Australian Government
Department of Industry, Science and Resources

Anti-Dumping Commission

CUSTOMS ACT 1901 - PART XVB

REPORT No 611

INQUIRY CONCERNING THE CONTINUATION OF ANTI-DUMPING MEASURES APPLYING TO

ZINC COATED (GALVANISED) STEEL

EXPORTED TO AUSTRALIA FROM THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF KOREA AND TAIWAN

22 June 2023

CONTENTS

ABBREVIATIONS

$	Australian dollars
ABF	Australian Border Force
ACCC	Australian Competition and Consumer Commission
ADN	Anti-Dumping Notice
ADRP	Anti-Dumping Review Panel
The Act	*Customs Act 1901*
BOS	basic oxygen steelmaking
BlueScope	BlueScope Steel Limited (also, the applicant)
BMT	base metal thickness
CFR	Cost and freight
China	The People's Republic of China
CHS	Chung Hung Steel Corporation
COGS	Cost of goods sold
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
CRC	cold rolled coil
Dingxin	Shandong Guanzhou Dingxin Plate Technology Co., Ltd
DITH Australia	DITH Australia Pty Ltd
EPR	Electronic Public Record
EPR	Electronic Public Record
FIS	Free In Store
FOB	Free On Board
FY	Financial Year
GAAP	Generally accepted accounting principles
GOC	Government of China
the Guidelines	Guidelines on the Application of Forms of Dumping Duty November 2013
HongShun	Guanxian HongShun Composite Material Co Ltd
HRC	hot rolled coil
ICD	interim countervailing duty
IDD	interim dumping duty
Inquiry period	1 July 2021 to 30 June 2022
IPP	import parity pricing
KG Dongbu	KG Dongbu Steel Co., Ltd

LDP	Landed Duty Paid
LTAR	Less than adequate remuneration
Lianhao	Guanxian Lianhao Metal Material Co., Ltd
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry and Science
MCC	model control code
the subject countries	China, Korea and Taiwan
NIP	Non-injurious Price
OCOT	Ordinary course of trade
OECD	Organisation for Economic Co-operation and Development
PAD	Preliminary Affirmative Determination
Prosperity	Prosperity Tieh Enterprise Co., Ltd
REQ	response to exporter questionnaire
RGQ	response to government questionnaire
ROI	return on investment
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative
SIE	state invested enterprises
Synn	Synn Industrial Co., Ltd
USP	unsuppressed selling price
WTO	World Trade Organization
Yieh Phui	Yieh Phui Enterprise Co., Ltd
VAT	value added tax
Z	Zinc
ZA	zinc aluminium
ZF	Zinc/iron alloy coating

1 SUMMARY AND RECOMMENDATIONS

1.1 Introduction

The Anti-Dumping Commission (the commission) has prepared this report concerning an inquiry into whether to continue anti-dumping measures (the measures) applying to certain zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan (collectively, the subject countries).

The anti-dumping measures are in the form of a dumping duty notice for China, Korea and Taiwan and a countervailing duty notice for China only (the notices).[1] The anti-dumping measures are due to expire on 6 August 2023 (the specified expiry day).[2]

This final report sets out the findings and conclusions on which the Commissioner of the Anti-Dumping Commission (the Commissioner) based his recommendations to the Minister.

This report concludes that the Commissioner **is satisfied** on the evidence available that the expiration of the anti-dumping measures in respect of exports of the goods from the subject countries would lead, or would likely to lead, to a continuation of, or a recurrence of, dumping and subsidisation and the material injury that the anti-dumping measures are intended to prevent. This represents a change from the Commissioner's preliminary findings in the SEF. Section 1.3 provides a summary of the Commissioner's findings and recommendations, including the reasons for this change.

The Commissioner initiated this inquiry on 22 August 2022 following consideration of an application from BlueScope Steel Limited (BlueScope) seeking the continuation of the measures.[3]

BlueScope is eligible to apply for a continuation of measures because it is a person specified under section 269ZHB(1)(b)(i) of the *Customs Act 1901* (the Act) whose application under section 269TB resulted in the measures.[4]

The Commissioner established an inquiry period of 1 July 2021 to 30 June 2022 (the inquiry period) for this inquiry and examined information relating to the economic condition of the Australian industry from 1 July 2018 for the purposes of assessing:

- whether expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the measures are intended to prevent and

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[1] There are certain entities whose exports are not subject to dumping duties. These entities are Dongkuk Steel Mill Co Ltd and POSCO (both in Korea) as well as Sheng Yu Steel Co Ltd and Ta Fong Steel Co Ltd (both in Taiwan). Exports from the following entities in China are not subject to countervailing duties: Angang Steel Company Ltd, ANSC-TKS Galvanizing Co. Ltd, Yieh Phui Technomaterial Co. Ltd, Jiangyin Zongcheng Steel Co. Ltd and Shandong Guanzhou Dingxin Plate Technology Co. Ltd.
[2] On and from 7 August 2023, if not continued, the anti-dumping measures would no longer apply.
[3] Electronic Public Record (EPR) 611, documents 1 and 2.
[4] All legislative references in this report refer to the *Customs Act 1901* unless otherwise specified.

- whether the notice should remain unaltered or apply to a particular exporter or exporters as if different variable factors had been ascertained.

The commission is assisting the Commissioner conduct the inquiry, pursuant to the commission's function specified in section 269SMD. In preparing this report, the Commissioner had regard to:

- the application seeking a continuation of the anti-dumping measures
- submissions relating generally to the continuation of the anti-dumping measures to which the commission has had regard for the purpose of formulating the *Statement of Essential Facts No 611* (SEF 611)
- SEF 611
- one submission made prior to the publication of 611 dated 30 March 2023[5], which was not considered in the SEF as it was received 4 days before the due date of the SEF and would have prevented the timely placement of the SEF on the public record and
- three submissions made in response to SEF 611 and received by the Commissioner within 20 days of SEF 611 being placed on the public record (that is, by 24 April 2023).

1.2 Statement of essential facts

The Commissioner published SEF 611 on 3 April 2023. SEF 611 sets out the preliminary findings of the Commissioner and the Commissioner's proposed recommendation to the Minister based on the information before the Commissioner at that time.

1.3 Final report findings and recommendations

Based on the evidence before the commission at the time of this final report, the Commissioner is satisfied that the expiration of the anti-dumping measures in respect of the goods exported to Australia from the subject countries (China, Korea and Taiwan) would be likely to lead to a continuation of, or a recurrence of, dumping and subsidisation and the material injury that the measures are intended to prevent. Accordingly, the Commissioner recommends that the Minister:

- take steps to secure the continuation of the dumping duty notice applying to the goods exported to Australia from China, Korea and Taiwan and
- take steps to secure the continuation of the countervailing duty notice applying to the goods exported to Australia from China.

This reasons for the change from the Commissioner's preliminary findings in the SEF are summarised in sections 1.3.2 and 1.3.3 below and explained in more detail in chapter 9.

1.3.1 Are exports likely to continue to recur? (Section 9.4)

The commission considers that if measures were to expire, exports from the subject countries would likely continue.

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[5] EPR 611, document no 23.

1.3.2 Is dumping or subsidisation likely to continue or recur? (Section 9.5)

The commission considers that the available evidence supports a finding that the expiration of measures would:

- likely lead to a continuation or recurrence of dumping of exports from Korea or Taiwan and
- be likely to lead to a continuation or recurrence of dumped and subsidised exports from China.

The commission calculated dumping margins for the inquiry period as outlined in Table 1 below (and addressed in further in chapter 6).

Country	Exporter	Dumping margin
China	Shandong Guanzhou Dingxin Plate Technology Co., Ltd (Dingxin)	-6.3%
	All other exporters	1.9%
Korea	KG Dongbu Steel Co., Ltd (KG Dongbu)	-17.5%
	All other exporters	-16.0%
Taiwan	Yieh Phui Enterprise Co., Ltd (Yieh Phui)	-9.8%
	Prosperity Tieh Enterprise Co., Ltd (Prosperity)	-7.4%
	All other exporters	-7.0%

Table 1: Dumping margins

The commission notes the negative dumping margin calculated for the cooperative Chinese exporter, Dingxin. The commission considers that if the measures were to expire, dumping of the goods from China is likely to recur. This is particularly because the commission notes that Dingxin dumped in 2 quarters during the inquiry period, including the final quarter, and export prices have further reduced in the following quarters.

No Chinese exporters subject to the countervailing measures cooperated with the inquiry. Noting Chinese exporters' prior and consistent behaviour in exporting goods at dumped and subsidised prices, and in the absence of evidence suggesting a change in that behaviour, the commission finds that dumping and subsidisation by these exporters would be likely to continue if the anti-dumping measures expired.

These facts are discussed in depth in section 9.5 of this Final report.

The finding regarding exports from Korea and Taiwan has changed since SEF 611. In SEF 611 the commission preliminarily found that future exports of the goods from Korea and Taiwan would not likely be dumped.

Following publication of SEF 611, BlueScope submitted that the commission should reassess its preliminary findings based on the following factors:

- the negative dumping margins determined during the inquiry period highlight the pandemic's impact, and are now reversing
- HRC prices in the domestic markets of the exporters are trending up, not down
- exporters respond opportunistically to trade measures and

- the divergence in export prices between China and the other subject countries is temporary, and the historical trend will likely re-emerge.

The commission considers that:

- the changes observed in export prices and volumes of the subject exporters from Korea and Taiwan in the 9 months following the inquiry period
- the changes observed in prices in the domestic markets of both Korea and Taiwan over that same timeframe and
- expectations of continued weakness in the Australian market

support a finding that exports from Korea and Taiwan are likely to be at dumped prices.

1.3.3 Is material injury likely to continue or recur (Section 9.6)

The commission notes that the SEF only considered whether it was likely that the goods exported from China would cause a continuation or recurrence of material injury to the Australian industry as, at the time, the commission considered that the expiration of the measures would not lead to a recurrence of dumping of the goods from Korea and Taiwan.

The commission's position on China has not changed since the publication of the SEF, however section 9.6 has been expanded to include an analysis of whether dumped goods exported from Korea and Taiwan would likely cause a continuation or recurrence of material injury to the Australian industry.

For Korea and Taiwan and following further submissions in response to the SEF, the commission now considers that exports from Korea and Taiwan at dumped prices are likely to continue or recur if measures expire and it is likely that these exports (in addition to exports from China at dumped and subsidised prices) will cause material injury to the Australian industry.

1.4 Recommendations to the Minister

Based on the findings in this report, the Commissioner recommends that the Minister:

- take steps to secure the continuation of the dumping duty notice applying to goods exported to Australia from China, Korea and Taiwan and
- take steps to secure the continuation of the countervailing duty notice applying to goods exported to Australia from China.

1.5 Review of variable factors

As noted above in section 1.3.2, the Commissioner calculated dumping margins for the inquiry period as detailed in Table 1. However, as discussed in section 9.5, the commission considers that the pandemic period is anomalous, and it would not be appropriate to set variable factors to those that were determined during the inquiry period.

Instead, the commission recommends not altering the variable factors last ascertained in Review 570 for Yieh Phui (an exporter in Taiwan), and in Review 521 for all other exporters. This is discussed further in Chapter 10 below.

2 BACKGROUND

2.1 Legislative Framework

Division 6A of Part XVB of the Act sets out, among other things, the procedures the Commissioner must follow when considering an application for the continuation of anti-dumping measures.

Section 269ZHE(1) requires the Commissioner to publish a SEF to propose recommendations to the Minister concerning the continuation of the anti-dumping measures. Section 269ZHE(2) specifies that the Commissioner must have regard to the application and any submissions received within 37 days of the initiation of the inquiry. The Commissioner may also have regard to any other matters that the Commissioner considers relevant.

Under section 269ZHF(4), the Commissioner is not obliged to have regard to any submissions made in response to the SEF that are received after the end of the 20 day period referred to in section 269ZHF(3)(a)(iv) if to do so would, in the Commissioner's opinion, prevent the timely preparation of this report to the Minister.

Section 269ZHF(1) requires the Commissioner, after conducting an inquiry, to give the Minister a report which recommends that the relevant notice either:

- remain unaltered
- cease to apply to a particular exporter or to a particular kind of goods
- have effect in relation to a particular exporter or to exporters generally as if different variable factors had been ascertained
- expire on the specified expiry day.

Pursuant to section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of the measures, unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the measures are intended to prevent.

2.2 Application and initiation

On 3 June 2022, and in accordance with section 269ZHB(1), the Commissioner published a notice on the commission's website.[6]

The Commissioner invited the following persons to apply for the continuation of the measures:

- the person whose application under section 269TB resulted in the measures (section 269ZHB(1)(b)(i))
- persons representing the whole or a portion of the Australian industry producing like goods to the goods covered by the measures (section 269ZHB(1)(b)(ii)).

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[6] ADN No 2022/047 refers.

On 29 July 2022, BlueScope lodged an application under section 269ZHC seeking the continuation of the measures.

In ADN No 2022/086, the Commissioner was satisfied that the application complied with section 269ZHC and, in accordance with section 269ZHD(2)(b), there appeared to be reasonable grounds for asserting that the expiration of the measures might lead, or might be likely to lead, to a continuation of, or a recurrence of, the material injury that the measures are intended to prevent. The Commissioner therefore decided not to reject the application and initiated the inquiry on 22 August 2022.

2.3 Current measures

The following table summarises the rates of interim dumping duty (IDD) and interim countervailing duty (ICD), including the form of measures, applying to exports of zinc coated (galvanised) steel from the subject countries.

Country	Exporter	Measure	Measure Type	Effective Rate of Duty
China	Jiangyin Zongcheng Steel Co. Ltd supplied directly or through Duferco Asia Pte Ltd	IDD	Combination	8.9%
	Shandong Guanzhou Dingxin Plate Technology Co. Ltd supplied directly or through: Guanxian Lianhao Metal Material Co. Ltd	IDD	Floor price	-
	Guanxian HongShun Composite Material Co Ltd	IDD & ICD	Floor price	-
	Angang Steel Company Ltd	IDD	Combination	17.2%
	Yieh Phui (China) Technomaterial Co. Ltd	IDD	Combination	17.2%
	ANSC-TKS Galvanizing Co Ltd also known as TAGAL	IDD	Combination	17.2%
	All other exporters	IDD & ICD	Combination	24.1%
Taiwan	Chung Hung Steel Corporation supplied directly or through Forever Fortune Steel Co Ltd; or Japmas Steel Sdn Bhd; or Pin Wan Enterprise Co Ltd	IDD	Floor Price	-
	Prosperity Tieh Enterprise Co Ltd supplied directly or through: Taika (Hong Kong) Co Limited	IDD	Floor Price	-
	Yieh Phui Enterprise Co Ltd supplied directly or though Asiazone Co Limited; or TIASCO Ltd	IDD	Floor Price	-
	All other exporters	IDD	Combination	8.6%

Country	Exporter	Measure	Measure Type	Effective Rate of Duty
Korea	KG Dongbu Steel Co Ltd supplied directly or through OneSteel Recycling Hong Kong Limited; or Stemcor Australia Pty Ltd; or SK Networks Co Ltd; or Toyota Tsusho Korea Corporation; or Stinko Co.,Ltd; or Sunjin Co. Ltd.; or Duferco SA; or ST. International; or Duferco Asia Pte Ltd Posco International Corporation	IDD	Floor Price	-
	All other exporters	IDD	Floor Price	-

Table 2: Current measures applying to exports of the goods from subject countries

2.4 History of the measures

On 5 August 2013, following consideration of *International Trade Remedies Reports Nos 190 and 193* (REP 190 and 193), the then Attorney-General imposed the original anti-dumping measures. The original investigation followed an application from BlueScope representing the Australian industry producing like goods.

The anti-dumping measures were continued in 2018.[7]

The following table provides a summary of the commission's previous cases into the goods from the subject countries:

Case	Anti-Dumping Notice (ADN)	Date ADN published	Country of export	Findings
Investigation No 190	2013/066	5 August 2013	China Korea Taiwan	Anti-Dumping measures imposed on exporters from China, Korea and Taiwan (except certain entities)
Anti-Circumvention Inquiries No 290 and No 298	2016/023	18 March 2016	China Korea Taiwan	Goods description varied to include alloyed galvanised steel exported by certain exporters
Review of Measures No 365, 366, 368, 371, 374, 376	2017/049	10 May 2017	China Taiwan	Variable factors varied for certain exporters
Review of Measures No 457	2018/094	12 July 2018	China Korea Taiwan	Variable factors varied for certain exporters
Continuation Inquiry No 449	2018/96	17 July 2018	China Korea Taiwan	Anti-dumping measures were continued for another 5 years
Review of Measures No 521	2021/012	19 March 2021	China Korea Taiwan	Variable factors varied for certain exporters

[7] Following *Anti-Dumping Commission Report No 449*.

Case	Anti-Dumping Notice (ADN)	Date ADN published	Country of export	Findings
Review of Measures No 570	2021/134	17 November 2021	Taiwan	Variable factors varied for certain exporters

Table 3: Background to anti-dumping measures for the subject countries

Further details on these cases are available on the commission's website at: www.adcommission.gov.au.

2.5 Other cases and measures for zinc coated galvanised steel

Further information on other cases and measures for zinc coated galvanised steel can be found in the EPR in archived cases.

2.6 Conduct of inquiry

2.6.1 Inquiry period

In ADN No 2022/086, the Commissioner notified interested parties that the period from 1 July 2021 to 30 June 2022 would be examined to determine whether dumping and/or subsidisation has occurred and whether the variable factors relevant to the determination of duty payable have changed.[8] Exporters and importers of zinc coated (galvanised) steel from the subject countries were invited to provide information relevant to this period.

2.6.2 Questionnaires and verification

2.6.2.1 Australian industry

The Commissioner is satisfied that the applicant is a person specified under section 269ZHB(1)(b)(i), being a person whose application under section 269TB resulted in the measures.

BlueScope is both an Australian manufacturer of like goods and an importer of the goods.

The commission conducted a site visit to BlueScope's production facilities in Westernport, Victoria for the purposes of an onsite verification. The commission published a verification report on the EPR.[9]

2.6.2.2 Importers

The commission identified several entities in the ABF import database that imported goods classified to the relevant tariff subheadings (as listed at section 3.4 of this SEF) from the subject countries in the inquiry period. The commission forwarded a copy of the importer questionnaire to the relevant interested parties and placed a copy of the importer questionnaire on the EPR for voluntary completion. The commission received a complete response from the following importers:

- CA Steel Products Pty Ltd and

[8] EPR 611, document no 2.
[9] EPR 611, document no 7.

- DITH Australia Pty Ltd.[10]

2.6.2.3 Exporters

The commission identified several exporters in the ABF import database that imported goods classified to the relevant tariff subheadings (as listed at section 3.4 of this SEF) from the subject countries in inquiry period. The commission forwarded a copy of the exporter questionnaire to the relevant interested parties and placed a copy of the exporter questionnaire on the EPR for voluntary completion. The commission received a response from the following exporters:

- KG Dongbu Steel Co., Ltd (KG Dongbu)
- POSCO
- Prosperity Tieh Enterprise Co., Ltd (Prosperity)
- Shandong Guanzhou Dingxin Plate Technology Co., Ltd (Dingxin) trading via Guanxian Lianhao Metal Material Co., Ltd (Lianhao)
- Synn Industrial Co., Ltd (Synn) and
- Yieh Phui Enterprise Co., Ltd (Yieh Phui).

The commission did not verify the information from POSCO as POSCO is not currently subject to duties for these goods, as a result of the findings in continuation inquiry 449.[11] Additionally in this continuation inquiry, the commission finds that the new POSCO entity is, in effect, the same exporter as the old POSCO entity and therefore not subject to duties for the goods. The commission outlined the preliminary view in a file note published on 22 December 2022.[12] There were no submissions in response to this file note.

There is no requirement for the Commissioner to review variable factors during a continuation inquiry. The Minister is not required to change the variable factors on a notice if they decide to secure the continuation of anti-dumping measures. As noted in Section 1.5, the commission does not propose to change the variable factors as last ascertained in Review 521.

The commission may nonetheless calculate dumping and/or subsidy margins for some or all exporters as part of assessing whether dumping and/or subsidisation and injury are likely to continue or recur. In this case, the commission has limited its assessment of dumping during the inquiry period to cooperating exporters who exported during the inquiry period. The commission also calculated a dumping margin for uncooperative and all other exporters, to inform its overall consideration regarding the likelihood of the continuation or recurrence of dumped imports from Korea, Taiwan and China by other exporters

The commission did not receive a response to the exporter questionnaire from any Chinese exporter subject to the countervailing notice. As a result, and noting the lack of

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[10] In relation to DITH Australia Pty Ltd's co-operation with the continuation inquiry, the commission noted in the published verification report that all shipments were profitable. On further review, the commission determined that shipments 3 and 7 were not profitable and as such has revised Confidential Appendix 1 and 2.

[11] EPR 449, document no 17.

[12] EPR 611, document no 16.

cooperation from the GOC (outlined below), the commission proposes not to update the countervailing notice as it applies to exporters from China.

2.6.2.4 Government of China

On 22 August 2022, the commission wrote to the GOC advising of the initiation of this inquiry, and invited the GOC to complete a questionnaire seeking information relevant to any subsidies provided in relation to exports of the goods from China.

The commission did not receive a response to the questionnaire from the GOC.

2.7 Statement of essential facts

The initiation notice advised the Commissioner would publish the SEF on the public record no later than 10 December 2022. However, the Commissioner approved extensions of time for the publication of the SEF and final report.[13] The commission placed SEF 611 on the public record on 3 April 2023.

2.8 Report to the minister

The Commissioner must, within 155 days after the initiation of an inquiry, or such longer period as is allowed under section 269ZHI(3), give the Minister a report recommending that the relevant notice:

- remain unaltered
- cease to apply to a particular exporter or to a particular kind of goods
- have effect in relation to a particular exporter, or to exporters generally as if different variable factors had been ascertained or
- expire on the specified expiry day.

The initiation notice advised the Commissioner would provide a report to the Minister on or before 24 January 2023. However, the Commissioner approved extensions of time for this due date.[14]

2.9 Submissions received from interested parties

The commission received 5 submissions during the course of the inquiry, including 3 in response to SEF 611, as set out in section 1.1. Non confidential versions of all 5 submissions are available on the EPR.

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[13] Extensions of time referred to in ADN 2022/107 and ADN 2023/018.

[14] Extensions of time referred to in ADN 2022/107, ADN 2023/018 and ADN 2023/033.

Submission number	EPR item number	Interested party	EPR Date	Considered in this report?
1	7	BlueScope	7 October 2022	Yes
2	23	BlueScope	31 March 2023	Yes
3	25	Prosperity Tieh	24 April 2023	Yes
4	26	BlueScope	24 April 2023	Yes
5	27	KG Dongbu Steel	24 April 2023	Yes

Table 4: Submissions received from interested parties

The Commissioner must have regard to any submission made in response to a SEF provided by interested parties within 20 days of the Commissioner publishing the SEF on the public record.[15] The Commissioner is not obliged to have regard to any submission in response to the SEF after this due date, if to do so would, in the Commissioner's opinion, prevent the timely preparation of the final report to the Minister.[16]

The Commissioner had regard to the submissions as detailed in Table 4.

2.9.1 Public Record

The public record contains non-confidential submissions received from interested parties, non-confidential versions of the commission's verification reports and other publicly available documents. It is available online via the EPR at www.adcommission.gov.au.

Interested parties should read this SEF in conjunction with documents on the public record.

[15] Section 269ZHF(3)(a)(iv).
[16] Section 269ZHF(4).

3 THE GOODS AND LIKE GOODS

3.1 Finding

The Commissioner finds that locally manufactured zinc coated (galvanised) steel is a like good to the goods subject to the measures. The Commissioner finds that there is an Australian Industry, consisting of BlueScope, producing like goods and that the like goods are wholly produced in Australia.

3.2 Legislative framework

Section 269TC(1) of the Act requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

In making this assessment, the Commissioner must firstly determine that the goods produced by the Australian industry are "like" to the imported goods. Section 269T(1) defines like goods as:

> *"Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration."*

An Australian industry can apply for relief from injury caused by dumped or subsidised imports even if the goods it produces are not identical to those imported. The industry must however, produce goods that are like to the imported goods.

Where the locally produced goods and the imported goods are not alike in all respects, the Commissioner assesses whether they have characteristics closely resembling each other against the following considerations:

i. physical likeness

ii. commercial likeness

iii. functional likeness and

iv. production likeness.

3.3 The goods

The goods the subject of the application (the goods) are:

> *Flat rolled products of iron and non-alloy steel of a width less than 600mm and equal to or greater than 600mm, plated or coated with zinc;*
>
> *and Flat rolled products of alloyed steel of a width less than 600mm and equal to or greater than 600mm, plated or coated with zinc exported from:*
>
> *- China by Angang Steel Co., Ltd or Benxi Iron and Steel (Group) International Economic & Trading Co.; or - Taiwan by Yieh Phui Enterprise Co., Ltd.*

Further information

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m^2) with the prefix being Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). Common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

The commission understands from previous inquiries that trade and other names often used to describe galvanised steel include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVASPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL”steel;
- “ZINCSEAL”steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

The goods description includes galvanised steel whether or not including any (combination of) surface treatment, for instance; whether passivated or not passivated, (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

Painted galvanised steel, pre-painted galvanised steel, electro-galvanised plate steel and corrugated galvanised steel are not subject to the measures.

These goods do not include painted galvanised steel, pre-painted galvanised steel, electro-galvanised steel, corrugated galvanised steel or zinc alloy coated or plated steel.

3.3.1 Consideration of ‘PhuizerFan’ and ‘MgCot’

Prior to conducting exporter verification, the commission met with BlueScope for the purposes of an exporter briefing, in relation to Yieh Phui and KG Dongbu. The briefing materials that BlueScope provided outlined its view that two products, PhuizerFan and MgCot, produced by Yieh Phui and KG Dongbu respectively, meet the goods description.[17] PhuizerFan is a product that Yieh Phui produces. It has a composition of 95% zinc, 5% aluminium and a trace of mischmetal. This type of goods is also known as ‘GALFAN’ in the steel industry. In BlueScope’s exporter briefing for Yieh Phui, published on the EPR on 25 October 2022, BlueScope noted that Yieh Phui has been classifying this zinc-dominant product under the incorrect tariff subheading. By implication, BlueScope submits that this product should be captured under the goods description for this continuation inquiry.

MgCot is a product that KG Dongbu produces. It has a composition of 92% zinc, 6% aluminium and 2% magnesium. In BlueScope’s exporter briefing for KG Dongbu, BlueScope made submissions that KG Dongbu has erroneously excluded the MgCot from

[17] EPR 611, document no 12 and 14.

its exporter questionnaire response on the basis that they are not the goods under consideration. BlueScope considers that this product should be captured as the goods.

3.3.1.1 The commission's assessment

3.3.1.1.1 PhuizerFan

From Investigation 190b until Investigation 558, the commission found that PhuizerFan conformed with the goods description for aluminium zinc coated steel – not the goods subject to this inquiry.[18] In Investigation 558, the commission revisited the PhuizerFan product and found that this product, with a 5% aluminium coating, does not conform with the goods description for aluminium zinc coated steel.[19]

In BlueScope's view, this means the product must be captured as a zinc coated (galvanised) steel product. However, consistent with the approach taken in Investigation 558, the commission notes that the goods description and further information specifies that the goods in this inquiry are limited to the prefixes with Z (Zinc) or ZF (Zinc converted to a Zinc/Iron alloy coating). PhuizerFan has the coating type with prefix ZA. As PhuizerFan has a prefix of ZA and therefore does not contain a coating type of Z or ZF, the commission does not consider the product to be captured under the goods description in this inquiry.

BlueScope submitted that the tariff codes are a relevant consideration to determine the goods captured under the goods description. The commission notes, however, that the initiation notice (ADN 2022/086) specified that tariff classifications and statistical codes may include goods that are both subject and not subject to the anti-dumping measures. The tariff classifications and statistical codes are for convenience and reference only and importantly <u>do not</u> form part of the goods description.

In conclusion, the commission considers that PhuizerFan does not fall under the goods description for zinc coated (galvanised) steel.

3.3.1.1.2 MgCot

The commission's approach in Review 521, concerning zinc coated (galvanised) steel, was to exclude MgCot from the goods under consideration. Additionally, applying the same rationale as that applied to PhuizerFan above, the commission notes that the goods description is limited to coating types Z (Zinc) or ZF (Zinc converted to a Zinc/iron alloy coating). The commission considers that any coating type not prefixed with Z or ZF is not the goods. The commission considers that the MgCot product has the coating type with prefix ZA. As MgCot does not contain a coating type of Z or ZF, the commission does not consider the product to be captured under the goods description in this inquiry.

3.4 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the Customs Tariff Act 1995:

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[18] See Final Report 190 (available at EPR 190a, item 142 and EPR 190b, item 142).

[19] See Termination Report 558 (EPR 558, item 68) and Final Report 558 (EPR 558, item 71).

Tariff subheading	Statistical code	Description
7210	FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600 mm OR MORE, CLAD, PLATED OR COATED:	
7210.4	Otherwise plated or coated with zinc:	
7210.49.00	Other	
	55	Of a thickness of less than 0.5 millimetres (mm)
	56	Of a thickness of 0.5 mm or more but less than 1.5 mm
	57	Of a thickness of 1.5 mm or more but less than 2.5 mm
	58	Of a thickness of 2.5 mm or more
7212	FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF LESS THAN 600 mm, CLAD, PLATED OR COATED:	
7212.30.00	61	Otherwise plated or coated with zinc
7225	FLAT-ROLLED PRODUCTS OF OTHER ALLOY STEEL, OF A WIDTH OF 600 mm OR MORE:	
7225.9	Other:	
7225.92.00	38	Otherwise plated or coated with zinc
7226	FLAT-ROLLED PRODUCTS OF OTHER ALLOY STEEL, OF A WIDTH OF LESS THAN 600 mm:	
7226.9	Other:	
7226.99.00	71	Other

Table 5: Tariff classifications of the goods

These tariff classifications and statistical codes may include goods that are both subject and not subject to the anti-dumping measures. The listing of these tariff classifications and statistical codes is for reference only and do not form part of the goods description. Please refer to the goods description for authoritative detail regarding the goods subject to the anti-dumping measures.

Certain goods are exempt from dumping and countervailing duties. Further information on these exempt goods can be found on the dumping commodity register.

The commission notes there are numerous tariff concession orders applicable to the relevant tariff subheadings. Certain goods exported from the subject countries are also exempt from dumping and countervailing duty applicable to goods exported from the subject countries. Further information on these exempt goods is available in ADN No 2022/067.

3.5 Like goods

This section sets out the commission's assessment of whether the locally produced goods are identical to, or closely resemble, the goods under consideration and are therefore like goods to the goods the subject of the anti-dumping measures.

For the purposes of the findings outlined below, the commission has relied upon information obtained from the verification of BlueScope's sales and cost data, and prior findings of the commission.

3.5.1 Physical likeness

The primary physical characteristics of the galvanised steel that BlueScope produces are similar to the primary physical characteristics of the galvanised steel exported from the subject countries, notwithstanding variations in the technical specifications of those goods (i.e. grade or thickness).

3.5.2 Commercial likeness

In the Australian market, galvanised steel that BlueScope produces competes directly and indirectly with galvanised steel imported from the subject countries. BlueScope and importers sell galvanised steel to common customers and on similar commercial terms or conditions.

Based on this, the commission finds the locally produced goods to be commercially like to the goods the subject of the measures.

3.5.3 Functional likeness

The galvanised steel that BlueScope produces is highly interchangeable or substitutable with the goods the subject of measures, given that both goods are sold to the same customers and for identical or comparable end uses.

Based on this, the commission finds that the locally produced goods and the goods under consideration perform the same function and are used in the same end-use applications.

3.5.4 Production likeness

The commission finds that the locally produced goods and the goods the subject of the measures are produced using similar production processes and similar raw material inputs to the goods the subject of the measures. This is based on the production processes the commission observed during verification activities, and based on the commission's understanding of the production process from previous cases.

3.6 Model control code

The commission has used a model control code (MCC) structure in order to identify key characteristics. The basis for using a MCC structure and the commission's practice is explained in ADN 2018/128 available on the commission's website. The MCC structure adopted for this inquiry is detailed in **Table 6** below.

Item	Category	Sub-Category	Identifier	Sales Data	Cost Data
1	Alloy content	Alloy	A	Mandatory	Not applicable
		Non-alloy	NA		
2	Prime	Prime	P	Mandatory	Not applicable
		Non – Prime	N		
3	Steel Base	Hot Rolled	H	Mandatory	Mandatory
		Cold Rolled	C		
4	Coating Type	Zinc Coated (Z)	Z	Mandatory	Mandatory
		Zinc / Iron Alloy Coating (ZF / F)	F		
5		<= 100 g/m^2	1	Mandatory	Mandatory

	Coating Mass	>100 g/m^2 to <= 220 g/m^2	2		
		> 220 g/m^2 to <= 300g/m^2	3		
		>Z300 g/m^2 to <= 400 g/m^2	4		
		>400 g/m^2	5		
6	Steel Grade	G2 / SGCC / SGHC	A	Mandatory	Mandatory
		G3 / SGCD	B		
		G250 / SGC 340 / SGHC 340 / SGC 340 / SGHC 340	C		
		G300 / G350 / SGC 400 / SGHC 400 / SGC 440 / SGCH 440 / SGC 490 / SGHC 490	D		
		G450 / G500	E		
		G550 / SGC 570	F		
		Other	G		
7	Base Metal Thickness (BMT)	< 0.40 mm	1	Mandatory	Mandatory
		=> 0.40 mm to < 0.50 mm	2		
		=> 0.50 mm to < 0.75 mm	3		
		=> 0.75 mm to < 1.00 mm	4		
		=> 1.00 mm to < 1.50 mm	5		
		=> 1.50 mm to < 2.00 mm	6		
		=> 2.00 mm to <2.50 mm	7		
		=> 2.50 mm	8		
8	Width	< 600 mm	A	Mandatory	Optional
		=> 600 mm to <= 1220mm	B		
		> 1220mm	C		
9	Form	Coil	C	Mandatory	Optional
		Sheet	S	Mandatory	Optional

Table 6: Model control code for zinc coated (galvanised) steel

3.7 Conclusion – like goods

Based on the above, the commission finds that the galvanised steel that BlueScope produces closely resembles the goods the subject of the anti-dumping measures.

4 THE AUSTRALIAN INDUSTRY

4.1 Finding

The Commissioner is satisfied that there is an Australian industry producing like goods, consisting solely of BlueScope.

4.2 Legislative framework

The Commissioner must be satisfied that like goods are produced in Australia. Section 269T(2) and 269T(3) of the Act specifies that for goods to be regarded as being produced in Australia, they must be either wholly or partly manufactured in Australia. For the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

4.3 Australian industry

The commission conducted an onsite verification of BlueScope's sales and cost data and observed the production process at BlueScope's facility at Westernport, Victoria. Additionally, the commission has previously visited BlueScope's manufacturing facilities in Port Kembla, New South Wales and was able to observe the production process.

BlueScope is an integrated manufacturer of galvanised steel, and the entire manufacturing process takes place in Australia, from converting iron ore and coking coal into liquid steel, to transforming hot rolled coil (HRC) into various coated steel products including galvanised steel.

No additional Australian manufacturers of galvanised steel identified themselves to the commission following the initiation of the inquiry, nor did the commission identify any other Australian manufacturers of the goods.

The following production process occurs entirely at BlueScope's manufacturing facilities located in Australia.

4.4 Production process

4.4.1 Hot rolled coil production

HRC is the primary input for galvanised steel. For all producers of HRC and other steel in general, the main raw materials used in the production of such goods are iron ore, coking coal, coke and limestone. The raw materials are fed into the top of the blast furnace in predetermined proportions and sequences. Air that has been heated to around 1200 degrees Celsius is blown into the furnace through nozzles at the lower part of the furnace. This causes the coke to burn, producing carbon monoxide that creates the required chemical reaction. The iron ore is reduced to molten iron by removing the oxygen. Molten iron and slag is drained every two hours through the taphole of the furnace and the molten iron is transported in a torpedo ladle to the basic oxygen steelmaking (BOS) area.

The BOS process creates liquid steel from molten iron, scrap steel and alloying materials. Pure oxygen is blown onto the steel and iron, causing the temperature to rise and thereby melts the scrap, lowers the carbon content of the molten iron and removes unwanted impurities. The steel can be further refined by adding alloy materials that give the steel specific properties required by the customer. It is noted that structural steel properties can be achieved via alloy addition; however, BlueScope utilises its processing technology to achieve the required structural properties with low-carbon steel.

