²⁹

- exports from China to Australia had dropped significantly following the imposition of the original measures. Volumes of galvanised steel from China to Australia had however increased significantly between 2015 and the CON 449 inquiry period;
- exports from Korea to Australia had dropped significantly following imposition of the original measures. Volumes then remained constant between 2013 and 2017; and
- exports from Taiwan to Australia had dropped significantly following imposition of the original measures. Volumes decreased from 2013 to 2015 before increasing sharply in 2016 and decreasing during the inquiry period.

The Commission's forward view for China in CON 449 was such that the increase in exports over the assessment period would have otherwise been greater in the absence of measures due to excess capacity and maintained distribution links.³⁰ In the case of Korea and Taiwan, the Commission considered it likely that future exports of galvanised steel would be dumped on the Australian market in the absence of the then current measures.³¹

It is therefore reasonable to conclude that in a price-sensitive market, the imposition of anti-dumping measures on the subject exporters had lessened their competitive advantage through dumped and subsidised prices. This is a clear demonstration of the restraining effect the anti-dumping measures had on unfairly traded imports from the subject countries.

The subsequent increase in volumes noted above was the result of variable factor review outcomes from *Anti-Dumping Commission Report No's 365, 366, 367, 368, 371, 372, 375, 376, 385, and 386 (REP 365 et al)*. In observing the impact of these, the Commission noted that:³²

*...the outcomes of REP 365 et al and REP 385 and 386 resulted in anti-dumping measures which proved to be favourable to certain exporters in the context of a rising market for both products. These outcomes appear to have been **a catalyst for an increase in export volumes from certain exporters (which proved to be dumped), a switch in source of export volumes (which proved to be dumped) or for improved competitiveness on price.** [emphasis added].*

The exporter-favourable anti-dumping outcomes from REP 365 et al was the revision downwards of dumping margins (in certain cases to nil), and the lowering of floor prices, for a multitude of low/nil volume subject country exporters. Yieh Phui was the applicant for Review No. 368 which resulted in a revision downwards of its dumping margin to 0%. Dongbu was the applicant for Review No. 385 which resulted in a revision downward of its floor price.

The legislative shortcoming that permitted these outcomes was later remedied by *Customs Amendment (Anti-Dumping) Bill 2017*. In an immediate application of this new Bill, variable factors review no. 457 (**REV 457**) was undertaken (aligning with the CON 449 investigation period), revising upwards dumping margins and floor prices. For both Yieh Phui and Dongbu, the dumping margin was revised upwards to 2.4%.

The subject countries to this continuation have also exhibited a propensity to actively seek to circumvent the measures where possible. Prior to the imposition of the original measures in August 2013, imports of galvanised steel under the "Other Alloy" steel classification were minimal, particularly from China, Korea, and Taiwan:

²⁸ CON 449 Final Report, p. 30.

²⁹ Ibid, p. 41.

³⁰ Ibid., p. 44.

³¹ Ibid, p. 48.

³² CON 449, Final Report, p. 51.

[Confidential Table 3: Increased imports of alloyed galvanised steel pre and post measures]³³

Table 3 highlights that for the nine months prior to the imposition of measures, January to September 2013, a total of [XX] tonnes of galvanised steel was imported under the “Other Alloy” tariff codes (with China, Korea, and Taiwan accounting for [XX] tonnes, or [XX]%, of the total). Following the imposition of measures, during the nine-month period October 2013 – June 2014, imports dramatically increased to [XX] tonnes (with China, Korea, and Taiwan accounting for [XX] tonnes, or [XX]%, of the total).³⁴

The Commission’s subsequent minor modification anti-circumvention inquiry resulted in an extension of the Notice to cover imports of alloyed galvanised steel from Taiwan (specifically Yieh Phui) and a certain Chinese exporter. In SEF 611, the Commission refers to the inquiries but does not critique their implications:

In its application seeking the continuation of the measures, BlueScope referenced Investigation 290 and 298 where the commission found that circumvention activity had occurred in respect of certain exporters.

The commission notes that the then Assistant Minister for Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science accepted the commission’s findings on 17 March 2016.

Following the publication of the findings of Investigation 290 and 298 no subsequent applications for anti-circumvention inquiries have been received by the commission, and no evidence has been provided which indicates that since that time exporters subject to measures from the subject countries have engaged in circumvention activities.

