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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 Diler Demir Celik Endustri ve Ticaret A.S. (Diler), 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 exports 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 exports have not increased commensurate with the potential duty liability
- there has been a 'surge' in exports 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 redundant on the expectation that the Commission determines that Diler's 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 Diler's exports.

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 Diler as far as it is concerned.

First, at the time of Liberty Steel's submission, all rebar exports by Diler that were due to arrive into Australia after 15 January 2019, had been shipped prior to the Commissioner's PAD. That is, all rebar exports 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, rebar exported by Diler prior to 15 January 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 exports by Diler, there is no applicable duty liability.

In the case of orders not shipped and exported prior to the making of the PAD, these consignments are due to commence arriving into Australia from March 2019. Diler can confirm that for these consignments, it has made no offer of reimbursement or absorption of potential future duty liabilities. Its invoice export prices continue to reflect net selling prices made at arms-length transactions, without any consideration, rebate or reimbursement.

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. These trends are consistent with the movement in Diler's purchased scrap prices. 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. These trends are consistent with the movement in Diler's billet costs. 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 ■-■% 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.*'

In considering the trend in Turkish import volumes since initiation, it is important to take account of the declining trend and historically low January 2019 scrap, billet and rebar prices in Turkey. The increase in export orders in December 2018 and January 2019 is due entirely to the broader decline in raw material and rebar prices highlighted earlier, and not as Liberty Steel appears to suggest, a concerted effort by Turkish exporters to have goods enter home consumption prior to the Commissioner's PAD. This is evidenced by the willingness of Diler's customers to continue placing orders and sourcing Turkish rebar following the imposition of provisional measures.

Claims of ongoing injury

Whilst Diler is not in a position to comment directly on the market conditions in Australia and the injury being alleged by Liberty Steel, Diler is concerned by Liberty Steel's proposition that material injury and a causal link assessment should be undertaken on the basis of alleged price 'offers' by importers of Turkish rebar.

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 during the investigation period. The causal link assessment involves then establishing whether 'actual' exports during the investigation period were a causal factor that contributed to injury which is material. Import price offers during or following the investigation period 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.

Yours sincerely

John Bracic