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13 July 2012

Mr John Bracic  
Director, Operations 1  
International Trade Remedies Branch  
Australian Customs and Border Protection Service  
Customs House  
5 Constitution Avenue  
CANBERRA ACT 2601

Dear Mr Bracic

**Public File****Investigation into the dumping of PVC Resin exported from Korea (Investigation No. 187) –  
Comments re submission on behalf of LG Chem. Ltd**Introduction

I refer to the submission of 3 July 2012 on behalf of LG Chem Ltd.

It is noted that the submission has been made following the publication of the Preliminary Affirmative Determination ("PAD") No. 187 imposing provisional measures, published on 28 June 2012. The PAD was made following the receipt by Customs and Border Protection of LG Chem's completed exporter questionnaire response.

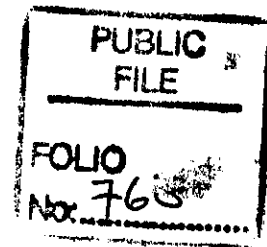
Following consideration of LG Chem's responses contained in the completed exporter questionnaire, Customs and Border Protection was sufficiently satisfied that

- the goods exported from Korea were at prices less than normal values and were therefore dumped;
- because of the dumping, material injury had been caused and is being caused to the Australian industry.

The LG Chem submission has addressed a range of matters that ultimately assert the Australian industry producing like goods has not suffered material injury during the investigation period (i.e. 2011).

Interestingly, the submission does not deny that exports by LG Chem have been at dumped prices. It would be expected that once an exporter that has previously been the subject of measures is released from those measures, the exporter would seek to ensure that its exporting activities did not again cause material injury to an industry in the export destination country. However, LG Chem has not only significantly increased its export volumes to Australia from negligible levels in 2009 to approximately 22,000 tonnes in 2011, the exports have also been at dumped prices.

This submission will address the claims made on behalf of LG Chem as detailed in the submission dated 13 July 2012.



### Volume of imports

It is suggested on behalf of LG Chem that there has not been an increase in imports of PVC during 2011. The arguments presented do not take full consideration of the demand for PVC across the different periods over which extracts from Trade Measures Report No. 151 have been cited. Demand for PVC prior to the global financial crisis of the end of 2008 was buoyant. Following the economic downturn, the market for PVC (not only in Australia but also globally) declined. The volume of injurious imports in a contracted market is likely to be of greater impact than in an expansive market (pre GFC).

The LG assertions are premised on its exports displacing imported PVC from other source countries – however, this concept fails to recognize the pricing impact across the whole of the PVC market – a market that is both price sensitive and transparent. The substantial volume of dumped exports of PVC from LG Chem in 2011 has had a market-wide pervasive effect on prices, resulting in the Australian industry selling locally-produced PVC at less than its fully absorbed cost-to-make-and-sell ("CTM&S").

It is therefore incorrect to rely upon the assertion that the overall level of imports into the Australian market have not increased during the period of investigation without taking full account of market demand and pricing impacts.

### Australian industry

Customs and Border Protection has correctly limited its analysis of the impact of the dumped PVC exports to the performance of the Australian industry's production of like goods only.

The assertion on behalf of LG Chem in relation to the injury analysis also including imports by the Australian industry is unfounded.

### Injury analysis

It is suggested that a "*no injury conclusion*" has already been made by Customs and Border Protection. In a novel interpretation of the prospective considerations in a continuation inquiry that may be applied to the current circumstances (which are based on a retrospective examination of what has actually occurred), the suggested claim of no injury must fail.

The substantial increase in exports at dumped prices from negligible levels to capture 12 per cent of the Australian market (in less than two years) and, having caused material injury to the Australian industry, would appear "reasonable grounds" for the initiation of a dumping inquiry.

### Price depression

It cannot be concluded from the analysis presented on behalf of LG Chem that there has been "*no change in circumstances*" following the publication of Trade Measures Report no. 174. The author's analysis makes it clear that there was a deterioration of prices in 2011 when contrasted with 2010, along with its agreement of the evidence of price depression in Section G of the LG Chem submission.

Australian Vinyls Corporation ("AVC") acknowledges the concession in the submission that its prices have continued to be suppressed in 2011.

### Impact of Korea PVC imports on prices

AVC rejects the assertion that "Korean imports have not changed the conditions within which AVC has been operating". An attempt has been made in the LG Chem submission to directly link Asian

"spot" market prices with trends in the Australian market and suggest that the apparent trends in Asian spot prices should normally be reflected in Australian market prices.

The representations, however, fail to consider the reasons behind Customs and Border Protection recently recommending the continuation of anti-dumping measures on PVC exported from the USA due to the impact of dumped USA exports of PVC into the Asian region. Asian PVC prices have been impacted by the excess supply of USA PVC since 2008, and will continue to be affected in the absence of an improvement in the US economy.

It is also suggested that LG Chem's exports of PVC to Australia cannot harm the Australian industry whilst it continues to source PVC from Taiwan. In its assessment of PVC exports to Australia, LG Chem would be aware that the volume of PVC exported from Taiwan has diminished substantially in 2011 (to zero levels in 2012). LG Chem's PVC export volumes to Australia far exceed the export volumes from Taiwan.

#### Production & Volume Injury

The recently published AVC Industry Visit Report includes discussion on production and volume injury indicators to the company. AVC has demonstrated that it has experienced production downtime and volume-related injury from the dumped PVC exports of LG Chem.

#### Loss of Profit

The AVC Visit Report confirms that the company has suffered material injury in the form of lost profit and profitability. The dumped exports of PVC from Korea account for the largest single source of PVC imports into Australia during 2011. AVC has provided supporting information to Customs and Border Protection evidencing price undercutting by LG Chem necessitating AVC to reduce prices to hold volumes. In certain circumstances, AVC has lost volumes to the dumped PVC exports from LG Chem.

The available evidence to Customs and Border Protection does not support a position that the dumped PVC exported to Australia by LG Chem has not caused a loss of profit to the Australian industry.

#### Conclusions

The submission made on behalf of LG Chem does not deny the company has exported PVC to Australia at dumped prices during 2011. The representations made on behalf of LG Chem have sought to attribute material injury to the Australian industry to factors other than the dumped LG Chem exports to Australia.

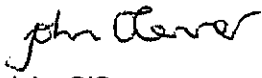
The available information on the impact of the dumped LG Chem PVC exports supports a conclusion that the dumping has caused, and continues to threaten, material injury to the Australian industry manufacturing like goods.

AVC requests that Customs and Border Protection recommend that the Minister impose interim dumping duties on future exports of PVC from Korea by LG Chem.

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If you have any questions concerning this submission, please do not hesitate to contact me on 3342 1921.

Yours sincerely



John O'Connor  
Director

Cc: Mr Peter Flinn  
Manager – Sales & Marketing  
Australian Vinyls Corporation Limited