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## Review of the anti-dumping measures applying to certain grinding balls exported from the People's Republic of China (case number 520)

### File note: Preliminary Calculation Methodology for Jiangsu Yute Grinding Ball Co., Ltd

*The views or recommendations contained herein will be reviewed and may not reflect the final position of the Anti-Dumping Commission (the Commission).*

#### **Background:**

The Commission received a complete response to the exporter questionnaire (REQ) from Jiangsu Yute Grinding Balls Co., Ltd (Jiangsu Yute).

The Commission elected not to conduct an on-site verification of the information provided in Jiangsu Yute's REQ. Jiangsu Yute confirmed that there were no exports of like goods during the period 1 July 2018 to 30 June 2019 (the review period), which was also supported by an assessment that there were no exports of the goods by Jiangsu Yute recorded in the Australian Border Force (ABF) import database.

The Commission conducted a desktop review of the information provided by Jiangsu Yute, by comparing it to the information (domestic sales and CTMS data) provided by the other exporters relevant to the review. The Commission also benchmarked it with data provided by Jiangsu Yute in the context of *Anti-Dumping Commission Report No. 316* (REP 316). The Commission is satisfied that the information provided is accurate, relevant and complete.

The following information outlines the preliminary methodology used to calculate a dumping margin for Jiangsu Yute.

#### **Preliminary calculation methodology:**

##### **Export price**

Jiangsu Yute did not export any grinding balls to Australia during the review period.

The Commission has considered whether the requirements of section 269TAB(2A) of the *Customs Act 1901* (the Act)<sup>1</sup> have been met, and therefore, whether Jiangsu Yute's export price is to be determined under section 269TAB(2B). Section 269TAB(2A) specifies that the export price of the goods exported to Australia may be determined by the Minister in accordance with section 269TAB(2B) if:

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<sup>1</sup> References to any section or section in this report relate to provisions of the Act, unless specifically stated otherwise.

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- a) the price is being ascertained in relation to an exporter of those goods (whether the review is of the measures as they affect a particular exporter of those goods, or as they affect exporters of those goods generally); and
- b) the Minister determines that there is insufficient or unreliable information to ascertain the price due to an absence or low volume of exports of those goods to Australia by that exporter having regard to the following:
  - (i) previous volumes of exports of those goods to Australia by that exporter;
  - (ii) patterns of trade for like goods;
  - (iii) factors affecting patterns of trade for like goods that are not within the control of the exporter.

The Commission has considered these elements as follows.

### Previous volumes of exports by Jiangsu – section 269TAB(2A)(b)(i)

Jiangsu Yute has previously exported grinding balls prior to the review period, during the original investigation period (1 October 2014 to 30 September 2015).

The Commission has compared previous export volumes to those volumes in the current review period and finds that Jiangsu Yute is exporting grinding balls to Australia in lower volumes than previously.

### Patterns of trade for like goods – section 269TAB(2A)(b)(ii)

The Commission has examined exports of grinding balls to Australia from all sources. This examination indicates that, despite a decline in imports of grinding balls from Jiangsu Yute, demand for grinding balls persists in the Australian domestic market generally, and there does not appear to have been a marked decline in the overall volume of grinding ball exports to Australia.

In addition, the exporters that have exported grinding balls to Australia during the review period have done so in consistent volumes. The Commission therefore considers that Jiangsu Yute's low volume of exports to Australia during the review period does not pertain to an absence of exports, or low volume of exports, to Australia generally.

### Factors affecting patterns of trade – section 269TAB(2A)(b)(iii)

The Commission notes that the explanatory memorandum for these provisions identifies factors that may affect patterns of trade for like goods that are not within the control of the exporter.<sup>2</sup> Such factors may include supply disruptions or natural events (such as flood, drought or fire) that affect production levels.

Based on information provided in the REQ, the Commission found that Jiangsu Yute manufactured and sold like goods on the domestic market and to third countries during the review period. The Commission considers that this indicates that there do not appear to have been any factors (such as natural events) that are not within the control of Jiangsu Yute that are affecting trade for like goods.

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<sup>2</sup> Refer page 31 of the explanatory memorandum to the *Customs Amendment (Anti-Dumping Measures) Bill 2017*.

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### Commission's consideration – section 269TAB(2A)

Having regard for the above, the Commission considers that, for Jiangsu Yute, there is insufficient or unreliable information to ascertain an export price, due to a low volume of exports to Australia. Jiangsu Yute previously exported the goods to Australia in higher volumes and, despite the reduction in exports from Jiangsu Yute, imports of grinding balls overall have not similarly declined. In addition, Jiangsu Yute has not demonstrated that there are factors affecting the patterns of trade that are beyond its control.

