

20 November 2023

Director
Investigations 4
Anti-Dumping Commission
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Dear Sir/Madam

Investigation No. 632 – Continuation of measures investigation – Railway Wheels from P R China and France – Submission by Government of China

We refer to the submission by the Government of China (“GOC”) of 27 October 2023.

I. Comment

Commonwealth Steel Company Pty Ltd (“Comsteel”) is in disagreement with the Government of China’s (“GOC”) general comments relating to the *“facts and realities repeatedly reiterated by the GOC indicating the absence of mandatory government intervention”*. The Anti-Dumping Commission (“the Commission”) was satisfied *“that the government influence by GOC in the steel and steel input markets in China is such that the costs.....in the production of railway wheels were not determined in a competitive market.”*¹

The information available to the Commissioner supports a finding that the GOC’s influence does distort production costs in the steel and steel input industries in China. Comsteel is aware of the recent representations of the American Iron and Steel Institute (“AISI”) that responded to a request by the Office of the United States Trade Representative (“USTR”) in respect of the GOC’s compliance with commitments provided on China’s accession to the World Trade Organisation (“WTO”) in 2001.

In short, the AISI stated in its submission to the Office of the USTR² that:

“There is a broad, international consensus, based upon an overwhelming amount of evidence, that China has largely abandoned its policy of liberalizing its economy and instead continues to adhere to a policy of state capitalism that is antithetical to the principles of free and fair trade.”

¹ Report No. 466, Section 6.5.1, P 24.

² American Iron and Steel Institute submission to Office of United States Trade Representative, 20 September 2023, P 1-2.



And further,

“ASI strongly urges the Biden administration to take action to hold China accountable for its trade-distorting policies and practices by reinforcing the trade actions taken by the previous administration that aimed to counter China’s export-driven economic policies that adversely impact U.S. steel makers.”

The trade distortions referenced by ASI are the same distortions validated by the Commissioner in Report 466. The Commissioner is not a lone voice in identifying the trade-distortive policies and practices of the GOC. These policies and practices have been confirmed by other jurisdictions investigating steel exports from China (including, not limited to, Canada, Brazil, Mexico, European Union, United Kingdom).

The impact of the GOC’s influence on production costs and prices in the China steel and steel input prices is central to the issue of whether competitive market conditions exist free of distortion. In the absence of GOC influence, steel input prices (and consequent steel prices) would be higher than they otherwise are.

Comsteel considers the Commissioner’s findings in Report No. 466 continue to be relevant in 2023 as it is apparent (including in other jurisdictions) that the GOC has not altered its trade influencing policies and practices that were evident in the original investigation period in Investigation No. 466 (“Invest 466”).

II. Government influence

The GOC contends that as the Commissioner determined *de minimis* subsidy margins for the Chinese exporter Masteel (i.e. negligible) that the GOC policies would therefore have little impact on the costs and selling prices of railway wheels in China. The GOC does not consider that the impact of the policies identified as negligible distort the market for railway wheels.

Comsteel strongly disagrees. The impact of GOC interventions is such that the distortions suppress Chinese costs and selling prices. It is only when contrasted with external (to China) steel input costs is it evident as to the GOC’s influence and distortions on those costs and prices.

The GOC also argues that the comparison by the Commissioner of the billet price in China with the price of billet for the French producer was not based on “any positive evidence”. The Commissioner had access to the French producer Valdunes costs and was able to be satisfied that there is an absence of French government influence on French prices. The available evidence supported the Commissioner’s conclusions.

III. Normal value

The GOC submission argues that the Commissioner has determined normal values for the Chinese exporter Masteel based upon information that is inconsistent with Article 2.2.1.1 of the WTO Anti-Dumping Agreement³. The GOC’s appeal to the WTO Dispute Settlement Body on this matter has not been concluded. The central issue in this case is whether the records of the exporter *reasonably reflect* the cost of production of the goods.

The Commissioner was satisfied that the costs in the exporter’s records did not reasonably reflect competitive market costs. The GOC submission considers otherwise and that the costs in Masteel’s records should be used for constructing a normal value. It is widely understood, however, that the GOC’s policies and practices have distorted production costs and prices for steel input and steel costs in China – this distortion requires address in a constructed normal value for the Chinese exporter.

³ World Trade Organization Anti-Dumping Agreement - https://www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm#art2



IV. Stability in Australia's supply chain

It is contended by the GOC that a “stable supply chain” and “reliable product quality of Chinese enterprises” are necessary for the supply into the Australian market for railway wheels.

The Australian market for railway wheels is a competitive market. Comsteel is not opposed to the importation of railway wheels. Comsteel cannot compete, however, with unfairly priced railway wheels that undercut Comsteel to secure sales volumes. Stability in the supply chain is achieved where railway wheels, irrespective of source, are supplied on a fair basis.

The GOC references Comsteel as an applicant in a recent continuation of measures investigation involving grinding balls. That investigation stands alone from the current continuation investigation into railway wheels exported from China and France.

V. Conclusions

Comsteel rejects the GOC's representations that the GOC's policies and practices do not distort costs and prices for steel and steel inputs in the Chinese steel industry. The determination of normal values for Chinese iron ore railway wheels must reflect a constructed selling price that is free of GOC influence on input costs.

The existence of GOC distortions is not a view that is limited to Australian investigators. Comsteel has highlighted the recent representations of AISI to the Office of the USTR that reference the wide and broad consensus that the policies and practices of the GOC distort Chinese steel costs and prices.

Comsteel requests the Commissioner to determine normal values for Chinese exporters of iron ore railway wheels consistent with the methodology as detailed in Report 466. The GOC has not provided any evidence to support a change in approach to its policies and practices that may result in normal values being assessed on a different basis.

Finally, Comsteel rejects the GOC's contentions that locally made railway wheels do not meet the quality and performance standards requirements of its customers. Comsteel has been a long-term supplier of quality railway wheels to the iron ore sector. The GOC has not supplied any new information in support of its assertions following Report 466. These assertions must therefore be dismissed.

If you have any questions concerning this submission, please do not hesitate to contact the undersigned.

Yours sincerely,

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