



11 May 2021

Mr Ben Merlin
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Public File

Dear Sir/Madam

Investigation 569 – Continuation of measures on grinding balls exported from P R China

I. ME Elecmetal submission

We refer to the ME Elecmetal submission dated 3 March 2021, only recently placed on the Electronic Public Record (“ERP”) (refer EPR Document 012). It is not apparent why this submission dated 3 March 2021 has only been placed on the EPR on 6 May 2021.

II. The goods

The ME Elecmetal submission contends that its product offering for grinding balls involves “*recognised and measurable differences in the performance of grinding balls marketed and sold by ME Elecmetal*”, along with certain “customer work practices” (not specified) that impact the “*performance of grinding balls and site conditions*”.

In its Australian Industry Questionnaire Response (published on EPR on 6 May 2021) ME Elecmetal states the following concerning grinding balls sourced from its affiliate ME Longteng¹:

“ME Longteng’s forged grinding media is known for its superior quality, as well as improved product physical properties in application. This is due to ME Longteng’s advanced technology, proprietary design, and tight manufacturing control. These attributes result in ME’s products offering reduced ball breakage during the grinding process, and therefore reduced ball consumption and improved ore processing results in end user grinding mills. This allows for better efficiency and greater productivity for ME Elecmetal’s customers.”

ME Elecmetal’s statement concerning its forged balls is aimed at differentiating its product from the locally produced like grinding balls manufactured by Molycop. Molycop has been manufacturing grinding balls for 100 years. Over this time, Molycop has enhanced its product offering with investment in new technologies, ongoing R&D, and ongoing re-investment in its forged balls. ME Elecmetal’s comments do not detract from the findings of the Anti-Dumping Commission (“the Commission”) in Investigations 316 that:

- the primary physical characteristics of the imported goods and locally produced goods are similar;
- the imported goods and the locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;

¹ Investigation 569, EPR Document 013, P.3.



- the imported goods and locally produced goods are functionally alike as they have similar end-uses; and
- the imported goods and the locally produced goods are manufactured in a similar manner.

The imported forged grinding balls from ME Elecmetal and the locally produced forged grinding balls manufactured by Molycop are therefore “alike” in all respects. There has been no alteration of the imported grinding balls supplied by ME Elecmetal that would alter the Commission’s findings in Investigation 316.

III. Investigation 520

The ME Elecmetal submission includes statements and representations that cannot be relied upon. Included in ME Elecmetal’s hollow claims is the broad statement:

“Our client submits there is no likelihood, as a matter of probability, that expiry of the measures as against ME Electmetal would lead to a recurrence of injury to the Australian industry of a kind that the measures is intended to prevent.”

It can be recalled in recent Report 520 that the Commission confirmed that the following exporters did not export grinding balls to Australia during the investigation period (1 July 2018 to 30 June 2019):

- Anhui Sanfang New Material Technology Co., Ltd (“Anhui Sanfang”);
- Jiangsu Yute Grinding International Co., Ltd (“Jiangsu Yute”);
- Iraeta Energy Equipment Co., Ltd (“Iraeta”).

The Commission confirmed that only Changshu Longte Grinding Ball Co., Ltd (“Longte”) exported grinding balls during the investigation period.

It was further identified that the companies involved in the production and exportation of the goods were:

- Longte;
- Longte’s parent company, Changshu Longteng Special Steel., Ltd (“Longteng”);
- Longteng Grinding Media (Changshu) Co., Ltd (“ME Longteng”); and
- Compania Electro Metalurgica S.A. (“ME”).

The roles of the related parties are detailed in Report 520 (Section 5.4.1). In essence, Longte and Longteng have the same controlling shareholders in Changshu, China, whilst ME (known as ME Elecmetal in this investigation) is a multinational company listed on the Chilean Stock Exchange. The Commission confirmed that ME Longteng is a joint venture between Longteng and ME “for the purpose of manufacturing and exporting grinding balls”.