Therefore, the Commission considers it appropriate to ascertain export prices under section 269TAB(2B). Pursuant to this section, the Commission is able to determine an export price having regard to any of the following:

- a previous export price for the goods exported to Australia by Jiangsu Yute, established in accordance with section 269TAB(1), for a decision of a kind mentioned in section 269TAB(2D);<sup>3</sup>
- the price paid or payable for like goods sold by Jiangsu Yute in arms length transactions for exportation from China to a third country determined by the Minister to be an appropriate third country;<sup>4</sup> or
- an export price for like goods exported to Australia from China by another exporter (or exporters) established in accordance with section 269TAB(1) for a decision mentioned in section 269TAB(2D).<sup>5</sup>

### Previous export price – section 269TAB(2B)(a)

An export price for Jiangsu Yute was determined under section 269TAB(1) for the purposes of publishing the notice under sections 269TG(1) and (2) with respect to the original investigation (REP 316 refers). The decisions to publish notices under sections 269TG(1) and (2) are decisions referred to in section 269TAB(2D). Therefore, section 269TAB(2B)(a) is available for determining the export price.

### Third country export price – section 269TAB(2B)(b)

Jiangsu Yute indicated in its REQ that it did export to third countries during the review period. Jiangsu Yute also provided the Commission with a detailed sales and cost listing for its sales to the United States of America (USA). However, these sales to the USA and to other third countries appeared to be to a related party, and the Commission has not established whether the exports to third countries were at arms length. As a result, section 269TAB(2B)(b) may not be available for determining the export price.

### Another exporter's export price – section 269TAB(2B)(c)

Section 269TAB(2E) provides that, for the purposes of section 269TAB(2B)(c), a decision, as listed in section 269TAB(2D), must be made not more than 2 years before the day the Commissioner published a notice of the review and by the day the notice of review is published under section 269ZDB. As export prices determined for other exporters for the

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<sup>3</sup> Section 269TAB(2B)(a).

<sup>4</sup> Section 269TAB(2B)(b).

<sup>5</sup> Section 269TAB(2B)(c).

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purposes of REP 316 were made between 1 October 2014 to 30 September 2015, they are not available for the purposes of section 269TAB(2B)(c).

Due to confidentiality issues of using another exporter's export price during the review period, it is the Commission's preference not to use another exporter's export price where other methods are available.

### Commission's consideration – section 269TAB(2B)

The Commission considers that an export price established in REP 316, for Jiangsu Yute in accordance with section 269TAB(1), with an adjustment under section 269TAB(2G)(a), is most appropriate for determining Jiangsu Yute's export price. Such an approach has the advantage of being based on Jiangsu Yute's previously verified export pricing into the Australian market, and is therefore of most relevance to the circumstances of this review.

The Commission has adjusted Jiangsu Yute's export price established in REP 316, by the movement in export price of another exporter from the original investigation to the current review period. The Commission's view is that this adjustment reasonably updates the export prices that Jiangsu Yute previously achieved, to reflect its relative position in terms of prices occurring during the review period, and therefore is the most appropriate basis on which to determine Jiangsu Yute's export price. Export prices were calculated at Free on Board terms.

The Commission's calculations are at **Confidential Attachment 1**.

### **Normal value**

The application for the review of measures claimed that prices in the China domestic market for grinding balls are not suitable for use in determining a price under section 269TAC(1) due to the existence of a particular market situation. This matter is still under consideration by the Commission

In the event that a market situation is found, normal values could be constructed under section 269TAC(2)(c) using:

- the cost to make that reasonably reflect competitive market costs in accordance with section 43(2) of the *Customs (International Obligations) Regulation 2015* (the Regulation); plus
- selling, general and administration costs on the assumption that the goods, instead of being exported, were sold domestically based on Jiangsu Yute's records in accordance with section 44(2) of the Regulation; plus
- an amount for profit based on data relating to the production and sale of like goods on the domestic market in the ordinary course of trade in accordance with section 45(2) of the Regulation.

The Commission has not yet determined what effect a particular market situation finding would have on the exporter or whether the costs of production in the exporter's records reasonably reflect competitive market costs. Therefore, the Commission has not calculated a normal value at this time.

The Commission recommends that if it does construct normal values under section 269TAC(2)(c), certain adjustments in accordance with section 269TAC(9) are necessary to ensure fair comparison of normal values with export prices as outlined below.

### Adjustments

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The Commission considers the following adjustments, in accordance with section 269TAC(9) are necessary to ensure a fair comparison of normal values and export prices:

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic credit <sup>6</sup>	<b>Deduct</b> an amount for domestic credit
Export inland transport	<b>Add</b> the cost of export inland transport
Export packing cost	<b>Add</b> the cost of export packing cost
Export handling & other fee	<b>Add</b> the cost of export terminal handling fee
Export credit terms	<b>Add</b> an amount for export credit terms
Non-refundable VAT	<b>Add</b> an amount for non-refundable VAT

**Table 1: Adjustments to Jiangsu Yute normal value**

### Dumping margin

As normal values have not been determined, the Commission has not yet calculated a dumping margin for Jiangsu Yute. The calculation of the dumping margin will be detailed in the Statement of Essential Facts.

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<sup>6</sup> Jiangsu Yute's selling, general and administrative costs included interest expense on domestic borrowings, therefore an adjustment for domestic credit was warranted.