The molten steel is cast into slabs of various dimensions so that it can be rolled. The rate of casting and speed is dependent on the grade and width being cast. Spray cooling of the slab aids solidification.

After entering the hot strip mill, the slab is reheated to around 1250 degrees Celsius, descaled and rough rolled to a thickness of 25 mm. It is then coiled in a coil box to retain heat, before passing through a set of rolling mill stands to finish roll to customer order thickness. The product is control cooled before being finally wound up as a coil of steel (i.e. HRC). The HRC is then transferred to BlueScope's Springhill and Westernport coating mills, where galvanised steel is produced.

4.4.2 Coated steel production

Pickling

HRC is pickled to remove scale (iron oxide) that is formed during the hot rolling process. The HRC is unwound; sides trimmed to the customers required width and passed through a bath of hydrochloric acid before being washed, dried and recoiled. Oil is applied during rewinding to prevent rust forming.

Cold rolling

The pickled HRC is cold rolled to reduce the steel thickness. The cold rolling process involves passing the pickled HRC through a number of rolling mill stands, and is undertaken at ambient temperature to reduce the HRC to the required customer thickness (0.3 mm to 3.5 mm). As a result of this process, the steel strength increases and the surface finish becomes bright and smooth. This intermediate steel product is known as a 'cold-rolled full hard' product.

Metal coating

The cold rolled coil is uncoiled and annealed to restore the steel to a soft, usable, ductile form. The coil then passes from the furnace through a molten zinc bath where the molten zinc chemically bonds to the steel surface. As the coil is vertically withdrawn from the bath, air jets control the resulting coating mass.

Finishes

Those products to be skin-passed undergo light rolling through a skin-conditioning mill. This increases the length by 0.25 per cent to 1.25 per cent, and improves the surface of the strip by suppressing spangles and surface defects, to produce a smooth surface for painting. Galvanised steel is generally supplied with a surface passivation treatment (chromating) that provides a measure of protection for the steel against wet storage damage while in transit to the customer or whilst on-site.

Further processing

BlueScope's service centres can undertake further processing, such as sheeting, slitting and blanking. BlueScope advised that all orders for galvanised steel less than 600 mm in width would be slit, rather than sending narrow coils through the production line individually.

4.5 Final assessment – Australian industry producing like goods

Based on the above, the commission finds that galvanised steel is wholly manufactured in Australia by BlueScope.[20] Therefore, the commission is satisfied that there is an Australian industry, consisting of BlueScope, producing like goods to the goods the subject of the measures.[21]

[20] Section 269(T)(2).
[21] Section 269(T)(4).

5 AUSTRALIAN MARKET

5.1 Finding

The Commissioner found that during the inquiry period, the Australian market for galvanised steel was supplied by BlueScope and producers from other countries who supply Australian distributors or end-users via multiple channels.

5.2 Market size

The commission estimated the size of the Australian market using verified sales data from BlueScope and data relevant to importations of galvanised steel as recorded in the ABF import database.

The commission has cleansed the ABF import data, as far as practicable, by reference to the description of the goods and the reasonableness of unit prices provided to ensure that only the goods, and goods that are like to the goods, have been included.

Figure 1 below depicts the commission's estimate of the size of the Australian market for galvanised steel for the period from 1 July 2017 to 30 June 2022.

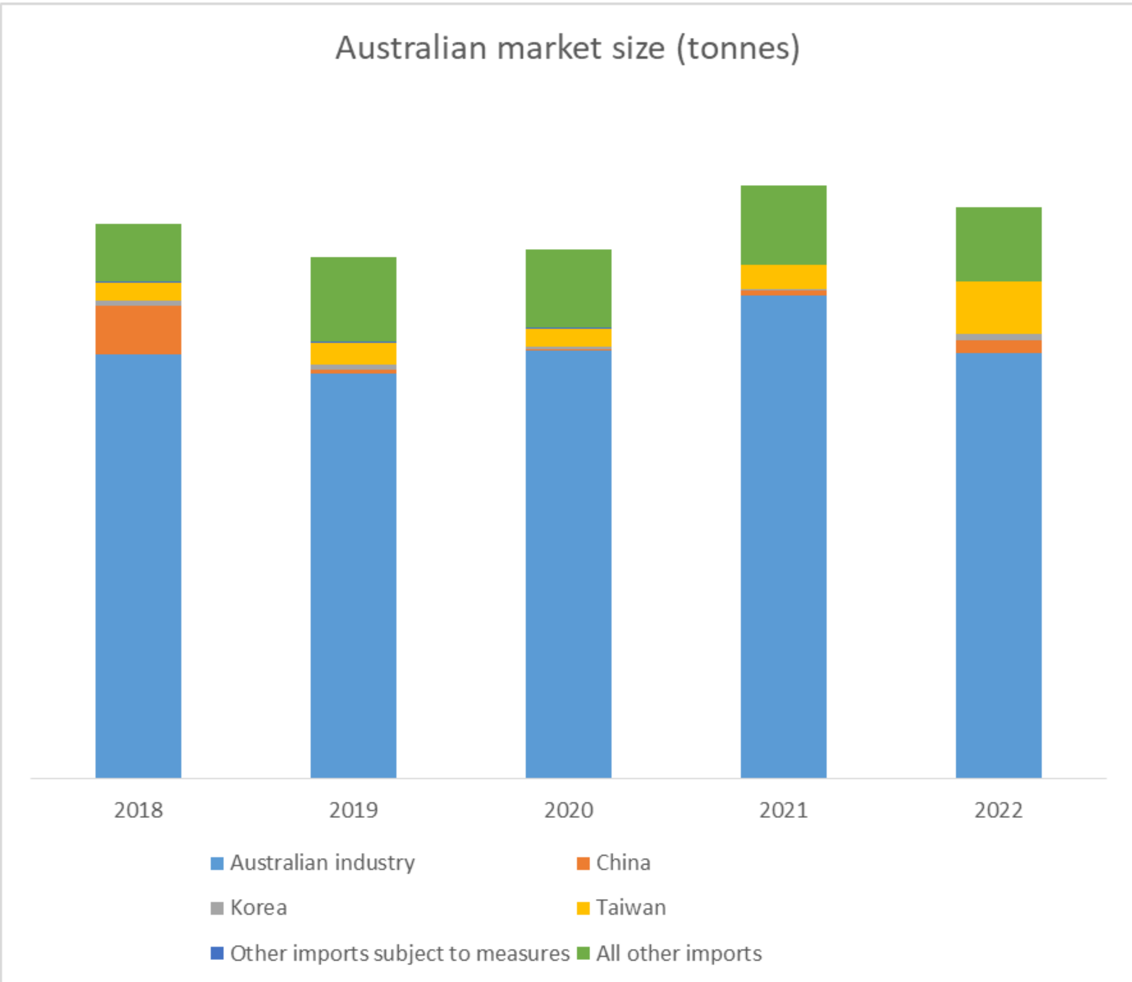

Figure 1: Australian market size (zinc coated galvanised steel)

The commission observes that the size of the Australian market for galvanised steel decreased in the inquiry period, following strong growth during financial year 2021. The reasons for this increase are discussed in section 8.3 of this SEF.

The commission's assessment of the size of the Australian market is contained in **Confidential Attachment 1**.

5.3 Market structure

The two key markets in Australia for zinc coated (galvanised) steel are:

- the building and construction industry (consisting of residential construction and industrial/commercial construction) and
- the general manufacturing industry, which produces non-construction related products.

The building and construction industry is BlueScope's largest customer in terms of sales volume, with the remainder of BlueScope's sales volume sold to the general manufacturing industry.

In the building and construction industry, examples of end-use applications for galvanised steel include light structural sections (purlins and girts); structural sections for carports, sheds and garages; plastering and ceiling accessories; garage door tracks; structural nail-plates; post stirrups; frame connectors and bracing for timber frames.

In the general manufacturing industry, examples of end use applications for galvanised steel include feedstock as input for pipe and tube manufacture; air-conditioning ducting; cable trays; components in domestic appliances; hot water system components; electrical meter cabinets; tool-boxes; meter boxes; grain silo components and general manufactured articles.

Locally produced and imported galvanised steel is used interchangeably across the two market segments in Australia.

5.3.1 Supply, marketing and distribution

Galvanised steel is sold either directly or indirectly to the two key markets that utilise galvanised steel.

BlueScope has two major distribution channels selling directly to large customers and to distributors across Australia, that then on-sell to customers.

BlueScope's goods are sold mostly to distributors/resellers, which on-sell to the building and construction industry, or to the general manufacturing industry. BlueScope also sells goods directly to the building product manufacturing industry in Australia. This industry roll-forms the goods into building products (such as roof cladding) and then distributes the manufactured products downstream (to builders, home owners etc.).

Galvanised steel BlueScope produces mostly competes with imported goods at the wholesale level of trade. Importers of galvanised steel mostly supply distributors in Australia, who in turn supply the manufacturing and building/construction industries.

BlueScope sells galvanised steel under several brand names, including GALVABOND® (a commercial grade suitable for forming and pressing applications), ZINCANNEAL® and GALVASPAN® (marketed at the construction industry to produce purlins and girts).

The different brands are sold into different market sectors which enables BlueScope to develop marketing strategies that target particular market sectors.

5.3.2 Supply effects of the COVID-19 pandemic

The commission notes that the COVID-19 pandemic impacted international supply into the Australian market in recent years. The Australian Competition and Consumer Commission (ACCC) released its *Container Stevedoring Monitoring Report*[22] in October 2021 which included the following assessment of the impact of the pandemic on supply chains:

> *'Over the past 12 months, the COVID-19 pandemic has derailed the global container freight supply chain (the supply chain). The pandemic-induced lockdowns, border closures and travel restrictions have shifted consumer demand from hospitality services towards manufactured household goods that are typically transported in containers.*
>
> *At the same time, the pandemic set off a cascade effect, with intermittent and ongoing shocks across the supply chain draining spare shipping and port capacity. The supply chain has been kept in a continuous state of disarray, unable to cope with increased container demand.*
>
> *This represents a logistical nightmare for the industry. The once efficient major overseas ports have become a cause of severe congestion and delays. The shipping line schedules that worked like clockwork are out of sync. Shipping lines have deployed all their fleet but are unable to fully utilise their capacity as vessels are either trapped for long periods of time in port waiting queues or choose to skip ports altogether.*
>
> *There is an abundance of empty containers, but they are stuck in the wrong places.'*
>
> *'Shipment delays have been mounting as shipping lines are increasingly omitting ports, rolling over cargo and cancelling bookings. Cargo owners around the world are scrambling to book scarce capacity on vessels, bidding up freight rates to unprecedented levels. Freight rates on key global trade routes are around 7 times higher than they were a little over a year ago.*
>
> *Australian importers and exporters are finding this situation particularly challenging. Many are struggling to get all their cargo on ships and are facing rapidly escalating freight rates. Some are paying significant premiums and surcharges to shipping lines to obtain priority loading, but even this does not guarantee on-time delivery.'*[23]

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[22] *ACCC, Container stevedoring monitoring report 2020-21*, October 2021, Australian Government, 2021, accessed 14 June 2022.
[23] Ibid, p ix.

The ACCC also noted that, across the broader economy, 'recent disruptions in international supply chains have led to a shift in favour of local manufacturing'.[24]

The composition of the Australian market displayed in section 5.2 indicates that the Australian industry captured additional market share during financial year 2021. The commission finds it likely that the Australian industry was able to take advantage of the disruptions to international supply channels to grow its domestic market share. This trend appears to have reversed in financial year 2022 as international supply channels have begun to normalise.

5.3.3 Demand

The primary demand drivers for galvanised steel include residential and commercial construction.

Demand for BlueScope's goods are therefore impacted by factors that impact residential and commercial construction. BlueScope identified seasonal fluctuations (wet/dry seasons, holiday season shutdown), economic factors (availability for capital, domestic conditions, consumer confidence), and government regulation (standards, policies) as relevant factors that influence demand.

5.3.4 Demand effects of the COVID-19 pandemic

The commission notes that the COVID-19 pandemic impacted the Australian market in recent years. As the pandemic emerged in 2020 there was considerable concern that the global, and consequently the Australian, economy would be adversely impacted. The minutes of the monetary policy meeting of the Reserve Bank of Australia Board held on March 3 2020 noted that '*it had become increasingly clear that the spread of…COVID-19…beyond China would cause a major disruption to economic activity around the world…(and)….was having a significant effect on the Australian economy*'.[25]

Despite these initial concerns, during financial year 2021, the commission estimates that Australian market for galvanised steel expanded by around 12%. This growth was fuelled by:

- significant direct and indirect government stimulus initiatives intended to support confidence in the residential construction sector during the uncertainty caused by the COVID-19 pandemic, such as the HomeBuilder Grant[26]
- a change in consumption patterns away from 'experience' services such as travel, hospitality and entertainment services toward spending on consumer goods, including home improvement materials.

The size of the Australian market began to contract during the inquiry period. Although there was strong residential construction activity in the inquiry period, demand for new dwellings has more recently weakened, due to a rebalancing of demand from goods towards services as the impact of COVID restrictions waned, and the effect of rising

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[24] Ibid, p 19.
[25] Minutes of the Monetary Policy Meeting of the Reserve Bank Board, 3 March 2020, available at https://www.rba.gov.au/monetary-policy/rba-board-minutes/2020/2020-03-03.html.
[26] https://treasury.gov.au/coronavirus/homebuilder.

interest rates. Dwelling investment fell by 3.4 per cent in calendar year 2022. Forward indicators, such as building approvals have fallen to their lowest levels since 2012, following the cessation of the HomeBuilder Program in March quarter 2021. Noting the weakness of demand for new dwellings beyond the existing work in the pipeline the RBA forecast dwelling investment growth of just 0.2 per cent in 2023 and -3.0 per cent in 2024 in its latest Statement on Monetary Policy.[27] Investment in non-residential construction activity increased during the inquiry period, and while activity fell in late 2022, leading indicators such as approvals and commencements have increased recently and provide support for further activity in the non-residential construction sector in 2023.

In aggregate terms however, construction activity is forecast to fall short of the levels seen during the pandemic, leading the commission to consider that there is likely to be ongoing weakness in demand for the goods.

5.4 Australian market pricing

Galvanised steel is a commodity product with little, if any, differences between products manufactured domestically and overseas. Given that imported galvanised steel is interchangeable with domestically produced galvanised steel, price is the primary factor that is taken into consideration by customers when purchasing galvanised steel.

BlueScope claims that prices for its goods are based on import parity pricing (IPP). The IPP takes into consideration the market price of the subject goods using contemporary price information for equivalent imported products. BlueScope provided the commission with detailed IPP data (including its sources) from July 2019 to November 2022, and explained in detail the methodology it followed to determine prices. BlueScope also provided information relating to specific negotiations with customers where prices of imports were used by the customer to negotiate pricing for BlueScope's product. Based on this, the commission is satisfied that import prices influence BlueScope's prices and price is the primary factor taken into consideration in any supply or purchasing decision.

[27] *Statement on Monetary Policy*, Reserve Bank of Australia, May 2023. Available at https://www.rba.gov.au/publications/smp/2023/may/pdf/statement-on-monetary-policy-2023-05.pdf.

6 DUMPING IN THE INQUIRY PERIOD

6.1 Finding

As part of its assessment regarding whether dumping is likely to continue or recur, the commission has examined whether exports in the inquiry period were dumped. The dumping assessment is limited to cooperating exporters who exported during the inquiry period - Yieh Phui, Prosperity, KG Dongbu and Dingxin.

Both Synn and POSCO also cooperated with the inquiry and provided responses to the exporter questionnaire. The commission did not assess whether Synn dumped the goods during the inquiry period, as Synn did not export the goods during the inquiry period. The commission did not assess whether POSCO dumped the goods during the inquiry period, as it remains exempt from measures.

The commission also calculated a dumping margin for uncooperative and all other exporters, to inform its overall consideration of the likelihood of the continuation or recurrence of dumped imports from China, Korea and Taiwan.

The commission has determined dumping margins as summarised in Table 7.

Country	Exporter	Dumping margin
China	Dingxin	-6.3%
	All other exporters	1.9%
Korea	KG Dongbu	-17.5%
	All other exporters	-16.0%
Taiwan	Yieh Phui	-9.8%
	Prosperity	-7.4%
	All other exporters	-7.0%

Table 7: Dumping margins

6.2 Legislative framework

In accordance with section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of the measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of dumping. The existence of dumping during the inquiry period may be an indicator of whether dumping may occur in the future.

Dumping occurs when a product from one country is exported to another country at a price less than its normal value. The export price and normal value of the goods are determined under sections 269TAB and 269TAC respectively. The commission applied the method in section 269TACB(2)(a) to determine whether dumping has occurred and the levels of dumping by comparing the weighted average export price over the whole of the inquiry period with the weighted average of corresponding normal values over the whole of the inquiry period.

Further details of the export price and normal value calculations for each exporter are set out in the following chapters.

6.2.1 Export price

Export price is determined in accordance with section 269TAB, taking into account whether the purchase or sale of goods are arms length transactions under section 269TAA.

Section 269TAB(1)(a) provides that the export price of any goods exported to Australia is the price paid (or payable) for the goods by the importer where the goods have been exported to Australia otherwise than by the importer, and have been purchased by the importer from the exporter in arms length transactions.

Section 269TAB(1)(b) provides that the export price of goods is the price that the importer sold the goods, less the prescribed deductions, where:

- goods have been exported to Australia otherwise than by the importer, and
- were purchased by the importer from the exporter, but not at arms length, and
- the importer subsequently sells the goods in the condition they were imported to a party not associated with the importer.

Section 269TAB(1)(c) provides that in all other cases, the export price is a price determined by the Minister having regard to all the circumstances of the exportation.

Section 269TAB(3) provides that, where the export price cannot be established under the preceding sections, the export price is determined having regard to all relevant information.

6.2.2 Normal value

The normal value is determined in accordance with section 269TAC. Section 269TAC(1) provides that the normal value of any goods exported to Australia is the price paid (or payable) for like goods sold in the ordinary course of trade (OCOT) for home consumption in the country of export in sales that are arms length transactions by the exporter. Or, if like goods are not so sold by the exporter, by other sellers of like goods.

However, if one of the circumstances set out in sections 269TAC(2)(a) or (b) is present, such as where there is an absence or low volume of relevant sales of like goods in the market of the country of export, or there is a particular market situation, section 269TAC(1) may not be used. In this instance, the normal value of the goods is to be calculated through either a constructed normal value under section 269TAC(2)(c) or using prices of like goods exported to a third country under section 269TAC(2)(d).

The commission found in Review 521 that a particular market situation existed in respect of the Chinese domestic market for the goods. The commission therefore examined whether a particular market situation persisted and determined that:

- a particular market situation existed in respect of the domestic market for like goods in China for the inquiry period

- because of that particular market situation, sales of like goods in the Chinese domestic market are not suitable for determining a price under section 269TAC(1). This is because the price of such sales does not permit a proper comparison with the export price in determining the dumping margin.

Non-confidential APPENDIX B contains the commission's particular market situation analysis for China.

Non-confidential APPENDIX C contains the commission's proper comparison analysis for China.

The commission did not undertake the same examination for the Korean and Taiwanese markets because the commission has not found previously a particular market situation in these markets. The applicant has made no allegation that this had changed.

6.2.3 Dumping margin

For all dumping margins calculated for the purposes of this inquiry, the commission compared export prices over the whole of the inquiry period with the corresponding normal values.

6.3 Exporters

6.3.1 Cooperative and residual exporters

Section 269T(1) provides that, in relation to the continuation of a dumping duty notice, an exporter who is not an 'uncooperative exporter' and whose exports are selected to be examined as part of the inquiry is a 'cooperative exporter'. An exporter who is not an 'uncooperative exporter' and whose exports the commission does not examine as part of the inquiry is a 'residual exporter'.

Section 269TACAA(1) provides that where there is an inquiry into the continuation of a dumping duty notice or countervailing duty notice and the number of exporters from a particular country of export in relation to the inquiry is so large that it is not practicable to examine the exports of all of those exporters, the inquiry may be carried out, and findings may be made, on the basis of information obtained from an examination of a selected number of those exporters who either constitute a statistically valid sample of those exporters or are responsible for the largest volume of exports to Australia that can reasonably be examined.

The commission calculated variable factors for the following cooperative exporters:

- Dingxin (China)
- KG Dongbu Steel Co., Ltd (Korea)
- Yieh Phui (Taiwan) and
- Prosperity (Taiwan).

6.3.2 Other entities

The Manual provides that 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
- owns, or previously owned, the goods, but need not be the owner at the time the goods were shipped.

The Manual notes that it is common for traders or other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation (both land and ocean), arranging port services, arranging loading, conducting price negotiations, arranging contracts with producer and customer alike, conveying the customer's specifications to the producer including quality, marking, and packing requirements, and so forth.

Typically, the manufacturer, as a principal who knowingly sent the goods for export to any destination will be the exporter.

Depending on the facts, the commission finds that only in rare circumstances would an intermediary be found to be the exporter. Typically, this will only occur where the intermediary has purchased the goods from the manufacturer; the manufacturer has no knowledge at all that the goods are destined for export to any country; and the essential role of the intermediary is that of a distributor rather than a trader and because it is acting more like a distributor the intermediary would usually have its own inventory for all export sales.[28]

The commission received one response to the exporter questionnaire (REQ) from an intermediary. This is discussed in section 6.4.1.2 below.

6.3.3 Uncooperative exporters

Section 269T(1) provides that an exporter is an 'uncooperative exporter' in relation to an inquiry where the Commissioner is satisfied that:

- the exporter did not give the Commissioner information that the Commissioner considered to be relevant to the inquiry within a period the Commissioner considered to be reasonable or
- the exporter significantly impeded the inquiry.

The *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Customs Direction) states at section 8 that the Commissioner must determine an exporter to be an uncooperative exporter, on the basis that the exporter provided no relevant information in a reasonable period, if that exporter:

- fails, within the legislated period, to:

[28] The Manual, pp 23-24.

  - provide a response or
  - request a longer period to provide a response or
- provides a response within the legislated period that the Commissioner considers did not provide information relevant to the case.[29]

The Commissioner considered the Customs Direction and section 269T and determined that any exporter, which did any of the following, is an uncooperative exporter for the purposes of this inquiry:

- failed to provide a response or request a longer period to provide a response within the time specified in ADN No 2022/086, being 28 September 2022[30]
- provided a REQ within the legislated period that did not provide information relevant to the case.[31]

On this basis, the Commissioner finds that the following exporters are uncooperative for this inquiry:

- all exporters from China, except for Dingxin
- all exporters from Korea, except for KG Dongbu and POSCO (who is exempt from the measures) and
- all exporters from Taiwan except for Yieh Phui and Prosperity.

As noted above, although Synn cooperated with this continuation inquiry and provided a response to the exporter questionnaire, Synn did not export during the inquiry period. The commission did not assess variable factors for Synn and recommends that the variable factors relevant to the measures applying to the goods not be altered.

6.4 Dumping assessment – China

6.4.1 Dingxin

6.4.1.1 Comparative assessment

Dingxin and Lianhao are related entities that operate together to export the goods to Australia and sell like goods on the domestic market in China. The commission conducted a comparative assessment of the data that Dingxin and Lianhao provided in its REQ.

This data was compared against the data that Dingxin and Lianhao had provided in Review 521, noting that the data in that review was verified onsite. The commission also compared the data that Dingxin and Lianhao provided with other cooperative exporters in this inquiry. Where material inconsistencies were identified, further analysis was undertaken.

[29] Defined in the Customs Direction as any document or thing provided to the Commissioner in relation to any case, including submissions, information or answers to the questions in questionnaires.
[30] This is the relevant legislated period.
[31] Requests for further information are contained in deficiency letters.

The commission is satisfied that the information provided by Dingxin and Lianhao is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods.

A file note covering the assessment is available on the public record.[32]

6.4.1.2 Exporter status

Dingxin, during the inquiry period, manufactured zinc coated (galvanised) steel and sold it to Australia through Lianhao, a related trading company. Lianhao negotiate a sales price with its Australian clients, then negotiate internal sales pricing between Dingxin and Lianhao. Dingxin are aware that the goods being sold to Lianhao are destined for Australia.

Further, Dingxin and Lianhao share the same:

(i) management and sales team

(ii) operating premises

(iii) operation and accounting system and

(iv) accounts team.

Based on the commission's previous verification of these entities, the commission understands that Dingxin regulates production and production planning for the goods and that Dingxin is aware of all price negotiations between Lianhao and its customers. As such, the commission finds that in relation to those goods exported to Australia in the inquiry period, Dingxin was the exporter of the goods and Lianhao acted as an intermediary in relation to those sales.[33]

6.4.1.3 Export price

In relation to the goods exported to Australia, the commission finds that:

- Dingxin manufactured the goods and is located in the country of export
- Lianhao organised for transportation of the goods to the port of export
- Lianhao paid for the port handling charges
- Lianhao transacted with the sole Australian importer who purchased the goods during the inquiry period and
- both Dingxin and Lianhao had knowledge that the goods were destined for Australia.

[32] EPR 611, document no 20.

[33] 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.

In respect of the Australian sales of the goods during the period, the commission 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 or
- 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.[34]

The commission therefore finds that all export sales to Australia made by Lianhao during the period were arms length transactions.

As the Australian sales of the goods are not between the exporter and the importer, the export price cannot be determined under sections 269TAB(1)(a) or (b). The export price has been calculated under section 269TAB(1)(c), having regard to all the circumstances of the exportation. As Lianhao did not include any additional profit or SG&A expenses in the invoice price with the Australian importer, the export price remains the price paid by the importer, less transport and other costs arising after exportation.

6.4.1.4 Normal value

The commission is satisfied that, pursuant to section 269TAC(2)(a)(ii), because of the situation in the domestic market for the goods in China, sales in that market are not suitable for use in determining a normal value under section 269TAC(1). This is on the basis that those prices would not permit a proper comparison with the export price for the purposes of determining the dumping margin.

Accordingly, the commission has calculated a normal value under section 269TAC(2)(c) using the sum of the following:

- the cost of production of the goods in China, which was calculated using the cost to make (CTM) expenses for Dingxin with its HRC costs adjusted by reference to a benchmark
- selling, general and administrative (SG&A) expenses on the assumption that the goods, instead of being exported, were sold for home consumption in the OCOT in the country of export based on the company’s records in accordance with section 44(2) of the Regulation
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the OCOT in accordance with section 45(2) of the Regulation.

6.4.1.4.1 CTM reasonably reflecting competitive market costs

The commission has assessed the raw material input costs in the CTM for Dingxin and Lianhao. The commission notes that Dingxin and Lianhao advised in its REQ that it kept its records relating to the goods in accordance with the relevant generally accepted accounting practices (GAAP) and that the records reasonably reflect the costs associated

[34] Section 269TAA.

with the production and sale of the goods. However, the commission was not satisfied that Dingxin and Lianhao's costs reasonably reflect competitive market costs associated with the production of like goods, due to the influence of the GOC in the domestic Chinese market for HRC.

Specifically, the commission finds that HRC costs in China, which make up a major proportion of the total costs of production of the goods, are distorted by GOC influence and do not reasonably reflect competitive market costs associated with the production or manufacture of the goods. As a result, section 43(2)(b)(ii) of the Customs (International Obligations) Regulation 2015 (the Regulation), which requires the commission to use a producer's records to determine the cost of production of goods in the country of export where those records reasonably reflect competitive markets costs, is not enlivened. The commission went on to consider whether Dingxin's recorded HRC costs were nonetheless suitable to be used in determining the cost of production of zinc coated (galvanised) steel in China. In this case, the commission finds it is not appropriate to rely on the HRC costs in Dingxin's records to determine the cost of production of the goods in China, because to do so would reintroduce the factors that warranted the commission's decision to construct the normal value in the first place. The commission finds it appropriate to adjust HRC costs relating to the costs of production in Dingxin and Lianhao's records by reference to a benchmark cost for HRC. The commission has not adjusted any of the other items recorded in Dingxin and Lianhao's cost of production.

The commission consequently worked out the amount for the cost of production in Dingxin's normal value under section 269TAC(2)(c) using this adjusted cost for HRC and the other cost information as set out in Dingxin and Lianhao's records.

Non-confidential APPENDIX D provides further details of this calculation.

6.4.1.4.2 SG&A costs

In accordance with section 44(2) of the Regulation, the commission has calculated an amount for SG&A based on Dingxin and Lianhao's records for its domestic SG&A costs. The commission amended the SG&A that Dingxin and Lianhao originally submitted in its REQ to accurately reflect the SG&A in relation to like goods. The amendments are contained in exceptions listed in the file note reflecting the comparative assessment undertaken for Dingxin.[35]

6.4.1.4.3 Profit

The commission has calculated an amount for profit under section 45(2) of the Regulation. The commission calculated an amount of profit using actual amounts realised by Dingxin and Lianhao from the sale of like goods in the OCOT.

6.4.1.4.4 Arms length assessment

In respect of Dingxin and Lianhao's domestic sales of like goods to its unrelated customers during the inquiry period, the commission found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price

[35] EPR 611, document no 20.

- the price appeared to be 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.

The commission therefore finds that all domestic sales made by Dingxin and Lianhao to its unrelated customers during the inquiry period were arms length transactions.

6.4.1.4.5 Adjustments to normal value

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

Adjustment Type	Deduction/addition
Export bank charges	Add an amount for export bank charges
Export port handling charges	Add an amount for port and handling charges
Export inland transport	Add an amount for export inland transport
Value added tax (VAT) rebate	Add an amount for non-refundable VAT

Table 8: Summary of adjustments – Dingxin

6.4.1.5 Dumping margin

The dumping margin for the goods exported to Australia by Dingxin for the inquiry period is **negative 6.3**%.

The commission's calculations are at **Confidential Attachment 2**.

6.4.2 Uncooperative and all other exporters – China

As detailed in section 6.3.3, the commission finds all exporters of the goods from China are uncooperative exporters, except for Dingxin.

Section 269TACAB(1) sets out the provisions for calculating export prices and normal values for uncooperative exporters.

6.4.2.1 Export prices

Pursuant to section 269TACAB(1)(d), the commission has determined an export price for the uncooperative exporters pursuant to section 269TAB(3), having regard to all relevant information. The commission considered the data for the only cooperating exporter from China, Dingxin. The commission has determined the export price for uncooperative exporters as the export price from the quarter in which Dingxin had the highest quarterly dumping margin during the inquiry period. This export price demonstrates a price at which an uncooperative exporter may export like goods to Australia, based on the information before the commission.

6.4.2.2 Normal value

Pursuant to section 269TACAB(1)(e), the commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information. The commission has determined the normal value for uncooperative exporters as the normal value from the quarter in which Dingxin had the highest quarterly dumping margin during the inquiry period.

This normal value demonstrates a price at which an uncooperative exporter may sell the goods in the domestic Chinese market, based on the information before the commission.

6.4.2.3 Dumping margin

The dumping margin in respect of the goods exported to Australia by uncooperative exporters from China for the inquiry period is **1.9%**.

The commission's calculations are included in **Confidential Attachment 3**.

6.5 Dumping assessment – Korea

6.5.1 KG Dongbu

6.5.1.1 Verification

The commission conducted an onsite verification of the data and information submitted in KG Dongbu's REQ.

The commission is satisfied that KG Dongbu is the producer of the goods and like goods. The commission is further satisfied that the information provided by KG Dongbu is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods.

A report covering the verification findings is available on the public record.[36]

6.5.1.2 Export price

The commission found that KG Dongbu exported the goods to Australia either directly to the Australian customer or indirectly via an intermediary. KG Dongbu sold the Australian export goods at Free on Board (FOB) and Cost, Insurance and Freight (CIF) incoterms. KG Dongbu sold indirectly via an intermediary with Free Carrier (FCA) incoterms.

For all direct and indirect sales that KG Dongbu made to an Australian customer, the commission finds KG Dongbu to be the exporter of the goods, as KG Dongbu:

- produced the Australian export goods
- is the supplier on the commercial invoice
- is the consignor on the bill of lading
- arranged and paid for inland transport to the port of export and
- arranged and paid for port handling charges at the port of export.

In respect of KG Dongbu's direct and indirect Australian sales of the goods during the inquiry period, the commission found no evidence that:

[36] EPR 611, document no 19.

- there was any consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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.[37]

For sales which KG Dongbu made directly to the Australian customer, the commission has determined the export price under section 269TAB(1)(a), as the price paid (or payable) for the goods by the importer, other than any part of that price that represents a charge in respect of any other matter arising after exportation.

For sales which KG Dongbu made to the Australian customer via an intermediary, the commission finds that the importer did not purchase the goods from the exporter. Accordingly, the commission cannot determine the export price under sections 269TAB(1)(a) or 269TAB(1)(b).

The commission therefore has determined the export price under section 269TAB(1)(c), having regard to all circumstances of the exportation. Specifically, the export price has been determined as the price the intermediary paid to KG Dongbu.

To ensure that the commission calculates the ascertained export price using a consistent incoterm, the commission has added an amount for port charges where required to certain export transactions.

6.5.1.3 Normal value

The commission is satisfied that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. Accordingly, the commission has determined the normal value under section 269TAC(1).

The following sections outline the commission's assessment of KG Dongbu's normal value.

6.5.1.3.1 Arms length assessment

In respect of KG Dongbu's domestic sales of like goods to its customers during the inquiry period, the commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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.[38]

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[37] Section 269TAA refers.
[38] Ibid.

The commission identified that in the domestic market, KG Dongbu only sold the goods to unrelated customers during the inquiry period.

The commission notes that KG Dongbu sold domestic like goods at similar prices to all customers and appeared to genuinely negotiate the price with its customers. The commission therefore finds that all domestic sales made by KG Dongbu to its customers during the inquiry period were arms length transactions.

6.5.1.3.2 Ordinary course of trade and sufficiency of domestic sales

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are both of the following:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.

The commission tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction. The commission tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the inquiry period. The commission then tested recoverability by comparing the net invoice price against the relevant weighted average cost over the inquiry period for each domestic sales transaction.

Based on the above analysis, the commission has found that KG Dongbu's domestic sales were arms length transactions in the OCOT. Accordingly, the commission is satisfied that the normal value of the goods for KG Dongbu can be determined in accordance with section 269TAC(1). The commission has determined normal value by making comparisons at the MCC level.

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export.

An exporter's domestic sales of like goods are taken to be in a low volume where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The commission assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was 5% or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the commission finds the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported MCC is less than 5% of the volume exported, the commission will consider whether it can make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic MCC to calculate normal value for the exported MCC.

The commission has considered whether each exported MCC was sold on the domestic market and the volume of domestic sales, as shown in Table 9.

Export MCC	Is model sold domestically in OCOT?	Is MCC's domestic sales volume 5% or greater the export sales volume?	Treatment of normal value
NA-P-H-F-1-A-3-B-C	Y	Y	The commission finds domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-4-B-C	Y	Y	The commission finds domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-4-C-C	Y	Y	The commission finds domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-5-B-C	Y	Y	The commission finds domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-5-B-S	N	N	No domestic sales of NA-P-H-F-1-A-5-B-S. Surrogate model NA-P-H-F-1-A-5-B-C used, with specification adjustment under TAC(8).
NA-P-H-F-1-A-5-C-C	Y	Y	The commission finds domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-6-B-C	Y	Y	The commission finds domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-6-B-S	N	N	No domestic sales of NA-P-H-F-1-A-6-B-S. Surrogate model NA-P-H-F-1-A-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-F-1-A-6-C-C	Y	Y	The commission finds domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-6-C-S	N	N	No domestic sales of NA-P-H-F-1-A-6-C-S. Surrogate model NA-P-H-F-1-A-6-C-C used, with specification adjustment under TAC(8).
NA-P-H-Z-2-C-4-A-C	N	N	No domestic sales of NA-P-H-Z-2-C-4-A-C. Surrogate model NA-P-H-Z-2-B-4-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-4-E-6-B-C	N	N	No domestic sales of NA-P-H-Z-4-E-6-B-C. Surrogate model NA-P-H-Z-3-D-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-4-E-7-B-C	N	N	No domestic sales of NA-P-H-Z-4-E-7-B-C. Surrogate model NA-P-H-Z-3-D-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-5-C-6-B-C	N	N	No domestic sales of NA-P-H-Z-5-C-6-B-C. Surrogate model NA-P-H-Z-5-A-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-5-C-7-B-C	N	N	No domestic sales of NA-P-H-Z-5-C-7-B-C. Surrogate model NA-P-H-Z-5-A-7-C-C used, with specification adjustment under TAC(8).
NA-P-H-Z-5-C-8-B-C	N	N	No domestic sales of NA-P-H-Z-5-C-8-B-C. Surrogate model NA-P-H-Z-5-A-8-C-C used, with specification adjustment under TAC(8).

