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Director Operations 3
Anti-Dumping Commission
GPO Box 1632
Melbourne VIC 3001

Dumping investigation into steel reinforcing bar exported from Turkey

Dear Director,

This submission is on behalf of Duferco International Trading Holding Australia Pty Ltd (Duferco), in response to the submission by Liberty Steel dated 4 March 2019. The submission by Liberty Steel raises a number of inaccuracies and flawed statements with respect to the impact of provisional measures on rebar imports from Turkey since the Commissioner's decision to make a preliminary affirmative determination on 15 January 2019.

In summary, Liberty Steel asserts that:

- price offers for Turkish imports have not increased commensurate with the potential duty liability
- there has been a 'surge' in imports from Turkey which has escalated injury to the domestic industry; and
- Turkish export prices are historically low and continue to undercut all sources sold in the Australian market.

It is important to first highlight that all of Liberty Steel's concerns are immediately made redundant in the event that the Commission determines that Turkish rebar exports were not dumped during the investigation period. In those circumstances, any claimed continuation of injury to the domestic industry cannot and must not be attributed to dumping from Turkey. It would instead simply confirm and support the view that Liberty Steel's manufacturing operations remained inefficient and its selling prices uncompetitive relative to Turkish exporters.

Ineffectiveness of securities

Liberty Steel suggests that importers are demonstrating a 'defiance' and deliberately circumventing the provisional measures by receiving undertakings from exporters or absorbing the risk of any future duty liabilities. None of these allegations apply to Duferco as far as it is concerned.

First, at the time of Liberty Steel's submission, all imports of Turkish rebar by Duferco that arrived after 15 January 2019, had been exported prior to the Commissioner's PAD. That is, all rebar imports up to that point were subject to orders placed in November and December 2018, and were

on the water prior to 15 January 2019. Therefore, Turkish rebar imports by Duferco that had entered home consumption up to mid-March 2019 would not be subject to the conversion of securities in the event that the Minister publishes a dumping duty notice. This is confirmed by the Commission's guidelines which state that '*securities taken for goods that were entered for home consumption on or after the date of imposition of the securities, but exported before the date of the PAD, will not be converted to interim duty and will be cancelled.*' So for these imports, there is no duty liability that would be incurred.

In the case of orders placed after the making of the PAD and which are due to commence arriving into Australia from March 2019, Duferco can confirm that it has fully expensed and accounted for the provisional securities in agreeing its selling prices with local Australian customers. Duferco can also confirm that it has neither discussed, nor agreed to, or received any alleged undertakings offered by exporters.

Export price of Turkish rebar

Liberty Steel highlights that rebar export prices in December 2018 were 8% and 5% lower than the investigation period weighted average export prices for straight rebar (DBIL) and debar in coil (DBIC) respectively. No evidence or explanation is offered by Liberty Steel to explain this trend in prices, other than to again allege that exporters are seeking to undermine the effectiveness of the securities. As the analysis below clearly shows, export price trends are consistent with movements in scrap and billet prices and cheaper freight rates which are the primary cost drivers and determinant of rebar prices. Liberty Steel's decision to ignore the movement in key cost inputs is disingenuous and its melodramatic headlines misleading.

Scrap prices

The graph below shows that scrap prices in Turkey and East Asian regions have been falling since the end of the investigation period and on a downward trend since midway through the investigation period, reaching their lowest levels in January 2019. It also shows that December 2018 scrap prices were between ■-■% below the average scrap price over the investigation period, exceeding the fall in rebar export prices highlighted by Liberty Steel.

It is also worth noting that Turkish scrap prices are trading at a competitive price to comparable scrap in the East Asian region. This goes a long way to explaining the rebar price competitiveness of Turkish rebar compared to equivalent product in the East Asian region.

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Source: SBB Platts (refer Attachment 1)

Billet prices

The graph below shows that export and import billet prices in Turkey and Latin America export price prices have been in decline since midway through the investigation period, reaching their lowest levels in January 2019. It also shows that December 2018 billet prices were between ■-■% below the average billet price over the investigation period, far exceeding the fall in rebar export prices highlighted by Liberty Steel.

