

27 January 2021

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

BY EMAIL

Dear Director,

Continuation Inquiry No. 560 concerning steel reinforcing bar exported from the People's Republic of China

AUSTRALIAN INDUSTRY RESPONSE TO STATEMENT OF ESSENTIAL FACTS

InfraBuild (Newcastle) Pty Ltd (**InfraBuild**), formerly Liberty OneSteel (Newcastle) Pty Ltd, the applicant and a member of the Australian industry producing like goods to the goods the subject of this inquiry, refers to *Statement of Essential Facts No. 560 (SEF 560)* and makes the following observations and comments in response.¹

SEF 560

At the outset, InfraBuild welcomes the Commissioner's proposed recommendations to the Minister that the the continuation of the notice applying to steel reinforcing bar (**rebar**) exported to Australia from China be secured for another five years. On the evidence before the Commissioner this is clearly the correct and preferable recommendation.

For the purpose of navigating our responses, the use of paragraph numbers, headings and sub-headings below follow those contained in the SEF.

"4.3.5 Structural changes in the market"

InfraBuild seeks to clarify that Dalian Steelforce Hi-tech Co., Ltd is not *...a Chinese producer of rebar...* and *...Steelforce Holdings Pty Ltd and subsidiaries...* are not *... importer[s] of rebar. Steelforce Holdings Pty Ltd*

¹ InfraBuild was granted an extension to the due date to lodge its written submission in response to SEF 560 to 28 January 2021.

and subsidiaries... are distributors of rebar imported by other unrelated parties. Furthermore, InfraBuild Trading Pty Ltd had not ... *agreed to acquire Best Bar...* in an unconditional sense, but rather had ...*proposed acquisition of Best Bar Pty Ltd*. This proposal was withdrawn in or about June 2020.²

“6.4.4 ACRS certification”

InfraBuild agrees that the example of Jingye Iron and Steel Co Ltd, who regained ACRS certification on 8 December 2020, following suspension ...*for non compliance with the Scheme...* only in September 2020³ serves to demonstrate that the Commission’s preliminary conclusion that ...*exporters who hold or can readily obtain ACRS accreditation would provide those exporters from China the opportunity to supply the Australian market at very short notice should the measures be allowed to expire...* is both the correct and preferable recommendation to the Minister.

“6.4.5 Production capacity and capacity utilisation”

InfraBuild observes the Commission’s research concerning ...*China’s nominal crude steelmaking capacity to be 1,152.2 million metric tonnes...*⁴ and notes that ...*the Commission did not receive information concerning capacity and capacity utilisation from Chinese exporters of rebar during this inquiry*. Although InfraBuild is unable to confirm the actual capacity and capacity utilisation of the Chinese exporters of the goods and like goods, according to the Chinese National Bureau of Statistics (NBS) actual crude steel production in China for 2020 reached 1.053 billion tonnes, lifting the result by 5.2% over the year.⁵ This suggests an overall capacity utilisation rate of 91.4 per cent.⁶ Officially, the Chinese NBS reports ... *ferrous metal smelting and processing industry...* operating at an 82.0 percent capacity utilisation in the December 2020 quarter.⁷

According to steel industry reports by S&P Global Platts, steel inventory held by CISA (China Iron & Steel Association) members totalled ...*13.03 million mt over Jan. 1-10, up 12.1% from Dec. 20-31 and surging 24.04% year on year,*⁸ and reporting further that Chinese ...*mills would continue to keep output high until they were told to cut output by the government, or incurred sustained losses*.

Separately, S&P Global Platts reports that:

While China's steel production has shown no signs of slowing, steel demand is expected to drop at a faster pace from mid-January onwards and remain low for a longer period than usual, traders said.

Steel inventories, both at the spot markets and steel mills, have rebounded at a fast pace since early January. Traders expect the increase in inventories, at the spot markets and steel mills combined, to accelerate from mid-January onwards.

² <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/infra-build-trading-pty-ltd-best-bar-pty-ltd> (accessed 21/01/2021).

³ <https://www.steelcertification.com/bar1.html> (accessed 21/01/2020).

⁴ SEF 562, p. 34.

⁵ http://www.stats.gov.cn/english/PressRelease/202101/t20210119_1812509.html (accessed 21/01/2021).

⁶ When compared to the Commission’s assessment of China’s nominal crude steelmaking capacity to be 1,152.2 million metric tonnes.

⁷ http://www.stats.gov.cn/english/PressRelease/202101/t20210119_1812525.html (accessed 21/01/2021).

⁸ S&P Global Platts, ‘China’s Jan 1-10 crude steel output rises 10% on year in strong start to 2021: CISA’, 15 January 2021.