Table 9: Domestic volumes – KG Dongbu

As the volume of domestic sales of the remainder of KG Dongbu's exported MCCs are 5% or more of the volume exported, the commission finds it can make a proper comparison at the MCC level.

6.5.1.3.3 Adjustments to normal value

The commission is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(8). The commission finds the adjustments in Table 10 necessary to ensure a fair comparison of normal value and export prices.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit terms
Domestic packaging	Deduct an amount for domestic packaging
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic warranty	Deduct an amount for domestic warranty
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port handling and other charges	Add an amount for export port handling and other charges
Export bank charges	Add an amount for export bank charges
Export LC notification fees	Add an amount for export LC notification fees
Specification	Add or deduct an amount for the specification adjustment
Timing	Add or deduct an amount for the timing adjustment

Table 10: Summary of adjustments - KG Dongbu

6.5.1.4 Dumping margin

The dumping margin for the goods exported to Australia by KG Dongbu for the inquiry period is **negative 17.5**%.

The commission's calculations are at **Confidential Attachment 4**.

6.5.2 Uncooperative and all other Korean exporters

As detailed in chapter 6.3.3, the commission finds all exporters of the goods from Korea, except for KG Dongbu, are uncooperative exporters for the purposes of this inquiry.

Section 269TACAB(1) sets out the provisions for calculating export prices and normal values for uncooperative exporters.

6.5.2.1 Export price

Pursuant to section 269TACAB(1)(d), the commission has determined an export price for the uncooperative exporters pursuant to section 269TAB(3), having regard to all relevant information. As KG Dongbu is the only cooperating exporter from Korea, the commission has taken the weighted average export price established during the inquiry period. This price demonstrates a price at which an uncooperative exporter may export like goods to Australia, based on the information before the commission.

6.5.2.2 Normal value

Pursuant to section 269TACAB(1)(e), the commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information. Specifically, the commission has used a normal value based on the verified domestic sales by KG Dongbu, less favourable adjustments.

The commission has chosen a normal value based on KG Dongbu's domestic sales because:

- the commission does not have specific information relating to the uncooperative exporters relevant to the calculation of the normal value
- domestic sales by KG Dongbu, less favourable adjustments, demonstrate sales that an uncooperative exporter may have made in the domestic Korean market during the inquiry period and the price at which those goods might be sold, based on the information before the commission.

6.5.2.3 Dumping margin

The dumping margin in respect of the goods exported to Australia by uncooperative exporters from Korea for the inquiry period is **negative 16.0%.**

The commission's calculations are included in **Confidential Attachment 3**.

6.6 Dumping assessment – Taiwan

6.6.1 Yieh Phui

6.6.1.1 Verification

The commission conducted a virtual verification of the data and information submitted in Yieh Phui's REQ.

The commission is satisfied that Yieh Phui is the producer of the goods and like goods. The commission is further satisfied that the information provided by Yieh Phui is accurate and reliable for the purpose of ascertaining the variable factors applicable to its exports of the goods.

A report covering the verification findings is available on the public record.[39]

6.6.1.2 Export price

The commission found that Yieh Phui exported the goods to Australia directly to the customer.

For all direct sales that Yieh Phui made to an Australian customer, the commission finds Yieh Phui to be the exporter of the goods, as Yieh Phui:

- produced the Australian export goods
- is named as the supplier on the commercial invoice

[39] EPR 611, document no 18.

- is named as consignor on the bill of lading
- arranged and paid for inland transport to the port of export and
- arranged and paid for port handling charges at the port of export.

For sales which Yieh Phui made directly to the Australian customer, the commission has determined the export price under section 269TAB(1)(a), as the price paid (or payable) for the goods by the importer, other than any part of that price that represents a charge in respect of any other matter arising after exportation.

6.6.1.3 Normal value

The commission is satisfied that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT. Accordingly, the commission has determined the normal value under section 269TAC(1).

The following sections outline the commission's assessment of Yieh Phui's normal value.

6.6.1.3.1 Arms length assessment

6.6.1.3.1.1 Unrelated customers

In respect of Yieh Phui's domestic sales of like goods to its unrelated customers during the inquiry period, the commission found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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.

The commission therefore finds that all domestic sales made by Yieh Phui to its unrelated customers during the inquiry period were arms length transactions.

6.6.1.3.1.2 Related customers

In respect of Yieh Phui's domestic sales of like goods to its related customers during the inquiry period, the commission found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price
- 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.

However, the commission finds that the price appeared to be 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.

In addition, the commission finds that:

- there was a consistent price variance between Yieh Phui's sales prices to related customers and Yieh Phui's sales prices of similar goods to unrelated customers, when compared monthly and over the entire inquiry period
- Yieh Phui wholly owned the customer company during the inquiry period.

The commission therefore finds that all domestic sales made by Yieh Phui to its related customers were not sold at arms length.

6.6.1.3.1.3 Ordinary course of trade and sufficiency of domestic sales

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are both of the following:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.

The commission tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction. The commission tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the inquiry period. The commission then tested recoverability by comparing the net invoice price against the relevant weighted average cost over the inquiry period for each domestic sales transaction.

Based on the above analysis, the commission has found that Yieh Phui's domestic sales were arms length transactions in the OCOT. Accordingly, the commission is satisfied that the normal value of the goods for Yieh Phui can be determined in accordance with section 269TAC(1). The commission has determined the normal value by making comparisons at the MCC level.

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export.

An exporter's domestic sales of like goods are taken to be in a low volume where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The commission assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was 5% or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the commission finds the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported MCC is less than 5% of the volume exported, the commission will consider whether it can make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic MCC to calculate normal value for the exported MCC.

Because Yieh Phui sold a very high number of different MCCs for export to Australia, the commission has only summarised the treatment of normal value for MCCs where the domestic sales volume was not 5% or greater than the export sales volume.

All Australian export MCCs not stated in the table below had domestic sales volume 5% or greater than the export sales volume. For those MCCs, the commission finds domestic sales of the same MCC permitted a proper comparison to exported goods.

For all Australian export MCCs included in the table below, Yieh Phui had zero domestic sales volume for the corresponding MCC. For all export MCCs, the commission identified a surrogate MCC to use in the normal value calculation, after also including a specification adjustment under s 269TAC(8).

Export MCC	Is model sold domestically in OCOT?	Is MCC's domestic sales volume 5% or greater the export sales volume?	Surrogate model used with specification adjustment under s 269TAC(8)
NA-P-C-Z-1-C-1-A-C	N	N	NA-P-C-Z-2-C-1-B-C
NA-P-C-Z-1-C-1-B-C	N	N	NA-P-C-Z-2-C-1-B-C
NA-P-C-Z-3-C-3-B-C	N	N	NA-P-C-Z-3-C-4-B-C
NA-P-C-Z-3-D-4-A-C	N	N	NA-P-C-Z-3-D-4-B-C
NA-P-C-Z-3-E-5-B-C	N	N	NA-P-C-Z-3-E-6-B-C
NA-P-C-Z-3-E-7-B-S	N	N	NA-P-C-Z-3-E-7-B-C
NA-P-C-Z-3-F-3-B-C	N	N	NA-P-C-Z-3-D-3-B-C
NA-P-C-Z-3-F-4-B-C	N	N	NA-P-C-Z-3-G-4-B-C
NA-P-C-Z-3-F-5-B-C	N	N	NA-P-C-Z-3-D-5-B-C
NA-P-C-Z-4-D-6-B-C	N	N	NA-P-C-Z-4-D-5-B-C
NA-P-C-Z-4-E-6-A-C	N	N	NA-P-C-Z-4-E-6-B-C
NA-P-C-Z-4-E-7-B-C	N	N	NA-P-C-Z-4-E-6-B-C
NA-P-C-Z-4-G-6-B-C	N	N	NA-P-C-Z-4-E-6-B-C
NA-P-C-Z-5-C-4-B-C	N	N	NA-P-C-Z-3-C-4-B-C
NA-P-C-Z-5-D-5-B-C	N	N	NA-P-C-Z-5-D-6-B-C
NA-P-C-Z-5-F-3-B-C	N	N	NA-P-C-Z-5-D-6-B-C
NA-P-C-Z-5-F-4-B-C	N	N	NA-P-C-Z-5-D-6-B-C
NA-P-C-Z-5-F-5-B-C	N	N	NA-P-C-Z-5-D-6-B-C
NA-P-H-Z-3-C-7-B-S	N	N	NA-P-H-Z-3-C-7-B-C
NA-P-H-Z-3-C-8-C-C	N	N	NA-P-H-Z-3-C-8-B-C
NA-P-H-Z-3-E-6-B-C	N	N	NA-P-H-Z-3-E-7-B-C
NA-P-H-Z-4-D-6-B-C	N	N	NA-P-H-Z-2-D-6-B-C
NA-P-H-Z-4-E-6-A-C	N	N	NA-P-H-Z-4-E-6-B-C
NA-P-H-Z-4-E-6-C-C	N	N	NA-P-H-Z-4-E-6-B-C
NA-P-H-Z-4-E-7-A-C	N	N	NA-P-H-Z-4-E-7-B-C
NA-P-H-Z-4-E-7-B-S	N	N	NA-P-H-Z-4-E-7-B-C
NA-P-H-Z-4-E-7-C-C	N	N	NA-P-H-Z-4-E-7-B-C
NA-P-H-Z-4-E-8-B-S	N	N	NA-P-H-Z-4-E-8-B-C

Export MCC	Is model sold domestically in OCOT?	Is MCC's domestic sales volume 5% or greater the export sales volume?	Surrogate model used with specification adjustment under s 269TAC(8)
NA-P-H-Z-4-E-8-C-C	N	N	NA-P-H-Z-4-E-8-B-C
NA-P-H-Z-5-C-7-B-C	N	N	NA-P-H-Z-5-C-8-B-C
NA-P-H-Z-5-E-7-B-S	N	N	NA-P-H-Z-4-E-7-B-C
NA-P-H-Z-5-E-8-B-S	N	N	NA-P-H-Z-4-E-8-B-C

Table 11: List of Australian export MCCs without corresponding domestic sales, including list of surrogates used for these Australian export MCCs.

As the volume of domestic sales of the remainder of Yieh Phui's exported MCCs are 5% or more of the volume exported, the commission finds it can make a proper comparison at the MCC level.

6.6.1.3.2 Adjustments to normal value

The commission is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(8). The commission finds the adjustments in Table 12 necessary to ensure a fair comparison of normal value and export prices.

Adjustment Type	Deduction/addition
Domestic inland freight	Deduct an amount for domestic credit
Domestic warranty expenses	Deduct an amount for domestic inland transport
Domestic packaging	Deduct an amount for domestic packaging
Export inland transport	Add an amount for export inland transport
Export port handling	Add an amount for export port handling
Export trade promotion fee	Add an amount for export trade promotion fee
Export harbour construction fee	Add an amount for export harbour construction fee
Export cargo certification fee	Add an amount for export cargo certification fee
Export stevedoring fee	Add an amount for export stevedoring fee
Export warehousing fee	Add an amount for export warehousing fee
Export bank charge	Add an amount for export bank charge
Export containerisation fee	Add an amount for export containerisation fee
Export bill of lading fee	Add an amount for bill of lading fee
Export packaging	Add an amount for export packaging
Specification	Add or deduct an amount for specification
Timing	Add or deduct an amount for timing adjustment

Table 12: Summary of adjustments – Yieh Phui

6.6.1.4 Dumping margin

The dumping margin for the goods exported to Australia by Yieh Phui for the inquiry period is **negative 9.8%**.[40]

The commission's calculations are at **Confidential Attachment 5**.

6.6.2 Prosperity Tieh

The commission conducted a comparative assessment of the information Prosperity provided. Specifically, this analysis compared key aspects of the data from Prosperity against the verified data from the other cooperative exporter from Taiwan (Yieh Phui). Where the commission identified material inconsistencies, this was analysed further.

6.6.2.1 Export price

The commission found that Prosperity exported the goods to Australia directly to the customer.

For all direct sales that Prosperity made to an Australian customer, the commission finds Prosperity to be the exporter of the goods, as Prosperity:

- produced the Australian export goods
- is named as the supplier on the commercial invoice
- is named as consignor on the bill of lading
- arranged and paid for inland transport to the port of export
- arranged and paid for port handling charges at the port of export.

For sales which Prosperity made directly to the Australian customer, the commission has determined the export price under section 269TAB(1)(a), as the price paid (or payable) for the goods by the importer, other than any part of that price that represents a charge in respect of any other matter arising after exportation.

6.6.2.2 Normal value

In respect of Prosperity's domestic sales of like goods to its unrelated and related customers during the period, the commission 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 or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

[40] The commission identified an administrative error in the calculation of Yieh Phui's dumping margin in SEF 611. This has been rectified and has resulted in the dumping margin changing from negative 10.2% to negative 9.8%.

The commission is satisfied that all domestic sales made by Prosperity to its domestic customers during the period were arms length transactions.

The following sections outline the commission's assessment of Prosperity's normal value.

6.6.2.2.1 Ordinary course of trade and sufficiency of domestic sales

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are both of the following:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.

The commission tested profitability by comparing the net invoice price against the relevant cost for each domestic sales transaction. The commission tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the inquiry period. The commission then tested recoverability by comparing the net invoice price against the relevant weighted average cost over the inquiry period for each domestic sales transaction.

Based on the above analysis, the commission has found that Prosperity's domestic sales were arms length transactions in the OCOT. Accordingly, the commission is satisfied that the normal value of the goods for Prosperity can be determined in accordance with section 269TAC(1). The commission has determined normal value by making comparisons at the MCC level.

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export.

An exporter's domestic sales of like goods are taken to be in a low volume where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The commission assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was 5% or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the commission finds the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported MCC is less than 5% of the volume exported, the commission will consider whether it can make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic MCC to calculate normal value for the exported MCC.

All Australian export MCCs not stated in the table below had domestic sales volume 5% or greater than the export sales volume. For those MCCs, the commission finds domestic sales of the same MCC permitted a proper comparison to exported goods.

For all Australian export MCCs included in the table below, Prosperity had zero domestic sales volume for the corresponding MCC. For all export MCCs, the commission identified a surrogate MCC to use in the normal value calculation, after also including a specification adjustment under s 269TAC(8).

Export MCC	Is model sold domestically in OCOT?	Is MCC's domestic sales volume 5% or greater the export sales volume?	Surrogate model used with specification adjustment under s 269TAC(8)
NA-P-C-Z-4-E-6-B-C	N	N	NA-P-H-Z-3-E-6-C-C
NA-P-H-Z-2-D-8-C-C	N	N	NA-P-H-Z-2-D-8-B-C
NA-P-H-Z-3-D-6-B-C	N	N	NA-P-H-Z-3-D-7-B-C
NA-P-H-Z-4-E-6-B-C	N	N	NA-P-H-Z-3-E-6-C-C
NA-P-H-Z-4-E-7-B-C	N	N	NA-P-H-Z-3-E-6-C-C

Table 13: List of Australian export MCCs without corresponding domestic sales, including list of surrogates used for these Australian export MCCs.

As the volume of domestic sales of the remainder of Prosperity's exported MCCs are 5% or more of the volume exported, the commission finds it can make a proper comparison at the MCC level.

6.6.2.2.2 Adjustments to normal value

The commission is satisfied there is sufficient information to justify the following adjustments in accordance with section 269TAC(8). The commission finds the adjustments in Table 14 necessary to ensure a fair comparison of normal value and export prices.

Adjustment Type	Deduction/addition
Domestic credit term	Deduct an amount for domestic credit
Domestic delivery	Deduct an amount for domestic inland transport
Domestic packaging	Deduct an amount for domestic packaging
Domestic bank charges	Add an amount for export bank charges
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port handling charges	Add an amount for export port handling
Export commission fee	Add an amount for export commission fee
Export bank charges	Add an amount for export bank charges
Export credit terms	Add an amount for export credit terms
Specification	Add or deduct an amount for specification
Timing	Add or deduct an amount for timing adjustment

Table 14: Summary of adjustments – Prosperity

6.6.2.3 Dumping margin

The dumping margin for the goods exported to Australia by Prosperity for the inquiry period is **negative 7.4%**.

The commission's calculations are at **Confidential Attachment 6**.

6.6.3 Uncooperative and all other exporters – Taiwan

As detailed in section 6.3.3, the commission finds all exporters of the goods from Taiwan are uncooperative exporters, except for Yieh Phui, Prosperity and Synn.

Section 269TACAB(1) sets out the provisions for calculating export prices and normal values for uncooperative exporters.

6.6.3.1 Export prices

Pursuant to section 269TACAB(1)(d), the commission has determined an export price for the uncooperative exporters pursuant to section 269TAB(3), having regard to all relevant information.

As the commission has access to verified Taiwanese exporter data from multiple exporters, the commission has used the lowest verified weighted average FOB export price of cooperating Taiwanese exporters who exported to Australia during the inquiry period.

The commission has chosen the lowest verified export price on the basis that the lowest weighted average export price demonstrates a price at which an uncooperative exporter may export like goods to Australia, based on the information before the commission.

6.6.3.2 Normal value

Pursuant to section 269TACAB(1)(e), the commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information.

Specifically, the commission has used the highest verified normal value for the inquiry period of cooperating Taiwanese exporters who exported to Australia during the inquiry period. The commission chose this on the basis that:

- the commission does not have specific information relating to the uncooperative exporters, relevant to the calculation of the normal value
- the highest normal value less favourable adjustments of cooperating exporters demonstrates a price at which an uncooperative exporter may sell the goods in the Taiwan domestic market, based on the information before the commission.

6.6.3.3 Dumping margin

The dumping margin in respect of the goods exported to Australia by uncooperative Taiwanese exporters for the inquiry period is **negative 7.0%.**

The commission's calculations are included in **Confidential Attachment 3**.

7 SUBSIDIES IN THE INQUIRY PERIOD – CHINA ONLY

7.1 Finding

The commission has found that countervailable subsidies were received in respect of the goods exported to Australia from China during the inquiry period.

The commission did not receive any information from the GOC, nor any Chinese exporters subject to the countervailing duty notice.[41]

The commission undertook an assessment of publicly available information to consider whether subsidy programs remain in place. The commission did not identify evidence to indicate these programs have ceased. Therefore, noting the extent of evidence identified in Review 521, the commission finds the variable factors currently in place in the countervailing notice will not be altered. The commission notes that the majority of programs found to apply to zinc coated (galvanised) steel continue to apply, based on the commission's findings in Continuation 590 (relating to hollow structural sections from China, Korea, Malaysia and Taiwan).[42]

Therefore, the commission proposes to keep the subsidy margin unaltered at the rate outlined below.

Entity	Subsidy Margin
All exporters[43]	12.1%

Table 15: Summary of subsidy margins

7.2 Legislative framework

In accordance with section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of anti-dumping measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, subsidisation. The existence of subsidisation during the inquiry period may be an indicator of whether subsidisation may occur in the future.

Subsidisation occurs when a financial contribution or income or price support confers a benefit (whether directly or indirectly) in relation to goods exported to Australia.[44] The amount of a countervailable subsidy is determined in accordance with section 269TACD. Further details of the amount of countervailable subsidisation for each entity are set out below.

[41] The commission notes that the only Chinese exporter who cooperated in this continuation inquiry, Dingxin and Lianhao, is not subject to the countervailing duty notice.
[42] EPR 590, document 41.
[43] In relation to countervailing duties for China, exports from Angang Steel Company ltd, ANSC-TKS Galvanizing Co. Ltd, Yieh Phui Technomaterial Co., Ltd, Jiangyin Zongcheng Stel Co. Ltd, Shandong Dingxin Plate Technology Co. Ltd were not considered as measures to not apply to these entities.
[44] Section 269T(1).

7.3 Subsidy programs

Review 521 identified a total of 37 countervailable subsidy programs as applicable to exports of the goods from China.

Program No	Name	Type[45]	Countervailable subsidy (Yes/No)
1	Hot rolled steel provided by government at less than fair market value	Tax and raw material	Yes
2	Coking coal provided by government at less than adequate remuneration	Tax and raw material	Yes
3	Coke provided by government at less than adequate remuneration	Tax and raw material	Yes
4	Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones	Tax	Yes
5	Preferential Tax Policies for Foreign Invested Enterprises– Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years	Tax	Yes
6	Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)	Tax	Yes
7	Preferential Tax Policies for High and New Technology Enterprises	Tax	Yes
8	Preferential Tax Policies in the Western Regions	Tax	Yes
9	Land Use Tax Deduction	Grant	Yes
10	Preferential Tax Policies for High and New Technology Enterprises	Tax	Yes
11	Tariff and value-added tax (VAT) Exemptions on Imported Materials and Equipment	Tax	Yes
12	One-time Awards to Enterprises Whose Products Qualify for 'Well-Known Trademarks of China' and 'Famous Brands of China'	Grant	Yes
13	Matching Funds for International Market Development for Small and Medium Enterprises	Grant	Yes
14	Superstar Enterprise Grant	Grant	Yes

[45] A subsidy in the form of a grant is generally where a public body has provided direct funding to the recipient. A subsidy in the form a tax is generally where the recipient has received a lower or preferential tax rate. A subsidy in the form of 'Less than adequate remuneration' (LTAR) is generally where a manufacturer has purchased cost inputs at a price that is considered less than adequate remuneration for that input.

Program No	Name	Type[45]	Countervailable subsidy (Yes/No)
15	Research & Development (R&D) Assistance Grant	Grant	Yes
16	Patent Award of Guangdong Province	Grant	Yes
17	Innovative Experimental Enterprise Grant	Grant	Yes
18	Special Support Fund for Non State-Owned Enterprises	Grant	Yes
19	Venture Investment Fund of Hi-Tech Industry	Grant	Yes
20	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment.	Grant	Yes
21	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant	Yes
22	Water Conservancy Fund Deduction	Grant	Yes
23	Wuxing District Freight Assistance	Grant	Yes
24	Huzhou City Public Listing Grant	Grant	Yes
25	Huzhou City Quality Award	Grant	Yes
26	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant	Yes
27	Wuxing District Public List Grant	Grant	Yes
28	Anti-dumping Respondent Assistance	Grant	Yes
29	Technology Project Assistance	Grant	Yes
30	Equity injection	Grant	Yes
31	Environmental Protection Grant	Grant	Yes
32	High and New Technology Enterprise Grant	Grant	Yes
33	Independent Innovation and High-Tech Industrialisation Program	Grant	Yes
34	VAT refund on domestic sales by local authority	Grant	Yes
35	Environmental Prize	Grant	Yes
36	Jinzhou District Research and Development Assistance Program	Grant	Yes
37	Enterprise support fund	Grant	Yes

Table 16: Subsidy programs considered in this inquiry

The commission's assessment of each subsidy program is in **Non-confidential APPENDIX A**.

7.3.1 Information considered by the commission

Section 269TAACA(1) provides that, in determining whether a countervailable subsidy has been received in respect of particular goods, the Commissioner may act on the basis of all the facts available and may make such assumptions as the Commissioner finds reasonable when an entity:

- has not given the Commissioner information the Commissioner considers to be relevant to the inquiry within a period the Commissioner considers to be reasonable or
- has significantly impeded the inquiry.

Section 269TAACA(2) provides section 269TAACA(1) applies to the following entities:

- any person who is or is likely to be directly concerned with the import or export into Australia of the goods to which the inquiry
- the government of the country of export of goods to which the inquiry relates.

The commission sent the GOC a questionnaire requesting information necessary for the inquiry into the previously identified countervailable subsidies. The commission did not receive a response to this questionnaire from the GOC, nor did it receive requested information regarding countervailable subsidies from any exporters or other entities falling within the scope of section 269TAACA(2)[46]. Accordingly, because the GOC and exporters of the goods from China subject to the countervailing duty notice did not give the commission information considered to be relevant to the inquiry, the commission has determined whether a countervailable subsidy has been received in respect of the goods in accordance with section 269TAACA(1).

The commission has relied upon the previous findings in Review 521, being the most recent relevant review of the goods exported from China, in assessing the alleged subsidy programs.

7.4 Calculation of subsidy margins

7.4.1 All exporters

In accordance with section 269TAACA, the Commissioner has relied upon all facts available and having regard to reasonable assumptions in assessing whether Chinese exporters subject to the countervailing duty notice received countervailable subsidies during the inquiry period and the amount of countervailing subsidies received.

The commission undertook an assessment of publicly available information to consider whether subsidy programs remain in place. The commission did not identify evidence to indicate these programs have ceased. Therefore, noting the extent of evidence identified in Review 521, the commission finds the variable factors currently in place in the countervailing notice will not be altered.

The commission has assumed that Chinese exporters benefited from all non-regional subsidy programmes previously found by the commission to be countervailable subsidies and the highest region-specific countervailable subsidy. The commission finds that this approach avoids the potential for a double-count of similar programs between regions.

[46] See Section I of exporter questionnaire. The commission notes that the only cooperating Chinese exporter, Dingxin, is not subject to the countervailing duty notice.

- Based on the facts available, and having regard to reasonable assumptions in the absence of cooperation from the GOC and relevant exporters, the commission finds that the amount of countervailable subsidies received by all Chinese exporters subject to the notice is the same as the amounts found by the commission in Review 521.

Accordingly, based on the information available to the commission, the commission has calculated a subsidy margin for all Chinese exports subject to the countervailing duty notice of **12.1%**.

The Commission's countervailable subsidy calculations for non-cooperative Chinese entities are contained in **Confidential Attachment 7**.

7.5 Summary of subsidy margins

The commission finds all subsidy programs listed in Table 16 and the subsidy margin listed in Table 15 are applicable to each Chinese exporter during the inquiry period.[47]

[47] Excluding exporters who are not subject to the countervailing duty notice.

8 ECONOMIC CONDITION OF THE INDUSTRY

8.1 Finding

The commission finds that the Australian industry's economic condition exhibited mixed results during the period from 1 July 2018 to 30 June 2022 (the period of analysis).

Following the measures in 2018, the Australian industry experienced increasing sales volumes and market share. These improvements reversed during the inquiry period. The margin between unit selling prices and unit costs to make and sell (CTMS) remained negative until financial year 2021, at which time selling prices increased to such an extent that the Australian industry returned to profitability despite the reduction in sales volumes and market share observed.

The commission has assessed these recent results within the context of changes in supply and demand resulting from the COVID-19 pandemic which impacted the Australian industry during the period of analysis. In this context, the commission finds that the Australian industry continues to be susceptible to competition from imported goods in the Australian market.

8.2 Approach to injury analysis

An assessment as to whether the expiration of the measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the measures are intended to prevent involves a consideration of future outcomes based on an evaluation of the present position.

This chapter considers the economic condition of BlueScope from 1 July 2018. The analysis is based on verified financial information that BlueScope submitted as well as data from the ABF import database.

The commission has also assessed the economic condition of the Australian industry within the context of supply and demand conditions resulting from the COVID-19 pandemic which impacted the Australian industry during this period.

In terms of supply, various factors related to the COVID-19 pandemic led to increased levels of port congestion and scheduled disruption which in turn resulted in longer shipping times and significantly increased costs of shipping.

In terms of demand, the Australian market for galvanised steel expanded by more than 10% during 2021 before tapering somewhat in 2022. Despite this tapering, 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 the backdrop of the economic uncertainty caused by the unfolding pandemic. Domestic demand for the goods began to moderate during the inquiry period coincident with the easing of fiscal stimulus applied during the pandemic and tightening of monetary policy settings designed to curb burgeoning inflation.

The data and analysis on which the commission has relied on to assess the economic condition of the Australian industry is at **Confidential Attachment 8**.

The commission's consideration of whether material injury from dumping would likely continue or recur, if the measures expire, is in Chapter 9.

8.3 Volume effects

8.3.1 Sales volume

Figure 2 below shows BlueScope's sales volume of galvanised steel from FY 2019 to FY 2022.

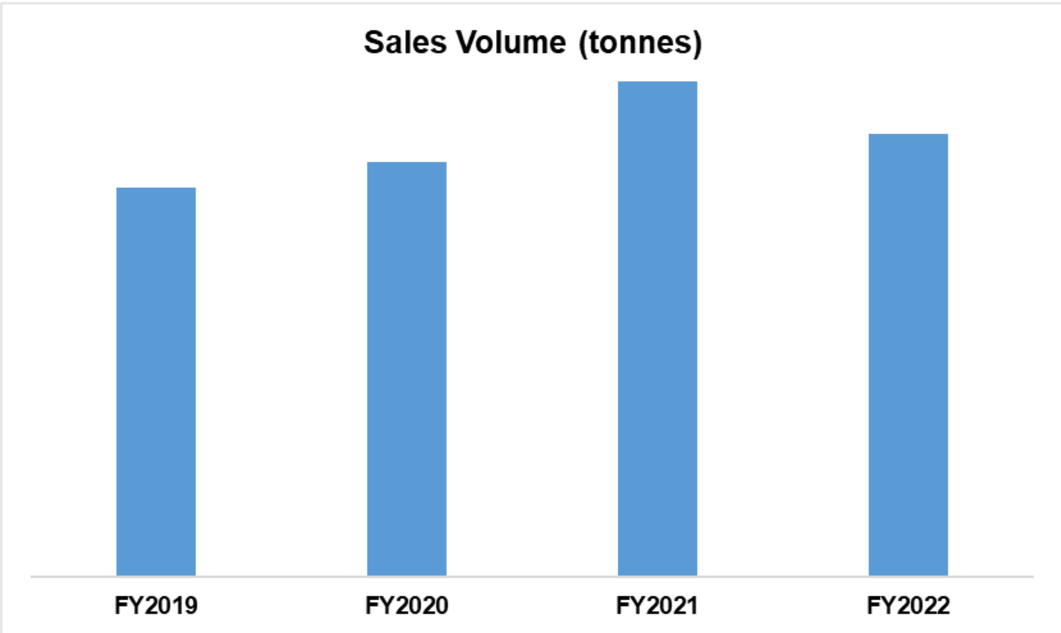

Figure 2: Sales volume

Figure 2 indicates that BlueScope's sales volume increased until FY 2021 after which there was a decrease in sales volume in FY 2022.

8.3.2 Market share

Figure 3 below details BlueScope's Australian market share for the goods and like goods.

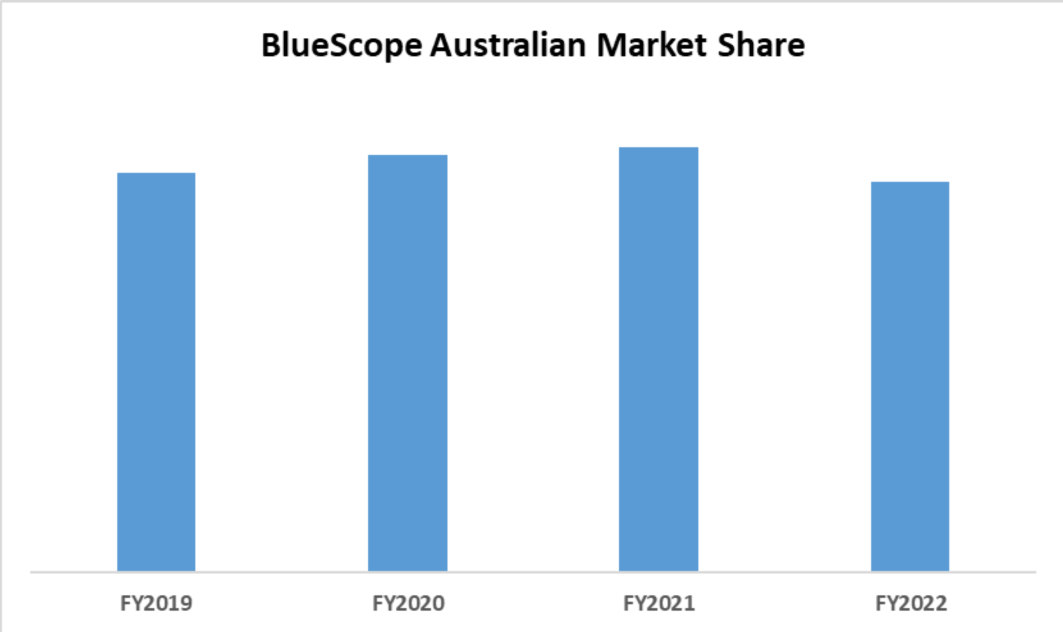

Figure 3: Market share

Figure 3 indicates that BlueScope maintained a steady market share between FY 2019 to FY 2021, however experienced a decrease in market share during FY 2022.

8.3.3 Conclusion – volume effects

Based on the available information, the commission consider that BlueScope has experienced a deterioration in its economic performance during the inquiry period in the form of reduced sales volumes and market share.

8.4 Price effects

8.4.1 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between price and costs.

Figure 4 charts BlueScope’s unit selling price and unit CTMS from FY 2019 to FY 2022.

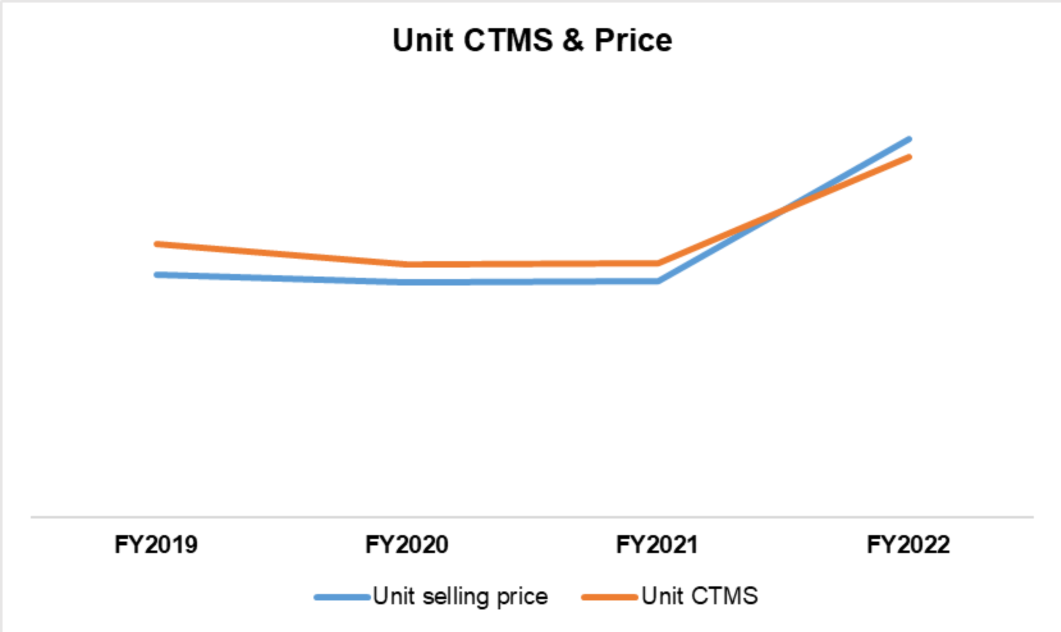

Figure 4: Unit CTMS and unit selling price ($ per tonne)

Figure 4 indicates that:

- unit CTMS generally trended downward slightly from FY 2019 to FY 2021, but increased in FY 2022
- unit selling prices have generally trended downward from FY 2019, but increased in FY 2022 and
- during the periods examined, unit selling price exceeds unit CTMS only in FY 2022.

8.4.2 Conclusion – price effects

Based on the available information, the commission finds that BlueScope has not experienced a deterioration in its economic performance in the form of price suppression or price depression during the inquiry period.

8.5 Profit effects

8.5.1 Profit and profitability

Figure 5 charts BlueScope's profit and profitability as a percentage of revenue from FY 2019 to FY 2022.

