

The Director - Investigations 2
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2600

Date 29 July 2020

Dear Director,

RE: Continuation Inquiry No. 546 concerning steel reinforcing bar exported from Korea, Singapore, Spain (except Nervacero S.A.) and Taiwan (except Power Steel Co. Ltd.)

This submission is made on behalf of InfraBuild (Newcastle) Pty Ltd (**InfraBuild Steel**) in response to allegations contained in a submission by NatSteel Holdings Pte Ltd (**NatSteel**) dated 22 May 2020¹ and further to provide to the Anti-dumping Commission (**Commission**) more recent information that further supports InfraBuild Steel's application for the continuation of measures against exports of steel reinforcing bar from Singapore.

NatSteel's submission expresses their disappointment and frustration at their inclusion in the reinforcing bar continuation inquiry. Despite these claims it is unlikely they would be surprised given their history of dumping steel reinforcing bar into the region.

In addition to Australian anti-dumping measures applying to their exports since 2015, NatSteel have recently been found to be dumping and causing material injury to the Malaysian steel concrete reinforcing bar market with final definitive anti-dumping duties of 4.97% imposed on NatSteel on 22 January 2020.²

The fact that NatSteel have been found to be dumping in a nearby market so close to the expiration of the Australian measures, is a significant concern for the Australian industry, especially in the context that NatSteel's actions occurred prior to the impact of the COVID-19 pandemic on Singaporean and global steel demand.

NatSteel's frustration at being required to comply with international trading rules is evident as their submission makes a number of incorrect allegations in relation to InfraBuild Steel's continuation application. Foremost amongst the false claims is the statement that there was a

clear and unequivocal acknowledgement by InfraBuild, in its application, that there was no dumping by NatSteel,³

¹ EPR 546/010

² https://www.miti.gov.my/miti/resources/Media%20Release/Media_Release_Final_Determination_of_an_AntiDumping_Investigation_Concerning_Imports_of_Steel_Concrete_Reinforcing_Bar_Originating_or_Exported_From_the_Republic_of_Singapore_and_the_Republic_of_Turkey.pdf

³ EPR 546/010 at p1

NatSteel's representatives have formed this erroneous conclusion despite InfraBuild Steel's application clearly stating:

Given this trend, it is the Australian industry's contention that the 3% dumping margin rate verified during the original investigation period has increased and remained positive across the lifecycle of the measures⁴

InfraBuild Steel's assessment that NatSteel's dumping margin of 3% has increased since the original investigation, is clearly not an unequivocal acknowledgement that there was no dumping by NatSteel.

NatSteel's submission makes further false allegations claiming:

a lack of fair disclosure by InfraBuild of the recent past and emerging situation in the Australian market for rebar products

This appears to be an attempt to distract the Commission from its primary purpose. At the time of lodgement of InfraBuild's continuation application (6 February 2020), it was far from certain that the informal review commenced by the ACCC (25 March 2020) concerning the proposed acquisition by InfraBuild Trading Pty Ltd (**InfraBuild Trading**) of Best Bar Pty Ltd (**Best Bar**) would be successful and the matter was subject to the usual commercial-in confidence provisions. InfraBuild Trading subsequently withdrew its application to the ACCC on 2 June 2020. Even if InfraBuild Trading had proceeded with the acquisition of Best Bar, NatSteel's major Australian customer, it would have increased the likelihood of NatSteel continuing to export reinforcing bar products at dumped prices in an effort to retain or increase Australian market share. An outcome made even more likely after NatSteel lost unfettered access to the Malaysian market with anti-dumping duties imposed limiting their exports to competing at non-dumped prices.

A further confusing claim by NatSteel's representatives is that there is "no injury to justify the inquiry".

Putting aside the fact that this is another incorrect statement, it ignores the Commission's primary objective in a Continuation Inquiry, which is to assess whether the expiration of the measures would lead or likely lead to a continuation of or recurrence of the dumping and material injury that the anti-dumping measures are intended to prevent.

Even if the Commission finds that NatSteel were not dumping during the continuation inquiry period, that is not a determinative reason for measures to be discontinued, but rather an indicator that the measures are having the intended effect of preventing injury caused by dumping. Indeed, it would be surprising for the Commission to find dumping during a continuation inquiry period as exporters are aware that the Commission will select an inquiry period up to 12 months prior to the expiry of the measures.

The language in the NatSteel submission reflects this awareness:

⁴ EPR546/001 wt p33.

NatSteel has certainly reaped no benefit in this time, with market share now below that prior to the imposition of measures.⁵

Other exporters across the steel industry also acknowledge that changing export behaviour in the period that the Commission is likely to treat as the investigation period, (whether it be for a Review of Measures or Continuation Inquiry) is a tactic aimed at escaping ongoing measures.

