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4 October 2021

The Director - Investigations 1
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

Investigation into copper tube exported from the Republic of Korea

Dear Director,

This submission is made on behalf of Nungwon Metal Ind Co., Ltd (“Nungwon”), in response to SEF 557 and the recent submission by MM Kembla addressing Nungwon’s verification report. Nungwon confirms and supports the Commission’s preliminary findings in SEF 557.

Like goods

MM Kembla accepts that domestic sales of copper tube by Nungwon are like goods as defined. It is also noted that the domestic like goods also fall within the model control codes defined by the Commission. Therefore, there are no physical characteristics which would support disregarding domestic sales for the purposes of determining normal values.

MM Kembla argues that differences exist between the subject goods and domestic like goods, and that such differences have a material impact on production costs for the various products. The cost data verified by the Commission refutes this assertion, with costs for similar export and domestic models being similar.

MM Kembla’s views are based on a comparison of the respective standards operating Australia and Korea. It is accepted that the industry standards within each country cannot be completely identical, as they each reflect minor variations in the different stages of development and status of their respective industries. Importantly, there are no differences between the exported goods and domestic like goods in respect of the end-use application, raw materials consumed and production process of copper tube.

First, the major applications of copper tube exported to Australia are piping systems for the conveyance of water, and commercialised refrigerants. These are the same applications that domestic like goods are for. Second, both exported and domestic copper tube is manufactured from 99.9% copper. Finally, all copper tube produced by Nungwon, irrespective of the final destination market, is manufactured within the same factory and using the same production process.

MM Kembla appears to be urging the Commission to apply a very narrow interpretation to comparable like goods, whereby the only domestic sales that would be suitable, are those that are identical. This cannot be accepted as the domestic and exported goods are clearly like to each other, given that they have common end-uses, physical and production likeness, along with functional likeness.

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Nungwon presented costs for individual products which reflect and capture all physical characteristics of each product based on the Korean Accounting Standards. These product specific costs were then used to calculate the weighted average costs for each determined model control code.

The only notable cost differences that exist relate to exported [REDACTED]. These [REDACTED] are not sold on the domestic market, so there are no domestic sales of the corresponding model control code. To address this, the Commission has had regard to Nungwon's sales of like goods for the purposes of identifying the next most closely matching model control code.

In doing so, the Commission has relied on domestic sales of the [REDACTED] that meets all of the other model control code criteria. The Commission addressed the cost differences associated with the [REDACTED] of the exported goods by calculating and applying a specification adjustment based on the verified costs.

Therefore, it is incorrect for MM Kembla to suggest that the Commission has incorrectly calculated normal values, as they have had regard to costs and sales of domestic like goods falling within the identical model control codes of the subject export goods. For those exports with no identical corresponding domestic model control code, the Commission has ensured proper comparison by adjusting for physical differences based on actual costs of production. It is also important to note that exports of [REDACTED] represent a mere [REDACTED]% of Nungwon's total exports, which confirms that its dumping margin is almost entirely calculated by comparing identical model control codes.

Weighted-average cost of copper

It is unclear precisely the argument being made by MM Kembla with regards to the cost of copper, but it appears that it is suggesting that the cost of copper reported for domestic like goods, should be disregarded and replaced with the cost of copper reported for the exported goods. In effect, concluding that the costs of production do not reasonably reflect the costs associated with the production of the goods.

There can be no basis for such a finding given that the Commission has interrogated Nungwon's financial accounts and production records, and verified that the records are kept in accordance with the accounting principles of Korea, and the copper costs do reasonably reflect the actual purchase costs as recorded. Therefore, the Commission should give no weight to this assertion and dismiss the claim without further consideration.

Despite the baseless nature of the claim by MM Kembla, Nungwon confirms that the reported copper costs are identical for domestic and export goods falling within the same model control code.