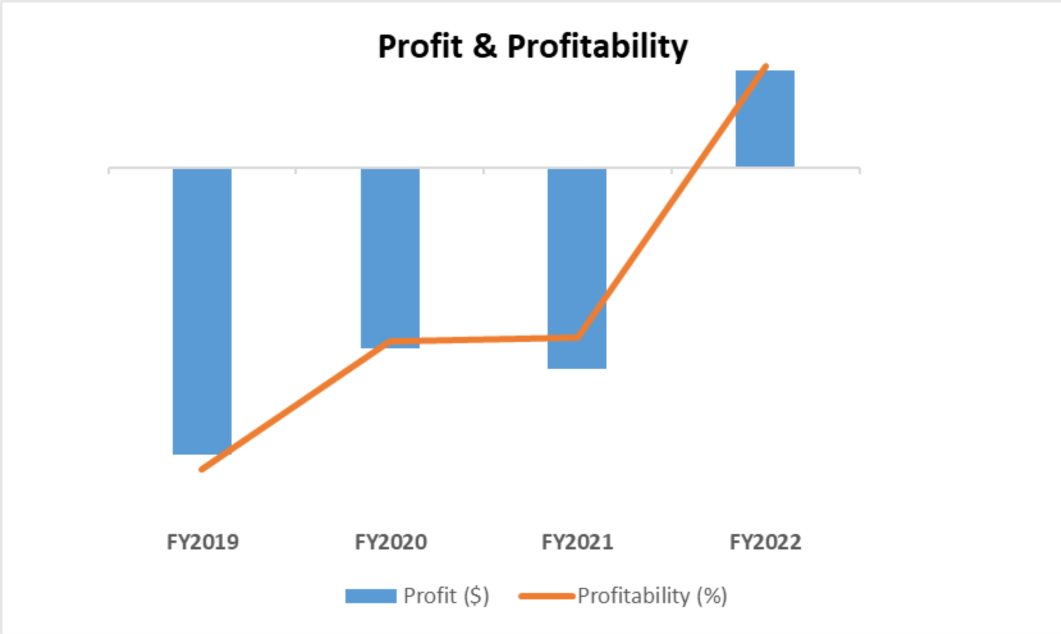

Figure 5: Profit ($) and profitability (profit % of revenue)

Figure 5 indicates that BlueScope experienced negative profit and profitability prior to the inquiry period while improving profitability from FY 2019 to FY 2021. This negative profit and profitability improved dramatically in FY 2022 with BlueScope returning profits during the inquiry period for the first time during the period examined.

8.5.1 Conclusion – profit effects

Based on the available information, the commission finds that BlueScope has not experienced a deterioration in its economic performance in the form of loss of profits and reduced profitability during the inquiry period.

8.6 Other economic factors

As part of its application, BlueScope provided data in relation to a range of other economic factors. The commission notes that for certain economic factors, BlueScope provided data for all products (not limited to zinc coated (galvanised) steel only).

8.6.1 Assets

Figure 6 depicts the value of BlueScope’s assets used in the production of like goods from FY 2019 to FY 2022.

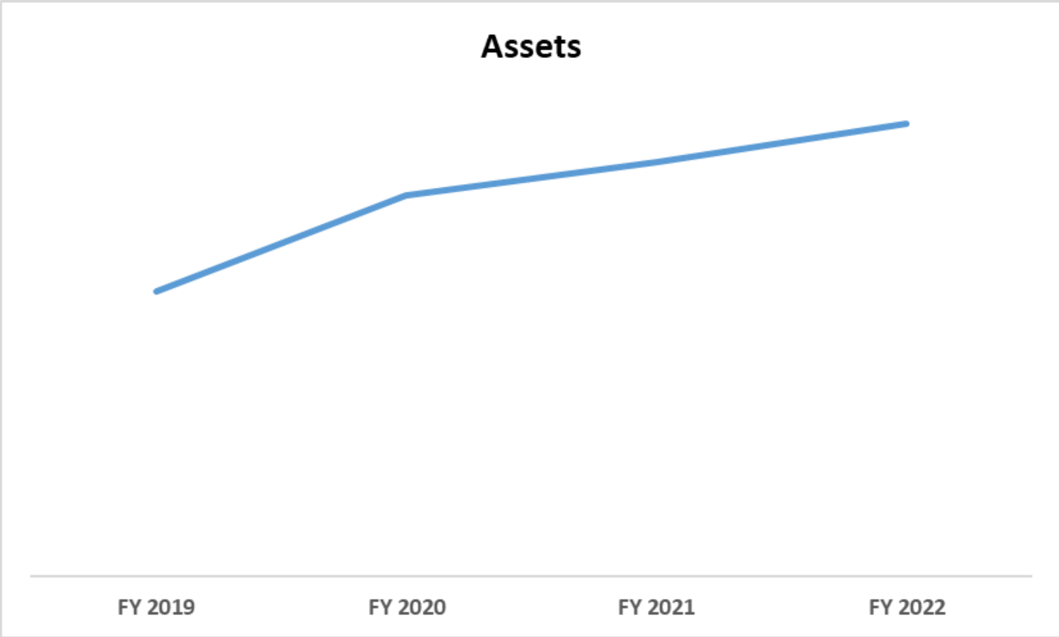

Figure 6: Assets

Figure 6 indicates that BlueScope had an increase in the value of assets from FY 2019 to FY 2022 reaching its highest value in FY 2022.

8.6.2 Capital Investment

Figure 7 depicts BlueScope's capital investment from FY 2019 to FY 2022.

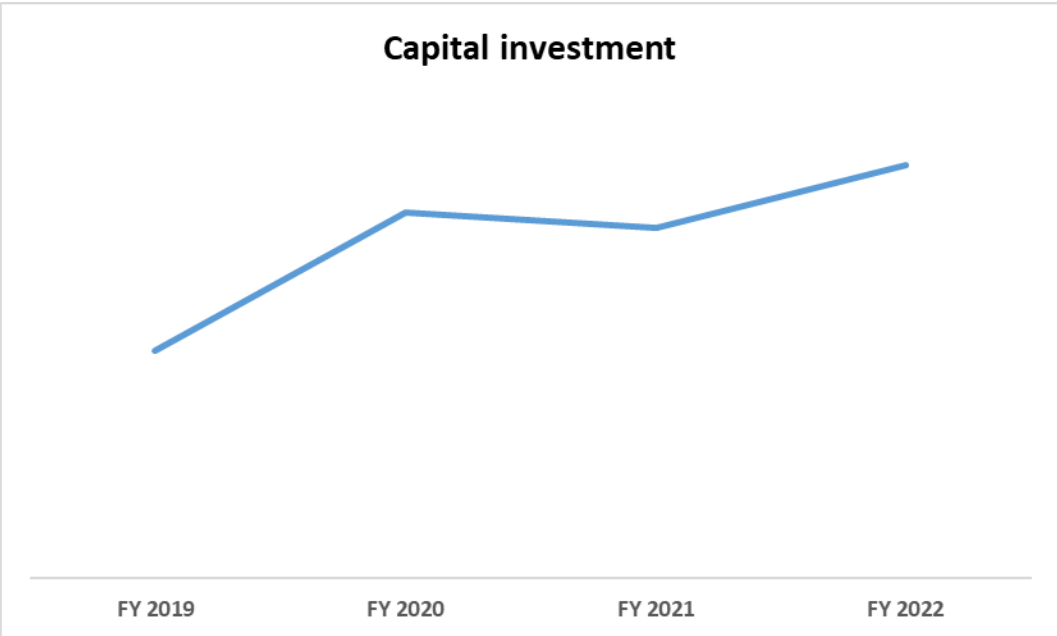

Figure 7: Capital Investment

Figure 7 indicates that BlueScope's capital investment experienced a sharp increase from FY 2019 to FY 2020 before decreasing in FY 2021. This increased again in FY 2022.

8.6.3 Revenue

Figure 8 depicts BlueScope's revenue from the sale of like goods from FY 2019 to FY 2022.

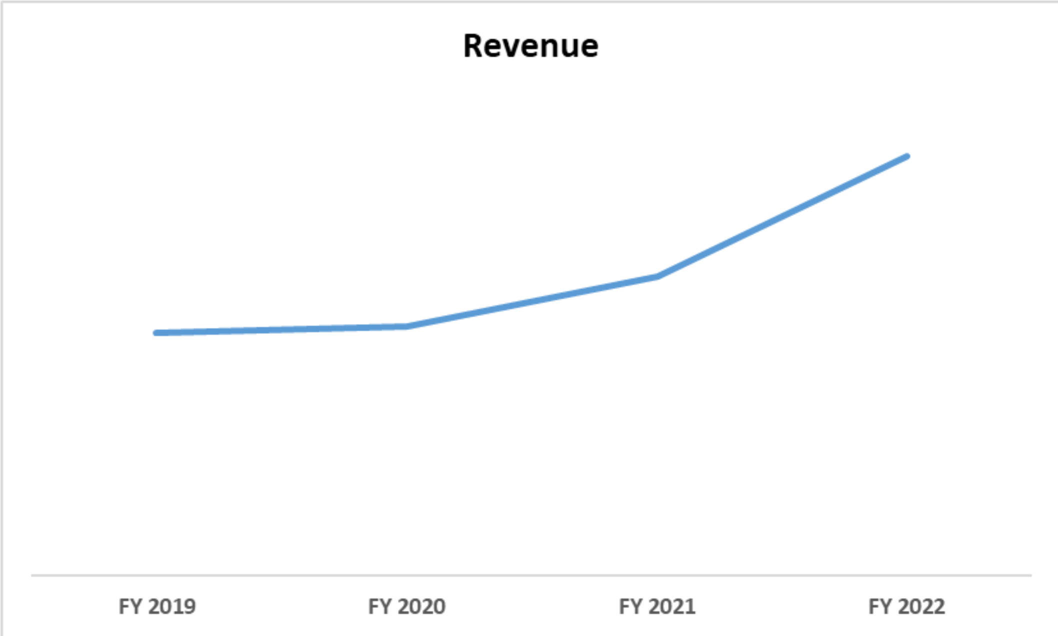

Figure 8: Revenue

Figure 8 indicates that BlueScope experienced a gradual increase in revenue on sales of like goods from FY 2019 to FY 2021, after which there was a period of strong growth in FY 2022.

8.6.4 Return on investment

Figure 9 depicts BlueScope's return on investment (ROI) from FY 2019 to FY 2022.

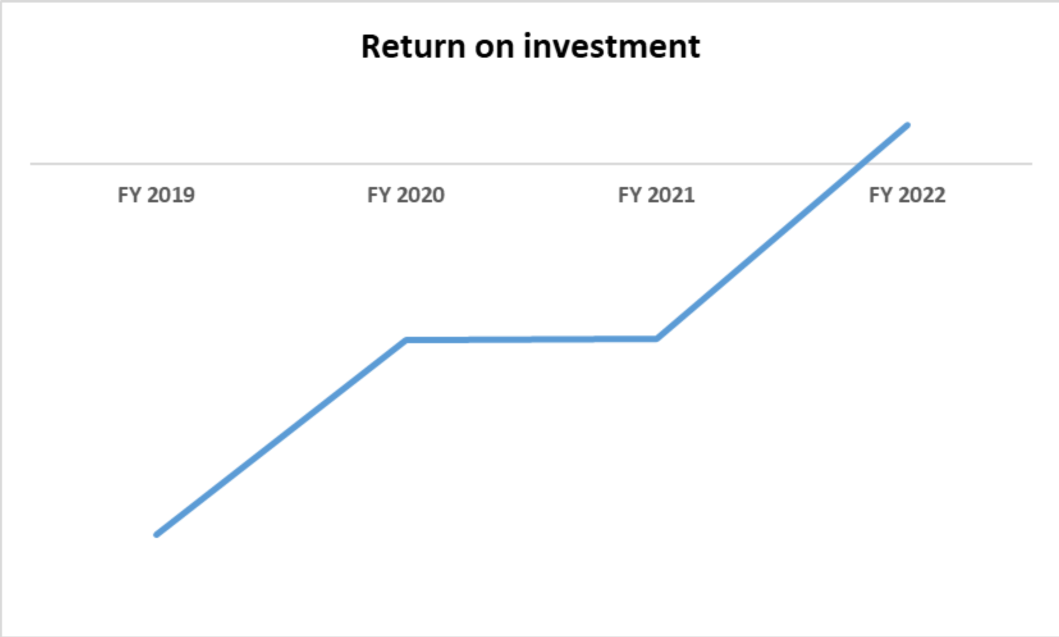

Figure 9: Return on investment

Figure 9 indicates that BlueScope experienced negative ROI in all financial years except for FY 2022. BlueScope experienced its lowest ROI in FY 2019. Following this, there was an improvement with the highest ROI achieved in FY 2022.

8.6.5 Capacity utilisation

Figure 10 depicts BlueScope's production capacity utilisation from FY 2019 to FY 2022.

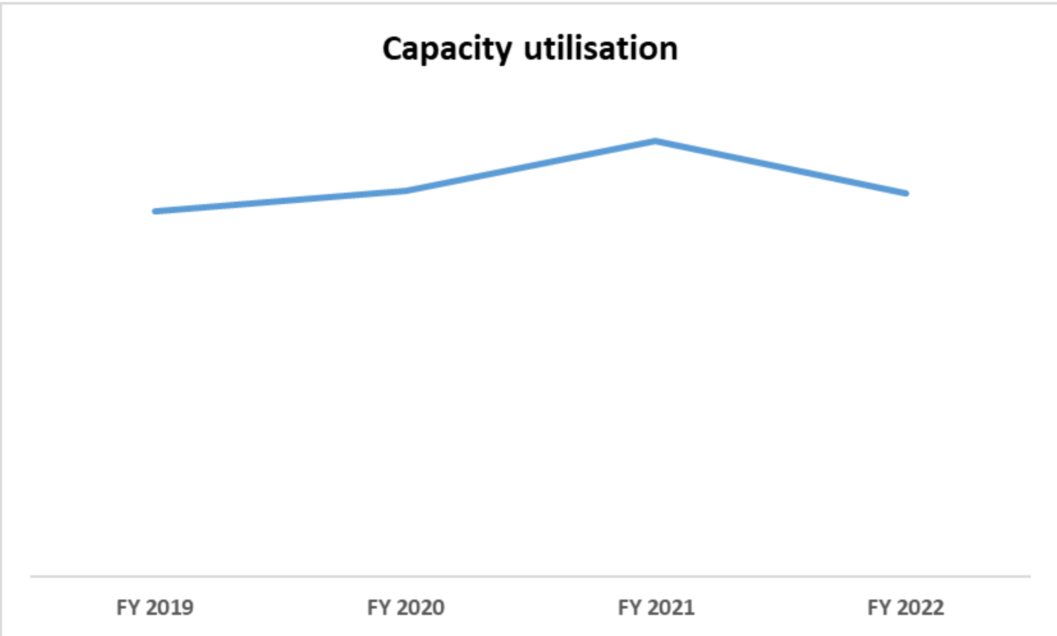

Figure 10: Capacity utilisation

Figure 10 indicates that BlueScope's capacity utilisation gradually increased from FY 2019 to FY 2021, followed by a strong decrease in FY 2022.

8.6.6 Employment

Figure 11 depicts BlueScope's employment numbers from FY 2019 to FY 2022.

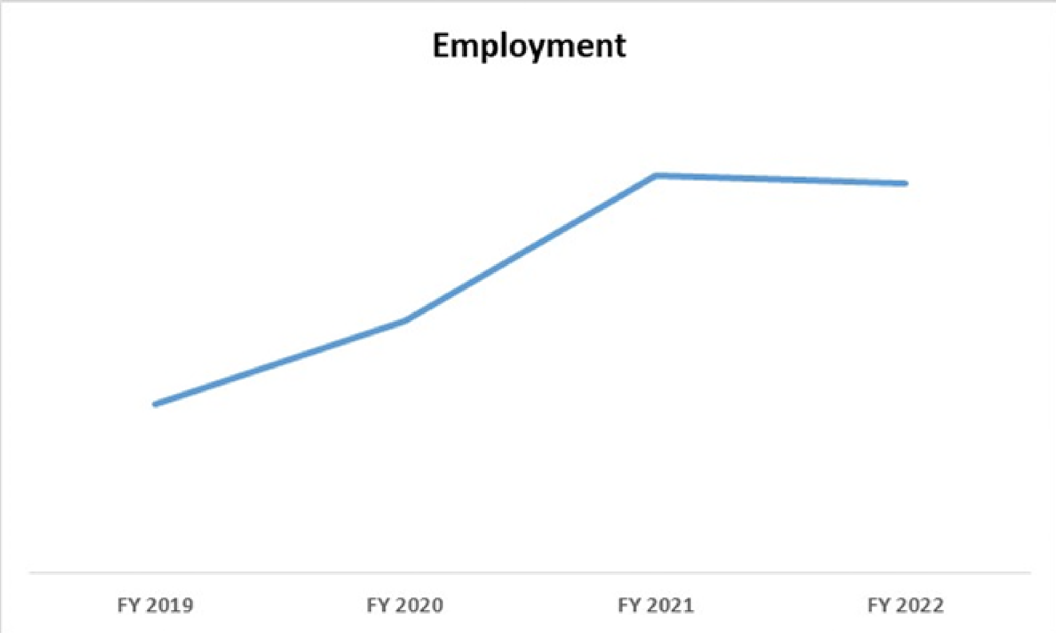

Figure 11: Employment

Figure 11 indicates that employment numbers increased from FY 2019 to FY 2021, before steadying in FY 2022.

8.6.7 Wages

Figure 12 depicts BlueScope's wages bill from FY 2019 to FY 2022.

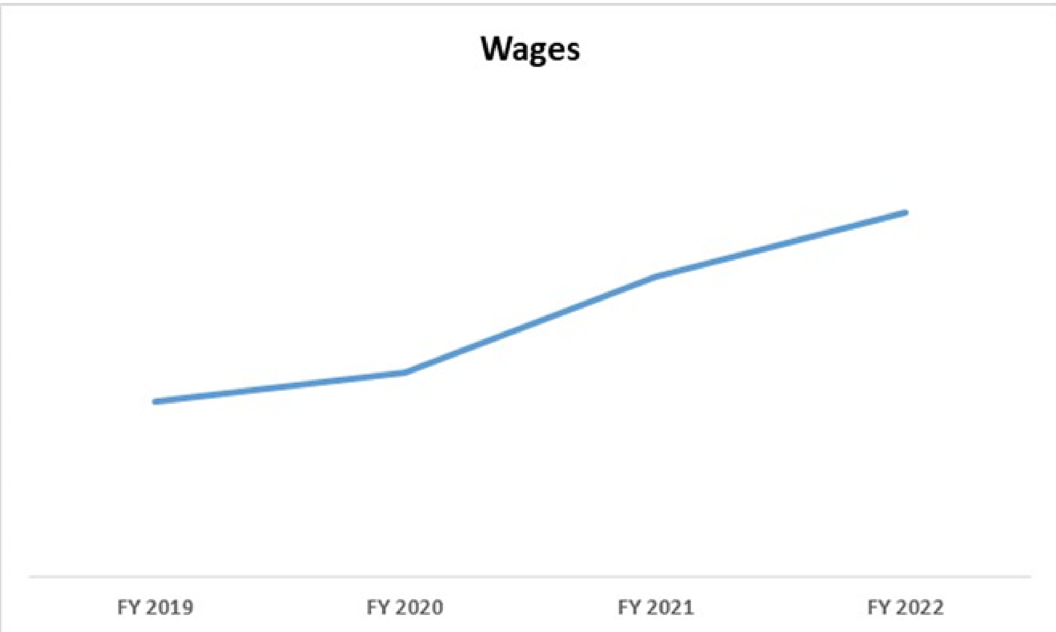

Figure 12: Wages

Figure 12 indicates that BlueScope's wage bill was steady from FY 2019 to FY 2020, before increasing in FY 2021 and again in FY 2022.

8.7 Conclusion

The commission finds that the Australian industry exhibited mixed results during the period from 1 July 2018 to 30 June 2022.

Due to the disruption to international supply chains from the COVID-19 pandemic, domestic supply for galvanised steel saw an increasing market share for the Australian industry, except for the last financial year.

The change in performance in the last year demonstrates renewed vulnerability of the Australian industry to exports, in terms of market share, as the disruptive effects of the COVID-19 pandemic abate.

The commission finds that the Australian industry continues to be susceptible to competition from goods imported into the Australian market.

Chapter 9 addresses whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the measures are intended to prevent.

9 LIKELIHOOD THAT DUMPING, SUBSIDISATION AND MATERIAL INJURY WILL CONTINUE OR RECUR

9.1 Finding

The Commissioner is satisfied that the expiration of the measures as they relate to China would likely lead to a continuation of, or a recurrence of, dumping and subsidisation and the material injury that the measures are intended to prevent.

The Commissioner is satisfied that the expiration of the measures for exporters from Korea and Taiwan would likely lead to a continuation of, or a recurrence of, dumping and the material injury that the measures are intended to prevent.

The commission notes that the findings in relation to Korea and Taiwan differ from the preliminarily finding detailed in the SEF. In the SEF the commission preliminarily found that that future exports of the goods from Korea and Taiwan would not likely be dumped. In response to submissions made to the SEF, and following consideration of more current data relating to export prices from Korea and Taiwan, domestic prices in those markets and the conditions in the Australian market, the commission considers that a recurrence of dumping and material injury is likely in the event that measures expire.

9.2 Legislative framework

Section 269ZHF(2) provides that the Commissioner must not recommend that the Minister take steps to secure the continuation of measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that measures are intended to prevent. As noted in the Manual, the commission finds ‘likely’ to mean more probable than not.[48]

The commission notes that the assessment of the likelihood of certain events occurring and their anticipated effect, as is required in a continuation inquiry, necessarily requires a forward-looking assessment, including an assessment of a hypothetical situation. The Anti-Dumping Review Panel, which supports this view, noted that the commission must consider what would happen (or would be likely to happen) in the future should a certain event, being the expiration of the measures, occur. The Commissioner must nevertheless base his conclusions and recommendations on facts.[49]

9.3 Australian industry’s claims

In its application, BlueScope made the following claims:

- Exports have continued post the imposition of measures and distribution links have continued to be maintained. The continued export activity would enable Chinese,

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[48] Anti-Dumping Commission, *Dumping and Subsidy Manual*, December 2021, Australian Government, 2021, p 136.
[49] Anti-Dumping Review Panel (2016), *Anti-Dumping Review Panel Report No 44*, Australian Government, 2016.

Korean and Taiwanese exporters to quickly increase sales volumes of dumped and injurious galvanised steel if measures are removed (refer 9.4.2 and 9.6.1).

- Producers in the subject countries maintain extensive production capacity (and there continues to be global excess capacity in steel) and as such, these producers have means to export substantial volumes of galvanised steel (refer 9.4.4).
- As trade measures continue to exist in other jurisdictions, the expiry of the measures in Australia would likely lead to trade diversion to Australia (refer 9.4.5).
- The expiration of measures would lead or likely to lead to material injury in the form of reduced sales and a reduced market participation rate as exporters from the subject countries are likely to increase export volumes to Australia (refer 9.6.1).
- The expiration of the measures would lead to significant price effects due to the substitutability of domestic like goods and the likelihood that imports from the subject countries would undersell domestic like product prices (refer 9.6.2).
- Overall, if measures were to expire, subject producers will likely export a significant volume of the goods to the Australian market, which will likely take sales from the Australian industry and depress and/or supress Australian prices (refer 9.6.3).
- This would cause Australian industry's output, sales, market share, profits, productivity, return on investments and capacity utilisation to decline (refer 9.6.3).

In addition to the application, BlueScope made an additional submission published on the EPR on 7 October 2022 noting:

- Following the imposition of measures in August 2013, Chinese and Taiwanese exporters had engaged in circumvention activity. In Anti-Circumvention 290 and 298, the commission concluded that certain exporters had circumvented the measures (refer 9.4.6).
- Referring to Continuation 449 and the subsequent variable factors review in Review 457, BlueScope stated that in the absence of dumping measures, subject country producers will transact additional volumes through well established and well utilised distribution links at materially dumped and injurious price (refer 9.4.3 and 9.6.1).
- HRC and CRC prices are forecast to fall significantly over the next 12-18 months which will impact metallic coated prices in regional and domestic markets. BlueScope note that subject countries have been found to have dumped the subject goods into the Australian market throughout the duration of the measures and lower home market prices for like goods will result in lower export prices for the subject goods resulting in a recurrence of material injury to the domestic industry (refer 9.5.5.1, 9.5.3 and 9.6.3).
- Macroeconomic indicators suggest that prices for steel generally, and for galvanised steel, will fall in the medium term. Using this data quantitatively assessed provides an informed estimate of future subject country export prices (refer 9.5.5.1 and 9.6.2).
- The COVID-19 pandemic impacted international steel supply into the Australian market during the inquiry period. Freight rates have now peaked, and supply chain bottlenecks will likely resolve with freight costs rapidly normalising. Referring to continuation 594, BlueScope submits that the SEF rightfully concluded that in the medium to long term, freight costs would likely return to lower levels than those

seen during the inquiry period and submits that the same should be analogised to the galvanised steel market (refer 5.3 and 9.5.5.1).[50]

BlueScope also made a submission prior to the publication of the SEF, published on the EPR on 31 March 2023 noting:

- The impacts of the COVID-19 pandemic with the negative dumping margins, contending that based on a counter-factual analysis, dumping would be evident.
- That the commission should consider the post-pandemic market for galvanised steel.
- A conclusion that the recurrence of dumping and material injury in the future is highly likely in the absence of measures for Korea and Taiwan.

Further BlueScope made a submission following the publication of the SEF, published on the EPR on 24 April 2023, noting:

- In relation to China, BlueScope supports the Commissioner's preliminary findings in SEF 611.
- In relation to Taiwan and Korea, BlueScope disagrees with the Commissioner's preliminary findings in SEF 611 and submits that the evidence, including additional information provided in its submission, demonstrate that Korean and Taiwanese exporters are highly likely to export at dumped prices in the absence of the measures.
- BlueScope submits that the negative dumping margins during the inquiry period highlight the impacts of the COVID-19 pandemic impact, and an analysis focussed on the period for January 2023 to March 2023 shows a movement towards dumping.
- As HRC prices in the Korean and Taiwanese markets are trending upwards, it is expected galvanised steel normal values will continue to accelerate driven by raw materials prices.
- Its estimate of dumping margins for Taiwanese and Korean exporters during this period suggests that these exporters are highly likely to dump in the absence of measures.
- Its estimated dumping margins for third country sales indicate that Taiwanese and Korean exporters were exporting dumped goods to third countries during the inquiry period.
- Excess capacity combined with the removal of measures for Taiwan and Korea would likely result in increased exports of subject goods at dumped prices.
- BlueScope submits that exporters in Taiwan and Korea have exhibited a propensity to actively seek to circumvent the measures where possible, which shows that they have historically sought to enter the Australian market at the lowest possible trade cost.
- The disconnect between Chinese and Korean and Taiwanese prices was a temporary effect of the COVID-19 pandemic, and in the absence of measures for Taiwan and Korea, these exporters will continue to compete with China on volume and price and that a reversion to more historical dumping and material injury patterns is highly likely.

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[50] EPR 611, document no 7.

9.4 Are exports likely to continue or recur?

9.4.1 Finding

The text of section 269ZHF specifies that the key question is whether the expiration of the measures would be 'likely' to lead to a continuation or recurrence of the dumping and material injury that the measures are intended to prevent. As a part of that overall question, this section analyses whether exports would likely continue or recur in a reasonably foreseeable timeframe.[51] This is particularly pertinent to this inquiry given that volumes of the goods exported to Australia decreased significantly following the imposition of the measures.

The commission finds that if the measures were to expire, exports from the subject countries would likely continue.

In reaching this conclusion, the commission had regard to the:

- import volumes of the goods since the continuation of the measures in 2018
- maintenance of distribution channels or links to the Australian market
- steel production capacities and capacity utilisation of the subject exporters and
- trade measures in other jurisdictions.

The following sections of the report outline the commission's assessment in respect of each of the above considerations. The commission's assessment is contained in **Confidential Attachment 9**.

9.4.2 Import volumes and patterns of trade

The commission analysed import data from the ABF importation database for financial years 2018 to 2022, noting that measures were continued in the 2019 financial year. Figure 13 shows the volume of imports from exporters in China, Korea and Taiwan.

[51] The commission notes that there is no requirement under section 269ZHF(2) to ascertain whether each individual factor or consideration is 'likely' in the overall assessment under that section. The 'likely' standard applies to the overall determinations on dumping and injury.

Figure 13: Volume of subject imports by source

Figure 13 shows the share of total import volumes held by subject imports from China, Korea and Taiwan, as well as all other imports combined.

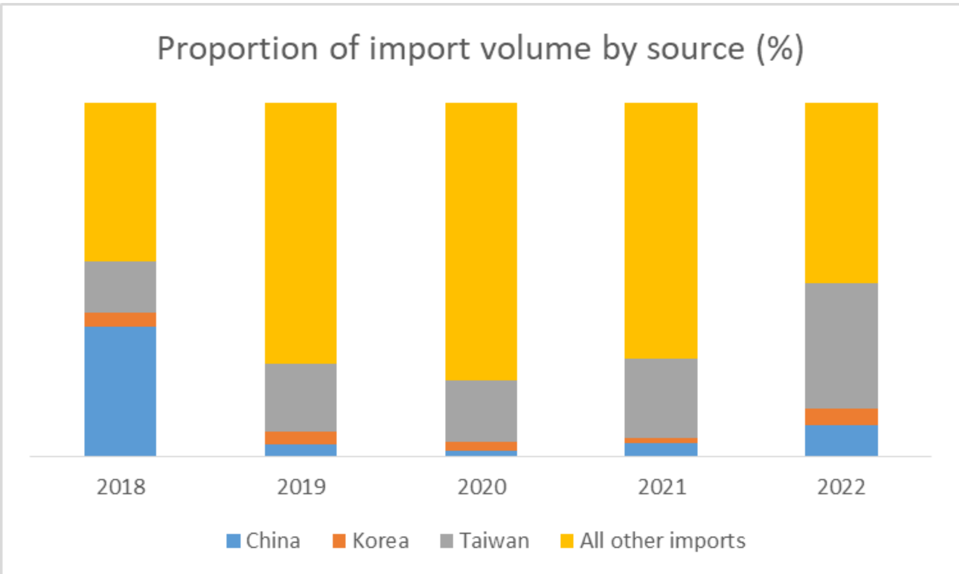

Figure 14: Proportion of import volumes by source

Figure 13 and Figure 14 show that in each of the previous 5 financial years the goods were imported into the Australian market from exporters in China, Korea and Taiwan. The total volume of imports from all sources declined between 2018 and 2020, however increased during 2021 and 2022. During 2021 and 2022 imports from the subject exporters gained an increasing share of import volumes at the expense of imports from other sources.

In terms of each of the subject countries, following 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 in 2021, followed by an increase during 2022
- Taiwan remained steady until 2021, with a significant increase in 2022.

The commission also notes that during the inquiry period the number of exporters from China increased dramatically. While 90% of the volume of exports during the inquiry period were supplied by Dingxin, the remaining 10% of exports from China were supplied by 36 exporters, indicating that numerous new exporters entered the market with small volumes of exports.

9.4.3 Maintenance of distribution links to the Australian market

To assess whether subject exporters from China, Korea and Taiwan have maintained distribution links to the Australian market, the commission had regard to the ABF importation data for the period 1 July 2017 to 30 June 2022.[52]

The commission found that the same 5 importers of the goods were responsible for the importation of over 90% of the total volume of imports from the subject exporters in both calendar year 2018 and calendar year 2022. The commission noted that there had been some change in the source of imports, most notably a shift in preference from goods produced in China to goods produced in Taiwan.

The commission finds that this analysis indicates that importers have either maintained distribution relationships with exporters from the subject countries or have been able to form new relationships where it has been commercially advantageous to do so.

9.4.4 Excess production capacity of the subject exporters

The commission analysed the production capacity available for each of the exporters that submitted capacity utilisation data for the inquiry period. 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.

The commission’s finding in respect of excess production capacity is supported at a macro level by an Organisation for Economic Co-operation and Development (OECD) report on the latest developments in steelmaking capacity.[53] Key findings contained in that report include:

- Excess capacity continues to be a significant challenge facing the global steel industry. While steel market conditions showed some modest improvement in 2021, the market situation is now weakening and excess capacity pressures are building.
- Global excess capacity in steel is set to widen in 2022. Global crude steelmaking capacity could increase by 29.5 million metric tonnes (mmt), or 1.2%, to 2460.8

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[52] Confidential Attachment 9 – Will Exports Continue.
[53] OECD, Latest Developments in Steelmaking Capacity December 2022 accessed 28 February 2023.

mmt in 2022. By region, the Middle East and Asia account for nearly a third of that estimated growth.

- Capacity utilisation rates will deteriorate in 2022. The gap between global capacity and production is expected to expand in 2022 due to weak steel production and continued growth in capacity. World steel production as a share of capacity could decrease from 78.5% in 2021 to 77.1% in 2022. This means global steelmaking capacity is expanding despite deteriorating global steel demand, which will put pressure on steel prices and weaken the industry's profitability.
- Global steelmaking capacity increases over the last five years were led by Asia and the Middle East. Global steelmaking capacity trends were relatively moderate between 2016 and 2021, with an increase of 0.6% (14.6 mmt) during the period.
- Outward capacity investments by Chinese steel companies are proceeding rapidly, mainly in Asia but also Africa. While steelmaking capacity in China has remained relatively stable in the last few years, Chinese steel companies are investing heavily in capacity projects overseas. Chinese companies are involved in 13 cross-border investments and participate in nine joint venture investments abroad.
- Excess capacity is expected to expand in the coming years. Global steelmaking capacity is expected to continue expanding over the next three years (2023-25). A total of 53.5 mmt of capacity is currently underway for completion over the next three years while an additional 90.8 mmt of capacity expansions are in the planning stages. Should all these projects be realized, global steelmaking capacity could increase by 5.9% between 2023 and 2025.

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 finds this indicates the importance of export sales for the subject exporters.

Based on the analysis outlined in this section, the commission finds that excess production capacity exists in the domestic markets of the subject countries and will likely persist for the foreseeable future.

9.4.5 Availability of other markets – impact of trade measures in other jurisdictions

In its application seeking the continuation of the measures, BlueScope detailed the extent of trade remedies or anti-dumping measures applying to the goods in other jurisdictions (or comparable goods where the definition of the goods varies from jurisdiction to jurisdiction). The commission also considered trade remedies in other jurisdictions in previous inquiries, and notes that many of those measures continue to apply.[54]

In addition to trade remedies in other jurisdictions, there have been 2 significant developments in respect of global trade measures relating to the goods since measures were last continued. In 2018, the USA imposed tariffs and quotas under section 232 of

[54] EPR 611, document no 1, attachment 3, 4, 5 and 6.

the *Trade Expansion Act of 1962* (USA).[55] In 2021, the European Union extended safeguards measures on certain steel products for a further 3 years until 2024.[56]

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

9.4.6 Circumvention activities of certain subject exporters

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.

9.4.7 Conclusion

The commission finds that should the measures expire, exports from the subject exporters are likely to continue on the basis that:

- exports of the goods to Australia continued following the continuation of the measures in 2018
- exporters have maintained distribution links to the Australian market
- exporters have spare production capacity and are export oriented and
- Australia remains an attractive and accessible market for exports from the subject countries given the prevalence of trade measures against them in other jurisdictions.

9.5 Is dumping and subsidisation likely to continue or recur?

9.5.1 Finding

Based on the analysis outlined in the following sections of the report, the commission finds the available evidence supports a finding that the expiration of the measures would

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[55] USA Federal Register, *Adjusting Imports of Steel Into the United States*, 15 March 2018, accessed 23 March 2023.

[56] European Commission Implementing Regulation (EU) 2021/1029 of 24 June 2021, amending Commission Implementing Regulation (EU) 2019/159, to prolong the safeguard measure on imports of certain steel products, accessed 23 March 2023.

be likely to lead to a continuation or recurrence of dumped exports from Korea and Taiwan and dumped and/or subsidised exports from China.

This finding differs from the preliminarily finding detailed in the SEF. In the SEF the commission preliminarily found that that future exports of the goods from Korea and Taiwan would not likely be dumped.

The commission summarised the reasons for that preliminary finding as follows:

"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."*

Following publication of the SEF, BlueScope submitted that the commission should reassess its preliminary findings based on:

- the negative dumping margins determined during the inquiry period highlight the pandemic's impact, and are now reversing
- HRC prices in the domestic markets of the exporters are trending up, not down
- exporters respond opportunistically to trade measures and
- the divergence in export prices between China and the other subject countries is temporary, and the historical trend will likely re-emerge.

The commission reviewed its preliminary findings following the submission received from BlueScope. The commission explains the reasons for its change in findings between the SEF and this final report in the rest of this chapter.

9.5.2 Approach to analysis

The Manual outlines a number of the relevant factors that the commission finds in assessing whether dumping and subsidisation is likely to continue or recur. Such factors may include exporters' dumping and subsidy margins, export volumes before and after the measures, the effect of the measures, the level of dumping compared with the level of measures, and any change in those measures (e.g. because of a review).[57]

[57] Anti-Dumping Commission, *Dumping and Subsidy Manual*, December 2021, Australian Government, 2021, p 176.

The commission's view is that the relevance of each factor will vary depending on the nature of the goods and the market into which the goods are sold.[58] No one factor can necessarily provide decisive guidance, therefore the factors are considered in totality. The following analysis therefore examines a range of factors that the commission finds are relevant to this inquiry.

The commission's analysis is contained in **Confidential Attachment 10**.

9.5.3 Dumping and subsidisation during the inquiry period

The commission found that dumped goods were not exported to Australia from the subject countries during the inquiry period (except for those imports from uncooperative exporters in China), however subsidised goods were exported from China.