As a clearly effective trade measures response, the extension of the original Notice had the effect of removing from the market other-alloyed galvanised steel:

[Confidential Chart 6: Galvanised steel exports, 2011-2023]

The relevance of this circumvention activity, and the later implications from REP 365 et al, is that Korean and Taiwanese exporters have historically sought to enter the Australian market at the lowest possible trade cost. Based on their past behaviour to either deliberately circumvent the measures or to utilise a legislative loophole that permits the same, the absence of continued measures will permit them to do so again, at dumped and materially injurious prices. With only a brief mention in SEF 611, the Commission has not sought to establish this line of thinking.

iv. The China disconnect is temporary – historical trends cannot be ignored

Pivotal to the Commission’s SEF 611 preliminary conclusion is that the dynamics observed in the Australian market are such that Korea and Taiwan have increased sales volumes at higher prices relative to Chinese competition, and that Korean/Taiwanese exporters would have little incentive to reduce prices to dumped levels. A resumption of Chinese dumping has been foreshadowed by the Commission for the cooperative exporter Shandong Guanzhou Dingxin Plate Technology Co., Ltd (**Dingxin**) (and by extension all other Chinese exporters) on the basis that dumping was evident during the final quarter of the investigation period, and that Chinese exports after the inquiry period are the lowest priced in the Australian market to a material extent.³⁵

BlueScope submits, contrary to the Commission’s preliminary view, that in the absence of measures Korean and Taiwanese exporters will resume competing with China on volume and price and that a reversion to more historical dumping and material injury patterns is highly likely.

³³ Extract from BlueScope’s submission to Anti-Circumvention inquiry No. 290/298. EPR Folio No. 22, p. 3.

³⁴ Ibid.

³⁵ SEF 611, p. 80.

Firstly, in relation to volume, SEF 611’s analysis has found that there has been a change in the source of imports – most notably a shift in preference from goods produced in China to goods produced in Taiwan.³⁶ The Commission has found that since the continuation of measures in August 2018, the volume of imports from:

- *China decreased dramatically, reaching negligible levels in 2020 after which time increasing volumes are evident*
- *Korea decreased to negligible levels in 2021, followed by an increase during 2022*
- *Taiwan remained steady until 2021, with a significant increase in 2022.*³⁷

Figure 13 of SEF 611 conveys this:



Non-Confidential Chart 7: SEF 611 Figure 13 Reproduced

Figure 13’s trends should be assessed considering the varying levels of trade remedy in place against China, Korea, and Taiwan at the start of, and throughout, the above-assessed five-year period. In BlueScope’s view, the trends are the result of two main factors, being (a) the increase in dumping margins attributed to Chinese exporters whilst Korea and Taiwanese margins fell, and (b) certainty of predictable and reliable supply from Korea and Taiwan during the pandemic where Australian demand for galvanised steel was most heavily seen in the building and construction industries (of which Korea and Taiwan’s products are a main focus).

Prior to CON 449 (and concurrent REV 457 which sought to address low volume subject country exporter dumping margins) Chinese dumping margins were lower. In July 2018, REV 457 reset variable factors, at which point Chinese dumping margins increased. In summary, the below table provides dumping margin details over the course of the measures and the relevant inquiries that amended Chinese variable factors:

Inquiry	INV 190	REV 365 etc.	REV 457	REV 521	CON 611
POI	FY2012	FY2016	Oct. 16 - Sept. 17	FY2019	FY2022
Decision date	Aug-13	May-17	Jul-18	Mar-21	Aug-23
Dingxin	29.5%	→	43.4%	0.0%	0.0%
Angang Steel Co. Ltd	20.1%	0.0%	15.7%	24.1%	1.9%
Yieh Phui (China) China Techomaterial Co., Ltd	5.5%	0.0%	6.7%	24.1%	1.9%
Jiangyin Zong Chehng Steel Co., Ltd	18.1%	7.85%	18.6%	8.9%	1.9%
ANSC-TKS Galvanising Co., Ltd (TAGAL)	29.5%	→	20.6%	24.1%	1.9%
All others	29.5%	→	43.4%	24.1%	12.1%

Non-Confidential Table 4: China galvanised steel dumping margin summary

³⁶ SEF 611, p. 72.

³⁷ SEF 611, p. 72.

Leading into FY2018, the dominant Chinese exporters had low/nil dumping margins and low floor prices resulting from REP 365 et al. Confidential Attachment 6 details the rapid acceleration of Chinese exports of galvanised steel to the Australian market following the REP 365 et al decision in May 2017.³⁸ It is clear that certain Chinese exports were swift to capitalise on the downwards revision of dumping margins, and were able to overwhelm the price-sensitive Australian market in a very short period of time. This explains the presence of China in Figure 13 for 2018.

