28 February 2022

Mr Steven Spears
Injury and Causation – Market Intelligence
Anti-Dumping Commission
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Public File

Dear Mr Spears,

Anti-Dumping/Subsidisation Continuation 592 – Zinc Coated (galvanised) Steel exported from India, Malaysia, and Vietnam

1. Introduction

BlueScope Limited (**BlueScope**) is the manufacturer of zinc coated (galvanised) steel goods (**the goods** and/or **galvanised steel**) in Australia. BlueScope was the applicant company that requested the Anti-Dumping and Subsidisation continuation inquiry applicable to exports of the goods from the Republic of India (**India**), Malaysia, and the Socialist Republic of Vietnam (**Vietnam**) – refer ADN No. 2021/127.

BlueScope makes the following further comments and representations demonstrating that, in the absence of anti-dumping measures, the continuation and recurrence of dumping and subsidisation, and consequent material injury is more probable than not. As demonstrated below, Australian industry deserves the opportunity to compete on a level playing field in the Australian market – not one distorted by unfair trade. Accordingly, it is critical that the measures remain in place.

2. Likely Effects of Expiration

The trade measures at issue here are vital to ensure that the Australian industry has a fair opportunity to compete on a level playing field. These measures cover three significant countries that combined to cause material injury to the domestic industry as recently as 2016. As shown in more detail below, there can be no question that, if the measures are discontinued, the following will transpire: (1) subject imports will rapidly enter the Australian market, (2) those imports will have significant negative effects on Australian pricing, and (3) these events will have a significant negative impact on the domestic industry. These events would undoubtedly result in material injury to the domestic industry. Such an outcome will make it impossible for BlueScope to obtain a true, market-based rate of return on its investments and will put the future of domestic production at risk. Therefore, it is critical that the measures remain in place.

A. Legal Standard

In a five-year continuation review, the Commissioner must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping (and/or subsidisation) and material injury that the anti-dumping measures are intended to prevent. The Commission considers 'likely' to mean 'more probable than not'.[1]

The Commission's determination in a continuation inquiry is "counter-factual" in the sense

[1] Dumping and Subsidy Manual, December 2021, p. 136.

that the determination presumes an important change in the status quo – the revocation of an antidumping or countervailing measure and the removal of its restraining effects on volumes and prices of imports.

In its application, BlueScope emphasised that the Commission must consider the likely volume, price, and economic impact of imports of the subject goods on the Australian industry if the continuation of measures is not secured. BlueScope also noted that the Commission's injury determination in the original investigation is important as this period is the most recent time in which imports of the subject goods competed in the Australian market free of the discipline of the measures.

B. Conditions of Competition in the Australian Market

In evaluating the likely volume effects, price effects, and economic impact on the domestic industry of imports of subject merchandise if an antidumping and/or countervailing duty order expires, the Commission should consider all relevant economic factors within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

In the original investigation (**INV 370**), the Commission identified conditions of competition that were characteristic of the Australian market for the goods. As discussed below, these conditions of competition continue today. Given the similarity in the conditions of competition in the market, it is likely that expiration of the measures would lead to a continuation or recurrence of material injury.

i. Demand and Supply for the goods

Demand for the goods continues to be driven by demand for the downstream products in which it is used, including products produced for building and construction, appliance, and value-added manufacturing applications, all of which are impacted by overall economic conditions in the Australian market.

The domestic industry supplies [*commercial-in-confidence supply details*] to the Australian market. Since the measures were imposed, however, the volume of the subject goods has fallen significantly. Australian import statistics demonstrate the restraining effects the measures have had on unfairly traded imports over the period of this continuation inquiry. As BlueScope detailed in Confidential Appendix A-2, the volume of cumulated subject imports rapidly declined following the filing of the application and the imposition of the measures in August 2017:[2]

- in 2017, imports from India, Malaysia, and Vietnam totalled [*XX*] MT;
- in 2018, imports from these three countries declined by [*XX*] percent, to [*XX*] MT;
- in 2019, imports further declined by [*XX*] percent (from 2017, or [*XX*] percent from the 2018 period) to [*XX*] MT; and
- ultimately, by 2022, subject imports decreased to just [*XX*] MT.

