

20 November 2020

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

Email: investigations2@adcommission.gov.au

Dear Director,

Continuation Inquiry No. 560 concerning steel reinforcing bar exported from China
Continuation Inquiry No. 562 concerning rod in coil exported from China

SUBMISSION OF THE AUSTRALIAN INDUSTRY

InfraBuild (Newcastle) Pty Ltd (**InfraBuild Steel**), a member of the Australian industry producing like goods to the goods the subject of these continuation inquiries, refers to the Anti-Dumping Commission's (**Commission**) preliminary findings in the separate, but related, *Statements of Essential Facts* for the review of anti-dumping measures concerning steel reinforcing bar¹ and rod in coils², both exported from China.

Despite a lack of significant export volumes of the subject goods from China during the subject review period, a number of important factors highlight the risks associated with a decision to not continue the measures. A number of these factors are related to the Commission's view that a particular market situation existed in respect of the domestic market for the subject goods in China for the review period.³

1. China's steel capacity keeps expanding well beyond domestic requirements

China's crude steel output reached a new historical daily high of ████████ tonnes in September 2020 with production remaining above a monthly average volume of ████████ tonnes for five consecutive months.⁴

The Chairman of the OECD Steel Committee, at the 88th Session held in late September 2020, summarized the concerns of the delegates as follows:

expressed grave concerns about the deterioration of steel market conditions related to the COVID-19 outbreak, causing large demand and production shocks that have impacted all economic sectors including steel. These market conditions have caused significant unemployment for steel workers in OECD Steel Committee countries. Delegates noted with apprehension that, despite the global negative demand shock, production and inventories have significantly increased from year-ago levels in China. [emphasis added]

¹ *Statement of Essential Facts No. 563* (published 29 October 2020) (**SEF 563**)

² *Statement of Essential Facts No. 564* (published 29 October 2020) (**SEF 564**)

³ SEF 563, p. 15 at [4.2.2.1] and SEF 564, p. 14 at [4.2.2.1].

⁴ **CONFIDENTIAL ATTACHMENT 1.**

...

Most major steel-producing economies have experienced significant contractions in steel production this year in response to the market situation. The Steel Committee noted with concern the divergence from this global trend in China, where steel production reached record volumes in the first semester of 2020, and where inventories have reached historically high levels. [emphasis added]

...

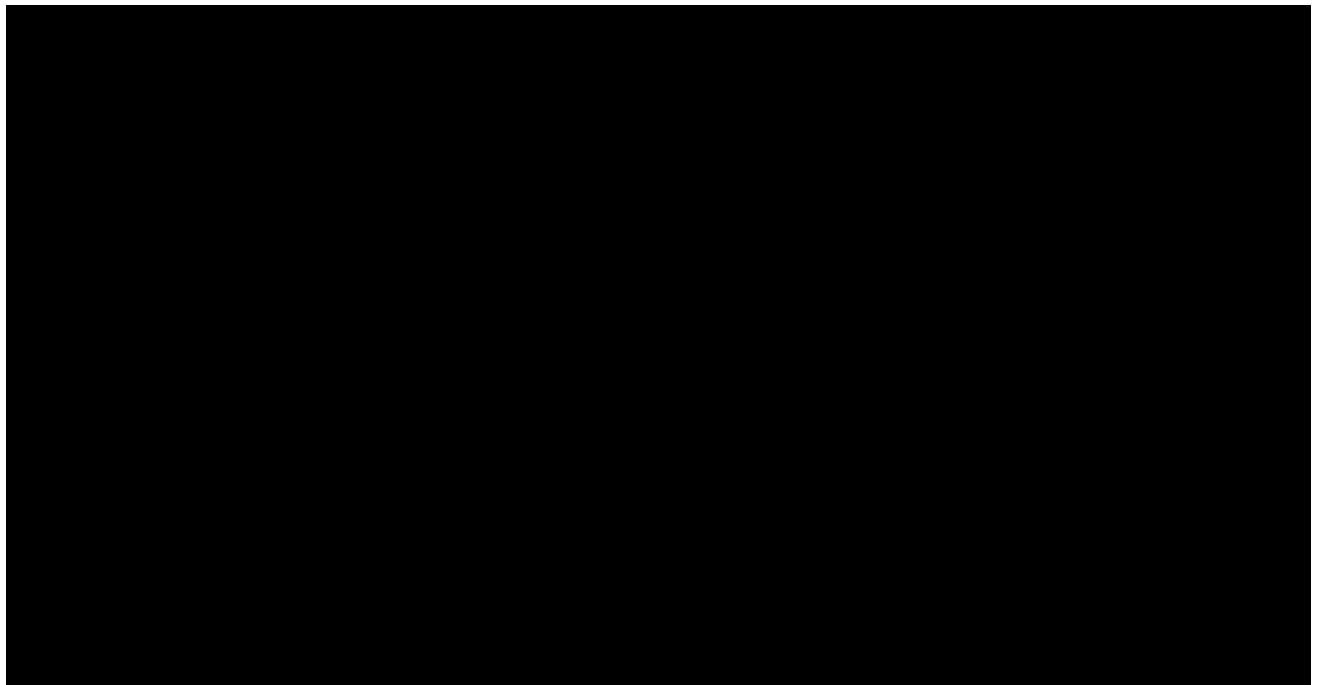
noted with deep concern increases in steelmaking capacity, which may not reflect market fundamentals, resulting in a capacity-production gap that is expected to reach 700 million metric tonnes in 2020, after narrowing between 2016 and 2019. [emphasis added]