Chinese dumping margins were then revised upwards from REV 457/CON449, and revised further (alongside Korea and Taiwan) in REV 521. The primary outcome of REV 521 was to revise substantially upwards to contemporary levels exporter-specific floor prices. This explains the lower overall presence of subject exporters in the Australian market over the periods covered by FY2019-FY2021.

FY2021 through to FY2022 marked the onset of the pandemic and the proliferation of government measures aimed at mitigating its economic impact on the Australian economy. With the building and construction industry the key focus, Korea and Taiwan gained a greater foothold than China. This can be further evidenced by the number and type of Model Control Codes (**MCC's**) exported by Yieh Phui and Dongbu during the continuation inquiry period.

For example, a total of 55 different MCC's were exported to Australia by Yieh Phui during FY2022 – the majority of which were directed towards use in Australian building markets. This compares to only 25 MCC's as assessed in variable factors review No. 570 (**REV 570**). This substantial increase was the result of the variation to Yieh Phui's variable factors from REV 570 (to a floor price measure only – the 5.3% dumping margin was removed), as well as the high levels of government-stimulus-driven demand.

As is now well recognised by the Commission in this inquiry and recent others, the disruptive effects of COVID-19 will abate and the Australian market remains susceptible to injurious competition from imported steel goods. It is highly likely then that the subject exporter composition reflected in the SEF 611 Figure 13 for 2022 will change dramatically. The Commission has recognised this changing composition vis-à-vis China, indicating in SEF 611 that:³⁹

- *During the inquiry period the number of exporters increased dramatically.*
- *During the inquiry period there was a significant increase in the volume of exports, noting that 90% of the volume was supplied by Dingxin.*
- *Dingxin was subject to a floor price during the inquiry period, and at all times exported above the floor price.*
- *The remaining 10% of exports from China during the inquiry period were supplied by 36 exporters, indicating that numerous new exporters entered the market with small volumes of exports.*

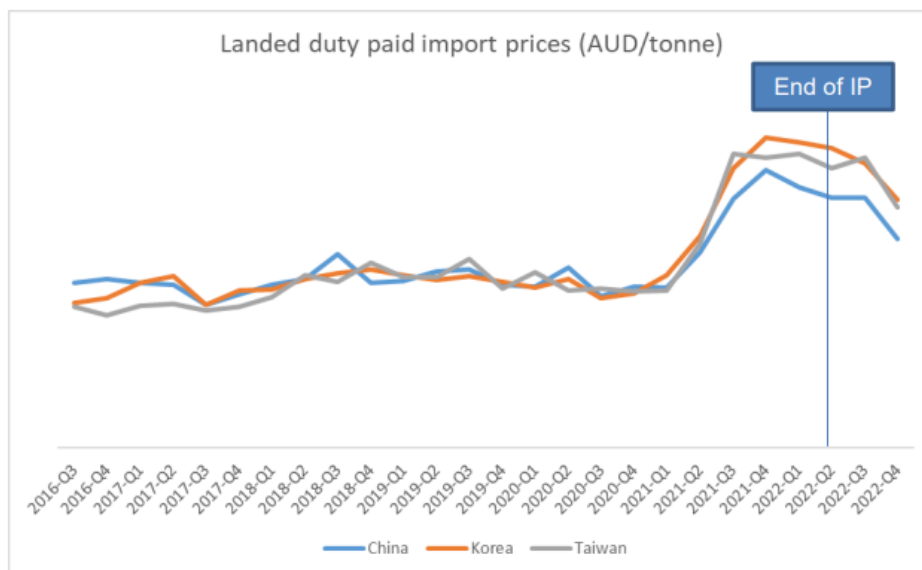
China has typically targeted the Australian distribution market for its galvanised steel exports, hence its low proportional share for 2022 in Figure 13. With demand in the Australian building and construction sector now in decline, Korea and Taiwan will have little choice but to compete for volume share in the Australian market against growing volumes from China and a rapidly growing number of Chinese exporters with new Australian channels to market.

Secondly, in relation to price, SEF 611 finds that there has been a high degree of price competition in the Australian market for imports from China, Korea, and Taiwan, but that pricing for the goods exported from China became disconnected from the pricing of goods exported from Korea and Taiwan following the end of FY2020.⁴⁰ The Commission supports this view with Figure 16:

³⁸ Confidential Attachment 6.

³⁹ SEF 611, p. 82.

⁴⁰ SEF 611, p. 79.