This illustrates the dramatic, restraining effects the 2017 measures have had on volumes of unfairly traded subject imports. Notably, current subject import levels are far lower now – 2022 subject import volumes represent a [*XX*] percent decrease from 2017. Put another way, in the four-year period prior to the imposition of the measures, subject imports averaged [*XX*] metric tonnes per year. In stark contrast, in the five-year period following the measures, subject imports averaged [*XX*] MT per year. Taken together, it seems obvious that the trade measures have been effective at restraining unfair trade.

ii. The production of the goods is capital intensive

The production process for galvanised steel is a technically sophisticated, capital intensive process with a high degree of fixed costs. Due to this level of capital intensity, the domestic and subject producers need to operate at high capacity utilisation rates to maintain operating efficiencies. This incentive to maintain high capacity utilisation rates will likely encourage subject producers to ship significant additional volumes of the goods to Australia if the measures are discontinued.

[2] Confidential Appendix A-2.

iii. The subject imports and the domestic like product are highly substitutable

In INV 370, the Commission's like goods assessment found that:[3]

- products made locally by BlueScope have a physical likeness to the goods exported to Australia from India, Malaysia and Vietnam;
- BlueScope's locally produced galvanised steel and the imported goods are both manufactured to Australian and International Standards;
- Australian industry galvanised steel competes directly with imported galvanised steel in the Australian market;
- the locally produced goods and imported goods are offered for sale to the market via similar channels, and on similar commercial terms and conditions;
- the locally produced and imported galvanised steel have comparable or identical end-uses; and
- the locally produced and imported galvanised steel are manufactured in a similar manner and via similar production processes.

This strong degree of interchangeability between the subject imports and the domestic like product continues today. Subject imports from India, Malaysia, and Vietnam remain highly interchangeable with the domestic like product, translating to a strong level of substitutability between the subject and domestic merchandise. Thus, if the measures are permitted to expire, large import volumes will again enter the Australian market at materially dumped and materially injurious prices.

iv. Price is a critical factor in the purchase decision

In INV 370, the Commission's micro pricing analysis found that:[4]

> *…a number of BlueScope's customers sourced the goods from more than one source, including a combination of imports (India, Malaysia and Vietnam), buying the same grades from import sources as were also sold by BlueScope. This suggests that the purchasers of galvanised steel in the Australian market are well informed about the sources from where they can import galvanised steel at competitive prices. It also suggests that the purchasers of galvanised steel have the ability to gather intelligence and compare prices of domestically produced product with imported like product.*

The Commission found that the Australian galvanised steel market was price sensitive, with BlueScope needing to consider import prices in order to maintain sales.[5]

Price remains a critical factor in the purchase decision for the goods today, meaning purchasers are highly price sensitive and that price is the determining factor in the purchase decision. Once again, these facts emphasise that if low-priced subject goods imports from India, Malaysia, and Vietnam enter the Australian market, they will certainly place downward pressure on domestic pricing.

C. Current Review

Firstly, the evidence demonstrates that expiration of the measures on any one of the subject countries would have an adverse impact on the Australian industry. As discussed below, the industries in the three subject countries have compelling incentives to ship the subject merchandise to Australia in a manner that would have a discernible impact on the industry if the trade measures were not continued. BlueScope also argues below that imports of the goods from the subject countries would likely resume underselling, and hence have an adverse impact on domestic prices. Given these factors, the volumes of low-priced imports from each of the subject countries would, at a minimum, have a materially adverse impact on the domestic industry if the measures expire.

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[3] INV 370, Final Report, p. 19.
[4] Ibid, p. 69.
[5] Ibid, p. 70.

Secondly, there continues to be a high degree of interchangeability between the domestic like product and the subject imports, indicating that there continues to be a reasonable degree of fungibility between the domestic like product and subject merchandise. Furthermore, the subject imports and the domestic like product are likely to be sold in the same channels of distribution and the same geographic regions as during the period of investigation should the measures expire. Additionally, the domestic like product and the subject imports will be sold simultaneously in the market, as was the case in the original investigation.