As outlined in chapters 6 and 7, the commission determined the following dumping and subsidy margins relevant to the inquiry period.

However, the commission is not proposing to change the variable factors as last ascertained in Review 521.

<table>
<tr><th>Country</th><th>Exporter</th><th>Dumping margin</th><th>Subsidy margin</th></tr>
<tr><td rowspan="2">China</td><td>Dingxin</td><td>-6.3%</td><td>N/A</td></tr>
<tr><td>All other exporters</td><td>1.9%</td><td>12.1%</td></tr>
<tr><td rowspan="2">Korea</td><td>KG Dongbu</td><td>-17.5%</td><td rowspan="2">N/A</td></tr>
<tr><td>All other exporters</td><td>-16.0%</td></tr>
<tr><td rowspan="3">Taiwan</td><td>Yieh Phui</td><td>-9.8%</td><td rowspan="3">N/A</td></tr>
<tr><td>Prosperity Tieh</td><td>-7.4%</td></tr>
<tr><td>All other exporters</td><td>-7.0%</td></tr>
</table>

Table 17: Dumping and subsidy margins for the inquiry period

9.5.4 Previous dumping and subsidy margin assessments

Table 18 details the dumping margins assessed for exporters who have co-operated in this inquiry and all other exporters from the subject countries in all previous matters where variable factors have been ascertained.

<table>
<tr><th>Country</th><th>Exporter</th><th>Original Investigation (REP 190)</th><th>Reviews (REPs 273 & 368)</th><th>Review & Continuation (REP 449 & 457)</th><th>Review (REP 521)</th><th>Review (REP 570) (Yieh Phui only)</th></tr>
<tr><td rowspan="2">China</td><td>Dingxin</td><td>N/A</td><td>0%</td><td>0%</td><td colspan="2">-12.6%</td></tr>
<tr><td>All other exporters</td><td colspan="2">62.9%</td><td>20.6%</td><td>17.6%</td><td>-</td></tr>
</table>

[58] Ibid.

Country	Exporter	Original Investigation (REP 190)	Reviews (REPs 273 & 368)	Review & Continuation (REP 449 & 457)	Review (REP 521)	Review (REP 570) (Yieh Phui only)
Taiwan	Yieh Phui	2.6%	84.5%	2.4%	5.3%	-10.4%
	Prosperity	N/A	N/A	N/A	0%	-
	Synn	N/A	<0%	6.1%	N/A	-
	All other exporters	8.6%		28.2%	8.6%	-
Korea	KG Dongbu	3.2%	<0%	2.4%	-4.1%	-
	All other exporters	28.5%		13.7%	-1.4%	-

Table 18: Previous dumping margins[59]

Country	Exporter	Original investigation (REP 193)	Review & Continuation (REP 456 & 457)	Review (REP 521)
China	All other exporters	22.8%	22.8%	12.1%

Table 19: Previous subsidy margins

9.5.5 The commission's consideration of historical dumping and subsidy margins

9.5.5.1 China

Noting that Dingxin had a dumping margin of negative 6.3% during the inquiry period, as well as a negative dumping margin in Review 521, the commission examined Dingxin's export price, normal value and volume trends during the inquiry period to inform its decision about the likelihood of Dingxin exporting at dumped prices in the future. The commission noted that Dingxin exported at dumped prices during the first and the final quarter of the inquiry period. The commission also observed that approximately one third of Dingxin's total volume of exports were dumped during the inquiry period.

In relation to all other exporters from China, the commission found that dumped and subsidised goods were exported to Australia in the inquiry period. The commission previously found that these exporters were dumping during the original investigation, and in subsequent matters where variable factors have been reviewed.

9.5.5.2 Taiwan and Korea

The commission notes that on an annualized basis, and also when considered on a quarterly basis, dumping was not evident in relation to any of the goods exported from Taiwan and Korea during the inquiry period.

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[59] N/A refers to exporters who did not have their own rate for the relevant case and therefore were subjected to the all other exporter rate.

The commission notes that at various times during the life of the measures these exporters have, however, exported at dumped prices.

9.5.6 Conditions in the Australian market

As a general principle, the commission finds that, whilst the presence (or absence) of dumping during the inquiry period may be indicative of future behaviour, this factor alone is not determinative. The commission finds that it is necessary to assess the current and historical dumping and subsidy findings detailed above within the context of likely future supply and demand conditions within the Australian market

As detailed in chapter 5, the Australian market expanded during 2021 before tapering somewhat in 2022. 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.

Based on the available evidence, the commission finds that 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.

As outlined in section 5.3.3, the commission finds that 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. Further, 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.

In terms of supply, the commission expects that 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.

The commission finds that decreasing demand and increasing supply are likely to see a stabilisation of HRC prices (the primary input and major cost driver for the production of galvanised steel) toward the longer-term average, as shown in Figure 15.

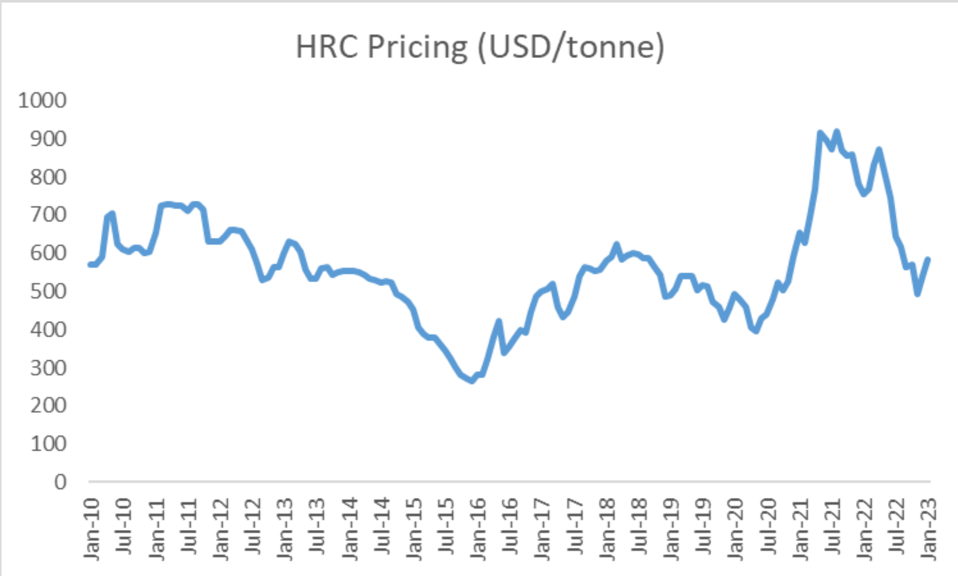

Figure 15: HRC CFR Southeast Asia prices (USD/tonne)[60]

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 finds 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 finds that the falling HRC will similarly result in a reduction in prices of galvanised steel in those markets.

The commission's analysis of export prices and selling prices in the domestic markets of the subject exporters in the 9 months following the inquiry period is consistent with this view.

Changes in export prices and domestic market prices in the domestic markets of export are discussed section 9.5.8 below.

The commission notes BlueScope's submission in response to the SEF in which it argues that HRC prices have increased since December 2022. The commission's analysis of HRC pricing for each of the subject countries until March 2023 confirms that HRC prices have increased.[61] The commission notes however that BlueScope also provided HRC price forecasts, which demonstrate that while HRC prices are expected to rally in the short term from the lows of December 2022, prices are forecast to peak in mid-2023 before declining again into 2024. The commission considers its evaluation of HRC pricing is consistent with these forecasts.

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[60] Prices for HRC sourced from S&P Global Platt's under subscription. Price series was HRC CFR Southeast Asia (SB01142) obtained under subscription.
[61] Confidential Attachment 10 – Will dumping continue.

9.5.7 Relative changes in export prices and domestic prices in the domestic markets of export

In the SEF, the commission preliminarily found that prices in the Australian market are likely to be lower in the foreseeable future, however did not consider there was sufficient available evidence to support a finding that any resulting export price reductions relative to reductions in prices in the domestic markets of Korea and Taiwan would result in the large negative dumping margins determined during the inquiry period becoming positive.

In a submission in response to the SEF, BlueScope provided information obtained under subscription relating to domestic prices for the Korean and Taiwanese markets. BlueScope compared that information to export price data also obtained under subscription to estimate dumping margins for the quarter ending 31 March 2023. BlueScope contended that this comparison showed that dumping was evident in relation to both Korea and Taiwan, and further than HRC prices have increased since December 2022 further increasing normal values and therefore the likelihood that exports from these sources will be dumped.

The commission notes that there are limitations in the data available to BlueScope. For example, both the export and domestic pricing data that BlueScope relied upon likely contains a broader range of products than the goods under consideration.

For this reason, the commission has undertaken an independent analysis of comparative export and domestic market pricing after the inquiry period, in order to assess whether recent changes are indicative of likely dumping in the future.

In undertaking this analysis, the commission had regard to the following information:

- verified export prices and normal values of goods exported to Australia during the inquiry period
- FOB export prices of the goods exported to Australia in the period 1 July 2022 until 23 March 2023[62]
- prices obtained under subscription for hot dipped galvanised steel sold in the Korean and Taiwanese domestic market.[63]

Noting that the prices of hot dipped galvanised steel sold in the Korean and Taiwanese domestic markets represents a broader category of goods than the goods under consideration, the commission compared these prices on a monthly basis to the monthly verified normal values determined during the inquiry period for the largest volume cooperating exporter from each of Korea and Taiwan. The commission observed that there was month to month variation between the subscription data and the verified normal value data. The commission determined the average monthly variation across the inquiry period. In respect of both Korea and Taiwan the commission observed that the subscription data resulted in a higher value than the verified normal values.

Noting the variance observed during the inquiry period, the commission considered it reasonable to adjust the subscription data downward for each month after the inquiry

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[62] Prices obtained from the ABF import database.

[63] Prices of Korean and Taiwanese domestic galvanised steel obtained from MEPS International Ltd. The prices are for commercial grade steel with a coating mass of 275 gsm.

period by the average monthly variance, and to use this adjusted figure as a more reasonable estimate of domestic selling prices for the goods than the subscription data itself. The commission considers this approach provides a sufficiently accurate and reliable evidentiary basis to rely upon as part of its assessment of likelihood of a recurrence of dumping.

The movement in Korean and Taiwanese domestic prices and FOB export prices are shown in Table 20 below:

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Korea domestic price (AUD/tonne)	100	100	92	86	85	86	88	89	89	92
FOB export price (AUD/tonne)	100	106	88	91	85	87	61	62	56	64
Taiwan domestic price (AUD/tonne)	100	92	83	80	81	76	75	79	81	85
FOB export price (AUD/tonne)	100	103	103	91	84	92	74	72	75	67

Table 20: Changes in export and domestic price indices since the conclusion of the inquiry period[64]

Table 20 indicates that prices of galvanised steel have been in decline in the Korean and Taiwanese domestic markets, as well as for exports to Australia. The commission observed that the rate of decline in export pricing has been significantly more pronounced than the decline in domestic markets prices, with a particularly large fall in December 2022. Between June 2022 and March 2023, Korean export prices declined by 36% while domestic prices declined by 8%. For Taiwan, export prices declined by 33% compared with domestic prices declining by 15%.

The commission has considered the dumping margins observed during the inquiry period in the context of the relative changes in export and domestic prices for Korea and Taiwan in the 9 months following the inquiry period. The commission considers that based on this comparison it is likely that during 2023 goods exported to Australia from Korea and Taiwan have been dumped.[65]

To further inform its consideration of the likelihood of dumping continuing or recurring, the commission has examined likely trends in export and domestic prices for Korea and Taiwan.

In terms of export pricing, the commission compared the landed prices of the goods exported by the subject exporters from Korea and Taiwan against the landed prices of exports of the goods from the other primary sources of supply to the Australian market for

[64] The commission's analysis is at Confidential Attachment 10 – Will dumping continue.

[65] The commission does not, by this analysis, make a finding that any particular exporters have dumped during this period, noting the commission has not calculated normal values and export prices based on verified data for this period. However, the commission considers this analysis regarding relative price changes in the Australian, Korean and Taiwanese markets is probative and relevant evidence when assessing the likelihood of a recurrence of dumping in the absence of measures under section 269ZHF(2).

the period from 1 July 2021 until 31 March 2023. The commission's analysis is presented in Figure 16 below.

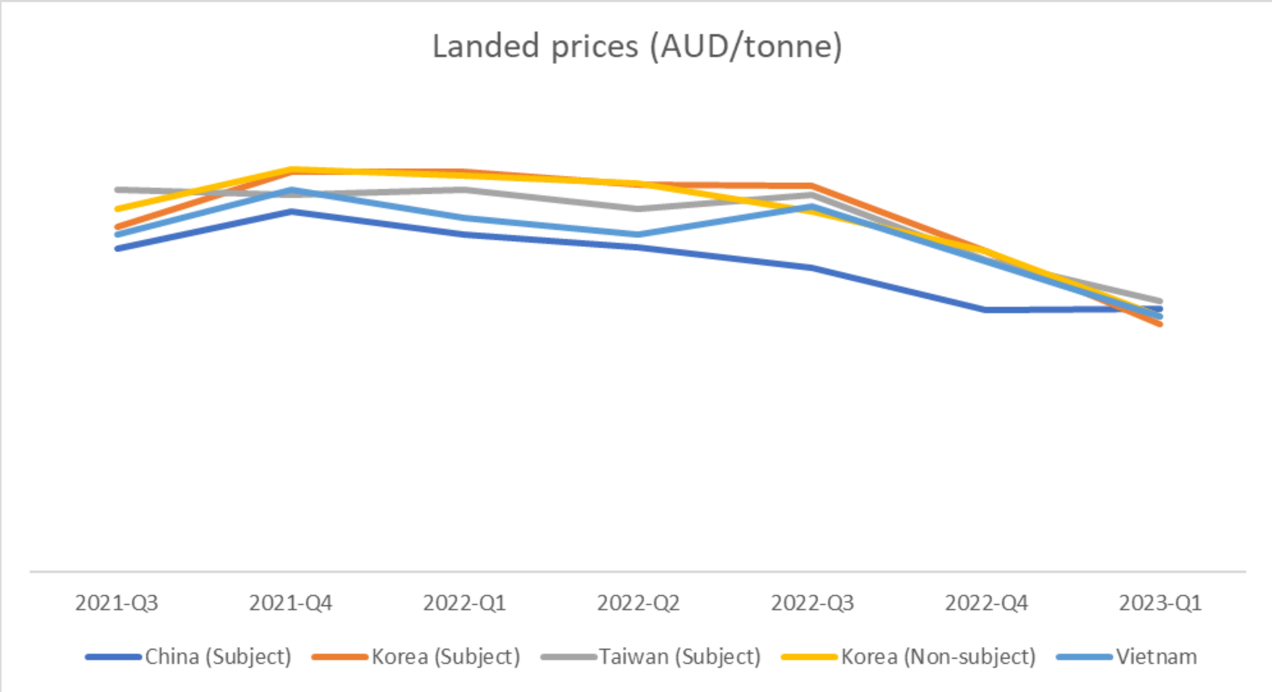

Figure 16: Landed import prices (AUD/tonne)

The commission observed that the price premium achieved by the subject exporters from Korea and Taiwan during the inquiry period has dissipated in the 3 quarters following the inquiry period. By the conclusion of the March 2023 quarter prices from all sources had converged.

The observed convergence in pricing is consistent with the argument raised by BlueScope that the disconnect between Chinese and Korean and Taiwanese prices evident during the inquiry period was likely a temporary effect of the pandemic.

To better understand these pricing trends, the commission also considered the trends in import volumes over the same period. The commission's analysis is presented in Figure 17 below.

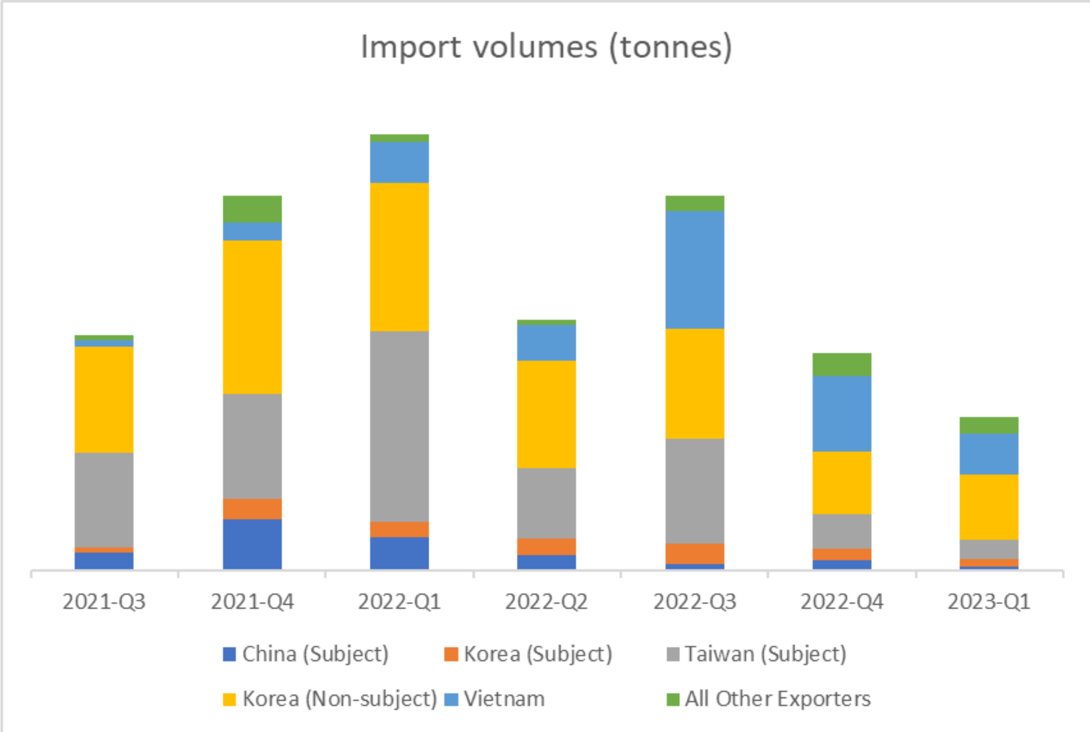

Figure 17: Quarterly port volumes (tonnes)

The commission observed that import volumes have been in decline following the peaks recorded during the inquiry period. The share of imports achieved by the subject exporters from Korea and Taiwan has also been in decline, with imports from Vietnam and Korea (that are not subject to measures) gaining market share.

The commission considers that if the subject exporters from Korea and Taiwan increased their prices for goods exported to Australia, then they would not be competitive relative to other exporters and would effectively be priced out of the price-sensitive Australian market for galvanised steel. The commission considers this particularly pertinent given the evident contraction in the volume of imports since September 2022, and the anticipation that the Australian market will continue to show signs of weakness, as discussed in section 5 above. The commission also notes the significant increase in export activity by Chinese exporters during the inquiry period (as detailed in section 9.4.2). The commission considers that these factors will likely lead to an intensification of competition in the market that will place further pressure on the price of exports from Korea and Taiwan. The commission therefore considers that an increase in the price of exports from Korea and Taiwan is unlikely to occur. To the contrary, the commission considers Taiwanese and Korean exporters are more likely to decrease prices in order to maintain sales volumes and market share in a weaker market.

The commission also considers that it is unlikely that subject exporters would reduce their domestic selling prices below the prevailing prices in their domestic markets. In relation to the exporters that cooperated with the inquiry, the volumes of sales into the domestic markets significantly overshadowed the volume of sales to Australia. The highest observed ratio of Australian sales to domestic sales was 25%[66]. The commission therefore considers that it is unlikely that these exporters would reduce their domestic selling prices below their competitors, as it would significantly reduce their total profit margin.

The commission considers that:

- the changes observed in export prices and volumes of the subject exporters from Korea and Taiwan in the 9 months following the inquiry period
- the changes observed in prices in the domestic markets of the subject exporters over that same timeframe and
- expectations of continued weakness in the Australian market

support a finding that future exports from Korea and Taiwan are likely to be at dumped prices.

The commission notes KG Dongbu's submissions in response to the SEF. KG Dongbu asserted that:

- it has only been found to be dumping once since the imposition of measures, in 2017
- it has not priced its goods to compete with the materially lower landed prices of Chinese goods and there is no basis to suggest it would reduce prices to dumped levels
- the bulk of zinc coated galvanised steel in the Australian market comes from manufacturers that are not subject to anti-dumping measures.

Similarly, Prosperity submitted that:

- it has never exported at dumped prices
- exports during the inquiry period were not dumped
- there is no evidence which would support a view that it would depart from its export pricing behaviour and begin to export at dumped prices in the future.

In relation to KG Dongbu, the commission notes that in the 9 months following the inquiry period KG Dongbu's export prices have been in decline. The commission notes that for 2 months in the first quarter of 2023 Dongbu exported at the lowest landed prices of the sources considered in Figure 16, including China, and goods not subject to measures. The commission considers KG Dongbu's observed pricing behaviour following the inquiry period contradicts the assertions made in its submission, and indicates a likelihood the exports following the inquiry period have been at dumped prices, and will likely continue at dumped prices. The commission notes that KG Dongbu has at various times during the life of the measures been found to have exported at undumped prices, however places greater weight on the observed price and volume trends following the inquiry period to

[66] Confidential Attachment 9 – Will Exports Continue.

ground its finding that dumping is likely to continue or recur, especially in the context of the overall weakening in the Australian market.

In relation to Prosperity, the commission observed a limited volume of exports in the 9 months following the inquiry period, however noted that the landed price of these exports was lower than the comparable price at the time of arrival for all exports from Korea and the average of exports from all sources. Noting the overall convergence in landed prices, and the contraction in the total volume of imports since the conclusion of the inquiry period, the commission considers that Prosperity would need to set its price at levels comparable to its competition should it wish to secure sales in the Australian market. For the reasons detailed throughout this section the commission is satisfied that such prices would likely be dumped.

The commission considers that the dumping margins observed during the inquiry period are reflective of the anomalous supply and demand factors resulting from the pandemic. The commission's analysis of price and volume trends after the inquiry period indicate a normalisation in the Australian market, characterised by a reconvergence of import prices toward the trends evident before the pandemic. In that context the commission considers that the negative margins observed during the inquiry period which coincided with the pandemic are not probative of the likelihood of future dumping. The commission notes the dumping margins observed in relation to the subject exporters prior to the pandemic, as detailed at section 9.5.4. Noting the reversion of the subject exporters to pricing behaviours more consistent with those periods, the commission considers the pricing and volume trends observed following the inquiry period to be a better indicator of the likelihood of dumping in the absence of measures.

9.5.8 Conclusion

9.5.8.1 China

The commission finds that it is likely that future exports of the goods from China will be subsidised and/or dumped.

In respect of the co-operating exporter, Dingxin, the commission notes that a previous review had determined a negative dumping margin. For the current inquiry period in its totality Dingxin had a negative dumping margin. The commission notes however that when viewed at a more granular level approximately one third of Dingxin's exports during the period were dumped, and importantly, dumping was evident in the final quarter as prices in the Australian market began to moderate.

The commission also observed that after the inquiry period the export price of goods exported by Dingxin has further reduced. On this basis the commission finds it likely that future exports by Dingxin will be at dumped prices.

In terms of all other Chinese exporters, on the basis of these exporters' prior and consistent behaviour in exporting goods at dumped and subsidised prices, and in the absence of evidence suggesting a change in that behaviour, the commission finds that dumping and subsidisation by these exporters would be likely to continue if the anti-dumping measures expired.

9.5.8.2 Korea and Taiwan

The commission finds that it is likely that future exports of the goods from Korea and Taiwan will be dumped.

The commission notes that on an annualized basis, and also when considered on a quarterly basis, dumping was not evident in relation to any of the goods exported from Taiwan and Korea during the inquiry period. The commission notes however that exporters from Korea and Taiwan have exported at dumped prices at various points during the life of the measures, and has therefore considered these historical margins in undertaking its analysis of the likelihood of future dumping.

In the SEF the commission preliminarily found that that prices in the Australian market would likely stabilise following the peaks observed during the inquiry period. Based on the downward trend in HRC prices globally, the commission anticipated that that prices would likely also stabilise in the domestic markets of the exporting countries. The commission considered that, while prices in the Australian market are likely to be lower in the foreseeable future, there was not sufficient available evidence to support a finding that any resulting export price reductions relative to reductions in prices in the domestic markets of Korea and Taiwan would result in the large negative dumping margins determined becoming positive.

In response to submissions to the SEF, the commission has assessed pricing data relating to exports from Korea and Taiwan relative to domestic prices in those markets for the period up until 31 March 2023.

The commission has considered the dumping margins observed during the inquiry period in the context of the relative changes in export and domestic prices for Korea and Taiwan in the 9 months following the inquiry period. The commission considers that based on this comparison it is likely that during 2023 goods exported to Australia from Korea and Taiwan have been dumped.

Noting:

- the goods are a price sensitive commodity product
- the convergence in the pricing of imports from the key suppliers of the goods to the Australian market in the months following the inquiry period toward the comparative pricing trends observed prior to the pandemic
- the significant decline in import volumes, particularly into 2023
- the expectation that demand in the Australian market will remain weak relative to the level observed during the inquiry period and
- the subject exporters from Korea and Taiwan having a greater reliance on their domestic markets than the Australian market
- historical dumping margins observed in relation to exports from Korea and Taiwan prior to the pandemic

the commission considers that dumping from Korea and Taiwan is likely beyond the expiry of the measures.

9.6 Is material injury likely to continue or recur?

9.6.1 Finding

The commission considers that the expiration of the measures would be likely to lead to a continuation or recurrence of the material injury that the measures are intended to prevent.

To inform its consideration, the commission has assessed the likely effect on price and volume if the measures expire, as outlined in the following sections. The commission notes that this analysis includes an assessment of whether it is likely exports from Korea and Taiwan will cause material injury.

9.6.2 Likely effect on prices

The commission finds that the Australian-produced goods and the imported goods have similar end uses, meet similar quality specifications and standards, are sold to the same types of customers and compete directly with each other in the same market segments. Previous inquiries and reviews of measures by the commission indicate that galvanised steel is a commodity product where price is a major factor in customers' purchasing decisions.[67]

The commission considers that if the measures were to expire, and in the context of a weakening Australian market, exporters from the subject countries would likely reduce prices to maintain sales volumes and market share. This would lead to a recurrence of the price injury to the Australian industry that the measures are intended to prevent.

To inform its consideration of the likely effect on prices, the commission analysed:

- BlueScope's IPP process and pricing negotiations
- landed prices of the goods from the subject exporters as well as the other key sources of supply to the Australian market from 1 July 2017 until 31 March 2023
- price undercutting within the Australian market during the inquiry period.

9.6.2.1 Import parity price

As detailed in section 5.4 of this SEF, BlueScope operates an import parity price model that takes into consideration the market price of the subject goods using contemporary price information for equivalent imported products.

BlueScope provided evidence of import offers for the period July 2021 until November 2022. The commission observed an extensive range of import offers in each month and that the offers came from exporters subject to the inquiry as well as exporters not subject to measures. The commission further observed that in certain months exporters subject to measures were at times the lowest priced import offer, and that the price offerings from these exporters became the basis for BlueScope's benchmark price offering.

The commission considers that the range of import price offers provided by BlueScope demonstrates there is close price competition for the goods in the Australian market. This

[67] Investigation 190, Continuation Inquiry 449, Reviews 365 and 366, 368, 371, 374, 376, 457, 521 and 570.

aligns with the commission's previous findings that galvanised steel is a highly price sensitive product where price is the key purchasing decision.

The commission is satisfied that through the use of its IPP model import prices directly influence BlueScope's prices, and that it is therefore likely that BlueScope's customers would refer to dumped and subsidised prices of the goods exported from the subject countries during negotiations.

BlueScope's IPP model and import offers are contained in **Confidential Attachment 11**.

9.6.2.2 Landed import prices

To inform its consideration of the likely effect on prices in the absence of measures, the commission used ABF import data to compare the landed price of goods (exclusive of dumping and countervailing duties) for the period from 1 July 2017 until 31 March 2023 for the subject exporters from China, Korea and Taiwan, as well as exporters from Korea not subject to measures and all exporters from Vietnam.[68]

Figure 18 below demonstrates the commission's comparative pricing analysis.

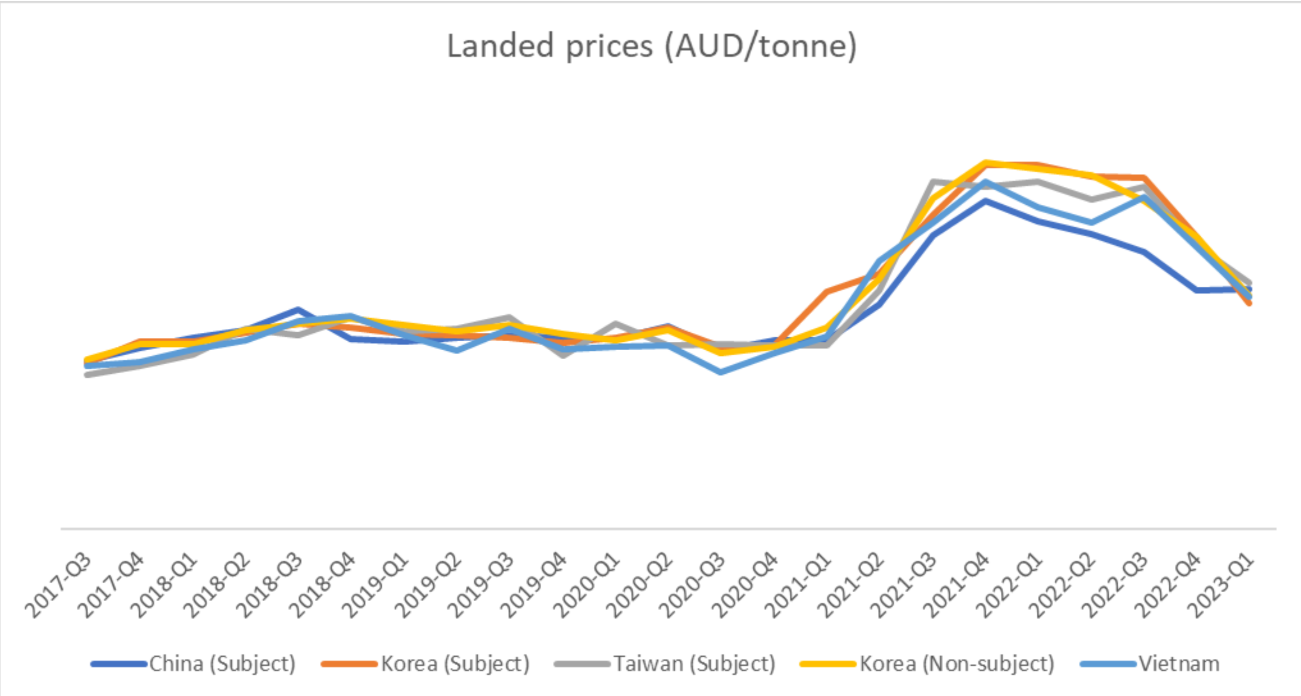

Figure 18: Landed import pricing comparison (AUD/tonne)[69]

Figure 18 and the underlying data supporting it, indicates that:

- the landed prices for all exporters have followed the same overall trend during the period assessed

[68] In total imports from these sources have accounted for around 95% of all imports from 1 July 2021 until 31 March 2023.

[69] Confidential Attachment 12 – Will material injury continue or recur.

- until 2020 landed prices were reasonably closely banded in price with an average variance between the highest and lowest prices being around 10%
- from 2020, coincident with the emergence of the pandemic, a greater level of price variability was evident, with an average variance between the lowest and highest prices being around 17%
- prices increased rapidly in 2021, coincident with the growth in the size of the Australian market
- from the September quarter of 2022 prices commenced a pronounced downward trend, and as of the March quarter of 2023 had converged such that the variance between the highest and lowest prices was under 10%, consistent with the price banding evident prior to the pandemic.

To further inform the pricing trends evident during and after the inquiry period, the commission has analysed volume trends from 1 July 2021. Figure 19 below shows the trend in import volumes.

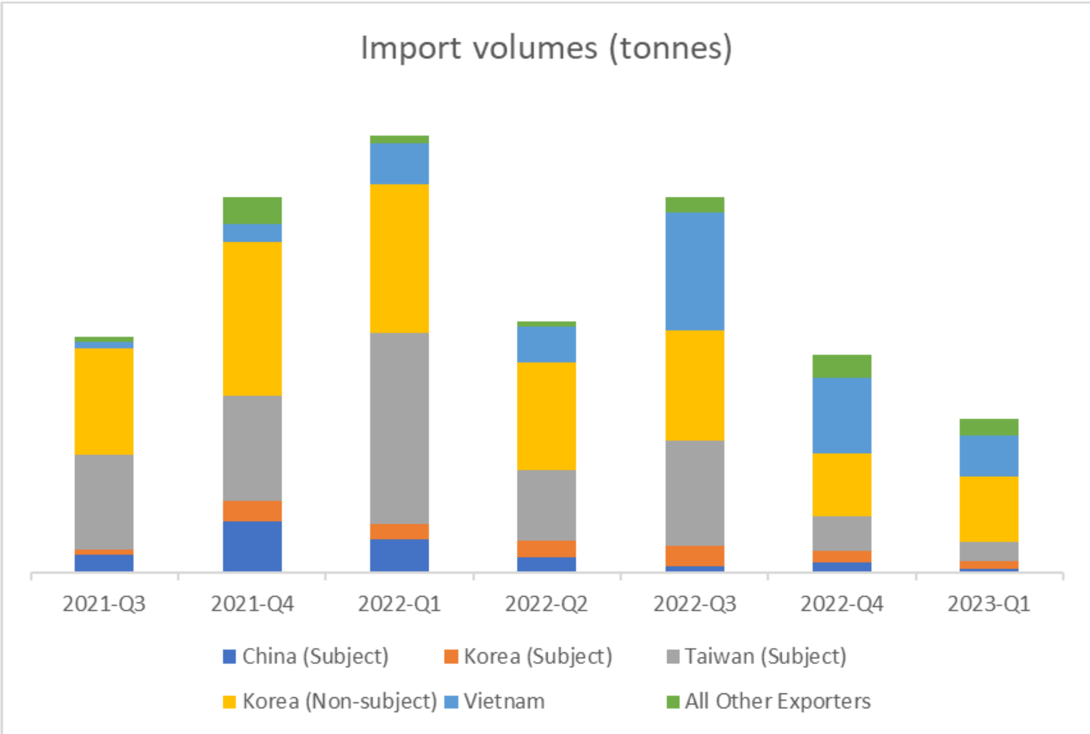

Figure 19: Import volumes by source (AUD/tonne)[70]

Figure 19, and the underlying data supporting it, indicates that:

- the volume of imports increased rapidly during the inquiry period, peaking in the March quarter of 2022, which coincided with the increase in import prices observed in Figure 19 above
- from the peak in the March quarter of 2022, volumes have been in decline, with the subject exporters each experiencing reductions in both sales volume and the share of the market for imports they hold, with exports from Vietnam becoming more prevalent

[70] Confidential Attachment 12 – Will material injury continue or recur.

- in aggregate, subject exporters accounted for around half of the volume of imports during the inquiry period, however this had declined to around 30% in the following 9 months
- the average monthly volume of imports from all sources has declined by 23% following the inquiry period, and the decline in volumes December quarter 2021 to December quarter 2023 is 42% and March quarter 2022 to March quarter 2023 is 65%

The commission considers that the following inferences can reasonably be drawn from the examination of the pricing and volume data when viewed in conjunction with the broader supply and demand factors that have impacted the Australian market since the measures were last continued:

- historically, there has been a high degree of price competition in the Australian market for imports from the key sources analysed
- the anomalous supply and demand conditions that emerged during the pandemic resulted in significant overall increases in the price of the goods in the Australian market, with an associated increase in the variability of the comparative price imports
- in the 9 months following the end of the inquiry period, as cost of living pressures have mounted, fiscal stimulus associated with the pandemic has been withdrawn and monetary policy has been tightened, demand in the Australian market has weakened, with a significant reduction in the volumes of imports
- since the peaks in volumes and prices observed during the inquiry period, import prices have declined and converged as exporters compete in a diminishing market for the goods
- the subject exporters are coming under increasing pressure to maintain volumes and market share in this diminishing market.

The commission considers that the Australian market for galvanised steel continues to be characterised by a high degree of price sensitivity. The most recently available volume data indicates that importers are competing in a market that is contracting following the anomalous supply and demand conditions observed during the pandemic. Prices have declined and converged as exporters from multiple sources seek to maintain sales volume and market share. The commission considers that dumped and subsidised imports will be competing with a price advantage that will likely influence the pricing of other market participants. The commission considers that dumped and subsidised exports from the subject countries will remain a relevant factor to the economic condition of the Australian industry in terms of its ability to increase prices or compete on price in such a price-sensitive market.