Non-Confidential Chart 8: SEF 611 Figure 16 Reproduced

The Commission draws the following conclusion from Figure 16:⁴¹

- *the landed duty paid import prices of the goods imported from China, Korea and Taiwan have followed the same overall trend over the period analysed*
- *consistent with the underlying supply and demand factors affecting the market, landed duty paid import prices increased significantly for all exporters during 2021, with prices of the goods imported from Korea and Taiwan increasing to the greatest extent*
- *from the second quarter of 2021 prices of the goods from China began to diverge from the prices of imports from Korea and Taiwan, and have been the lowest priced goods in the market for seven consecutive quarters*
- *during the inquiry period prices began to stabilise, with prices of imports from China remaining materially lower than prices from Korea and Taiwan*
- *after the inquiry period, prices from all countries have reduced however there is close price comparability evident between Korea and Taiwan while prices from China remain materially lower.*

The Commission considers that throughout FY2021/2022 exporters from Korea and Taiwan have not responded to the lower prices available for Chinese goods by reducing prices to comparable levels, which then affords the weighty conclusion that the Korean and Taiwanese measures are no longer required as these exporters have increased sales volumes at higher prices relative to Chinese competition, and would therefore have little incentive to reduce prices to dumped levels. Respectfully, BlueScope disagrees with this conclusion, and makes the following counterarguments:

- it is obvious from the pre-IP section of Figure 16 that Chinese, Korean, and Taiwanese prices fluctuate within the same range. This trend well-and-truly pre-dates Figure 16, as far back as the Commission's original dumping and injury assessments in INV 190 beginning FY2009. The logical and highly likely outcome with the abatement of the pandemic and a return to pre-COVID norms is therefore that these prices will once again align. The Commission has ignored this trend, has placed emphasis only on a seven consecutive quarter assessment, and formed the forward view that things will not change.
- the rapid disconnect in Korea/Taiwan pricing vis-a-vis China was driven by the rapid onset of the pandemic, the rapid fracturing of supply chains, the swift Australian governmental stimulus response, and the instant demand increase for galvanised steel in certain sectors of the Australian economy. This disconnect is clearly only short term, in light of all other evidence presented above. In an as-equally-as-rapid turnaround, these supply and demand characteristics of the Australian market will disappear.

⁴¹ Ibid.

- the revised Chinese dumping margins proposed in SEF 611 are the lowest since REV 365 et al (for those subject exporters) and the lowest since the original investigation (for all others). This will encourage such exporters and the rapidly growing list of new ones, as it has done at different stages over the course of the measures, to expand exports to the Australian market and to undercut Australian industry selling prices.⁴² With the shift in Australian galvanised steel market dynamics away from previously high-demand and stimulus supported sectors, Korea and Taiwan will highly likely then revert to the historic norms of needing compete with China on the key purchasing decision of price. This can only transpire at positive margins of dumping and material injury to BlueScope.
- the Commission appears to recognise that as a direct result of the pandemic, the increased Australian demand coupled with fractured international supply chains has demonstrated the willingness of purchasers to pay higher prices for the increased probability of actual supply by leveraging existing long-term trade relationships in place for both Korean and Taiwanese exporters, at the expense of cheaper but less assured or predictable supply from China. What is unclear is what new evidence the Commission has relied upon to conclude that when the impacts of the pandemic recede and the recognised international oversupply again becomes predictable and regular, the long-term behaviour of competing exporters reverting to the historic norms of competing on price to sell the excess volume and again revert to dumping, thereby causing material injury, will not reoccur. Where the Commission has determined that all other pandemic-related factors will abate, a return to this behaviour can be the only logical accompanying conclusion.

4. Conclusion

BlueScope supports the Commission's finding that exports from China at subsidised and/or dumped prices are likely to continue or recur in the event the measures expire, and that the injury that this may cause to the Australian industry is likely to be material.

In relation to Korea and Taiwan, the preliminary assessments made in SEF 611 do not detract from all positive evidence available to the Commission, and the additional evidence presented here, that demonstrates that the recurrence of dumping and material injury in the future is highly likely in the absence of measures on galvanised steel exports. The Commission must necessarily consider and assess the likely future supply and demand conditions within the Australian market as part of its deliberations. As is argued above, the Commission has failed to comprehensively consider all facets of the future economic reality of the Australian industry for the goods in the absence of trade measures. Doing so now, however, should reveal that there are clear and obvious reasons as to why the Commissioner should revise its proposed Ministerial recommendation in relation to Korea and Taiwan.

A measured assessment of the issues addressed by BlueScope in this submission will permit the Commission to conclude that positive dumping and material injury is likely to recur in the absence of measures against Korea and Taiwan. The correct and preferable Ministerial recommendation is therefore that the measures not be allowed to lapse on 6 August 2023.

For and on behalf of BlueScope.

⁴² SEF 611, p. 86.