



10 September 2019

Director
Investigations 2
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

BY EMAIL:
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Dear Director,

Continuation Inquiry 505 and Review of Measures 499 concerning Hot Rolled Structural Steel Sections exported from Japan, Korea, Taiwan and Thailand

SUBMISSION OF THE AUSTRALIAN INDUSTRY

This submission is made on behalf of ONESTEEL MANUFACTURING PTY LIMITED (**Liberty Primary Steel**) in response to the Tung Ho Steel (**THS**) submission following publication of the Statements of Essential Facts 499 and 505.¹

Liberty Primary Steel disagrees with the THS claim that the Commission's recommendation for the continuation of measures in relation to THS is not the correct or preferable decision.

The Commission in SEF 505 provided extensive particulars of the evidence relied upon to support the Commissioner's satisfaction that the expiration of the measures against THS would lead, or likely lead, to a continuation of dumping and that this would lead to the recurrence of material injury to the Australian industry that the measures were intended to prevent.

These included;

- *The Commission considers that excess capacity in China encourages Chinese manufacturers to seek export markets for their products. In respect of manufacturers that are under consideration in this inquiry, it is reasonable to deduce that they will continue to face competition in several markets from Chinese manufacturers and that it is in their interests to continue to export HRS to Australia.*²
- *Excess steelmaking capacity in China is apparent and the possibility of diversion of HRS trade to any of the countries subject to this inquiry is present. Such diversion would likely result in the need for HRS producers in those countries to expand their export trade to other countries, including Australia.*³

¹ EPR Folio No. 499/048 and EPR Folio No. 505/039

² SEF 505 p.27

³ Ibid p.28

- *The Commission considers that this [Ai Group November 2018 Construction Outlook findings] indicates that high levels of demand in the Australian HRS market will continue to be present from 2019 to 2020. The Commission also considers it is reasonable to expect that some of this demand will continue to be met by importers⁴*
- *The Commission has found that in 2018, the three largest exporters of HRS to Australia, Hyundai, Tung Ho and SYS, accounted for the largest proportion of HRS exports to Australia. The analysis also indicates that they have been the three largest exporters of HRS to Australia since 2010.⁵*
- *At the industry verification visit, the Commission was presented with evidence that indicated Liberty Steel continues to apply the IPP process and that the processes of price setting and negotiation as described in REP 223 and in Liberty Steel's application remain in place. This evidence included the provision of Liberty Steel's IPP model which is used to negotiate and set prices and that incorporates prices of imported HRS, copies of correspondence with customers as well as discussions with relevant sales personnel at Liberty Steel.⁶*
- *The Commission considers that it is reasonable to expect Tung Ho will aim to maintain its level of export sales volumes. The Commission considers that in order to do so in a market such as the Australian HRS market, which can be described as a price sensitive one and, as such, one with a high degree of price elasticity, Tung Ho would be required to maintain its export prices at current levels relative to other imports.*

The Commission has analysed details of Tung Ho's verified export sales data and has found that there is a strong negative correlation between price and export quantity. That is, when price falls, exports increase and vice versa. This supports a finding that the Australian HRS market can be described as a price sensitive one. It follows that in order to increase exports, Tung Ho must decrease its prices.

The Commission has found in Review 499 that over the review period there is a small differential between Tung Ho's export price and normal value. As such, a small reduction in export prices relative to Tung Ho's domestic prices would result in dumping. In these circumstances, the Commission considers that it is likely that exports of HRS at dumped prices by Tung Ho would recur if the measures expire⁷

- *the Commission considers that if the measures expire dumping by Tung Ho and TS Steel is likely to recur. The Commission also considers that:⁸*
 - *the increasing volumes of HRS from Taiwan;*
 - *the price undercutting observed in respect of HRS imported from Taiwan and sourced from Tung Ho;*
 - *the high degree of price elasticity in the Australian HRS market; and*
 - *the import price competition to which Liberty Steel is subject;*

would likely result in Liberty Steel achieving reduced selling prices should the measures on Tung Ho and TS Steel expire. Consequently, price suppression and the resulting impact on

⁴ Ibid p14.

⁵ Ibid p13.

⁶ Ibid p 15.