*Kukje accepts that an assessment of 'likelihood' involves a prospective examination, with past behaviour providing guidance to what is likely to happen in the future. **However taken in isolation, an exporter's most recent behaviour may not be the strongest indicator of future behaviour. Otherwise, all exporters would aim to ensure they were not exporting at dumped prices in the 12 month period following the imposition of measures, in order to demonstrate behaviour that was likely to continue in the absence of measures.** [emphasis added]⁶*

It would therefore not be surprising that NatSteel has reduced export sales of steel reinforcing bar to Australia during the likely inquiry period and would be attempting to minimise its dumping margin. For this reason, the prospective considerations of a Continuation Inquiry are important.

Will dumping continue or recur

To assess the likelihood that dumping will continue or recur if measures are not continued, the Commission's guidelines for the application of the Continuation of Measures lists the following as relevant factors that it will consider.

- anti-dumping actions by other countries;
- relevant evidence as to the current normal values in the exporting country;
- whether exports have continued following imposition of the measure and estimates of export price;
- whether the exporter has retained distribution links in Australia;
- whether the exporter retains an excess capacity that may be directed to Australia.

InfraBuild Steel addressed each of these matters in its application on the 6 February 2020 with the key points summarised again as below;

- *On 21 January 2020, the Malaysian Ministry of International Trade and Industry (MITI)*

⁵ EPR546/010 at p2

⁶ EPR529/012 at p7

announced its affirmative final determination in the anti-dumping duty investigation of imports of rebar exported from Singapore. The MITI determined a dumping margin of 4.97% applying to exports of rebar by NatSteel.⁷

- *quarterly export volumes of rebar to Australia from Singapore have remained constant since measures were imposed in November 2015.⁸*
- *the sole producer and exporter from Singapore, NatSteel, has maintained its distribution links to Australia evidenced by the fact that the key importer continues to purchase the goods exported by NatSteel from Singapore.⁹*
- *The sole Singaporean mill producing the goods is certified by ACRS. This strongly indicates an intention on the part of this mill to continue to maintain distribution links and remain part of the supply chain into the Australian domestic rebar market.*
- *this suggests a build-up of domestic production volume and excess capacity that if not utilised in Singapore will likely be exported.*
- *with excess global steelmaking capacity apparent it is reasonable to deduce that this may result in the diversion of rebar trade to Singapore. Such diversion would likely result in the need for the key rebar producer in Singapore to expand its export trade to other countries, including Australia.¹⁰*

The above findings are strong indicators that Australia remains a target export market for NatSteel's capacity that is excess to its domestic demand.

In addition to the list of factors that appear in the application form, the Commission's Dumping and Subsidy Manual contains a more expansive list of factors that it deems important to consider in assessing the likelihood of continuing or recurring dumping. Relevant to this case and the impacts of COVID-19, which had not manifested at the time of the application, the Commission's consideration includes:

- demand in exporters' home markets
- exporters' dependence on export markets
- availability of other markets.

⁷ Continuation application p30

⁸ Ibid p 27

⁹ Ibid p29

¹⁰ Ibid p32

Demand in the exporters' home market

COVID-19 has had a devastating impact on world health and global economies as countries have gone into lockdowns in an effort to contain the deadly virus.

As noted earlier in this submission, it is alarming to the Australian industry that NatSteel were found to be dumping reinforcing bar into the Malaysian market even before the impact of the COVID-19 on Singapore's domestic demand. If NatSteel were dumping to utilise excess rebar manufacturing capacity prior to the COVID-19 outbreak, there is a high degree of certainty that they will continue to do so in every export market without measures given the collapse in the Singapore construction market demand for reinforcing bar products.

SBB reports that as a result of COVID-19 Singaporean domestic demand for reinforcing bar has fallen by 150,000-180,000 tonnes per month.

Singapore rebar fabricators shut operations since April 7, as the government's stringent measures to curb the coronavirus pandemic stalled work at all local construction sites, Platts reported previously.

Rebar demand has been stagnant since the start of the lockdown, which would probably be back to normal until June after majority of end users resume working, said several fabricators and a Chinese trader.

The lockdown, termed "circuit breaker" by local authorities, has hurt the city-state's consumption of rebar of normally 150,000-180,000 mt/month, according to the fabricators, with work-from-home mandated for all businesses except those deemed essential extended.¹¹

Singapore's construction market is highly susceptible to COVID 19 due to its high reliance on migrant workers. The dramatic fall in domestic demand has understandably led to stock levels hitting 4 to 5 months high in May 2020 and are likely to be higher now.

Recovery in Singapore's rebar demand is expected to be slow after lockdown restrictions are eased from June 1, as stringent measures are set to remain in place at construction sites and steel fabricators, with the daily number of new COVID-19 cases afflicting hundreds of foreign workers, market participants said this week.....