*The long steel inventories in the southern Guangzhou market and the northern Beijing markets increased 20% and 8% over Dec. 31, 2020 and Jan. 6, 2021, traders said, reflecting a 4% and 18% year-on-year increase, respectively. (emphasis added)*⁹

S&P Global Platts estimates that rebar production accounts for roughly 20% of Chinese steel production.¹⁰

“6.4.8 Price undercutting”

The Commission’s analysis of price undercutting supports InfraBuild’s contention that in the absence of measures, the price of rebar from China would afford exporters from China a significant price advantage over other exporters and likely become the reference point for price negotiations between other parties in the Australian market, having a depressive effect on prices across the Australian market generally. This will likely cause InfraBuild to experience a recurrence of price injury.

In further support of the Commission’s price undercutting analysis, and likelihood of recurrence of injury conclusion, InfraBuild refers the Commission to recent Steel industry reports specifically concerning rebar exports from China and their intensifying competitiveness:

Most Chinese mills kept rebar sales focused to domestic markets until mid-November as construction demand held firmer than in previous years because project schedules were pushed forward by Covid-19 lockdowns. But Chinese producers’ interest in rebar exports emerged after export profit margins exceeded those for domestic trade in December and Turkey’s rebar price advantage over China disappeared. Turkish exports to southeast Asia have stalled. Singapore has been out of the market, confining Chinese spot sales of rebar mostly to Hong Kong.

...

*Chinese producers sold around 90,000-100,000t of rebar to Hong Kong and South Korea in December, with deal prices increasing from \$530-540/t fob theoretical weight on 3 December to \$605-610/t fob theoretical weight on 31 December, according to Argus’ survey. (emphasis added)*¹¹

“6.4.9 Production displacement resulting in increased volumes to Australia”

The Commission observes that *...[n]otwithstanding Australia’s geographical proximity to China... InfraBuild has not explained why China’s displaced exports would necessarily be diverted to Australia as opposed to any other country in the Asian region.*

Recent steel industry reports by S&P Global Platts demonstrate the aversive effect of trade remedy measures on exports of steel long products from China (in this example, wire rod in coils). The following extract explains that notwithstanding the FOB price competitiveness of the Chinese exports as against Black Sea sources, the impact of 24 per cent import duty resulted in the diversion of the Chinese goods to other markets not subject to measures (i.e. Middle East or African markets):

⁹ S&P Global Platts, ‘China’s latest virus restrictions to impact steel demand more than supply’, 11 January 2021.

¹⁰ <https://www.spglobal.com/platts/en/market-insights/latest-news/metals/011121-vanishing-chinese-rebar-margins-could-put-brake-on-iron-ore-price-rally> (accessed 21/02/21)

¹¹ <https://www.argusmedia.com/en/news/2173695-chinas-long-steel-exports-cushion-winter-slowdown#:~:text=Chinese%20exports%20of%20wire%20rod,30%20October%20to%2031%20December> (accessed 21/01/2021).

In comparison to Turkey and the CIS [\$740-\$750/mt FOB Black Sea], wire rod offers from China were floating in the market between \$700-\$710/mt CFR Middle East/Mediterranean, two sources said.

...

For the EU market, the Chinese wire rod imports, still subject to a prohibitive 24% import duty, were unlikely to find buyers. However, other markets including the Middle East or Africa were more likely to book from China than from the CIS or Turkey. Turkish wire rod quotations were also moving up with the latest heard at \$740-\$750/mt FOB. (emphasis added)¹²

The diversion of surplus Chinese inventories of the goods to regional markets not subject to trade measures is demonstrated by the significant volumes of Chinese rebar sold into the Singaporean and Hong Kong markets:

China mills have exported more than 300,000 mt of rebar to the Hong Kong and Singapore markets in the past three weeks, as demand resurfaced after a sluggish 11 months amid the COVID-19 pandemic, sources said.

Market sources expected Chinese exports of rebar to continue. "As long as the demand was there amid the uptrend of market prices, I am expecting that the export opportunities will continue for Chinese mills," a Chinese trader said.

...

Buyers in both Singapore and Hong Kong said a large amount of rebar sold to the markets was mainly due to robust demand in regional markets, amid an absence of offers from other import origins.

"We never expected that the construction demand would pick up so fast," said a rebar fabricator in the Singapore market. "Quite a few rebar players have a shortage of certain diameters of rebar." (emphasis added)¹³

The above commentary demonstrates the attraction of surplus Chinese rebar to regional markets with strong domestic construction activity, and an absence of measures. Applied here, should the measures not be continued with respect to the goods and like goods, then given that the latest quarterly forecast of building and construction activity available to InfraBuild indicates a recovery in construction activity in 2020-21 and for each fiscal year of the forecast thereafter, then a decision to not secure the continuation of the dumping duty notice will create the conditions suitable for a recurrence of dumping in the Australian rebar market, and material injury to the Australian industry:

In 2019-20 Australian construction activity declined by \$ [REDACTED], the strongest decline was in Housing construction. For 2020-21 construction activity is estimated to grow by \$ [REDACTED], the main driver of this growth will be Engineering construction. By 2021-22 construction activity is projected to grow by \$ [REDACTED], the main driver of this growth will be Engineering construction. By 2022-23 construction activity is projected to grow by \$ [REDACTED], the main driver of this growth

¹² S&P Global Platts, 'CIS wire rod exporters return to Black Sea market with hikes', 11 January 2021.