ME Elecmetal operates as the exporting arm/trading arm for goods manufactured by ME Longteng. ME Elecmetal also has an Australian office which is an importer of the goods exported by ME Longteng.

It was also identified in Report 520 that goods produced under a tolling arrangement between ME Longteng and Longte (but owned by Longte) are also exported by ME Elecmetal.

ME Elecmetal is the major importer of the goods the subject of the measures from the Longte and ME Longteng production facilities.

As the primary importer of grinding balls from China, ME Elecmetal asserts that its exports will not “lead to a recurrence of injury to the Australian industry of a kind that the measures are intended to



prevent” even though there was a 37 per cent increase in exports of Chinese grinding balls to Australia in the two-year period to 2019/20 (refer Molycop application).

In calendar year 2020, Molycop’s sales volumes have declined by [removed – xxx percent].

IV. Disingenuous assertions

ME Elecmetal’s submission has sought to dismiss Molycop’s representations that the anti-dumping measures are required to prevent a recurrence of material injury. Molycop’s position has been clear. In its 8 February 2021 submission (EPR Document 005) Molycop highlighted that it maintains its long-held position that the Commission has incorrectly applied a steel benchmark based upon Latin America export billet prices in its constructed normal value for Chinese grinding balls. Molycop has provided in its submission supporting evidence confirming that the Commission-selected export billet prices do not reflect domestic steel billet prices. Steel export prices are typically lower than domestic prices to maximise loading of high fixed cost assets (improve fixed cost absorption) and to offset higher export supply chain costs.

ME Elecmetal has continued to import grinding balls at increasing volumes since the measures were imposed in 2016. ME Elecmetal’s unconvincing arguments that:

- Chinese imports have not been a cause of material injury to the Australian industry;
- China imports will not cause material injury due to “changes in the market”;
- ME Elecmetal has not caused price injury;
- ME Elecmetal would not reduce prices if measures were to expire,

are not supported by the behaviours of ME Elecmetal (and its affiliates) in securing increased sales in the Australian market during 2020.

Recent Investigation 520 confirmed that exports to Australia by Longte and Longteng were again at dumped prices. Interestingly, ME Elecmetal suggests that it can be trusted not to cause “material injury” to the Australian industry. ME Elecmetal does not state that it will not export at dumped prices into the Australian market. ME Elecmetal is relying upon its current customer base in Australia to contend that it hasn’t caused injury and that no future injury will occur, as it has secured sales at customers for the foreseeable future.

Molycop rejects ME Elecmetal’s hollow statements that cannot be accepted as they do not reflect actual intent (with dumping confirmed in Review Investigation 520).

Molycop has demonstrated it has lost sales volumes and hence market share in 2020. Molycop has reduced its production cost base through its own initiatives as it has competed with dumped Chinese imports that include an erroneous benchmark that affords all Chinese exporters of the goods a competitive advantage that is not available to exporters in other countries (e.g. Indonesia, India and Thailand).

ME Elecmetal’s assurances are disingenuous and should not be relied upon by the Commission as guarantees as to likely future behaviour(s). Past practice indicates that ME Elecmetal will likely again export at dumped prices.

V. Conclusions

Molycop continues to seek the continuation of anti-dumping measures on grinding balls exported to Australia from China.

The Commissioner will not be relying upon assumption(s) in recommending to the Minister for Industry, Science and Technology that the measures not be allowed to expire. Rather, the



Commissioner will have considered the past actions of the Chinese exporters of grinding balls (primarily the Longte Group of companies) to continue to export the goods to Australia at dumped prices.

Past practice is indicative of likely future behaviour(s).

The anti-dumping measures are required – at effective levels – to prevent a recurrence of material injury that the measures were imposed to prevent (including reductions in sales volumes and market shares).

Further, Molycop reiterates its position detailed in its 8 February 2021 submission that the Latin America steel billet export price benchmark is erroneous as it is determined by reference to excess domestic production sales sold on export markets (i.e. at marginal prices).

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4974 0414 or Molycop's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

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