⁷ Ibid p33.

⁸ Ibid p40.

revenue and profits are likely to worsen if the measures on HRS exported to Australia from Taiwan by Tung Ho and TS Steel expire.

In an attempt to counter the Commission's assessment that THS is likely to resume dumping if excluded from measures, THS state that they have systems in place to ensure "no accidentally [sic] dumping"⁹ occurs and provide the total interim duty refunds claimed by THS and the preliminary findings of Review 499 as evidence to support their claim that their systems to avoid "accidental" dumping do work. Liberty Primary Steel provides the corollary view that these findings simply demonstrate that the measures applying to THS during this time have been effective in delivering the intended effect of preventing dumping by this exporter and should be continued.

In its Final Report 379 – Continuation Inquiry into hollow structural sections exported from China, Korea, Malaysia and Taiwan, the Commissioner made a similar assessment in relation to the Korean exporter Kukje that was found not to be dumping during the inquiry period and an earlier Review.

A compelling factor of the Commission's assessment of the likelihood of the reoccurrence of dumping is an assessment of the effectiveness of the current measures. Kukje's export pricing methodology is a positive indication that the imposition of the measures are having their intended effect.¹⁰

The Commission is correct in assessing that absent measures and facing strong competition from other countries in their domestic market, Tung Ho would, or likely would, recommence dumping into the Australian market as they did prior to the measures being initially imposed in 2014.

THS also claim that because the Commission has found that they have limited capacity to increase HRS production that this is a reason they are unlikely to recommence dumping if the measures are not continued. This indicates a misunderstanding on the part of THS of the Commission's analysis in relation to the impact of Chinese excess capacity displacing Taiwanese domestic producer tonnes in the Taiwanese market.

In addition to the excess capacity displacement issues caused by China, the impact of the US Section 232 tariffs has been understated presumably due to Hyundai Steel being less than transparent and accurate in their representations on the issue. In their submission dated 22 May 2019, Hyundai Steel claim that

*because Korean exporters enjoy a quota based on exports volume in previous years and are exempt from the general application of the tariff for exports within the quota, and the **limited impact** that the US market has on Hyundai Steel's overall production and sales of HRSS, given its well established and stable sales channels in both domestic and various overseas markets¹¹*

However, the facts are that as a result of the enactment of US Section 232 tariffs, Korean exports to the US have been reduced by 30% to 106,000 tonnes.¹² This equates to a reduction of 50,000 tonnes compared to the previous year of 158,000 tonnes. The US Steel Import Monitor website shows that Korean exporters didn't exceed their quota in 2018 presumably to ensure they maintain the exemption from the 25% tariffs.¹³ Korea is further prevented from exporting these displaced tonnes to Europe where it also faces a quota for hot rolled structural sections. This means that in addition to

⁹ EPR 505/39 p 2

¹⁰ REP 379 at p 56

¹¹ EPR 505/11 p 16

¹² Non-Confidential Attachment 1 – US Customs and Border Protection QB 18-118 Steel Mill Articles (AMENDED) at p 8

¹³ Non-Confidential Attachment 2 - Extract from SIMA website – link below.

https://enforcement.trade.gov/steel/license/SMP/Census/Annual/gdesc52/MMTSum_ALL_kr_9Y.htm



Chinese excess capacity, Korea also has excess capacity that is likely to be diverted to neighbouring countries such as Taiwan which already has significant Korean imports competing in their market.

The US International Trade Administration's Steel Imports Report for Taiwan for May 2019¹⁴ indicates that for 2018, South Korea was the second largest volume source of imports of long products into Taiwan.

Furthermore, if Dragon Steel, who have a preliminary dumping margin of 9%, are unable to compete in the Australian market at undumped prices, it is a potential outcome that Dragon Steel will seek to increase domestic sales, thereby displacing domestic volume from the other two Taiwanese structural steel section producing mills, namely THS and TS.

In Summary

Liberty Primary Steel supports the Commission's analysis and findings that enable the Commissioner to be satisfied that the expiration of measures would lead or likely lead to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent.

FOR AND ON BEHALF OF THE AUSTRALIAN INDUSTRY APPLICANT

¹⁴ Non-Confidential Attachment 3 at p4