¹³ S&P Global Platts, 'Chinese mills see return of regional export demand for rebar: sources', 11 January 2021.

will be Engineering construction. The compound annual growth rate of total construction, over the projection period from 2017-18 to 2022-23, is -██████% per annum.¹⁴

As indicated in its original application,¹⁵ InfraBuild identified the barriers to Chinese producers and exports of rebar to other regional markets:

The combined effect of these trade restrictions has impacted the global market for steel products and rebar specifically. Increasing the level of trade restrictions has reduced or completely restricted major export markets for rebar producers throughout the world. This has caused increased levels of competition in the global market because of reduced demand for imports in the two major markets of the US and EU. Additionally, Malaysia, Morocco and Vietnam have also imposed safeguard measures against China that cover rebar.^[original fn 34] Vietnam was within China's top 5 export markets for Chinese steel long products products in 2018 and 2019, with an apparent 15 per cent reduction in volume following the imposition of the safeguard measures.^[original fn 35]

As observed above, rebar from China is also subject to anti-dumping measures in five other countries [Canada, United States, European Union, Egypt and Pakistan]. Along with the US tariffs and EU safeguard measures, Chinese rebar producers are encountering trade restrictions that are having a real impact on their ability to sell in export markets. This would make the Australian market very attractive to Chinese rebar producers if the current anti-dumping measures were allowed to expire. Further, the proliferation of these measures demonstrates a propensity to dump rebar in export markets. Chinese rebar producers have been found dumping numerous times in many different markets throughout the world. There are at least twelve anti-dumping findings in other countries against other similar goods made on the same production equipment as rebar, such as steel wire rod and flat steel bars, which again confirms the propensity of Chinese steel producers to dump steel products in export markets.^[original fn 36]

Furthermore, the Commission identifies the conditions within the Australian rebar market that supports the conclusion that it is likely that surplus and displaced exports from China would be diverted to Australia in the event that the measures were permitted to expire. Firstly, the Commission acknowledges that the *...expected reduction in [global] demand can be expected to intensify price competition among steel suppliers.¹⁶ Secondly, the combined effect of ... Chinese export prices [having] been the lowest during the inquiry period and there is a close relationship between price and export volumes... and ...Australian importers [having] shown a propensity to import the cheapest priced product in the market and are able to quickly switch supply from different exporters¹⁷.*

The steel industry insights cited above indicate why at least some of China's surplus and displaced exports would likely be diverted to Australia in the event that the current measures were permitted to expire. Indeed, the Commission reached this conclusion in the course of *Dumping Investigation No. 300*, which illustrated in support of InfraBuild's contention how rapidly and significantly China will increase (likely

¹⁴ National Institute of Economic and Industry Research, 'ABS Data and NIEIR Forecasts January 2021 Report', 25 January 2021.

¹⁵ EPR Folio No. 560/001, pp. 22-23.

¹⁶ SEF 560, p. 38.

¹⁷ SEF 560, p. 39.

dumped) exports to a country like Australia where a strong market for rebar exists and where China has established trade links, absent any trade measures:

The Commission has examined import volumes from the ABF import database occurring during and post the investigation period. The Commission observes that import volumes from China for the 8 month period following the end of the investigation period, that is July 2014, are significantly higher than verified volumes during the investigation period. The Commission notes that the total import volume of rebar from China was approximately 22,500 tonnes during the investigation period but the total imports of rebar from China adds up to approximately 46,700 tonnes in the 8 months following the end of the investigation period. That would be an approximately 70,000 tonnes of export volumes at prorata basis for the next 12 months following the investigation period. This shows more than 300 per cent increase in rebar import volumes from China.¹⁸

“7.2 Form of duty”

The Commissioner is correct to recommend to the Minister that *...the combination duty method continues to be the most appropriate form of duty...* not the least of which is because there was no cooperation from Chinese exporters during this inquiry. In these circumstances, given that the variable component of the measures will be based on the ascertained export price, which was adjusted from the last ascertained export prices resulting from satisfactory verification, then the combination form of measures, is not only appropriate, but necessary, by reason of the exporters’ non-cooperation.

Should you have questions concerning any aspect of this submission, please do not hesitate to contact your InfraBuild Steel representative on record.

FOR AND ON BEHALF OF THE

AUSTRALIAN INDUSTRY APPLICANT

¹⁸ REP 300, p. 70.