Finally, conditions of competition in the market have not changed significantly since the measures were first imposed. Upon expiration, both the subject and domestic suppliers of the goods will face the same conditions of competition that affected demand for, and the pricing of, the goods during the original period of investigation. If the measures are discontinued, subject imports from India, Malaysia, and Vietnam will be sold using the same distribution channels, and under the same sales and marketing practices as in INV 370.

D. Likely Volume of Subject Imports

BlueScope's application, and subsequent industry questionnaire response,[6] detailed that both the Commission's prior determinations and available information regarding developments during the period covered by this continuation inquiry indicate that, without the discipline of the measures, subject imports would increase significantly within a reasonably foreseeable time. This surge by the subject imports will undoubtedly take sales from the domestic industry, once again causing material injury.

i. Subject producers will again export significant additional volumes

Subject producers in India, Malaysia, and Vietnam have the ability and incentive to ship significant additional volumes of the subject goods to Australia if the measures expire. They have substantial amounts of capacity that can be used to increase their exports of the goods, they all export large amounts of said goods to global markets, and they are subject to antidumping and countervailing duty measures in certain other jurisdictions.

a. Attractiveness of the Australian Market

Australia is an attractive market for the subject imports. Prices for galvanised steel in the Australian market are [*commercial-in-confidence pricing details*]. This provides subject producers with a strong and compelling financial incentive to shift sales of the goods from other export markets to Australia if the measures are not continued. Subject producers of the goods have historically maintained a presence in the Australian market and are hence familiar with the sales and marketing practices required to be successful. Furthermore, Australia has a sophisticated network of distributors and end users that would enable foreign producers to readily grow their sales in the Australian market. In short, if the measures were discontinued, subject exporters would face no difficulty immediately shipping large volumes of unfairly traded galvanised steel to the Australian market.

These factors make the Australian market very appealing to exporters of the goods. Given the attractiveness of the Australian market and subject producers' familiarity with it, they would have a strong incentive to increase their shipments to Australia in the absence of the measures.

b. Compelling incentives to increase Australian exports

Subject producers have large amounts of capacity that could be directed to the Australian market if the measures are not continued. BlueScope's application highlighted that the aggregate total of India's, Malaysia's, and Vietnam's galvanised steel production capacities significantly dwarfed the size of the Australian market. In other words, subject producers need only draw on a relatively small portion of their capacity to export a significant volume of unfairly traded goods to Australia.

[6] Electronic Public Record (**EPR**) Folio No. 6.

Publicly available information on developments in galvanised steel capacity in the subject countries is somewhat limited. Nonetheless, published news reports and other sources strongly indicate that steel producers in the subject countries have recently added, or are in the process of adding, significant production capacity for galvanised steel. For example:

India: In 2017, the Government of India (**GOI**) adopted a policy encouraging significant increases in the overall capacity and production levels of the Indian steel industry.[7] Among other things, the policy encourages the Indian steel industry to have a wider presence globally in value added and high grade steel,[8] a category that certainly includes galvanised steel. Examples of its application include:

- In 2017, Tata Steel announced that it planned to increase the capacity of its plant in Kalinganagar by 5 million to 8 million metric tonnes per year, which would increase its overall steel production capacity to 18 million metric tonnes. Tata's planned expansion, which involves an investment of 235 billion rupees (AU$4.35 billion), will expand its raw materials production capacity as well as its upstream, midstream, and downstream facilities.[9] This expansion will certainly provide more steel that can be used to make galvanised steel for the Australian market.

- Other Indian producers of metallic coated steel, such as JSW and the Steel Authority of India, have announced plans to increase their steel production capacity significantly.[10] Again, given that the Indian government has a policy of encouraging the production of steel for value added and high grade steel, it seems likely that these projects will lead to a greater capacity to make galvanised steel.