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Source: SBB Platts (refer Attachment 1)

Rebar prices

The graph below shows that rebar prices in Turkey, Black Sea region (ACRS accredited mills in this region) and East Asia region have been falling since March 2018, reaching their lowest levels in January 2019. It also shows that December 2018 billet prices were between [REDACTED]-[REDACTED] % below the average rebar prices over the investigation period, again substantially exceeding the fall in rebar export prices highlighted by Liberty Steel.

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Source: SBB Platts (refer Attachment 1)

Therefore, the lower rebar export prices in December 2018 highlighted by Liberty Steel, are simply a reflection of, and caused by, a broader downward trend in scrap and billet prices in Turkey and other comparable regions, since midway through the investigation period. The *'historically low export prices for Turkish DBIL'* highlighted by Liberty Steel, is consistent with the [REDACTED]. Given that the evidence and analysis outlined in the graphs above is readily available to Liberty Steel, it is again misleading for Liberty Steel to suggest that the lower rebar export prices in December 2018 are somehow representative of efforts by exporters and importers to render the provisional measures ineffective.

Export volumes of Turkish rebar

Liberty Steel alleges on numerous occasions in its submission that there has been a *'surge in export volumes since the initiation of the investigation.'*

First it is worth noting that total rebar imports into Australia have not surged, with the [REDACTED] import volumes being less than for the [REDACTED]. The ABS data in the table below further shows that the [REDACTED].

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In considering the trend in Turkish import volumes since initiation, it is again important to take account of the declining trend and historically low January 2019 scrap, billet and rebar prices in Turkey. Any increase in the December 2018 and January 2019 Turkish import volumes must be observed and understood in the context of the broader declining price trends, and not as Liberty Steel appears to suggest, a concerted effort by importers to have goods enter home consumption prior to the Commissioner's PAD. This is evidenced by Duferco's decision to continue sourcing Turkish rebar following the imposition of provisional measures, which reflect the full amount of the securities in its selling prices to domestic customers.

Freight rates

In general, container rates have decreased and a 40ft GP box is now offered at US\$ [REDACTED]-[REDACTED] less than comparable prices in 2nd quarter of 2018. This too has had a material effect on prices offered in the Australian market.

Claims of ongoing injury

Liberty Steel alleges that price 'offers' for Turkish rebar is exerting downward pressure on its own selling prices as its market offers are based on import parity pricing with the lowest competitive import price offer. It is claimed that this is leading to further price depression and suppression. Incredibly, Liberty Steel appears to now be claiming that injury is being caused by mere price

'offers' rather than actual export sales, irrespective of whether the price offers eventuate as actual export sales.

This is not a sustainable argument in the context of a dumping investigation. The determination of dumping involves a comparison of actual export prices with actual normal values. The causal link assessment involves establishing whether 'actual' exports were a causal factor that contributed to injury which is material. Import price offers cannot be relied upon for assessing material injury, as there is no way of establishing whether the offers ultimately translated into actual export sales, or whether the price offers are for goods originating from the country subject to investigation, or even whether the price offer is legitimate.

Instead, what is clear is that the primary cause of Liberty Steel's claimed 'ongoing' injury is its ongoing decision to operate an import parity pricing model which matches the lowest competitive import price 'offer'. It is this import parity pricing model which ensures that its prices are depressed and/or suppressed. This point has been made to the Commission on numerous occasions in previous investigations and Duferco considers it again relevant and worth making in the context of Liberty Steel's claimed ongoing injury.

Finally, it is important to note that as Duferco's price offers since the imposition of securities include the potential 4% duty liability, any price offers that are being matched by Liberty Steel are in effect non-injurious. Therefore, if Liberty Steel argues that it is continuing to suffer price depression and/or suppression after matching Duferco's contemporary price offers which are inclusive of the provisional measures, then it is reasonable to conclude that injury is being caused by factors other than dumping.

Yours sincerely

John Bracic