

27 January 2021

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

BY EMAIL

Dear Director,

**Continuation Inquiry No. 562 concerning rod in coil 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. 562 (SEF 562)* and makes the following observations and comments in response.<sup>1</sup>

**SEF 562**

At the outset, InfraBuild welcomes the Commissioner's proposed recommendations to the Minister that the the continuation of the notice applying to rod in coil (**RIC**) 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.

**"3.6 Australian industry"**

InfraBuild seeks to clarify that it does not produce the like goods at its Rooty Hill, NSW facility.

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<sup>1</sup> InfraBuild was granted an extension to the due date to lodge its written submission in response to SEF 562 to 28 January 2021.

#### ***“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 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 This proposal was withdrawn in or about June 2020.*<sup>2</sup>

#### ***“6.4.4 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... and notes that ...the Commission did not receive information concerning capacity and capacity utilisation from Chinese exporters of RIC 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.*<sup>3</sup> This suggests an overall capacity utilisation rate of 91.4 per cent.<sup>4</sup> Officially, the Chinese NBS reports *... ferrous metal smelting and processing industry... operating at an 82.0 percent capacity utilisation in the December 2020 quarter.*<sup>5</sup>

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,*<sup>6</sup> 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.*

*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)*<sup>7</sup>

#### ***“6.4.7 Price undercutting”***

The Commission’s analysis of price undercutting supports InfraBuild’s contention that in the absence of measures, the price of RIC from China would afford exporters from China a significant price advantage over

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

<sup>3</sup> [http://www.stats.gov.cn/english/PressRelease/202101/t20210119\\_1812509.html](http://www.stats.gov.cn/english/PressRelease/202101/t20210119_1812509.html) (accessed 21/01/2021).

<sup>4</sup> When compared to the Commission’s assessment of China’s nominal crude steelmaking capacity to be 1,152.2 million metric tonnes.

<sup>5</sup> [http://www.stats.gov.cn/english/PressRelease/202101/t20210119\\_1812525.html](http://www.stats.gov.cn/english/PressRelease/202101/t20210119_1812525.html) (accessed 21/01/2021).

<sup>6</sup> 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.

<sup>7</sup> S&P Global Platts, ‘China’s latest virus restrictions to impact steel demand more than supply’, 11 January 2021.

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 RIC exports from China and their intensifying competitiveness:

*Chinese exports of wire rod accelerated further in November as its prices became more competitive with other major steel-exporting countries during the period of global demand recovery. The Chinese wire rod export price assessed by Argus has increased by \$139/t to \$651/t fob from 30 October to 31 December. The Turkish wire rod export price increased by more than \$217.50/t to \$722.50/t fob over the same period. Leading Chinese producers sold over 220,000t of wire rod from November-December, three times their September-October sales, according to Argus' survey. (emphasis added)<sup>8</sup>*

#### **"6.4.8 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 RIC from China. 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):

*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.*

*This was mostly available from traders looking to close their positions, one source 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)<sup>9</sup>*

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 long steel products (specifically 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.*

<sup>8</sup> <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).

<sup>9</sup> S&P Global Platts, 'CIS wire rod exporters return to Black Sea market with hikes', 11 January 2021.

*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)<sup>10</sup>*

The above commentary concerning another long steel product (rebar) used in the construction industry demonstrates the attraction of surplus Chinese long steel products 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 RIC market, and material injury to the Australian industry:

*In 2019-20 Australian construction activity declined by \$ ██████████, the strongest decline was in Housing construction. For 2020-21 construction activity is estimated to grow by \$ ██████████, the main driver of this growth will be Engineering construction. By 2021-22 construction activity is projected to grow by \$ ██████████, the main driver of this growth will be Engineering construction. By 2022-23 construction activity is projected to grow by \$ ██████████, the main driver of this growth 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.<sup>11</sup>*

Furthermore, the Commission identifies the conditions within the Australian RIC 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.<sup>12</sup> 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 exporters<sup>13</sup>.*

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. 301*, which

<sup>10</sup> S&P Global Platts, 'Chinese mills see return of regional export demand for rebar: sources', 11 January 2021.

<sup>11</sup> National Institute of Economic and Industry Research, 'ABS Data and NIEIR Forecasts January 2021 Report', 25 January 2021.

<sup>12</sup> SEF 562, p. 38.

<sup>13</sup> SEF 562, p. 39.

illustrated in support of InfraBuild's contention how rapidly and significantly China will increase (likely dumped) exports to a country like Australia where a strong market for RIC exists and where China has established trade links, absent any trade measures:

*The Commission notes that prior to the start of January 2014, limited volumes of RIC from China entered the Australian market. By the start of the investigation period six months later, China had captured almost 10 per cent of the import market for RIC, and accounted for over 25 per cent of the import market over the investigation period by volume.<sup>14</sup>*

### **"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**

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<sup>14</sup> REP 301, p. 32.