BRC Asia, the city state's biggest rebar fabricator, has resumed operations since end-April, although capacity utilization has been low with only half a day or a day's operation per week, a company official told S&P Global Platts.

Two other major fabricators -- NatSteel and Angkasa Daehan Steel -- plan to resume operations on June 2 after circuit breaker measures end.

Attempts to return to a utilization rate of even 10% would be difficult at the early stage of reopening, sources said, citing lack of workers and "very strict and impractical" requirements at work sites.

Rebar sales in April and May almost came to a standstill, lifting stocks to a 4-5 month high,

¹¹ SBB 30 April 2020 Singapore Rebar end-users apply to resume operation amid coronavirus lockdown.

even though some overseas suppliers had agreed to postponements of shipments by a month or two.

Most of the fabricators said they see a resumption in new purchases only from August, when activity at construction sites is likely to resume.¹²

Unsurprisingly, the impacts of COVID-19 are foreshadowed by the Singaporean Minister for Home Affairs to impact the Singapore economy for an extended period of time as reported by CNBC.

The economic cost and consequences of the coronavirus pandemic are going to be huge and the fight will last for a “very long time,” Singapore’s minister for home affairs, K Shanmugam, told the CNBC¹³

It is therefore not surprising that NatSteel’s submission expresses their disappointment and frustration at being included in the Australian Continuation Inquiry. Faced with a such significant loss of domestic demand and the recent imposition of measures by Malaysia, they would have hoped to be able to export significant volumes of rebar to Australia unconstrained by dumping measures.

Exporters’ dependence on export markets

Exports statistics show that Singapore is a large exporter of rebar products, regularly exporting between 250,000 to 300,000 tonnes per annum to target markets including Malaysia, Australia and India. This indicates that NatSteel is dependent on export markets particularly at times when its own domestic demand is soft. In July 2018 ‘The Economic Times’ reported the slump in Singapore’s construction activities impacting NatSteel.

Both units [for NatSteel Holdings Pte Ltd (Singapore) and Tata Steel Thailand] are suffering due to lack of demand caused by slump in construction activities and elevated scrap prices in Singapore and Thailand.¹⁴

It is not surprising to observe that Singapore reinforcing bar exports reached a 5 year high in 2018 as NatSteel, faced with a lack of domestic demand, diverted its excess reinforcing bar capacity to target export markets. It is also significant to note that this period coincided with the Malaysian government’s dumping investigation period (01.10.2017 to 30.09.2018) that found NatSteel exports to Malaysia were dumped and caused material injury.

¹² SBB 27 May 2020 Singapore rebar recovery expected to be slow on strict reopening rules

¹³ www.cnb.com/2020/04/08economic-impact-of-coronavirus-will-last-a-long-time-minister-says.html

¹⁴ <https://economictimes.indiatimes.com/industry/indl-goods/svs/steel/tata-steel-plans-to-sell-south-east-asia-operations-to-focus-on-indian-market/articleshow/64967172.cms?from=mdr>

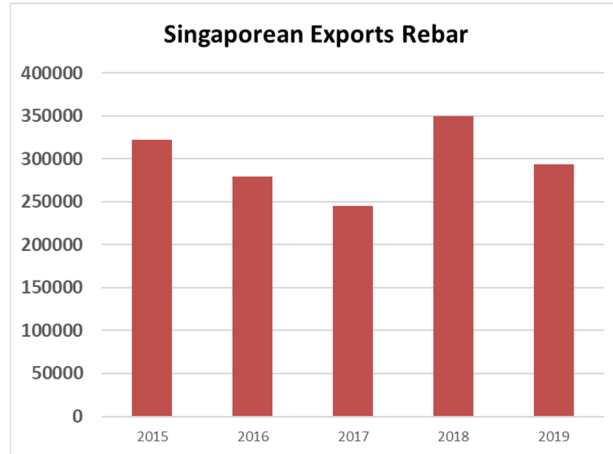


Table 1. Source [redacted] (tariff codes 721420 & 721310)

The Australian industry is therefore concerned that with a greater slump in the Singapore construction market caused by COVID-19, that NatSteel’s recent behaviour strongly indicates that absent measures, they will dump rebar onto the Australian market to utilise their spare capacity.

Availability of other markets

Options for NatSteel to offload its excess capacity onto its other traditional markets has also reduced dramatically as a result of the COVID-19 pandemic.