The GOI has continued to encourage and incentivise the Indian steel industry to increase steelmaking capacity. In July 2021, the GOI 's Ministry of Steel outlined its *Production Linked Incentive* (**PLI**) *Scheme for Speciality Steel in India*, to be implemented over the FY2023-24 to FY2029-30 period with a budgetary outlay of 63.2 billion rupees (AU$1.17 billion).[11] The objective of the PLI scheme for speciality grade steel is to promote the manufacturing of such steel in India.[12] The PLI incentive:

> *…will boost the domestic production of 'Specialty Steel' and attract significant investment for production of 'Specialty Steel' in the country. It will also help the Indian steel industry mature in terms of technology as well as move up the value chain.*[13]

Specific to metallic coated (and therefore galvanised) steel (as one of the five applicable product categories),[14] the PLI provides indicative projections for production, import, and export – with indicative projected production to increase from 8.318 million metric tonnes in 2019-20 to 20.335 million metric tonnes in 2026-27, and indicative projected exports to increase from 962,000 metric tonnes in 2019-20 to 2.585 million metric tonnes by 2026-27.[15] Over the above-noted incentive period, the PLI financial incentive/funding/GOI investment for the sub-category Galvanneal steel is 7 billion rupees (AU$129.5 million), and for metallic coated products is 52 billion rupees (AU$962.5 million).[16]

This evidence of government funded/subsidised/countervailable capacity increases and consequent plans to rapidly accelerate export volumes of the goods compels the conclusion that, in the absence of measures, it is highly probable that subject Indian producers would again export substantial volumes of galvanised steel to Australia.

[7] Non-Confidential Attachment 1 – India National Steel Ministry, National Steel Policy 2017, English translation beginning p. 21.
[8] Ibid, p. 23.
[9] Confidential Attachment 2 – India steel capacity increase details, p. 1.
[10] Ibid, p. 2.
[11] Non-Confidential Attachment 3 – Ministry of Steel Notification, Subject: Production Linked Incentive Scheme (PLI) for Speciality Steel in India. New Delhi, 29 July 2021.
[12] Ibid, p. 10.
[13] Ibid.
[14] Ibid, p. 11.
[15] Ibid, p. 15. Further annual incremental production specifics are provided in Appendix B at p. 16.
[16] Ibid. Table at p. 17.

Malaysia: Several large steel projects located in Southeast Asia, underpinned by Chinese investment, are nearing completion and will provide a large increase to production capacity in the Asian region. The biggest proposed new unit in Malaysia is a project from China's Wen'an Steel, slated to be built in Sarawak province. The integrated plant would have a capacity of 10 million tonnes per annum, and would become Malaysia's largest steelmaker.[17]

Vietnam: Throughout 2021, Vietnamese steel capacity was expected to increase – the hot-rolled coil steel (**HRC**) segment was set to see the biggest increase, with 2 million metric tonnes of additional capacity from blast furnaces 3 and 4 of Hoa Phat's Dung Quat project.[18] Vietnam's total output of HRC and cold-rolled coil in 2021 was set to reach 10.69 million metric tonnes (+ 30% year-on-year (**YoY**)), and the output of construction steel, steel pipe, and galvanized steel products in 2021 was expected to reach 11.2 million metric tonnes (+ 9% YoY), 2.49 million metric tonnes (+ 8% YoY), and 4,415 million metric tonnes (+ 8% YoY), respectively.

In summary, available evidence indicates that the subject industries continue to have substantial amounts of production capacity that can, and will, be used to ship significant volumes of the goods to the Australian market upon expiration of the measures.

c. Subject producers are export oriented and opportunistic

BlueScope's application provided a detailed history of the subject countries' patterns of trade in the goods to the Australian market; namely that dumped and materially injurious volumes from India, Malaysia, and Vietnam commenced in FY2014 following the imposition of anti-dumping measures on exports from China, Korea, and Taiwan in August 2013. This was ultimately affirmed by the Commission where it concluded that:[19]

- Malaysia increased from very small volumes in 2013;
- India increased significantly in FY2014;
- Vietnam increased significantly in FY2013, then remained steady from FY2014 to FY2016; and
- Countries subject to anti-dumping measures declined significantly in FY2014 from FY2013 (following the imposition of measures).

This volume-trend finding highlighted firstly that the anti-dumping measures on galvanised steel applied against Korea and Taiwan, and the anti-dumping and countervailing measures applied against China, from Investigations 190a and 193a, were effective in FY2014; and secondly that India, Malaysia, and Vietnam (previously non-existent in the Australian market) opportunistically sought to replace volumes from the above-noted countries and commenced causing material injury to the Australian industry. In the absence of measures, this opportunistic behaviour will once again transpire.