9.6.2.3 Price undercutting

Price undercutting occurs when imported goods are sold in the Australian market at a price below that of the Australian-produced like goods. The commission's analysis of price undercutting assesses the effect of dumped imports on the Australian industry's prices and whether this has caused, or is likely to cause, injury in the form of price depression and price suppression, amongst other potential injury factors.

The commission's price undercutting analysis compares the prices at which the Australian industry sold like goods to the actual or estimated prices achieved by importers who sourced the goods from exporters subject to the current measures. Noting the commission did not have available actual FIS selling prices of certain exports in the Australian market, the commission constructed prices the importers of those goods could reasonably be expected to achieve in the market. The constructed prices were based on import data sourced from the ABF import database as well as verified pricing, cost to import and sell and profitability data obtained from cooperating importers. The commission then compared these prices to the prices achieved by the Australian industry (at an aggregate level) on a quarterly basis during the inquiry period. The results of the analysis are shown in Figure 20 below.

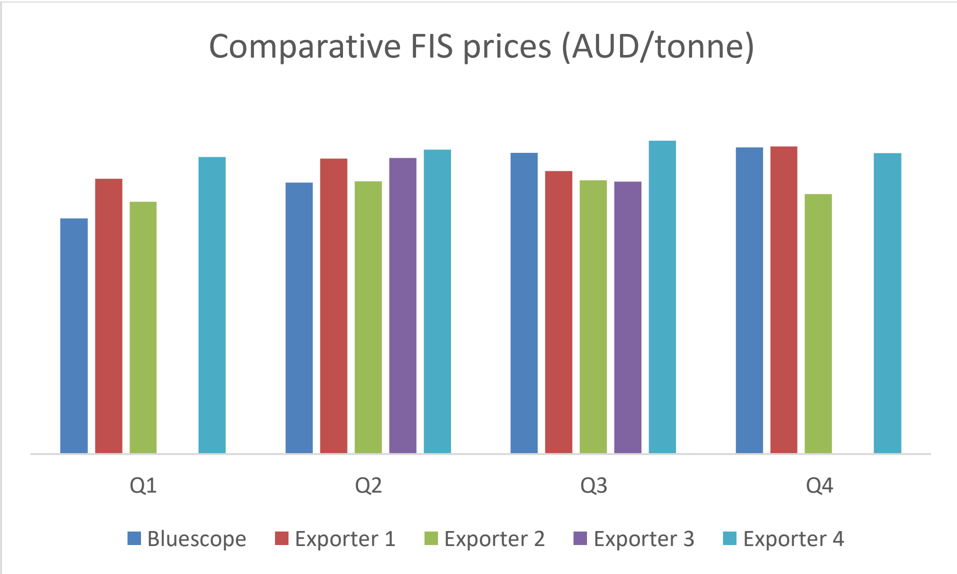

Figure 20: FIS price comparison (AUD/tonne)[71]

Figure 20 shows that at the commencement of the inquiry period the estimated FIS price of the goods exported by the subject exporters exceeded the price achieved by Australian industry. This pricing trend reversed during the inquiry period, such that by the conclusion of the period the Australian industry had been undercut at various times by each of the cooperating exporters.

The commission notes that the price undercutting analysis conducted relates to the inquiry period. As evidenced in section 9.6.2.2 above, the commission observed considerable variance in the landed price of the goods from all sources during the inquiry period and this is evident in the price undercutting analysis presented in Figure 20. The commission considers that the effects of the pandemic on supply and demand likely contributed to the levels of variance observed. The commission further notes from section 9.5.7 that in the 9 months following the inquiry period the landed prices of the goods from all sources have declined and converged, coincident with a sharp decline in import volumes. The commission considers that this trend, in the context of a general weakening of demand in the Australian market, and an extensive history of price undercutting of Australian industry prices by imported goods in previous investigations and continuation

[71] Confidential Attachment 12 – Will material injury continue.

inquiries[72], will likely result in Australian industry prices being undercut by the subject exporters in the future.

The commission's undercutting analysis is contained in **Confidential Attachment 12**.

9.6.2.4 Conclusion – Likely effect on prices

Based on the analysis of landed prices and price undercutting above the commission is satisfied that:

- there has historically been close price competition in the Australian market between goods produced by Australian industry and imports from range of sources
- Australian industry's pricing has historically been, and continues to be, influenced by import prices, including those of the subject exporters, through its use of an import parity pricing model to set prices, as well as customers referencing import prices in negotiations
- the pandemic resulted in significant overall increases in the volume and price of the goods in the Australian market during the inquiry period, with an associated increase in the variability of the comparative price of imports
- in the 9 months following the end of the inquiry period the Australian market has weakened, with a significant reduction in the volumes of imports
- economic forecasts indicate that demand for the goods in the Australian market will remain weak
- since the peaks in volumes and prices observed during the inquiry period, import prices have declined and converged as exporters compete in a diminishing market for the goods
- the subject exporters have come under increasing pressure to maintain volumes and market share in this diminishing market, with significant reductions in export prices evident
- in previous matters considered by the commission, and during the current inquiry Australian industry's prices have been undercut by the subject exporters

Noting these factors, the commission considers if the measures were to expire, exports from the subject exporters would continue at prices that undercut Australian industry. The commission considers it is reasonable to conclude that the Australian industry would respond to the lower prices of these imported goods by reducing prices to remain competitive and maintain its sales volumes and market share. This in turn would likely lead to injury in the form of price depression and/or price suppression, as well as other factors related to price, including sales revenue, profit and profitability.

9.6.3 Likely effects on volumes

The commission found in section 9.4 above that, should the measures expire, exports from the subject exporters are likely to continue on the basis that:

- exports of the goods to Australia continued following the continuation of the measures in 2018

[72] Evidence was previously found of price undercutting by Chinese and Korean exporters in Investigation 190a and by Chinese and Taiwanese exporters in Continuation 449.

- exporters have maintained distribution links to the Australian market
- exporters have spare production capacity and are export oriented and
- Australia remains an attractive and accessible market for exports from the subject countries given the prevalence of trade measures against them in other jurisdictions.

The commission observed in section 9.5.7 above that in the 9 months following the inquiry period, the volume of imports into the Australian market has declined from the peaks attained during the inquiry period. The commission considers the decline in import volumes is consistent with the weakening of demand for the goods in the Australian market. The commission noted that in aggregate, subject exporters accounted for around half of the volume of imports during the inquiry period, however this had declined to around 30% in the following 9 months.

As discussed above, in the absence of measures the commission considers it likely that those exporters currently subject to measures would reduce prices to maintain sales volumes and market share against exports from other countries. While this may at one level simply result in a redistribution of market share held by the various exporters of the goods, the commission considers that on a second level Australian industry will be impacted. The commission consider that if the Australian industry is unable to reduce prices in line with the reduced prices of exports from the subject countries, it will likely cede sales volume and market share, noting:

- that numerous exporters from the subject countries have long standing relationships and distribution channels into the Australian market, and have previously held significant shares of the Australian market
- the significant increase in the number of exporters of the goods to the Australian market from China during the inquiry period.

The commission is therefore satisfied that the expiration of the measures would be likely to lead to a recurrence of injury to the Australian industry in the form of reduced sales volume and market share, as well as other factors related to volume injury, such as profit, profitability and capacity utilisation.

9.6.4 Likelihood of continuation or recurrence of material injury

The commission’s analysis of the economic condition of the Australian industry found that the Australian industry experienced improving selling prices and profit and profitability following the continuation of measures in 2018. The Australian industry also experienced improved sales volumes and growing market shares until the commencement of the inquiry period, however during the inquiry period sales volumes and market share have declined.

The Australian market for galvanised steel expanded by more than 10% during 2021 before tapering somewhat in 2022. Despite this tapering, 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.

Based on the available evidence, the commission finds that the increase in prices of the goods sold in the Australian market following the inquiry period has not been sustained. The commission finds that domestic demand for the goods has moderated following the inquiry period as the fiscal stimulus applied during the pandemic has dissipated. Further, monetary policy settings have 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. The commission finds that these factors will likely lead to a decrease in building and construction activity and therefore a contraction in demand for the goods.

The commission finds that the Australian industry's failure to consolidate the gains in sales volume and market share achieved leading into the inquiry period is indicative of its ongoing vulnerability to the injurious effects of lower priced competition. The commission notes that majority of imports in the Australian market during the inquiry period were not dumped or in receipt of countervailable subsidies. Any deterioration in the economic condition of the Australian industry during the inquiry period cannot therefore be attributed to dumped and subsidised imports.

The commission nonetheless considers that if the measures expire the subject exporters would likely export at subsidised and/or dumped prices. The commission considers that an increasing presence of dumped and/or subsidised goods in the market would have a dampening impact on prices across the entire market. The price reductions required of the Australian industry to remain competitive if the measures expired would extrapolate into material reductions in revenue, profit and profitability. A deterioration in these factors is likely to worsen the Australian industry's economic condition in relation to the other economic factors that are in part a function of price and profit.

The commission has also considered the alternative scenario where the Australian industry elects not to reduce prices to compete with the dumped and subsidised exports. As detailed in section 9.6.3 above, the commission considers that if the measures were to expire it is likely that Australian industry would lose sales volumes and market share to those exporters currently subject to measures. The commission estimates that, based on the Australian market size and average selling prices during the inquiry period, the Australian market total revenue was over $1.4 billion. As such, each 1% of market share represents approximately $14 million in revenue. At this scale, small movements in market share can amount to material losses of revenue.

Based on the preceding analysis of the likely effect on price and volume if the measures expired, the commission considers that the continuation or recurrence of dumped exports from Korea and Taiwan and subsidised and/or dumped exports from China would put downward pressure on prices in the Australian market. Consequently, Australian industry would likely experience price depression and/or a material erosion in the improvements made since the measures were continued in relation to sales volumes, sales revenue, profit and profitability.

Accordingly, the commission considers that the expiration of the anti-dumping measures would be likely to lead to a recurrence of the material injury that the current measures are intended to prevent.

9.6.5 Factors other than dumping causing injury

The commission examined whether the submissions of interested parties, or any other evidence, substantiated the existence of other factors that could effectively sever the link between the expiration of the measures on the one hand, and a likely recurrence of material injury on the other.

As detailed in section 9.6.3 during the inquiry period almost the entirety of exports to Australia were not dumped or subsidised. From this, it can be reasonably inferred that the Australian industry's economic performance during the inquiry period has not been impacted by dumped and/or subsidised exports from the subject countries. Any deterioration in the Australian industry's economic performance during the inquiry period is attributable to imports of undumped and unsubsidised goods in a highly price sensitive market. The commission accepts that the presence of imports from these and other sources not subject to measures may continue to adversely influence the economic condition of Australian industry. The commission notes however that the Australian industry may be affected by many factors. The commission does not accept that the existence of other potential causes of injury negates the injury that the Australian industry will likely experience as a result of the continuation or recurrence of dumped and subsidised exports from the subject exporters. While the commission accepts that injury caused by other factors should not be attributed to dumping, it is also noted that dumping need not be the sole cause of injury to the industry.[73]

To that end, the commission notes the discussion in section 9.6.2 evidencing the price sensitive nature of the Australian market.

The commission considers that if the measures expired the subject exporters would again benefit from the price advantage afforded by dumping and/or subsidisation. While the Australian industry will still face competition from exports from other sources as it did during the inquiry period, the commission considers that the presence of dumped exports from Korea and Taiwan and dumped and subsidised exports from China will likely exert price pressure across the entire market, to the material detriment of all participants, including the Australian industry.

[73] Ministerial Direction on Material Injury, 2012.

10 MEASURES

10.1 Recommendations

The Commissioner recommends that the dumping duty notice and the countervailing duty notice remain unaltered.

The current interim duty rates and method for working out the amount of IDD and ICD on exports are set out in the table below:

Country	Exporter[74]	Measure	Measure type	Effective rate of duty
China	Dingxin	IDD	*Floor price*	N/A
	Angang Steel Company Ltd	IDD	*Combination*	17.2%
	Yieh Phui (China) Technomaterial Co. Ltd	IDD	*Combination*	17.2%
	Jiangyin Zongcheng Steel Co Ltd	IDD	*Combination*	8.9%
	ANSC-TKS Galvanizing Co Ltd also known as TAGAL	IDD	*Combination*	17.2%
	All other exporters	IDD and ICD	*Combination*	24.1%
Korea	KG Dongbu	IDD	*Floor price*	N/A
	All other exporters	IDD	*Floor price*	N/A
Taiwan	Prosperity	IDD	*Floor price*	N/A
	Yieh Phui	IDD	*Floor price*	N/A
	All other exporters	IDD	*Combination*	8.6%

Table 21: Current duties

10.2 Forms of dumping duty available

The *Customs Tariff (Anti-Dumping) Regulation 2013* prescribes the forms of IDD methods available to the Minister when imposing anti-dumping measures. They include:

- fixed duty method ($X per tonne)
- floor price duty method
- combination duty method or

[74] In relation to countervailing duties for Angang Steel Company Ltd, Yieh Phui (China) Technomaterial Co. Ltd, Jiangyin Zongcheng Steel Co Ltd (Zongcheng) and ANSC-TKS Galvanizing Co Ltd also known as TAGAL, the commission considers these exporters to be exempt as per ADN 2021/012. Noting these entities (except Zongcheng) did not cooperate with the previous inquiry, they are subject to the all-other exporter IDD rate. This was not correctly noted on the commission's Dumping Commodity Register. The commission has rectified this error and is in the process of notifying the relevant parties with regards to overpayment of duties.

- ad valorem duty method (i.e. a percentage of the export price).[75]

The various forms of duties all have the purpose of removing the injurious effects of dumping and/or subsidisation. However, certain duty methods will better suit particular circumstances. In considering which form of duty to recommend to the Minister, the Commissioner will have regard to the published *Guidelines on the Application of Forms of Dumping Duty November 2013* (the Guidelines) and relevant factors in the market for the goods.[76]

10.3 Forms of countervailing duty methods available

In relation to ICD, duty may be calculated:

- as a proportion of the export price of the goods (‘*ad valorem*’)
- by reference to a measure of the quantity of those particular goods
- by reference to a combination of the above two methods.

10.4 Review of variable factors

There is no requirement for the Minister to ascertain variable factors for exporters in a continuation inquiry, nor to alter the variable factors on a dumping or countervailing duty notice following a decision to secure the continuation of measures. The commission calculated dumping margins for the inquiry period to inform the assessment as to whether dumping would continue or recur if the measures were allowed to expire.

In SEF 611, the Commissioner preliminarily recommended that, in securing the continuation of the measures on the goods from China, the Minister determine under section 269ZHG(4)(a)(iii) that the notice apply as though different variable factors had been fixed for exporters generally.

The Commissioner has reconsidered the recommendation in this final report and has formed the view that it is not appropriate to alter the variable factors on the notice to reflect the variable factors calculated during the inquiry period in this continuation inquiry. This is because, for the reasons explained in section 9.5 above, the commission has found that the conditions in the inquiry period do not reflect what is likely to occur following the specified expiry date of the measures.

The forms of measures available to the Minister, if the Minister were to alter the variable factors, would either be punitive to exporters or would undermine the effectiveness of the measures:

- The commission notes that prices in the Australian market and the domestic markets of the exporters have decreased since the inquiry period. This movement means that measures involving a floor price would be punitive to exporters, because the floor price, being based on normal values established during the inquiry period, would be unduly high.

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[75] Section 5 of the Customs Tariff (Anti- Dumping) Regulation 2013
[76] Available on the commission website. [Guidelines on Forms of Dumping Duties.]()

- The commission also considered whether it would be appropriate to set an ad valorem rate of 0% for cooperating exporters, reflecting the negative dumping margins established during the inquiry period in this case. The commission considers this would not be appropriate given the commission's analysis of the period after the inquiry period indicating future exports are likely to be at dumped prices.

The commission notes that by not altering the variable factors as a result of this continuation inquiry, the variable factors and interim duty rates set in Review 570 for Yieh Phui and Review 521 for all other exporters will continue to apply. The commission has assessed the floor prices currently applying to certain exporters as a result of Reviews 521 and 570. The commission considers that these floor prices are likely to more closely reflect market conditions following the specified expiry date in light of the downwards movement in export prices since the inquiry period.

For the above reasons, the Commissioner recommends that the notices remain unaltered and the Minister not fix different variable factors when securing the continuation of the measures.

10.5 Conclusion

The Commissioner recommends that the dumping duty notice and the countervailing duty notice (including the variable factors, which were last ascertained in Review 570 for Yieh Phui and Review 521 for all other exporters) remain unaltered.[77] In these circumstances it is not necessary for the Minister to reconsider the form of measures or application of the lesser duty rule.

The commission observes that the finalisation of a continuation inquiry does not preclude interested parties, including the Australian industry, from applying for a Division 5 review of measures should they consider there has been a change in the variable factors.

[77] Section 269ZHF(1)(a)(i).

11 RECOMMENDATION

Based on the reasons contained in this report, and in accordance with section 269ZHF(2), the Commissioner is satisfied that the expiration of the measures would likely lead to a continuation of, or a recurrence of, the dumping and subsidisation and the material injury that the measures are intended to prevent. Therefore, the Commissioner recommends that the Minister take steps to secure the continuation of the anti-dumping measures applying to the goods exported to Australia from China, Korea and Taiwan.[78]

The Commissioner recommends that the dumping duty notice and the countervailing duty notice (including the variable factors, which were last ascertained in Review 570 for Yieh Phui and Review 521 for all other exporters) remain unaltered.[79] In these circumstances it is not necessary for the Minister to reconsider the form of measures or application of the lesser duty rule.

[78] Section 269ZHG(1)(b).
[79] Section 269ZHF(1)(a)(i).

APPENDICES AND ATTACHMENTS

Non-confidential Appendix A	Assessment of alleged subsidy programs
Non-confidential Appendix B	Assessment of particular market situation
Non-confidential Appendix C	Proper comparison of domestic and export prices
Non-confidential Appendix D	Constructed Normal Values
Confidential Attachment 1	Australian market
Confidential Attachment 2	Dingxin – variable factors
Confidential Attachment 3	Uncooperative and all other exporters – variable factors
Confidential Attachment 4	KG Dongbu – variable factors
Confidential Attachment 5	Yieh Phui – variable factors
Confidential Attachment 6	Prosperity – variable factors
Confidential Attachment 7	Uncooperative and all other exporters – subsidies
Confidential Attachment 8	Economic Condition of the Australian Industry
Confidential Attachment 9	Will exports continue
Confidential Attachment 10	Will dumping continue
Confidential Attachment 11	BlueScope IPP model and import offers
Confidential Attachment 12	Will material injury continue
Confidential Attachment 13	HRC CTM analysis
Confidential Attachment 14	Currency fluctuation analysis
Confidential Attachment 15	HRC price analysis
Confidential Attachment 16	Raw materials MEPS analysis
Confidential Attachment 17	Chinese export price analysis
Confidential Attachment 18	Benchmark HRC

APPENDIX A ASSESSMENT OF ALLEGED SUBSIDY PROGRAMS – CHINA

A1 Introduction

As discussed in section 7.3.1, the commission has not received any further contemporary information on subsidies and does not consider altering the variable factors. However, the commission has assessed the below noting that the commission considers that programs established in Review 521 continue.

A2 Definition of Government, public and private bodies

In its assessment of each program, the commission has had regard to the entity responsible for providing the financial contribution (if any) under the relevant program, as part of the test under section 269T(1) for determining whether a financial contribution is a subsidy. Under section 269T(1), for a contribution to be a subsidy, the contribution must have been made by:

- a government of the country of export or country of origin of the goods or
- a public body of that country or a public body of which that government is a member or
- a private body entrusted or directed by that government or public body to carry out a governmental function.

A2.1 Government

As described in section 16.2 of the Manual, the commission considers that the term ‘government’ is taken to include government at all different levels, including at a national and sub-national level.

A2.2 Public bodies

The term ‘public body’ is not defined in the Act. Determining whether an entity is a ‘public body’ requires evaluation of all available evidence of the entity’s features and its relationship with government, including the following:

- The objectives and functions performed by the body and whether the entity in question is pursuing public policy objectives. In this regard relevant factors include:
    - legislation and other legal instruments
    - the degree of separation and independence of the entity from a government, including the appointment of directors and
    - the contribution that an entity makes to the pursuit of government policies or interests, such as considering national or regional economic interests and the promotion of social objectives.

The body’s ownership and management structure, such as whether the body is wholly- or part-owned by the government or whether the government has a majority of shares in the body. A finding that a body is a public body may be supported through:

- the government’s ability to make appointments
- the right of government to review results and determine the body’s objectives and

- the government's involvement in investment or business decisions.

The commission considers this approach is consistent with the WTO Appellate Body decision of *United States – Countervailing Measures (China)*[80] In that case the Appellate body referred to the following 3 indicia which may assist in assessing whether an entity was a public body vested with, or exercising, government authority:

- Where a statute or other legal instrument expressly vests government authority in the entity concerned.
- Where there is evidence that an entity is, in fact, exercising governmental functions.
- Where there is evidence that a government exercises meaningful control over an entity and exercises governmental authority in the performance of government functions.

These principles have also previously been considered in the Federal Court of Australia.[81]

A2.3 Private bodies

Where an entity is neither a government nor public body, the commission will consider it a private body, in which case, a government direction to make a financial contribution in respect of the goods must be established in order for the contribution to be considered a subsidy, as defined by section 269T(1).

Pursuant to section 16.3 of the Manual, in determining the character of an entity which may have provided a financial contribution, the commission will consider whether a private body has been:

- 'entrusted' to carry out a government function, which occurs when a government gives responsibility to a private body
- 'directed' to carry out a government function, which occurs in situations where the government exercises its authority over a private body.

Accordingly, not all government acts will be considered as entrusting or directing a private body. Encouragement or mere policy announcements by government, of themselves, are not sufficient to satisfy this test. However, threats and inducements may be evidence of entrustment or inducements. It is where the private body is considered a proxy by government to give effect to financial contributions that this test will be satisfied.

A3 Assessment of Programs – China

There are 37 existing subsidy programs that currently apply to zinc coated (galvanised) steel exported from China, having been assessed in Review No 521. The findings in relation to all 37 existing programs relevant to the subject goods exported from China, and the commission's assessment of the countervailability of each, is outlined in Table

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[80] DS379 United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China.

[81] See *Panasia Aluminium (China) Limited v Attorney-General of the Commonwealth* [2013] FCA 870, [27] - [70] *Dalian Steelforce Hi Tech Co Ltd V Minister for Home Affairs* [2015] FCA 885, [50] - [73].

16. An overview of the commission's considerations with respect to these existing programs follows below.

A3.1 Definition of Government, public and private bodies

In Investigation No 193 Programs 1 to 3 were found countervailable with respect to Chinese exporters of aluminium zinc coated steel and zinc coated (galvanised) steel.[82] However, following a review of the findings made in Investigation No 193 by the Anti-Dumping Review Panel (ADRP), the countervailing duty notice was altered so as to reduce the applicable countervailable subsidies by the amounts referrable to Programs 1 to 3 as described in REP 193,[83] with retrospective effect from 5 August 2013. The ADRP found that the then International Trade Remedies Branch of the Australian Customs and Border Protection Service did not have a sufficient basis for finding that the state invested enterprises (SIEs) producing HRC, coking coal or coke could be considered public bodies in the meaning of section 269T(1).[84]

Subsequently, the countervailability of Programs 1 to 3 have been the subject of the commission's examination with aluminium zinc coated steel, and other goods asides the subject goods, exported from China to Australia. Most recently, the commission found that:

- In a Review of Anti-Dumping Measures in relation to hollow structural sections exported to Australia from China which concluded in 2018, a program entitled 'Hot rolled steel provided by government at less than fair market value' (corresponding to Program 1 as per Table 16, but designated Program 20 in *Anti-Dumping Commission Report No 419*) was countervailable[85]
- In Investigation 466 in relation to railway wheels exported to Australia from China which concluded in 2019, a program entitled 'Coking coal provided by government at less than adequate remuneration' (corresponding to Program 2 as per Table 16, and designated Program 2 in *Anti-Dumping Commission Termination Report No 466*) was countervailable[86]
- In Investigation 322 and 331 in relation to steel reinforcing bar and rod in coils, respectively, exported to Australia from China, both of which concluded in 2016,[87] a program entitled 'Coke provided by government at less than adequate remuneration' (corresponding to Program 3 as per Table 16, and designated Program 3 in *Anti-Dumping Commission Report No 322* and *Anti-Dumping Commission Report No 331*) was countervailable.

Each of the aforementioned inquiries also assessed whether SIE's constitute public bodies in the meaning of section 269T(1) and found that SIE's producing steel raw

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82 REP 193 investigated the subsidisation of aluminium zinc coated steel and galvanised steel exported from China.
Due to the close nature of these products and common interested parties, findings from both countervailing investigations were detailed in the one report.

83 ADN 2014/012.

84 ADRP recommendation report titled *Zinc Coated (Galvanised) Steel & Aluminium Zinc Coated Steel exported from the People's Republic of China*, 15/11/2013.

85 EPR 419.

86 EPR 466.

87 EPR 322 and EPR 331.

materials continued to be considered as 'public bodies' for the purposes of the definition of 'subsidy' under the Act.

The commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in previous inquiries and, in conjunction with the assessment of SIEs as public bodies for the current inquiry (refer to **APPENDIX C**), wherein it was found that SIE's constitute public bodies in the meaning of section 269T(1), the commission has maintained its position that Programs 1 to 3 are countervailable.

The commission has examined the Dingxin's data from this inquiry and other co-operating exporters from previous inquiries into the goods. In both the current inquiry and previous inquiries, the commission found that a majority of previous exporters were not vertically integrated and because coke and coking coal are not inputs to their production, none of the exporters could be in receipt of Programs 2 or 3. As such, the commission does not have sufficient relevant information to find that any exporters of the goods from China would have received a benefit in respect of Programs 2 and 3. Therefore, the commission has excluded Programs 2 and 3 from the calculation of the uncooperative subsidy rate.

A3.2 Assessment of existing preferential tax policies

Programs 4-8 and 10 were found countervailable in the Investigation No 193 and again in subsequent reviews for zinc coated (galvanised) steel.

The commission is not aware of the current status of the existing preferential tax policies given that the GOC has declined to participate in the current inquiry. The commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in previous inquiries, and has therefore maintained its position that these programs are countervailable.

A3.3 Assessment of existing tariff and VAT exemptions

Programs 11 and 34 were found to be countervailable in the Investigation No 193 and again in subsequent reviews for zinc coated (galvanised) steel.

The commission is not aware of the current status of these programs given that the GOC has declined to participate in this inquiry. The commission considers it likely that these same or very similar programs are still operating in China and are either no longer being received by the selected cooperating exporters or were declared under new program titles.

The commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in the previous inquiries, and has therefore maintained its position that these programs are countervailable.

A3.4 Assessment of existing grant programs relevant to zinc coated (galvanised) steel

Programs 9, 12 to 33 and 35 to 36 were found countervailable in the Investigation No 193 and again in subsequent reviews for aluminium zinc coated steel. The commission first assessed Programs 37 in Review 409 and 410 wherein Programs 37, were found countervailable and again in subsequent reviews for zinc coated (galvanised) steel.

The commission is not aware of the current status of these programs given that the GOC did not provide evidence in relation to this inquiry. The commission considers it likely that these same or very similar programs are still operating in China and are either no longer being received by the non-cooperating exporters or were declared under new program titles.

The commission considers that no new information has been provided that would warrant a reconsideration of the determinations made in the previous inquiries, and has therefore maintained its position that these programs are countervailable.

APPENDIX B ASSESSMENT OF PARTICULAR MARKET SITUATION IN CHINA

B1 Introduction

Having regard to all available information, the commission's view is that a particular market situation exists in respect of the domestic market for zinc coated (galvanised steel) in China. The particular market situation renders sales in that market unsuitable for use in determining a price that would permit proper comparison with the export price in determining the margin of dumping.

B2 Australian legislation, policy and practice

Australia treats China as a market economy for anti-dumping purposes, and the commission conducted this inquiry in the same manner for China as it does for other market economy members of the WTO.

Irrespective of the country whose products are the subject of inquiry, the Australian anti-dumping framework allows for rejection of domestic selling prices as the basis for normal values where there is a 'particular market situation'. This is only if the particular market situation renders sales in that market unsuitable for use in determining a price that would permit proper comparison with the export price in determining the margin of dumping.

B2.1 Legislation

Section 269TAC(2)(a)(ii) implements, in part, Article 2.2 of the ADA:

> *When there are no sales of the like product in the ordinary course of trade in the domestic market of the exporting country or when, because of the particular market situation or the low volume of the sales in the domestic market of the exporting country [footnote omitted], such sales do not permit a proper comparison, the margin of dumping shall be determined by comparison with a comparable price of the like product when exported to an appropriate third country, provided that this price is representative, or with the cost of production in the country of origin plus a reasonable amount for administrative, selling and general costs and for profits.*

Where a particular market situation is found to exist in the domestic market of the exporting country, pursuant to section 269TAC(2)(a)(ii), the commission must further consider whether, because of that situation, sales in that market are unsuitable for determining a price under section 269TAC(1) that would permit a proper comparison with the export price in determining the margin of dumping.

Where the commission determines that because of the particular market situation, domestic sales are unsuitable for determining a price under section 269TAC(1), normal values may instead be constructed under section 269TAC(2)(c) or determined by reference to prices from a third country under section 269TAC(2)(d).

B2.2 Policy and practice

The Act does not define or prescribe what is required to reach a finding of a particular market situation. A particular market situation will arise when there is some factor or factors affecting the relevant market in the country of export generally. When considering whether a particular market situation renders sales unsuitable for use in determining a normal value under section 269TAC(1), the commission may consider factors such as whether:

- government intervention in the industry and/or market of the exporting country results in prices that are lower or not substantially the same as they would otherwise be
- there are other conditions in the market that render sales in that market unsuitable for use in determining prices under section 269TAC(1).

The Manual provides further guidance on the circumstances in which the commission will find that a particular market situation exists.[88] In particular, with respect to prices of inputs in the manufacture of the like goods, the Manual states:

> *Prices may also be artificially low or lower than they would otherwise be in a competitive market due to government influence and distortion of the costs of inputs. The mere existence of any government influence on the cost of inputs would not be enough to make sales unsuitable. The commission looks at the effect of this influence on market conditions and the extent to which domestic prices can no longer be said to prevail in a normal competitive market.*[89]According to the Manual, "*market conditions will no longer be said to prevail when … government owned enterprises, together with any unprofitable sales by those same enterprises, has caused a significant distortion to the prices received by private enterprises*."[90]

B3 Assessing particular market situation in this inquiry

In line with legislative requirements, the commission's market situation assessment is undertaken at the level of the goods being investigated, namely zinc coated (galvanised) steel.

The commission has considered conditions:

- within the broader Chinese steel industry and the degree to which these may impact on prices and / or raw material costs
- in the market for the raw materials used to produce zinc coated (galvanised) steel
- in the market for zinc coated (galvanised) steel itself.

This approach was adopted because of the lack of available information concerning certain aspects of the Chinese zinc coated (galvanised) steel and HRC markets, due, in part, to the GOC not providing the commission with a response to the government questionnaire.[91]

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[88] The Manual, p. 36.
[89] The Manual, p. 29.
[90] Ibid.
[91] Sections B and C of the GOC questionnaire requested information about GOC involvement in the zinc coated (galvanised) steel and HRC sectors. The GOC did not respond to these information requests. The commission notes in this regard that the GOC was informed that *"if the GOC does not respond the commission may be required to rely on information supplied by other parties (possibly information supplied by the Australian industry[,] previous findings and information before the commission in previous*

The commission has relied on all available information in undertaking its assessment regarding a market situation, including data provided by Dingxin, information provided by the Australian industry, all relevant submissions made in this inquiry, the findings of previous cases conducted by the commission[92], and desktop research.

In this assessment, “GOC” refers to all levels of government in China, unless otherwise specified. Similarly, the commission has referred to Chinese state owned and state invested enterprises collectively as “SOEs”.

A complete examination of the evidence for this finding is below.

B4 The GOC role in the Chinese steel market

B4.1 Overview

The Chinese economy in general has undergone significant economic structural reforms to transition towards greater liberalisation of trade and foreign direct investment inflows and outflows. However, the role of government at all levels in the Chinese economy, controlling trade and foreign direct investment liberalisation for social and economic purposes, has created a hybrid system in China where decisions of the market are heavily influenced by government as opposed to conditions of competition. Simply put, Chinese firms selling and purchasing in China’s steel markets set prices and make purchasing decisions that are influenced by the directives and policies of the GOC, [93] competition with State-owned enterprises (SOEs) that reflect the economic, social and fiscal goals of the GOC as well as private firm competition on price, product and market share. This insulates China’s steel market from the kinds of price signals that would ordinarily guide the terms of transactions in a functioning marketplace. Moreover, as explained further below, GOC influence in China’s steel markets has resulted in steel producers continuing to make sales despite sustaining ongoing operational losses and at times not returning a profit.

B4.2 GOC policies affecting the steel industry

The Chinese steel industry is of significant importance to China’s national, economic and social security. Growth in this industry has been dependent on structured investment in, and funding of, fixed assets in SOE steel mills, steel production output for massive infrastructure and urbanisation projects supported by the GOC and export-oriented trade.

B4.3 Initiatives influencing Chinese steel markets

In order to achieve such significant steel manufacturing output to achieve supply-side economic growth and reform, the GOC manages an array of subsidy programs[94], soft

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investigations, inquiries and reviews into zinc coated (galvanised) steel exported from China or which considered the market for hot rolled coil or the steel industry in China generally [and] any other available information which the Commissioner considers relevant”. The GOC was informed that *“it may be in the GOC interests, and the interest of Chinese exporters … to provide a complete response”.*

[92] In the GOC questionnaire, the commission asked questions directly relevant to whether the circumstances found to exist in previous cases, including REV 521, had changed. The GOC did not respond to these questions.

[93] This refers to markets for both upstream and downstream steel products.

[94] These subsidy programs affect individual exporters differently depending on the level of subsidy they receive.

lending and credit facilities, preferential loans, land grants and capacity controls to drive domestic output and consumption of steel.

In recent years, China's steel industry has played an important role in its economic structural reform and as such, changes in response to global issues and concerns are slow and incremental. The commission understands that the GOC prefers incremental reform so as not to induce 'shock' changes and sudden reforms in its steel industry, which has the potential to risk the livelihoods of directly employed workers and workers employed in related industries.

Specific initiatives, implemented to address imbalances in the Chinese steel market broadly, include the Central Government's supply-side reform initiatives, *Advice on Addressing Excessive Capacity and Relieving Hardship for the Steel industry* (GOC Advice) and *The Opinions of the State Council on Reducing Overcapacity in the Iron and Steel Industry* (GOC Opinions).

The GOC Advice proposed reducing SOE capacity by 100 to 150 million tonnes by 2020, via the banning of new capacity building and elimination of colloquially named 'zombie mills'.[95] These comprise mills which would ordinarily be shut down under normal competitive market conditions, due to either a lack of profitability or insolvency, but which, for various reasons elaborated upon below, continue to operate despite sustained operational losses.

The Central Government had also pledged a RMB 100 billion fund for employee compensation, social security payments and plant closure incentives in the coal and steel sectors.[96] In addition, the GOC Opinions forbid the registration of new production capacity in any form and require that any production that does not meet environmental, energy consumption, quality, safety or technical standards be taken offline.[97] Other examples of capacity management measures announced include tightening bank lending to smaller mills, industry consolidation through mergers and acquisitions, and use of stricter environmental regulations to forcibly shut down capacity.[98]

The commission recognises the GOC's attempts to restructure and reorganise the industry to manage excess capacity, oversupply and environmental concerns. Yet although these efforts are targeted at correcting current imbalances and resulting distortions, the commission in fact considers them to be evidence of the extent of the GOC's involvement within and influence over the broader steel industry, including during the inquiry period. And, as explained further below, the commission finds that these measures have not resulted in the exit of loss-making firms from the Chinese steel market.

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[95] Liu. H & Song. L, 2016. Issues and Prospects for the Restructuring of China's Steel Industry. China's New Sources of Economic Growth. Vol.1. Reform, Resources and Climate Change, pp.338-339.

[96] Duke Centre on Globalisation, Governance & Competitiveness (Duke Centre), 2016. *Overcapacity in Steel: China's role in a global problem*, September 2016, p.38.

[97] KPMG, 2016. The 13th 5-Year Plan: China's Transformation and Integration with the World Economy, p.29. Sourced from GOC Opinions, State Council, 4 February 2016.