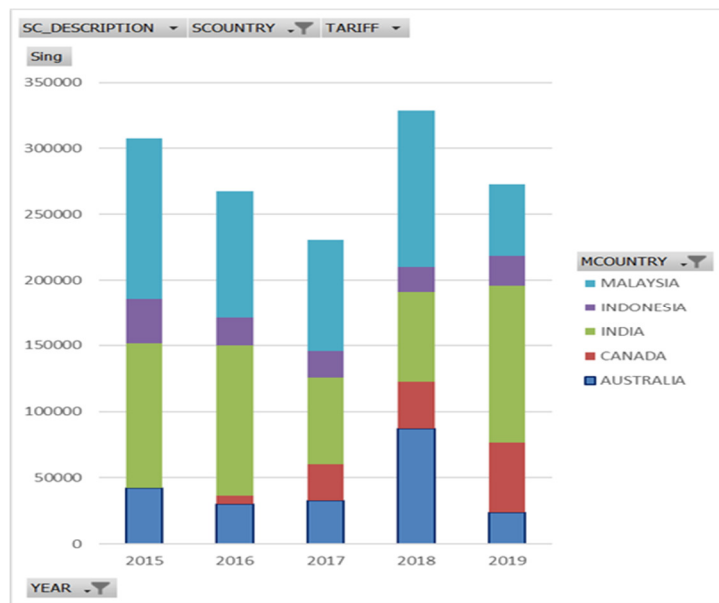


Table 2. Source [redacted] (tariff codes 721420 & 721310)

Export statistics show that in 2019, Singapore’s largest rebar export market was India with exports of approximately 120,000t per annum. Unfortunately, like most countries around the world, COVID-19

is forecast to significantly negatively impact the Indian construction market. KPMG in its assessment of the economic impact on the construction sector in India forecast:

*COVID-19 pandemic is likely to reduce investment in construction related projects in the range of 13-30%*¹⁵

This will reduce the Indian demand for steel reinforcing products. In Indonesia, another export market for Singaporean reinforcing bar products, the Public Works and Public Housing Ministry advised in April that it

*will suspend a number of infrastructure projects following the ministry's decision to reallocate a large part of its budget funds to efforts to mitigate the impact of the COVID-19 pandemic.*¹⁶

The combination of the soft forecast demand across most of NatSteel's traditional target markets will substantially increase NatSteel's excess capacity compelling it to secure volume based on dumped prices.

Exporter's prices to third countries

The price of Singapore's reinforcing bar exports to its key export markets provides yet another clear indicator of what NatSteel's behaviour is likely to be if measures on exports of reinforcing bar from Singapore to Australia are permitted to expire.

The graph below shows that from 2017, Singapore's reinforcing bar exports prices to Canada, India, Malaysia and Indonesia have all been within a few percentage points of each other. Noting that the Malaysia government found that NatSteel's exports to Malaysia were dumped during the period from 01.10.2017 to 30.09.2018, it is also likely that NatSteel were dumping into the other countries at the same time.

¹⁵ KPMG COVID-19 Assessment of economic impact on construction sector in India p1

¹⁶ <https://www.thejakartapost.com/news/2020/04/23/covid-19-crisis-delays-several-infrastructure-projects.html>

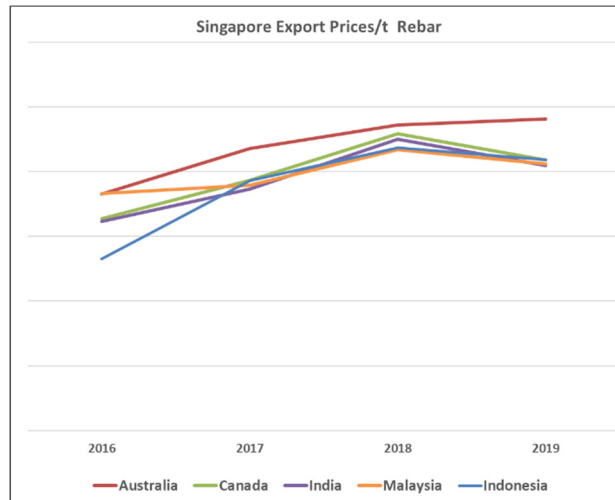


Table 3. Source [REDACTED] (tariff codes 721420 & 721310)

However, with dumping measures applying to exports to Australia, NatSteel's export prices have been consistently and significantly higher indicating the effectiveness of the measures in preventing dumping. NatSteel's recent actions concerning Malaysia are a strong indicator that if the Australian measures are permitted to expire NatSteel will recommence exporting at similarly dumped prices.

Conclusion

Based on NatSteel's continued and recent dumping of reinforcing bar products into the region; the forecast prolonged weak Singaporean and global construction market demand for rebar products; NatSteel's increasing excess capacity and the fact that NatSteel have maintained their distribution channel and third party accreditation to supply reinforcing bar to the Australian market, InfraBuild Steel submits that this evidence demonstrates that if the measures against Singapore were allowed to expire, that NatSteel would recommence dumping onto the Australian market. As InfraBuild Steel's domestic prices of reinforcing bar are directly influenced by the prices of imports, any recommencement of dumping activity will continue to cause material injury to InfraBuild Steel.

For and on behalf of the Australian Industry