...

stressed that market-distorting government interventions and support measures as well as the resulting excess capacity have contributed to significant distortions in steel trade flows and can hinder exit and structural adjustment. These interventions contribute to trade tensions.⁵

During the recent *Global Forum on Steel Excess Capacity*, the peak European steel industry body, EUROFER, presented research supporting the above observations and indicating Chinese domestic steel production exceeding domestic demand and the consequential 70 per cent increase in the country's steel inventory position when compared to its 2014-2019 average⁶:

[The following graphic is subject to rights restrictions]



Source: CONFIDENTIAL ATTACHMENT 3 (EUROFER, 7 July 2020, p. 9.)

⁵ NON-CONFIDENTIAL ATTACHMENT 2.

⁶ CONFIDENTIAL ATTACHMENT 3, pp. 8 -9.

- 2. China's steelmaking processes remain heavily Blast Furnace dominated. Blast furnace operation can not be readily shut down for periods of low domestic demand. Surplus production must necessarily be exported.**

The Worldsteel Association (**Worldsteel**) publication 'World Steel in Figures 2020'⁷ shows that 89.6% of the 996.3 million tonnes of crude steel produced by China in 2019 was produced using iron made via the Blast Furnace process rather than an Electric Arc Furnace scrap melting process. Although recent reports suggest an intention on the part of the Chinese government to encourage new investment in environmentally cleaner technologies (EAF rather than blast furnace) it will take considerable time for the current reliance on blast furnace technology to diminish.

Blast furnaces are designed to require ongoing, uninterrupted, consistent feed rates to ensure efficient operation. Reducing capacity on a blast furnace designed for a certain load causes instability, risks expensive refractory repairs through heat cycling and affects the quality and volume of iron produced. As such, China will not readily be able to reduce steel output in response to reduced local demand. The excess steel will not be able to be stockpiled indefinitely and will be exported – for which China has consistently demonstrated its global primacy as the world's largest exporter of steel (██████████ tonnes in 2019) far away and above its closest export competitor, Japan (██████████ tonnes in 2019). Unless Chinese steel inventories can be drastically reduced in the short to medium term, this excess and growing production output will need to be displaced, and given weaker economic trade conditions due to COVID-19, at likely dumped prices (based on historical performance) – to countries that do not have effective trade remedies in place for Chinese steel exports. Therefore, in the absence of measures, Australia will again be an attractive rebar and rod in coil market for Chinese exporters.

- 3. Despite recent brief periods of importation (of both semi-finished and finished steel products), China remains focused on export markets and has not stopped offering and selling rebar and rod in coil into the Asian regional markets.**

CONFIDENTIAL ATTACHMENT 5 provides an update of Chinese export offers for rebar supplied under subscription by ██████████. These offers indicate that despite recent reports of importation of both semi-finished and finished steel products into China, the export offers for Chinese rebar have not stopped into Asian regional markets.