[98] Platts, 2016. Global Market Outlook, Steel Business Briefing. January 2016, p.14.

One key concern with zombie mills is that they reflect capacity that is idle rather than capacity permanently removed from the market. This means that, while the temporary removal of capacity helps moves toward competitive market conditions, those same plants have potential to return to production when higher steel prices prevail, leading to further distortions.[99] An example of this relates to a significant amount of capacity removed in 2016, which was already idle. The real capacity permanently removed is estimated to be in the range of 12 million to 20 million tonnes per year, compared to the reported 65 million tonnes.[100] As at April 2017, it was reported that China had an estimated 650 million tonnes of overcapacity, and favourable market conditions would likely extend the lifespan of zombie companies, delaying the GOC's steel industry reforms.[101] As the commission understands it, the presence of loss-making firms (including "zombie" firms) in the Chinese steel market is the result of overcapacity which has, in turn, led to over-production that depreciates prices. Overcapacity, in turn, is a function of various aspects of GOC influence in the Chinese steel market.

In addition, local governments have not fully implemented the central directives on capacity reduction, with reports that steel mills engage in 'capacity swapping' by moving capacity to more favourable regions, thereby maintaining or increasing the mill's capacity.[102]

The effectiveness of the GOC's attempts to address overcapacity through mergers and acquisitions have been constrained by:

- the replacement of older mills with new larger and more efficient mills
- closing smaller mills to offset the commissioning of new larger mills.

While this may eventually improve the industry's structure over the longer term, its impact to date has been to increase production and exacerbate the existing structural imbalances. For example, the announcement of the creation of the BAOWU Steel Group indicated that it would decommission 2.5 million tonnes of capacity to address overcapacity. However, it also commissioned 9 million tonnes of new capacity at its Zhanjiang facility.[103] In 2019, BAOWU Steel Group expected to increase its annual steel production capacity by 20 million tonnes after an agreement to merge with Magang (Group) Holding Co Ltd.[104]

In citing the GOC's ongoing interventions within the domestic steel industry, it is the commission's view that these attempts to address existing structural imbalances have had limited success to date. Constraints in the effectiveness of these initiatives not only relate to the extent of the existing imbalances in the industry, but also difficulties in coordinating activities between central, provincial and local levels of government. The resistance of provincial and local governments to closing mills relates to their role as major employers, sources of tax revenue and providers of social services within their

[99] Platts, 2017. Global Market Outlook, Steel Business Briefing. January 2017, p.10.
[100] Ibid.
[101] DBS Asian Insights, China's steel sector supply reform, April 2017, p.5.
[102] Steel Guru, *China to further tighten steel capacity swapping rules - NDRC* (10 May 2019) and *China to Halt Capacity Swaps Project Approvals in Steel Industry* (24 January 2020).
[103] Platts, 2016. Global Market Outlook, Steel Business Briefing. June 2016, p.11.
[104] Reuters, 2019, 'China Baowu Steel to take majority stake in rival Magang'.

respective regions.[105] Specific examples of these issues include the reliance of their tax systems on business revenue (including production-based VAT) and gross domestic product-oriented performance measures which encourage over-investment.[106]

Although the explicitly published policies that underpin these interventions by the GOC have expired according to their original dating, the commission has not been able to find nor has it received any information to indicate that they do not continue to form the basis for the GOC's policy in regulating the steel sector. Such information was the requested by the questionnaire the commission sent to the GOC, to which the GOC did not respond.

B4.4 Industry planning guidelines and directives

The central body responsible for developing and administering planning directives, and providing overarching approval of large-scale investment projects within China is the NDRC.[107] It is the commission's view that directives from the NDRC, as the GOC's central planning authority, would thus be central to both industry specific 'five-year plans' and the planning decisions of all levels of government more generally. More explicit enforcement mechanisms are reflected in the *Notice of the State Council on Further Strengthening the Elimination of Backward Production Capabilities and Guidelines* (the GOC Guidelines).[108] Mechanisms to address non-compliance include:

- revoking of pollutant discharge permits
- restrictions on financial institutions providing new credit support
- restrictions on examination and approval of new investment projects
- restrictions on approval of new land for use by the enterprise
- restrictions on issuing of new, and cancelling of existing, production licenses.

According to reports, the GOC Guidelines state that enterprises that do not conform to the industrial policy shall not be provided financial support by financial departments. More implicit enforcement mechanisms are reflected by the regulatory powers of bodies, such as the Ministry of Industry and Information Technology. It is the commission's understanding that such bodies maintain lists of companies that are deemed to be either compliant or non-compliant with national standards on production, environmental protection, energy efficiency and safety. Those deemed non-compliant are to be closed.[109]

It is the commission's view that the effectiveness of the above mentioned mechanisms are reflected in the responsiveness of industry groups and major companies to the GOC's various directives.

China 13th *Five-Year Plan for National Economic and Social Development* (the 13th Five Year Plan) on 15 March 2016. This remained in place until just shortly before the inquiry period. The Plan outlined China's goals, principles and targets for infrastructure, the

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[105] Platts, 2016. Global Market Outlook, Steel Business Briefing. April 2016 p.16.

[106] Duke Centre, *op cit* (172), p.29.

[107] National Development and Reform Commission.

[108] [*Notice of the State Council on Further Strengthening the Elimination of Backward Production Capacities*] State Council (China), Notice no 7, 6 April 2010 ('GOC Guidelines').

[109] Office of the Chief Economist, Department of Industry, Innovation and Science, Resources and Energy Quarterly (December 2015), p. 47.

environment, financial services, health and social and economic development for the 5 years to 2020. The Plan had a strong emphasis on supply-side structural reform that promotes the upgrade of industrial structures, strengthening market-oriented reforms, reducing industrial capacity, inventory, financial leverage and costs, and correcting structural shortcomings.[110]

To support the Chinese steel industry's development in line with the 13th Five Year Plan, the *Iron and Steel Industry Adjustment and Upgrade Plan* (2016-2020) (the Upgrade Plan) was developed. The Upgrade Plan proposed to raise the average annual growth rate of industrial added value from 5.4% in 2015 to 6% by 2020, raise the capacity utilisation rate from 70% in 2015 to 80% by 2020, and raise the industrial concentration in top 10 producers from 34.2% in 2015 to 60% by 2020.[111] Examples of the Chinese steel industry's response to these directives was reflected in the restructuring of the BAOWU Steel Group. In 2019, BAOWU Steel Group was the largest producer of crude steel in China and the second largest worldwide.[112]

There have been a number of GOC policies, plans and initiatives relevant to the China steel industry published within the last 20 years, including the *National Steel Industry Development Policy* (2005), the *Blueprint for the Adjustment and Revitalisation of the Steel Industry* (2009) and the *2011-2015 Development Plan for the Steel Industry* (2011).[113] As these plans have ended, the commission's view is that these were largely superseded by further policies and plans.

Some of the key themes and objectives of major GOC planning guidance and directives used to influence the structure of the Chinese steel industry include:

1. <u>Steel Industry Adjustment Policy</u> (2015 Revision)

   - upgrading product mix
   - rationalising steel production capacity
   - adjustments to improving organisational structures
   - energy conservation, emission reductions, environmental protection
   - production distribution
   - supervision and administration
   - guiding market exit
   - methods of orientation and oversight of mergers and reorganisations
   - consolidate number of steel companies
   - lift capacity utilisation rates to 80% by 2017.

2. <u>Circular of the State Council on Accelerating the Restructuring of the Sectors with Production Capacity Redundancy</u>

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[110] KPMG, 2016. The 13th 5-Year Plan: China's Transformation and Integration with the World Economy, p.3. Sourced from GOC Opinions, State Council, 4 February 2016.
[111] King & Spalding, China Issues 13th Five-Year Plan for the Steel Industry, Yan, Linga, November 22, 2016.
[112] 2020 World Steel in Figures, World Steel Association, May 2020.
[113] In noting that some of the listed documents are now dated, the commission considers that this further demonstrates long term involvement of the GOC within the Chinese steel industry.

- promoting of economic restructuring to prevent inefficient expansion of industries that have resulted from blind expansion
- intensify the implementation of industrial policies related to the iron and steel sector to strengthen the examination thereof and to improve them in practice.

3. State Council Guidance on the Promotion of Central Enterprises Restructuring and Reorganisation114
    - SOEs restructuring and reorganisation should serve national strategies, respect market rules, combine with reforms, follow laws and regulations, and stick to a coordinated approach
    - state-owned capital should support SOEs, whose core businesses are involved in national and economic security and major national programmes, to strengthen their operations, and allow non-state-owned capital to play a role, while ensuring the state-owned capital's leading position
    - related departments and industries requested to steadily promote restructuring of enterprises in fields such as equipment manufacturing, construction engineering, electric power, steel and iron, non-ferrous metal, shipping, construction materials, tourism and aviation services, to efficiently cut excessive overcapacity and encourage restructuring of SOEs.

4. The Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)
    - removal of 100 to 150 million tonnes of capacity between 2016 and 2020
    - raising of capacity utilisation rates to 80% by 2020
    - further industry consolidation leading to 10 largest producers accounting for 60% of production by 2020.

5. Guiding Opinions on Accelerating the Merger and Acquisition and Reorganisation in Key Industries (2013)[115]

6. Three-Year Action Plan to Win the Blue Sky War (2018–2020, published 2018)[116]

In addition, broader industrial restructuring and reorganising directives of the GOC have an impact on the Chinese steel industry.[117]

In assessing the relevance of these planning guidelines and directives, the commission notes the importance of the GOC's national 5-year plans, which provide the overarching

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[114] *General Office of the State Council on Promoting Central Enterprises: Guidance on Structural Adjustment and Restructuring*] State Council on Promoting Central Enterprises (China), Notice no 56, 26 July 2016 http://www.gov.cn/zhengce/content/2016-07/26/content_5095050.htm

[115] *Guiding Opinions on Accelerating the Merger and Acquisition and Reorganisation in Key Industries*] Ministry of Industry and Information Technology (China), Notice no 16, 22 January 2013 http://www.gov.cn/zwgk/2013-01/22/content_2317600.htm

[116] *Three-Year Action Plan to Win the Blue Sky War*] State Council (China), Notice no 22, 27 June 2018 http://www.gov.cn/zhengce/content/2018-07/03/content_5303158.htm

[117] For example, Notice of Several Opinions on Curbing Overcapacities and Redundant Constructions in Certain Industries and Guiding the Healthy Development of Industries (2009), Guiding Opinions on Pushing Forward Enterprise M&A and Reorganisation in Key Industries (2013), Guiding Opinions on Resolving Serious Excess Capacity Contradictions (2013) and Directory Catalogue on Readjustment of Industrial Structure (2013 Amendment).

framework for the industry and local government plans. Regarding industry specific planning guidelines and directives, the commission notes, but does not agree with, the GOC's previously expressed view that they are for guidance and are not enforceable.[118] Mechanisms through which the commission considers the GOC is able to enforce these guidelines and directives include the presence and role of SOEs within the broader steel industry, the role of the NDRC and explicit enforcement mechanisms. The GOC, where it is also the majority owner of an SOE, can exert its influence through the appointment of board directors and chief executives.[119]

SOEs' significant share of total Chinese steel production, and propensity to follow government guidance and directives, ensures that the GOC can influence broader trends in industry capacity and steel production. Similarly, the NDRC, through its dual role of developing planning guidelines and directives and approving large-scale investment projects, has the capacity to ensure that the broader objectives of the central government are implemented. Explicit enforcement mechanisms detailed within directives, such as the State Council notice on *Further Strengthening the Elimination of Backward Production Capabilities and Guidelines*, includes a range of sanctions, such as revocation of pollutant discharge permits, restrictions on the provision of new credit support, restrictions on the approval of new investment projects, and restrictions on the issuing of new and cancelling of existing production licenses.[120]

A further example of the GOC's use of planning guidelines and policy directives to achieve its objective can be seen in the GOC's *Standard Conditions of Production and Operation of the Iron and Steel Industry*. The commission understands that this document sets out the minimum requirements for production and operation in the Chinese steel industry. Firms are incentivised to comply with the standard conditions, as doing so provides the basis for policy support. In contrast, firms that do not conform are required to reform, and if they still fail to conform, must gradually exit the market.[121] Based on the available evidence, the commission finds that decisions about levels of production in the Chinese steel market are often based on GOC policy goals as opposed to properly functioning price signals.

In the GOC questionnaire, the commission asked the GOC to provide a copy of its 14th *Five Year Plan for National Economic and Social Development* (the 14th Five Year Plan). The commission also asked the GOC to describe any changes to GOC policies and practices that impact the zinc coated (galvanised) steel industry and HRC steel industries, including changes to the text or implementation of national and state five year plans as they concern the steel industry, changes to GOC policy regarding steel industry adjustment and revitalisation, and any changes to the various measures identified by the commission in earlier investigations and inquiries as implementing the goals and aims of GOC plans and policies. The GOC did not respond to this request for information.

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[118] *International Trade Remedies Branch Report No 177* (REP 177), p.123 refers.
[119] Dong Zhang and Owen Freestone, *China's Unfinished State-Owned Enterprise Reforms* (2013), Economic Roundup, The Treasury, Australian Government, issue 2, pp. 79-102.
[120] REP 177, p.128 refers.
[121] Announcement on the *Standard Conditions of Production and Operation of the Iron and Steel Industry*. Included in the context of REP 177 on the EPR for that case.

B4.5 Role and operation of SOEs

From its own desktop research, the commission is aware that China adopted its 14th Five-Year Plan for National Economic and Social Development (the 14th Five Year Plan) on 12 March 2021. The 14th Five Year Plan outlines China's goals, principles and targets for infrastructure, the environment, financial services, health and social and economic development for the five years to 2025. The 14th Five Year Plan has a strong emphasis on innovation, and a weaker emphasis on the modernisation of industrial infrastructure, the supply of finance and support for small and medium enterprises, all to the end of a "manufacturing powerhouse" strategy, and notably includes mention of "transforming and upgrading traditional industries", including steel industries. Although a new Five Year Plan is now in place, based on the available evidence, the commission consider that the effects of the various GOC plans and policies relating to the steel industry outlined above continued in the inquiry period.

It has been observed that:

> *[SOEs] are an organic component of China's political and economic governance, although their contribution to the national output has shrunk to 40%. They are still considered to be substantial building blocks of the economy and act as a buffer against internal shocks and external threats.*[122]

The Chinese economy is commonly described as a 'socialist market economy' as it features dominant SOEs co-existing with market capitalism and private enterprise.[123] Commentary provided with the 2019 Fortune 500 list indicates that of the 129 Chinese companies listed that year, SOEs accounted for 80% of the revenue earned, an increase of 4% on the previous year.[124]

Between 2010 and 2015, SOEs accounted for 44% of total Chinese steel production.[125] However, this may have been as high as 60%.[126]

The World Bank has found that 'state enterprises have close connections with the Chinese government. SOEs are more likely to enjoy preferential access to bank finance and other important inputs, privileged access to business opportunities, and even protection against competition.'[127]

While the commission does not consider that the presence of these entities alone causes market distortions, it does consider that the presence of these entities is likely to result in adherence with the GOC's plans and directives. The commission also considers that the support provided to these entities by the GOC has enabled many of them to be operated on non-commercial terms for extended periods, significantly impacting supply and pricing

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122 Amir Guluzade, published on the World Economic Forum website, *How reforms have made China's state owned enterprises stronger* (21 May 2020).

123 Asialink Business, Overview of China's economy, accessed 21 July 2020.

124 https://fortune.com/2019/07/27/ceo-daily-july-27-sino-saturday/.

125 Liu. H & Song. L, 2016, p.349.

126 Platts Steel Business Briefing (Platts), *Global Market Outlook*, January 2016, p.14. The commission recalls that the GOC declined to cooperate with the inquiry and did not respond to requests for updated information on the role and prevalence of SOEs in the HRC and zinc coated (galvanised) steel markets.

127 World Bank, China 2030: Building a Modern, Harmonious, and Creative Society, Report No 96299 (March 2013), p.25.

conditions within the domestic Chinese market.[128] The corollary of the various forms of support, which are described further below, is that the "normal commercial pressures for companies to operate efficiently and for poor performing firms to cut back or cease operations"[129] no longer apply, with an increase in "companies which are making losses or unable to service their interest payment obligations but can still obtain loans".[130]

An academic study found that "the share of loss-making enterprises was 51 per cent" in the steelmaking sector in 2015, and "[f]or some enterprises, the losses have even exceeded the sum of depreciation, wages and interest—yet these firms have continued production", and that "[t]hese enterprises can in fact operate into the long term while making continuous losses" through various forms of GOC support.[131] According to this study, the selling costs for almost half of the enterprises in China's steelmaking industry exceeded their selling prices in 2015.[132] This study also found that SOEs were far more likely than private firms to be sustaining operating losses over prolonged periods.[133]

Examples of the support mechanisms that enabled SOEs to sustain ongoing operational losses include government subsidies, support from associated enterprises (through direct subsidy, interest-free loans or provision of loan guarantees) and loans from state-owned banks.[134] As discussed in section B4.3, the record evidence indicates a prevalence of so-called "zombie" firms in the Chinese steel sector – that is, firms that sustained prolonged operating losses in the steel sector and yet have not entered liquidation nor restructured. Such firms can continue operating through these kinds of support mechanisms.

These loss-making firms have also faced barriers to entering bankruptcy or liquidation despite continuing to make sales at unprofitable rates. This is because of the particular incentive structures pertaining to SOEs. For instance, according to one of the studies considered by the commission, transfers of shares in SOEs were not valid unless approved by the State-owned Assets Supervision and Administration Commission (SASAC), which meant, in turn, that the "inability to transfer ownership results in the ability of SOEs to generate losses for a long period without fear of bankruptcy, including the ability to engage in anticompetitive practices such as below-cost pricing without fear of falling equity prices or bankruptcy".[135]

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128 Anti-Dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission August 2016* (Commissioner's Steel Report), p.47.
129 Commissioner's Steel Report, p. 59.
130 EC, *Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the Purposes of Trade Defence Investigations*, p. 252 (EC Report).
131 Liu. H & Song. L, 2016, p.343, 346, 349. The same has been found by various other studies. See, e.g., OECD Economic Surveys: China 2017, p. 40-41; EC Report, p. 253. In the GOC questionnaire, the commission requested contemporary information directly relevant to these issues, such as, inter alia, the "percentage of loss-making SOEs and SIEs in the HRC steel industry over the last 5 years" and details of "any support provided by the GOC to loss-making enterprises in the HRC steel sector". We recall that the GOC did not provide a response to the questionnaire.
132 Liu. H & Song. L, 2016, p.346.
133 Liu & Song, p. 345 and 347 and 349-350.
134 Liu. H & Song. L, 2016, p.348.
135 Duke Centre, *op cit* (172), p.26. The commission requested contemporary information pertaining to the process for transferring shares in SOEs and SASAC involvement in the GOC questionnaire. The GOC did not respond.

As another example, with respect to taxation, a study considered by the commission found that “[l]ocal governments receive the majority of their business tax revenues from a factory’s production, not on profit”, which incentivised local governments to deter bankruptcy.[136] Another academic study cited by the commission found that a “policy of ‘securing jobs’ has been deeply entrenched in the running of SOEs” such that “[l]eaders of SOEs as well as local governments have tended to tolerate losses rather than risk dismissing staff, which would generate an alternative—and noisier—problem on the social front”.[137] Given that steel mills are typically major employers, sources of significant tax revenue and providers of health care and education services within their respective regions, there are significant incentives for provisional and local governments to resist directives from the Central Government to remove excess capacity and to provide these producers with support to enable them to continue operating.[138] We recall, in this regard, the commission’s finding in section B4.3 that local governments have not fully implemented the central directives on capacity reduction and that the Central Government’s efforts on this point have had limited success to date.[139]

Rather, the commission considers the aforementioned support mechanisms have enabled certain firms in the Chinese steel sector, particularly SOEs, to be operated on non-commercial terms for extended periods, and have contributed to the rapid expansion of steel production capacity in the SOE segment, despite repeated attempts by the Central Government to reduce the scale of steel production. It is also the commission’s view that these support mechanisms have insulated recipient firms from ordinary price and profit signals[140] and hence have significantly contributed to the excessive investment in capacity, excess steel production, distorted prices and, at times, ongoing loss-making.

The significance of SOEs to the broader Chinese economy, including the steel industry, is also reflected in the State Council of China’s *Guidance on the Promotion of Central Enterprises Restructuring and Reorganisation* (the Guidance).[141] In introducing the Guidance, the State Council notes the important role of SOEs in actively promoting structural adjustment, optimisation of structural layout and quality improvement within the Chinese economy. The Guidance also indicates that the State Council will deepen reform of SOE policies and arrangements to optimise state owned capacity allocation, promote transformation and upgrading. Details concerning the promotion of central enterprises restructuring and reorganisation include the ‘safeguard measures’ theme, the strengthening of the organisation and leadership of SOEs, strengthening of industry guidance, increased policy support and improved support measures more generally.

In 2019, the GOC announced its intention to introduce a 3-year action plan on SOE reform, which reflects the continuation of the significance of SOEs to the Chinese economy.[142] The plan is designed to target mixed-ownership reform and strategic

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136 Duke Centre, *op cit* (172), p.29.

137 Liu. H & Song. L, 2016, p.351-352.

138 REP 301, p.58.

139 The commission also recalls that the GOC did not cooperate with the present inquiry and did not respond to the request for information of direct relevance to this issue (see sections B and C of the GOC questionnaire).

140 As explained in sections B4.4 and B4.6, this dynamic is also a result of adherence to GOC policy directives by both SOEs and private firms.

141 The State Council, notice advising the issuing of the guideline on reorganization of SOEs (July 2016).

142 The State Council, notice urging SOEs to increase profitability and deepen reform (July 2020).

restructuring in sectors including coal and electricity, steel and non-ferrous metal. In recent years, SOE reform has focussed on consolidation through mergers and acquisitions, which has (arguably) increased the state's presence in the market.[143]

The commission considers that in combination with slow, incremental policy reform and the GOC's economic and fiscal stimulus packages, the role of SOEs in general, involved in '…capital intensive sectors that produce intermediate but highly tradable goods with important linkages to other upstream and downstream economic activities, such as the mining, chemicals or even electronics sectors…'[144] provides a buffer to the Chinese steel industry from external market forces. Put another way, the available evidence suggests that decisions relating to the terms of transactions in the Chinese steel market are insulated from price signals.[145] This results in the anomalous circumstance whereby those SOEs '…operating in upstream sectors… provide inputs to steel companies at below-market prices and in preferable terms.'[146] The commission recalls, in this regard, that the major input into zinc coated (galvanised) steel is an upstream steel product, namely HRC. The analysis of HRC set out in section B5.2 below further confirms our conclusion in section B4.10 that HRC sales in China are being impacted by through a particular market situation.[147]

B4.6 The role of the GOC in private firms

In addition, the commission understands that while not expressly compulsory under law, private firms engage with the policies and objectives of the GOC by aligning their commercial interests with industry directives and where relevant, appointing party members on supervisory boards. Based on the available evidence, the commission finds that the decisions of such firms in the Chinese market are often based on GOC policy goals as opposed to properly functioning price signals. The commission also recalls that overcapacity arising from GOC influence impacts the market as a whole in ways that put downward pressure on prices, as do the unprofitable sales of firms (often SOEs) transacting at losses in the Chinese steel sector.[148]

B4.7 Direct and indirect financial support

Examples of specific support programs provided to Chinese steel producers by the GOC, as identified by the American Iron and Steel Institute and the Steel Manufacturers Association, include preferential loans and directed credit, equity infusions and/or debt-to equity swaps, access to land at little or no cost, government mandated mergers (permitting acquisition at little or no cost) and direct cash grants for specific steel construction projects.[149] Similar programs have been previously identified by the

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143 Hong, Y (2019), 'Reform of State-owned Enterprises in China: The Chinese Communist Party Strikes Back', *Asian Studies Review*, pp.332-351.

144 OECD Steel Committee, *State Enterprises in the Steel Sector* (20 December 2018), p.5.

145 Section C of the GOC questionnaire requested information relating the government involvement in setting prices in the zinc coated (galvanised) steel and HRC sectors, such as, inter alia, "[w]hat 'price regulation fund' regulations have applied to zinc coated (galvanised) steel and HRC since 1 July 2006?" The commission recalls that the GOC did not respond to this information request.

146 OECD Steel Committee, *State Enterprises in the Steel Sector* (20 December 2018), p.8.

147 For the avoidance of doubt, the particular market situation assessment relates to zinc coated (galvanised) steel as the goods under consideration. This assessment encompasses HRC as the main input into zinc coated (galvanised) steel.

148 See EC Report, pp. 358-360.

149 Duke Centre, *op cit* (172), p.25.

commission in respect of the Chinese steel industry. It is the commission's view that these programs have directly contributed to conditions within the Chinese steel industry during the inquiry period by providing direct financial support to recipient steel producers.

The commission notes that countervailable subsidies have been received by exporters from China (see **Non-confidential APPENDIX A**). These subsidies and tax concessions reduce the operating costs of Chinese steel enterprises, confer a competitive advantage through the ability to offer steel products at lower prices and increase the profitability of steel production.[150] Although subsidies affect specific exporters differently based on the level of subsidy they receive, subsidisation supports unprofitable producers, delaying or preventing their timely exit from the industry. As mentioned earlier, this is another reason that explains why sales of both upstream and downstream steel products in the Chinese market are made by suppliers that sustain ongoing operational losses and tolerate unprofitable terms. In effect, such support enables loss-making firms to continue selling steel products (including upstream steel inputs) into the market at rates that do not correspond to the cost of production for those products in China. These industry-wide effects are broader than the recipient-specific subsidisation that is the subject of countervailing duties.

B4.8 Taxation arrangements

The commission has previously identified evidence of export taxes and export quotas on a number of key inputs in the steel making process including coking coal, coke, iron ore and scrap steel in *Anti-Dumping Commission Report No 198*.[151] The commission found that these measures would keep input prices artificially low and create significant incentives for exporters to redirect these products into the domestic market, increasing domestic supply and reducing domestic prices to a level below what would have prevailed under normal competitive market conditions.

The GOC has traditionally operated, amongst other taxation arrangements, a VAT and a VAT rebate system for certain exported goods which has undergone incremental change. In 2018 and 2019, the GOC implemented a further series of VAT reforms, which included lowering the VAT rates paid, as described in the table below.

	Tier 1 VAT rate payable	Tier 2 VAT rate payable	Tier 3 VAT rate payable	Tier 4 VAT rate payable
Pre-1 July 2017	17%	13%	11%	6%
1 July 2017	17%	11%	6%	*Tier 4 revoked*
1 May 2018	16%	10%	6%	
1 April 2019	13%	9%		

Table 22: VAT rate reform in China 2017 to 2019[152]

Under the Chinese VAT system, VAT is paid on consumption of goods, including the inputs used in the production of steel. For goods produced and sold within China, the tax

[150] Commissioner's Steel Report, at www.adcommission.gov.au p.45.

[151] Concerning hot rolled plate steel exported from China, the Republic of Indonesia, Japan, the Republic of Korea and Taiwan, pp. 41-43.

[152] https://www.oecd.org/tax/consumption/status-of-the-vat-reform-in-the-peoples-republic-of-china-2018.pdf - 2019 rates verified for the goods in the investigation period.

is ultimately paid by the final consumers of the particular good '…and successive tax payers are allowed to deduct the VAT they pay on their purchases while they account for VAT they collect on the 'value added''.[153] Because it is difficult for exporters to pass on the input VAT tax to export customers, eligible steel exporters have traditionally been compensated for input VAT paid during the production process via the payment of VAT rebates.

Through altering the VAT rebates and taxes applied to steel exports, the GOC can alter the relative profitability of different types of steel exports compared to domestic sales. For example, by either reducing VAT rebates or increasing export taxes on steel exports, the GOC can reduce the relative profitability of exports to domestic sales and hence provide significant incentives for traditional exporters to redirect their product into the domestic Chinese market. By using these mechanisms to alter the relative supply of particular steel products in the domestic market, the GOC is also able to influence the domestic price for those products.

During the inquiry period (1 July 2021 to 30 June 2022), the applicable VAT rebate rates for exports of the goods was 13% for the month of July 2021, this resulted in applied VAT rates for exports of zinc coated (galvanised steel) of 0% for 1 month of the inquiry period. From August 1 2021 until the end of the period, all VAT rebates for zinc coated (galvanised steel) were removed, resulting in an effective VAT rate of 13% during July 2021. [154] Export taxes may apply to these goods, but in the absence of a response to government questionnaire (RGQ) from the GOC, the commission is unable to further comment on this issue.

B4.9 Competition in Chinese steel markets

The commission considers the GOC's involvement and influence over the steel industry to be a primary cause of the prevailing structural imbalances within both the broader steel industry and the HRC and zinc coated (galvanised) steel markets. The issuance of planning guidelines and directives along with provisions of direct and indirect financial support creates a domestic market that benefits domestic producers and supports inefficient enterprises, but does not support access and therefore competition from foreign producers. [155]

The commission acknowledges that China's supply side structural reform targets the structure of production, to make it more efficient and to balance the supply side of China's economy with the demand side.[156] It is a '…suite of policies focus[ing] on reducing distortions in the supply side of the [Chinese] economy and upgrading the industrial sector.'[157] China's steel industry has been a key focus of these policy reforms. However, as explained in sections B4.3 and B4.5, the commission considers these attempts to address existing structural imbalances have had limited success to date.

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[153] https://www.oecd.org/tax/consumption/status-of-the-vat-reform-in-the-peoples-republic-of-china-2018.pdf

[154] Platts, Market Insights, July 2021

[155] Support measures include stimulus programs, land and energy subsidies and soft lending policies; Duke Centre, *op cit* (172), p.24.

[156] https://www.rba.gov.au/publications/bulletin/2018/dec/chinas-supply-side-structural-reform.html

[157] https://www.rba.gov.au/publications/bulletin/2018/dec/chinas-supply-side-structural-reform.html

In short, the Chinese steel market is constructed such that preferential treatments, whether focussed at SOEs or not, create a situation of '…competition for factors of production…' rather than market driven competition based on price, service and value. [158]

The commission therefore considers that the GOC's historic and continued involvement in the Chinese steel industry, through its policies, planning guidelines, plans and directives, materially contributed to its steel industry's overcapacity, over supply and distorted structure during the inquiry period. It is the commission's view that these features have also limited foreign competition. When considered together, the state of affairs created by the GOC significantly affected the dynamics and price setting in the domestic market.

B4.10 Conclusion

Based on the evidence considered in sections B4.1 to B4.9 above, the commission reaches the following factual conclusions.

The Chinese steel market is characterised by firms, particularly SOEs, making unprofitable sales (including so-called "zombie" firms). This circumstance arises from overcapacity attributable to GOC policy interventions, as well as other forms of GOC influence, which collectively place downward pressure on prices in the Chinese steel market. Such firms – particularly SOEs – can sustain ongoing operational losses and to sell at unprofitable rates due to a suite of government support mechanisms and disincentives/barriers to entering bankruptcy.

The commission recognises that the GOC has taken steps to seek to reduce overcapacity and secure the exit of unprofitable firms (including so-called "zombie" firms), but the commission finds that those steps have been unsuccessful based on the available evidence.[159]

These factual findings relate to the Chinese steel market as a whole, including both upstream and downstream steel products. Moreover, based on the available evidence, the sales prices of firms sustaining ongoing operational losses have affected the market as a whole, particularly given the extent of SOE involvement in steel production. The commission finds that both SOEs and private firms operating in the Chinese steel market often make decisions on the terms of transactions based on GOC policy goals as opposed to properly functioning price signals.

These factual conclusions are made in the absence of an RGQ from the GOC. The commission sought a variety of information and evidence from the GOC, including information on GOC involvement and policies in the steel market generally and the zinc coated (galvanised) steel and HRC sectors in particular, the operation of price signals in these sectors, and GOC measures that may or may not be affecting these sectors. The GOC did not cooperate with this request for information. The GOC's non-cooperation in this regard limits the evidence available to the commission and constrained the

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[158] Dong Zhang and Owen Freestone, *China's Unfinished State-Owned Enterprise Reforms* (2013), Economic Roundup, The Treasury, Australian Government, issue 2, pages 79-102, December, at p.91.
[159] We recall, in this regard, that the GOC declined to furnish information that would be directly relevant to the commission's evaluation of this point, and the commission thus resorted to the information available.

commission's ability to verify whether transactions of HRC in China are market-determined (particularly considering record evidence to the contrary).

According to the available evidence, these factual conclusions apply to the HRC sector in particular.[160] Moreover, no evidence was presented to establish that differing conditions applied to the HRC sector in particular vis-à-vis the Chinese steel market as a whole. For completeness, the commission recall that the GOC was requested to respond to a series of questions concerning the zinc coated (galvanised) steel and HRC sectors specifically. The GOC chose not to respond. The commission notes that the analysis of HRC prices set out in section B5.2 below serves to corroborate the commission's factual conclusion in this section that HRC sales in China are characterised by downward price pressure attributable to GOC interventions and, relatedly, the non-functioning of price signals and unprofitable sales.

B5 GOC influence on the Chinese zinc coated (galvanised) steel market

The commission has found in the preceding section that the GOC exerts significant influence over the Chinese steel market, including the HRC market. This section further assesses the effect of that influence on HRC prices in China and therefore on the cost of the primary steel input feed in the manufacture of the goods by Chinese producers.

B5.1 Significance of HRC costs in the production of the goods

The commission has found that HRC is the major raw material input used in the production of zinc coated (galvanised) steel.

The commission has verified the HRC costs associated with the production of the goods and like goods during the inquiry period for participating producers. The commission found that coil costs represented a significant and broadly consistent proportion of the CTM of the goods and like goods. This is depicted in the table below.

Country of production	Percentage of total CTM made up by HRC	Percentage of raw material costs made up by HRC
Australia	79%	100%
China	92%	100%
Korea	91%	90%
Taiwan	95%	100%

Table 23: Raw material coil as a proportion of CTM of the goods[161]

The proportion of CTM represented by raw material costs for Australian producers is lower than that for Chinese, Korean and Taiwan producers primarily due to higher manufacturing overheads (including labour).

From its previous inquiries into zinc coated (galvanised) steel, the commission understands raw material prices are influential in setting selling prices for the goods and

[160] See, Anti-Dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission August 2016* (Commissioner's Steel Report), pp. 28-29 (see also EC Report, p. 366).

[161] Confidential Attachment 13 – HRC CTM analysis.

like goods, with lower raw material prices resulting in lower zinc coated (galvanised) steel prices.

Given the high cost proportion of HRC in the production of the goods and like goods and its influence on pricing decisions, the commission considers that HRC price has a significant impact on both the production cost and selling price of the goods and like goods.

B5.2 Comparison of raw material prices

As explained in section B2.2, one of the factors in assessing the existence of a particular market situation relates to whether input costs correspond to market conditions.

To recall, in section B4.10 the commission reached the conclusion, based on the available evidence, that:

- GOC influence in the steel market has deprived China's steel market of properly functioning signals. This applies to the steel market generally, and the HRC sector specifically, and
- There has, at times, been a prevalence of unprofitable sales in the steel market generally, and the HRC sector specifically, particularly by SOEs, which in turn affects the relevant markets as a whole.

Against that background, the commission undertook further inquiry to corroborate these findings regarding prices of HRC in China and, in turn, consider, whether they correspond to the cost of production in China, given the relevance of this matter as a factor in the commission's assessment of a particular market situation. The commission requested information from the GOC that may have assisted in designing a methodology and identifying a reliable proxy for the cost of production of HRC in China to test this.[162] The GOC's failure to cooperate with the inquiry in this regard led to an absence of verifiable record evidence pertaining to the cost of production of HRC in China.

The commission has thus drawn upon the available evidence to conduct its further inquiry into HRC prices in China.

As a result of previous cases and after considering the evidence before it for this inquiry, the commission considers that normal competitive market conditions, absent a particular market situation prevail in the Korean and Taiwanese domestic markets for HRC and that purchases of HRC in these markets are not influenced by prices in China.[163] The commission therefore considers that purchases of HRC in these markets are suitable for

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[162] For instance, the commission requested information on the export of HRC from China into international markets by value and volume, which could have enabled an assessment of prices achieved by Chinese HRC producers (and hence their production costs) in markets unaffected by GOC influence. The commission also asked "[w]hat 'price monitoring' has applied to HRC and the goods since 1 July 2006", what GOC measures applied to "the regulation of the price of the goods, or any of the raw materials used to manufacture those products", and "how purchase prices of raw material inputs] are determined/set for the entity" in question. The commission requested information on a suite of other aspects that would have assisted this aspect of the inquiry.

[163] See REP 521 available on the commission's website.

comparison with purchases of HRC in China to quantify the effect of the particular market situation on Chinese prices during the inquiry period.

The commission was provided with the raw material purchase data for the Chinese exporter Dingxin covering the inquiry period. The commission notes that Dingxin sourced 100% of HRC used in the manufacture of the goods from Chinese steel mills.

The co-operating zinc coated (galvanised) steel producers in Korea and Taiwan sourced both domestically produced and imported HRC, with imported HRC coming from a range of sources.

HRC from China accounted for a minor portion of the HRC purchases by KG Dongbu, the co-operating zinc coated (galvanised) steel producer in Korea. In conducting the following analysis, the commission has excluded these HRC purchases to identify HRC prices in Korea that are, to the extent possible, not influenced by HRC prices from China.

Based on the data received from co-operating exporters, Taiwanese exporters did not purchase HRC from China during the inquiry period.

The commission compared the monthly weighted average price paid by the Chinese exporter for HRC (as it was the only raw material common across all exporters and represented the greatest volume) in the inquiry period with prices paid by Korean and Taiwanese exporters. The weighted average monthly price for HRC was calculated in RMB/MT, delivered.

As all pricing data used by the commission in its analysis was reported in the relevant local currency, the commission has converted and compared prices in USD. The commission performed a currency fluctuation analysis as part of this process to examine whether any such fluctuations may have distorted its price comparisons.

As the currency conversion has been made on an average monthly exchange rate, the commission has not undertaken an assessment for short-term (i.e. on a daily basis) currency fluctuations. However, the commission has assessed whether there has been a sustained currency fluctuation experienced between the USD and any of the local currencies used. The figure below depicts monthly movements in the exchange rate for each of the relevant currencies to the USD.

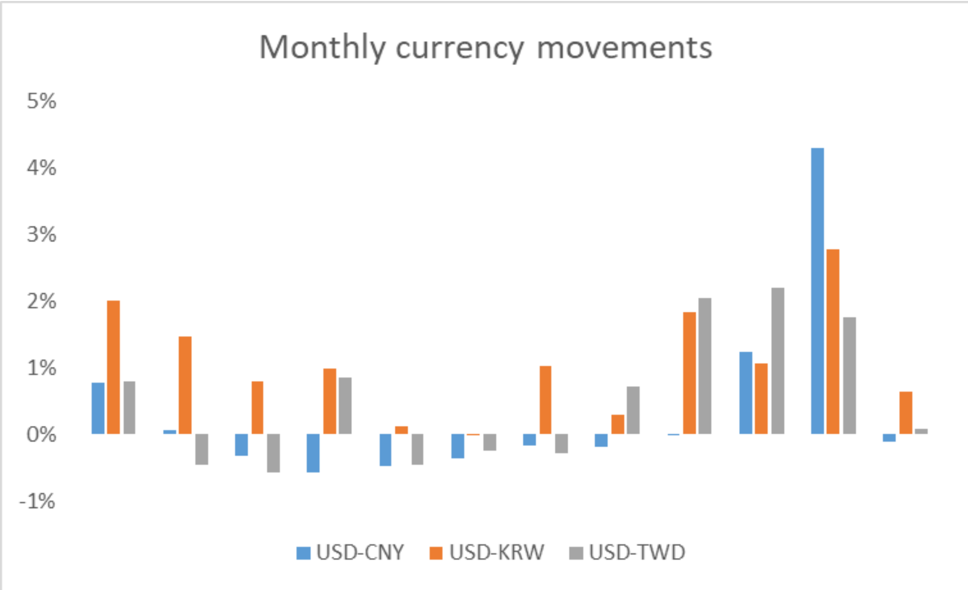

Figure 21: Monthly currency movements during inquiry period[164]

The currencies with the greatest monthly movement against the USD are the Korean won (KRW) however the analysis showed no cumulative movement of greater than 5% over any two consecutive months. The commission considers a fluctuation equal to or greater than 5% over an 8 week period to constitute a sustained currency movement. Accordingly, as there appears to have been no sustained currency fluctuation over the inquiry period, the commission is satisfied that a USD comparison between prices will provide a result undistorted by currency movements.

The figures below depict the monthly price of HRC over the inquiry period for Dingxin and the benchmark price based on Korean and Taiwanese exporter data.

[164] Confidential Attachment 14 – Currency fluctuation analysis.

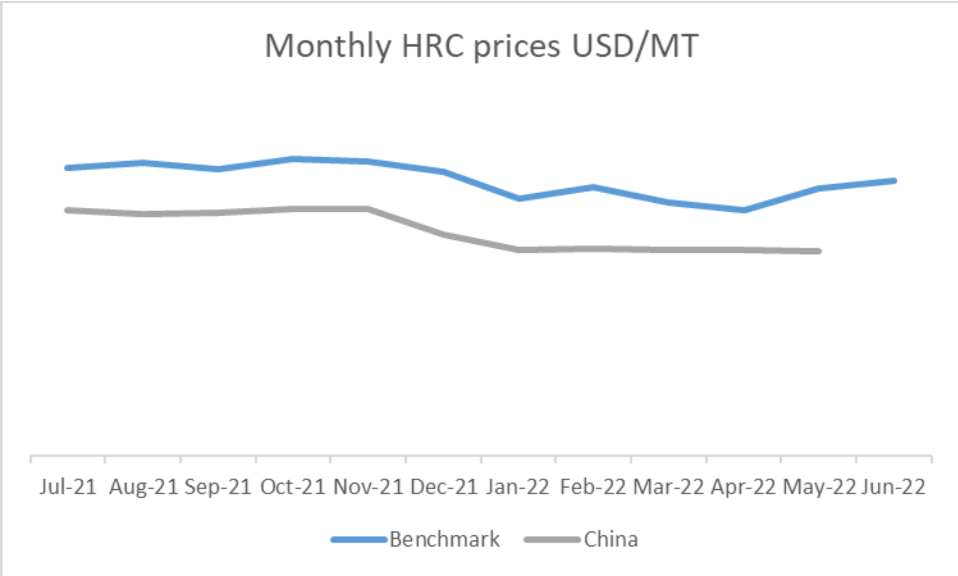

Figure 22: Monthly HRC prices

In every month, the Chinese price for HRC was lower than the benchmark price for HRC.

This analysis is in **Confidential Attachment 15**.

To gain a broader understanding of the Chinese HRC market, the commission has also examined benchmark pricing data provided by MEPS, an international independent supplier of steel market data and information.[165] The figure below depicts the monthly price of HRC over the inquiry period as reported by MEPS for China, Korea and Taiwan.

[165] The commission has a subscription service with MEPS for the provision of such data.

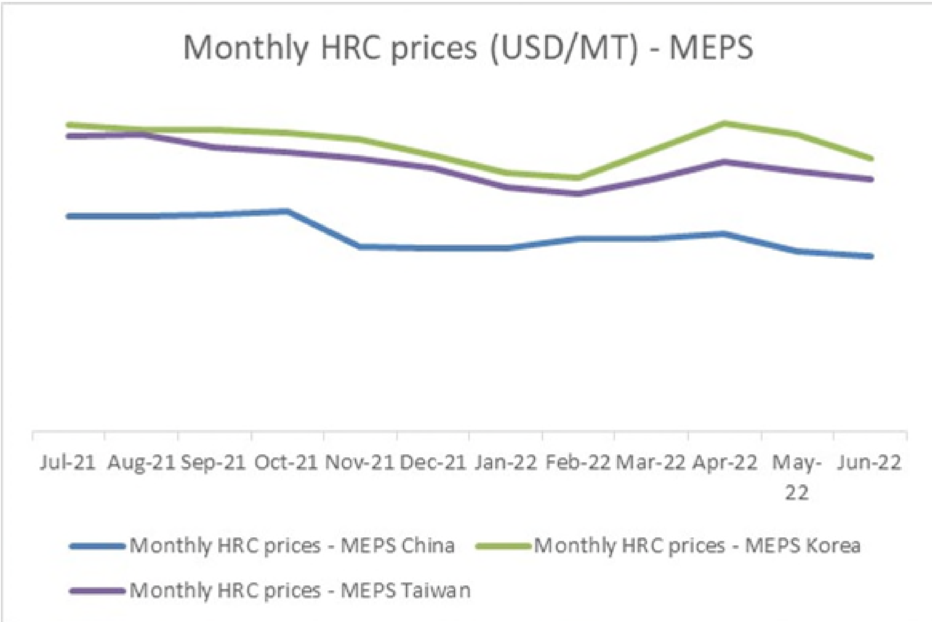

Figure 23: MEPS monthly HRC prices (USD/MT)[166]

The figure shows that HRC prices in China are consistently lower than equivalent prices for HRC purchased in Korea and Taiwan. The commission considers that the difference between prices represents, to a not insignificant degree, the GOC influences and distortions on HRC prices in the Chinese domestic market. This, in turn, corroborates the commission's conclusion in section B4.10 with respect to the HRC sector specifically. That is, based on the available evidence, the level and nature of the downward price pressure arising from GOC influence in the steel market is such that those prices do not reliably correspond to the cost of production in China.

B6 Conclusion

Considering all the information before the commission, it is the commission's view that a particular market situation existed in respect of the domestic market for zinc coated (galvanised) steel in China for the inquiry period which may result in domestic sales in China being found not suitable for determining a normal value for cooperating exporters under section 269TAC(1).

In particular, the commission is satisfied that the presence of a particular market situation affects the Chinese market for the goods, primarily through the distortion of HRC prices as the principal raw material cost. Purchase prices of HRC in China are not reflective of market conditions because, based on the available evidence, they are not the result of properly functioning profit and price signals. They are therefore not a reliable indication of the cost of production of downstream products in China.

Whether the particular market situation in respect of the domestic market for zinc coated (galvanised) steel in China has resulted in Chinese domestic sales being not suitable for

166 Confidential Attachment 16 – Raw materials MEPS analysis.

determining a normal value under section 269TAC(1) is discussed in **Non-confidential APPENDIX C.**

APPENDIX C PROPER COMPARISON OF DOMESTIC AND EXPORT PRICES

C1 Introduction

Where a particular market situation is found, pursuant to section 269TAC(2)(a)(ii), the commission must also consider whether, because of the situation in the market of the country of export, sales of like goods in that market are not suitable for determining a price under section 269TAC(1).

As a particular market situation has been found in respect of the domestic market for zinc coated (galvanised) steel in China for the inquiry period, the commission has examined whether goods in that market are suitable for determining the normal value of the cooperating Chinese exporter, Dingxin, under section 269TAC(1).

C2 Approach to proper comparison

In order to assess whether sales are suitable for the purposes of section 269TAC(1), the commission's approach to assessing proper comparison considers the relative effect of the particular market situation on both domestic sales and Australian export sales. If there is a finding that the particular market situation does not equally affect domestic sales and export sales, such a finding may render domestic sales not suitable for the purposes of section 269TAC(1).

The commission considers this approach consistent with Australia's obligations under the Anti-Dumping Agreement[167] and the WTO Panel's interpretation of these obligations set out in DS529.[168]

When assessing the relative effect of the particular market situation on domestic prices and export prices, the commission has compared the existing relationships between price and cost in the domestic market and export market of the exporting country. The prevailing conditions of competition in each market will define these relationships. This has involved an examination of:

- the relationship between raw material costs and the domestic prices and Australian export prices for the goods for each relevant producer of the goods and like goods
- the domestic market conditions (the particular market situation) leading to those costs and prices
- export market conditions.

The commission considers that the relationship between cost, price and competition will provide insight into the effect of the particular market situation in the country of export (domestic prices) and Australian markets (export prices). In turn, it will provide insight into whether a proper comparison is permitted between domestic prices and Australian export prices.

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167 https://www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm
168 https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds529_e.htm

In particular, the commission has undertaken:

- a *quantitative* assessment of prices, noting that '…a purely numerical comparison between the two prices may not reveal anything about whether the domestic price can be properly compared with the export price'[169]
- a *qualitative* assessment of prices, to '…focus on how the particular market situation affects that comparison'.[170]

This approach assesses both the effect of the particular market situation on domestic and export prices. This is because while '…a particular market situation may have an effect on both domestic and export prices, it does not follow that the impact on domestic and export prices will be the same'.[171]

C3 Examination of Australian conditions of competition

C3.1 Market structure

Chapter 5 of this report discusses the Australian market for zinc coated (galvanised) steel. In summary:

- Australian industry and imports from other countries supply the Australian market, selling it directly to customers or through local distributors.
- Australian industry supplies the greatest volume in Australia, with China, Korea and Taiwan supplying significant volumes, along with other countries not subject to measures.
- Australian produced goods and the imported goods have similar end uses, meet similar quality specifications and standards, are sold to the same types of customers and compete directly with each other in the same markets.
- Demand for zinc coated (galvanised) steel is closely aligned to domestic economic performance, and is therefore susceptible to changes in both government and private investment.

The commission considers the Australian market for zinc coated (galvanised) steel is a competitive market, characterised by a large number of suppliers and customers engaging in commercial negotiations.

C3.2 Raw material

The major raw material used in the production of the goods in Australia is HRC.

From its previous inquiries into HRC, the commission understands that price is generally the main factor that influences an Australian customer's purchase decision for HRC. Australian producers of HRC set their price based on an import benchmark pricing strategy where known import offers in the Australian market are used to determine the level at which it sets its selling price.[172]

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[169] DS529 – para. 7.75.
[170] DS529 – para. 7.75.
[171] DS529 – para. 7.76.
[172] REP 594, chapter 5.3.

Australian produced HRC competes with imported goods mostly at the wholesale or distribution level of trade. These customers then on-sell the HRC to end users or other resellers, predominantly in the general manufacturing and pipe and tube industry.[173]

C3.3 Import penetration in the Australian market

The commission examined the ABF import database to identify exporters and importers of zinc coated (galvanised) steel during the inquiry period. The commission observed that during the inquiry period:[174]

- the goods were exported to Australia from 13 countries by over 70 unique exporters, with 37 exporters from China, 13 exporters from Korea and 6 from Taiwan.
- Over 60 unique importers were identified as having imported the goods
- imports accounted for 25% of sales volume in the Australian market
- of these imports, Chinese imports accounted for 9% of sales volume, Korean imports 44% and Taiwanese imports 35%.

The presence of a single Australian producer of the goods and a number of importers with material import volumes from numerous countries indicates to the commission that the Australian market for zinc coated (galvanised) steel can be characterised as having a high level of import penetration contributing to a highly competitive market for the goods between participants.

C4 Examination of Chinese conditions of competition

C4.1 Market structure

The commission sent the GOC a questionnaire at the beginning of the inquiry requesting information, among other things, in relation to the zinc coated (galvanised) steel market in China. The commission did not receive a response to this questionnaire.

Dingxin provided limited information in relation to the zinc coated (galvanised) steel market in China. In the absence of contrary information, the commission considers that the most recent analysis of the Chinese market for the goods from Review 521 remains relevant.[175] It found that in the Chinese domestic market, Chinese zinc coated (galvanised) steel producers operate under market conditions which differ from those of exporters in other subject countries and that of the Australian industry. Specifically, the market situation in China reduces production and selling risks for producers and reduces input costs across all production. This lowers the zinc coated (galvanised) steel prices throughout the market, such that prices reflect the lowered marginal cost of the HRC input. In this way, the market situation directly affects the zinc coated (galvanised) steel prices.

[173] REP 594, chapter 5.2.1.
[174] Confidential Attachment 1 – Australian Market.
[175] REP 521, section 4.4.3

C4.2 Raw material

From the data provided to the commission during verification, the major raw material used in the production of the goods in China is HRC and variants of HRC, purchased from Chinese suppliers.

The commission was provided with the raw material purchase data for the co-operative Chinese exporter, Dingxin. The commission compared the monthly weighted average price paid by Dingxin for HRC with the monthly HRC benchmark based on verified Korean and Taiwanese exporter data. The commission also compared the monthly HRC MEPS benchmark for China, Korea and Taiwan – see Figure 22 and Figure 23 in Appendix B5.2.

The commission also compared the raw material costs paid by Chinese exporters with that of Australian industry. This is depicted in the figure below.

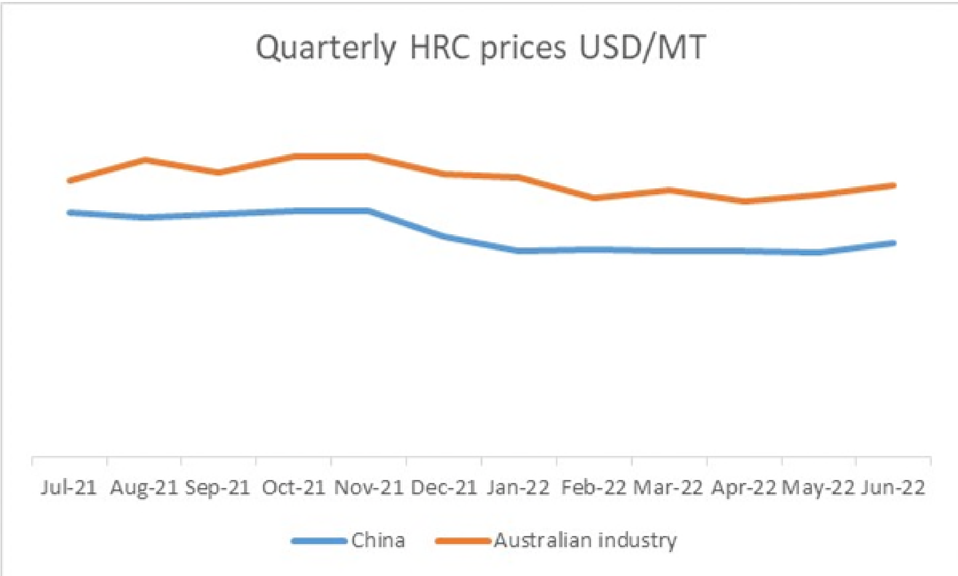

Figure 24: Quarterly HRC price comparison[176]

From these datasets, the commission has observed that in relation to the inquiry period:

- based on exporter data, HRC prices paid by Chinese exporters are generally lower than prices paid by other Korean and Taiwanese exporters
- based on MEPS HRC prices, HRC prices in China are consistently lower than equivalent prices for HRC purchased in Korea and Taiwan
- Dingxin's HRC purchase prices are consistently lower than Australian industry purchase prices.

Considering the HRC price information available to it, the commission considers that Chinese manufacturers of the goods generally have access to lower priced raw material inputs relative to Korean, Taiwanese and Australian manufacturers. The commission considers the Chinese domestic market conditions lead to lower prices for HRC due to the distortions in the Chinese market, as discussed in **Non-confidential APPENDIX B**.

[176] Confidential Attachment 15 – HRC price analysis.

C4.3 Import penetration in the Chinese market

The commission examined the ABF import database and noted there were more Chinese exporters of the goods than exporters from any other country. Chinese exporters made up more than a half of all exporters listed in the ABF import database, and 66% of exporters from the subject countries. Given the relative size of Australia's customer base compared to China's, the commission considers the number of Chinese manufacturers supplying the Australian market would represent only a small portion of all Chinese manufacturers.

As noted in section 9.4.4, the commission considers that excess production capacity exists in the Chinese domestic market.

The commission considers that, due to the number of Chinese producers supplying the Chinese market, and based on the lower cost of raw material inputs available to those producers, relative to comparable international benchmarks absent of a particular market situation, there would appear to be a competitive disadvantage in respect of the importation of the goods into China.

Dingxin in its REQ stated that the market in the past five years has been generally stable, however the overall market declined sharply in 2021.

Accordingly, based on the information before the commission, albeit limited, it appears on balance that import penetration in the Chinese market for the goods was low in the inquiry period, relative to the Australian market.

C5 Relationship between price and cost – China

The commission considers that Chinese producers supplying zinc coated (galvanised) steel to the Chinese domestic market operate under unique market conditions that differ from those in other countries, including in Australia. Specifically, the particular market situation in China reduces costs across all production due to lower raw material costs.

From analysis of the cooperative exporter's records, the commission found that raw material costs affected the CTM for both domestic and exported goods equally. During verification, the commission found that the cooperating Chinese exporter used the same facilities, raw material inputs and manufacturing processes to manufacture zinc coated (galvanised) steel into the Chinese domestic market as that exported to Australia, with raw materials accounting for the majority of the total CTM.

The commission compared the HRC costs for zinc coated (galvanised) steel produced for sale on the domestic market by the cooperating exporter against the HRC costs of zinc coated (galvanised) steel produced for export to the Australian market. The commission observed only marginal difference in costs between goods produced for domestic consumption and those produced for export to Australia.

C5.1 Chinese domestic prices

The commission was unable to compare domestic selling prices for the goods across different Chinese manufacturers as only one Chinese manufacturer cooperated with this inquiry.

Nonetheless, from the evidence before it from the questionnaire response and from previous reviews into these goods, the commission is satisfied the Chinese domestic market for zinc coated (galvanised) steel consists of a number of producers that compete with each other. As a result of this environment for the goods, the lower raw material costs attributable to the particular market situation directly affect zinc coated (galvanised) steel prices, such that the prices are lower than they would otherwise have been.

This relationship defines the conditions of competition in China. The effect of the particular market situation on the domestic sales prices in China does not result in any competitive advantages or disadvantages between domestic producers selling in the domestic market as it modifies the conditions of competition in a consistent manner for all market participants.

Therefore, the commission considers that Chinese producers have little flexibility with respect to price setting for sales of zinc coated (galvanised) steel in their domestic market.

C5.2 Chinese export prices

The commission has relied upon import prices available from the ABF import database to undertake its analysis of the relationship between raw material costs and export prices.

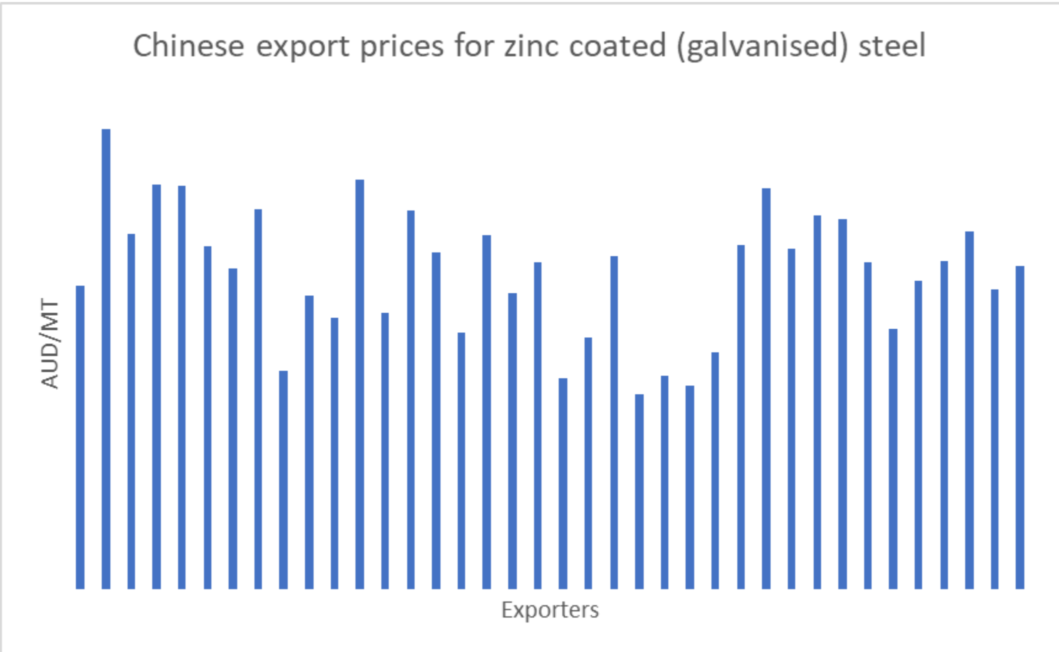

Figure 25: Anonymised Chinese weighted average FOB export prices into Australia over the inquiry period[177]

Figure 25 shows significant price variability in pricing by Chinese manufacturers in the Australian market.

[177] Confidential Attachment 17 – China export price analysis.

The commission also notes its observations in chapter 9.6.2, repeated below:

- the Australian market for the goods was characterised by significant levels of direct competition between Australian industry and imports from multiple sources and are sold to the same types of customers and compete directly with each other in the same market segments.
- selling prices of the imported goods from the China undercut Australian industry prices.

C5.3 Relationship between price and cost conclusion

Based on the above analysis, the commission considers that:

- there is a market which is internally competitive between domestic participants in China where no competitive advantage is derived by any individual manufacturer as the reduced production costs resulting from the situation in the market benefits all producers
- the Australian market is a competitive market. The commission considers variability of pricing between Chinese manufacturers supplying to the Australian market is indicative of a competitive advantage attributable to the particular market situation, which allows Chinese exporters to engage in pricing strategies in the Australian market which achieve either:
  - higher margins than the margins attainable on the sale of the same goods on the domestic market
  - increased sales volumes by through undercutting Australian industry
  - a combination of higher margins and increased sales volumes resulting from undercutting.

C6 Conclusion

The commission’s analysis indicates that the relationship between price and cost and the prevailing conditions of competition in China is different in comparison to the relationship between price and cost and the prevailing conditions of competition in Australia. Specifically, the effect of the particular market situation in China is a decrease in input costs across all production that results in a lower level of competitive pricing throughout the market in China. This relationship defines the conditions of competition in China.

Based on the information before the commission, on balance, the effect of the particular market situation on the domestic sales prices in China does not result in any competitive advantages or disadvantages between market participants, being Chinese producers. In other words, while there may be competition between Chinese producers based on manufacturing efficiencies and other factors (no evidence of which was presented to the commission during the inquiry), the particular market situation nonetheless modifies the conditions of competition in a consistent manner for market participants.

In Australia, where no particular market situation or input cost decrease exists, competitive pricing prevails at a higher level. Higher production costs for those participants producing without the benefit of a particular market situation establishes a higher minimum threshold for competitive prices. Under these circumstances, the effect of the particular market situation in China on the price of Chinese zinc coated (galvanised) steel sold into the Australian market results in competitive advantages and disadvantages between market players.

Specifically, Chinese exporters enjoy a cost advantage that manifests as an increased margin at the prevailing level of competitive pricing in the Australian market, a lower export price that undercuts the Australian industry pricing, or a combination whereby the Chinese manufacturer can enjoy a higher margin while still undercutting Australian industry. In other words, the effect of the particular market situation on export price is to modify the conditions of competition in Australia to the benefit of Chinese exporters and, to the extent that benefit manifests as a low price, to the detriment of Australian manufacturers. Thus, the relative effect of the particular market situation on domestic and export prices is different in the relevant markets.

In the present inquiry, the commission considers that the evidence discussed in this chapter indicates that sales in the domestic Chinese market are not suitable for determining a normal value for cooperating Chinese exporters pursuant to section 269TAC(1) because the price of such sales do not permit a proper comparison with the export price of the goods exported to Australia.

APPENDIX D CONSTRUCTED NORMAL VALUES – CHINA

D1 Applicable legislation, policy and practice

Where the Minister is satisfied that a normal value cannot be determined under section 269TAC(1), as is the case in this inquiry for Dingxin from China, section 269TAC(2)(c) provides that the normal value is:

> *… the sum of:*
>
> - *such amount as the [Minister] determines to be the cost of production or manufacture of the goods in the country of export; and*
> - *on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export—such amounts as the [Minister] determines would be the administrative, selling and general costs associated with the sale and the profit on that sale*

As required by sections 269TAC(5A) and 269TAC(5B), the construction of normal values under section 269TAC(2)(c) must be in accordance with the Regulation.

In constructing normal values, section 43(2) of the Regulation requires that the Minister must work out the cost of production or manufacture using the information set out in the exporter or producer's records if:

- an exporter or producer of the goods keeps records relating to the goods that are in accordance with GAAP in the country of export, and
- those records reasonably reflect competitive market costs associated with the production or manufacture of like goods.

In determining whether costs reasonably reflect competitive market costs associated with the production or manufacture of like goods, the commission will determine whether those costs reasonably reflect the costs associated with the production or manufacture of like goods and are competitive market costs suitable for the purpose of constructing normal values.

The commission may determine, pursuant to section 43(2) of the Regulation, that while costs may be in accordance with GAAP and may reasonably reflect the costs associated with the production or manufacture of the like goods, being the costs actually incurred by the exporter or producer, the costs may not be a competitive market cost. In those circumstances, the commission's investigation into the cost of production or manufacture under section 269TAC(2)(c)(i) continues. Neither the Act nor Regulation prescribe a particular method for the Minister to determine the cost of production or manufacture under section 269TAC(2)(c)(i) where the exporter or producer's records do not satisfy section 43(2) of the Regulation, nor do they limit the data that the Minister may use in this regard. Nonetheless, the factual conclusions reached by the commission as part of its assessment under section 43(2) of the Regulation – and, indeed, when examining the existence of a particular market situation – may be relevant to the assessment of whether the investigated exporter or producer's records correspond to the 'cost of production in the country of export' under section 269TAC(2)(c)(i).

Where, following a consideration of the available evidence, including the exporter or producer's records, a surrogate value from a country other than the country of export is used to adjust an exporter or producer's records to determine the cost of production or manufacture of like goods in the country of export under section 269TAC(2)(c)(i), the commission considers the available evidence pertaining to any comparative advantages or disadvantages applicable to exporters or producers in the country of export.

D2 Establishing normal values

The commission notes that, in accordance with section 269TAC(3A), the Minister is not required to consider working out the normal value of goods under section 269TAC(2)(d) before working out the normal value of goods under section 269TAC(2)(c). Where section 269TAC(1) is not available, the commission's policy preference, as outlined at chapter 10 of the Manual, is to construct normal values under section 269TAC(2)(c), in the first instance, when cost data of exporters is available.

When considering whether it is preferable to use the price paid or payable for like goods sold by the exporters to a third country, pursuant to section 269TAC(2)(d), the commission must be satisfied that it is an 'appropriate third country'. The commission has regard to the following factors, to determine whether any such third country is 'appropriate':[178]

- whether the volume of trade from the country of export to the selected third country is similar to the volume of trade from the country of export to Australia, and
- the nature of the trade in like goods between the country of export and the selected third country is similar to the nature of trade between the country of export and Australia (in considering 'nature of trade' such things as the level of trade in a third country may be relevant).

In this case, the commission considers that the information provided by Dingxin in its REQ does not provide a precise or granular level of detail to determine whether a third country would be appropriate and to undertake the calculations required to determine a normal value.

Consequently, the commission has constructed normal values under section 269TAC(2)(c) for Dingxin, and has done so in accordance with sections 43, 44 and 45 of the Regulation, relevant aspects of which are outlined below.

D3 The records of Dingxin

The commission is satisfied that Dingxin kept records in relation to the production of like goods. Further, the commission is satisfied that Dingxin's records are in accordance with GAAP in China and reasonably reflect costs associated with the production of like goods, being that they reflect the costs actually incurred by Dingxin.

Additionally, the commission assessed whether the costs of production as reported in Dingxin's records reasonably reflect competitive market costs suitable such that the

[178] The Manual, page 51.

commission is required by section 43 of the Regulation to use the records for constructing a normal value.

The commission highlights that Dingxin's records for the production of like goods include the following items:

- raw materials, being HRC
- other materials
- direct labour
- manufacturing overheads

The vast majority of the Dingxin's overall costs of production relate to HRC, representing approximately 92%. HRC costs therefore are most relevant the commission's assessment of whether Dingxin's records reflect competitive market costs. The commission has examined in **Non-confidential APPENDIX B5.2** the degree to which the particular market situation impacts on HRC prices in the Chinese domestic market.

Noting the commission's finding that a particular market situation exists in respect of like goods in China, the commission compared Dingxin's recorded HRC costs to a competitive international benchmark unaffected by the particular market situation. The purpose was to assist the commission's determination of whether Dingxin's recorded HRC cost is a competitive market cost.

The commission has established the competitive international benchmark based on HRC prices provided by Korean and Taiwanese exporters during the inquiry. From previous cases, the commission considers that normal competitive market conditions prevail in the domestic markets for HRC in Korea and Taiwan. HRC costs in China do not influence purchases in these markets.[179]

The commission considers that the difference between the HRC prices for Korea and Taiwan and Dingxin's recorded HRC cost is an indicator of the level of distortion of HRC cost in China caused by the particular market situation.

The commission considers that the competitive international benchmark is indicative of a competitive market cost unaffected by the same particular market situation in respect of the like goods in China. The competitive international benchmark indicates that the HRC cost in such a competitive market, after allowing for differences that might affect the comparison, were materially higher during the inquiry period than the HRC cost recorded in Dingxin's records.

The commission considers that the HRC cost in the records of Dingxin reflect the impact of the particular market situation to a degree that is not insignificant. The commission considers that the programs and policies of the GOC together with the other interventions in the steel market have lowered the price and cost of HRC in China. This induced and allowed producers of the goods and like goods in China, including Dingxin, to produce and supply more like goods at a lower price point than otherwise possible.

[179] See REP 521 available on the commission's website.

The commission considers that this lowered price of HRC in Dingxin's records do not reflect competitive market prices but rather reflect market conditions that are not normal and ordinary.

The commission is therefore satisfied that while the HRC cost recorded in Dingxin's records may reasonably reflect the costs associated with the production or manufacture of the goods, because of the particular market situation, they do not reasonably reflect competitive market costs associated with the production or manufacture of the goods. The commission therefore finds, as a factual matter, that the circumstance stipulated in section 43(2) of the Regulation is not enlivened. Dingxin's recorded costs for HRC do not reasonably reflect competitive market costs.

Turning to section 269TAC(2)(c)(i), the commission considered whether it was appropriate to rely on Dingxin's purchase prices of HRC to form part of the cost of production of zinc coated (galvanised) steel in China. In that regard, the commission recalls its finding of a particular market situation in **Non-confidential APPENDIX B**, which pertained specifically to matters affecting HRC prices in China. Given that the particular market situation finding for zinc coated (galvanised) steel turned on HRC prices, the commission considers that relying on the price paid by Dingxin for HRC to construct the normal value would undermine the very basis for having recourse to a constructed normal value in the first place. Put another way, the use of Dingxin's recorded HRC costs would reintroduce the very factors that warranted the commission's decision to construct the normal value. Such an approach would be counter to the commission's decision to have recourse to constructing the normal value on the basis of the particular market situation found to be present in this case.

With respect to HRC prices, therefore, the commission considers Dingxin's records unsuitable in determining the cost of production of zinc coated (galvanised) steel in China for the purpose of constructing normal value. The commission thus considers it necessary to adjust the costs for HRC in Dingxin's records in order to determine the cost of production of zinc coated (galvanised) steel in China under section 269TAC(2)(c)(i).

The commission has not adjusted any of the other items recorded in Dingxin's cost of production.

D4 Calculation of the raw material cost adjustment

Consistent with the adjustment method followed in REP 190 and subsequent cases (including, most recently, REP 521), the commission has used the verified HRC purchases in this inquiry period from cooperating zinc coated (galvanised) steel exporters in Korea, and Taiwan. The commission has determined the adjusted HRC cost for Dingxin by comparing the above competitive international benchmark cost to actual costs, and applying the resulting variation as an adjustment to its records.

Specifically, the commission calculated an adjustment for each quarter based on the difference between:

- a benchmark HRC cost for each quarter (based on monthly HRC price data for Korean and Taiwanese exporters examined in the inquiry), and
- Dingxin's actual HRC cost for each quarter (based on the weighted average of actual prices paid by Dingxin to its HRC suppliers in that quarter).

The commission has excluded Chinese originating HRC, imported HRC and HRC from other unknown sources, from its calculation of competitive HRC costs, so as to minimise the risk that these costs have also been impacted by GOC influence. This approach is consistent with REP 190.

The commission used the aforementioned benchmark because it represented the most suitable recorded evidence available. The commission recalls, in this regard, that the GOC declined to respond to requests for information and evidence of direct relevance to these points, which in turn limited the information before the commission in the inquiry. It is in that context that, given that the benchmark pertained to HRC prices outside of China, the commission considered whether the available evidence demonstrated that adjustments were warranted to reflect any comparative advantage or disadvantage applicable to Chinese HRC producers. The commission's consideration in this regard was to ensure that the benchmark values would, to the extent practicable in light of the available evidence, correspond to the 'cost of production in the country of export' under section 269TAC(2)(c)(i).

The available evidence did not support the making of such adjustments. First, the commission has not identified, and no interested party has submitted, evidence that would have substantiated or facilitated the making of any comparative advantage or disadvantage adjustment in this regard. Second, the data available did not permit the disaggregation of HRC prices into constituent elements that would enable discrete aspects of comparative advantage or disadvantage to be distilled, quantified, and adjusted. Against that background, despite considering the merits of adjustments to reflect comparatives advantages and disadvantages, the commission had no basis to do so in the circumstances of the present case.

Confidential Attachment 18 provides the commission's benchmark analysis.