The China Iron & Steel Association (**CISA**) recently predicted that China is likely to become a net steel exporter again in October 2020 following a period of being a net steel importer. The reason for this change as reported by ██████████ is as follows:

This is because while overseas demand has gradually recovered, China's stimulus, issued in the first half of 2020 to boost its economy from the pandemic hit, has gradually faded away, some sources said, adding the Chinese domestic strength therefore is unlikely to largely surpass overseas market again.⁸

Similarly, an article published by ██████████ on ██████████ predicted the Chinese long steel market may remain under pressure due to *...soaring inventories and tighter monetary stimulus⁹*.

⁷ NON-CONFIDENTIAL ATTACHMENT 4, p. 10.

⁸ CONFIDENTIAL ATTACHMENT 6.

⁹ CONFIDENTIAL ATTACHMENT 7.

That the combination of record daily domestic production, softening domestic demand and growing inventory, are pushing Chinese steel producers to again export surplus capacity is confirmed by the following global steel industry reports:

China's finished steel exports rebounded by 5.5% on month to ██████ mt in October, as overseas steel demand picked up, customs data released Nov. 8 showed.

...

Steel inventories for five major steel products in 20 Chinese cities reached ██████ mt over Oct. 20-31, down 7.3% compared with Oct. 20, the CISA data showed.

Of the steel products, wire rod and rebar stocks fell the most, by 11.6% and 8.1% to reach ██████ mt and ██████ mt, respectively, the data showed.¹⁰

Similarly, recent articles published by ██████ and attached as CONFIDENTIAL ATTACHMENT 9 and CONFIDENTIAL ATTACHMENT 10 reference Chinese wire rod export offer prices and CONFIDENTIAL ATTACHMENT 11 includes a daily price assessment of Chinese FOB wire rod prices provided by ██████.

4. China has proven its ability to rapidly escalate exports of dumped rebar and rod in coil to Australia in the absence of measures. If measures are removed, it is highly likely they will do so again. Trade remedies applied to Chinese rebar in other countries means that markets without dumping duties, particularly those in close geographical proximity are especially attractive to exporting Chinese mills.

The European Union (EU, or Union) has recently initiated an expiry review of the anti-dumping measures applicable to imports of *wire rod initiating in the People's Republic of China*. The review was initiated following a request lodged by EUROFER, representing around 60% of the total Union production of wire rod.

Concerning the 'Allegation of likelihood of continuation or recurrence of injury', the Notice contains the following:

The applicant alleges the likelihood of recurrence of injury caused by imports from the PRC. In this respect the applicant has provided sufficient evidence that, should measures be allowed to lapse, the current import level of the product under review from the country concerned to the Union is likely to increase. This is due to (i) the existence of unused capacity and the potential of the manufacturing facilities of the exporting producers in the PRC; (ii) the attractiveness of the Union market; and (iii) trade defence measures against imports of the product under review in force or in the process of being enforced in traditional markets other than the EU (inter alia the USA, Indonesia, India, Mexico, Australia).

The applicant finally alleges that the removal of injury has been mainly due to the existence of measures and that any recurrence of substantial imports at dumped prices from the country concerned would likely lead to a recurrence of injury to the Union industry should measures be allowed to lapse.¹¹

Similar to the current *Review of Measures Nos. 563 and 564* relating to rebar and rod in coil exported from China, the EU Notice refers to a *...current absence of significant import volumes from the PRC to the Union*.

¹⁰ CONFIDENTIAL ATTACHMENT 8.

¹¹ NON-CONFIDENTIAL ATTACHMENT 12.



With regard to import volumes of Chinese rebar and rod into Australia, SEF 563 says *'the Commission identified one import of a small quantity of the goods in the ABF import database during the review period'*¹² and SEF 564 states *'the Commission did not identify any importations of the goods during the review period'*¹³.

The European expiry review period coincides with that of Australian Reviews 563 and 564, being 1 July 2019 to 30 June 2020.

It is InfraBuild Steel's view that absent measures, Chinese rebar and rod in coil exporters would rapidly increase exports to Australia at dumped and subsidized prices. Drivers for this action would be the large and growing excess capacity prevailing in the Chinese manufacturing facilities, the geographical proximity that Australia has to China (with previously established customer sales connections) and the open nature of the Australian market, absent measures, relative to other markets.

Please do not hesitate to contact your InfraBuild Steel representative with any questions.

FOR AND ON BEHALF OF

THE AUSTRALIAN INDUSTRY PRODUCER

¹² SEF 563, p. 8.

¹³ SEF 564, p. 8.