Statistical export data also indicates that the subject countries continue to export galvanised steel to a multitude of third countries, the volume and price of which is dictated by whether prohibitively high trade barriers exist.[20] Given these export patterns, as well as large and growing amounts of production capacity in the subject countries, it is highly likely that if the measures are not continued, subject producers would begin exporting significant volumes of galvanised steel to Australia.

As noted above, the imposition of trade measures following INV 370 had a significant discipling effect on the subject imports. It therefore seems clear that unless they engage in unfair trade, subject producers cannot ship large and materially injurious volumes of the goods as was seen during the original investigation.

In short, the Commission should find that subject producers will export materially dumped and injurious volumes of galvanised steel to Australia if the measures are allowed to lapse. Subject producers have

[17] Confidential Attachment 4 – New Chinese steel mega plants in SE Asia one step closer to completion.

[18] Non-Confidential Attachment 5 – *Vietnam Steel Industry Outlook 2021; Valuations reflect industry growth*. Mirae Asset Securities, January 22, 2021, p. 6.

[19] Investigation 370, Folio No. 106, p. 27.

[20] Refer BlueScope's application, Attachment A.

historically exported large volumes of the goods to the Australian market, and have ample amounts of production capacity to facilitate this going forward.

d. Poor economic conditions in non-Australian markets

Finally, poor economic conditions for galvanised steel producers in certain non-Australian markets will provide a significant incentive for the subject countries to export increased volumes of the goods to Australia should the measures expire. For example, India's economy has been significantly impacted by the effects of the coronavirus pandemic in both 2020 and 2021. Due to the resurgence of the pandemic in India in 2021, analysts have downgraded prospects for the Indian economy.[21] These developments will likely have an adverse impact on the Indian steel industry.

In summary, the available evidence indicates that subject producers face challenges that will cause them to look for export opportunities in Australia if the measures are discontinued. These facts further support the conclusion that if the measures are not secured for a further five years, the likely volume of subject imports would be significant.

E. Likely Price Effects of Subject Imports

i. INV 370 Price Analysis

INV 370 concluded that:[22]

> *…the Australian galvanised steel market is price sensitive, with BlueScope needing to take into account import prices in order to maintain sales. Given this price sensitivity, evidence of price undercutting, together with the IPP pricing strategy used by BlueScope and the evidence which shows that in some months in the investigation period dumped and/or subsidised import offers have influenced BlueScope's prices, the Commission is of the view that injury suffered by the Australian industry was caused by dumped and/or subsidised low priced imports from India, Malaysia and Vietnam. The injury suffered from these imports, targeting particularly the distribution and building sectors was material when assessed against the Australian industry's production as a whole. The materiality of the injury was based on the significance of the volumes supplied in these sectors.*

The Commission's prior findings and the conditions of competition in the galvanised steel market strongly demonstrate that subject imports would significantly undersell the domestic like product if the measures were removed. Moreover, this underselling would have significant negative price effects on domestic prices and would likely depress and suppress prices of the domestic like product.

ii. Subject imports would again undersell the domestic like product – significant depressing and suppressing effects

As discussed above, the key conditions of competition in the galvanised steel market are essentially the same as in the original period of investigation. For example, there is a high degree of substitutability between the subject imports and the domestic like product, and price remains a very important factor in the purchase decision for the goods. Thus, removal of the measures on imports from India, Vietnam, and Malaysia would translate to the Australian industry having to either meet the lower prices of unfairly priced subject imports, or lose additional sales volumes to imports.

During the INV 370 period, the subject imports from India, Malaysia, and Vietnam undersold the domestic like product. Moreover, this underselling had a significant and serious depressing effect on the industry's prices. The Commission found that Australian industry's selling prices were undercut by Indian exporters by between 3% and 7%, by Malaysian exporters by between 2% and 13%, and by Vietnamese exporters by between 6%

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[21] Non-Confidential Attachment 6 – *4 Reasons Why India's COVID Crisis Threatens the Wold Economy*, U.S. News and World Report, April 30, 2021.

[22] Investigation 370, Folio No. 106, p. 70.

and 24%.[23] This underselling allowed purchasers to use the low prices of the subject imports to obtain price concessions from the domestic industry throughout the period of investigation, and caused purchasers to shift purchasing from Australian industry to the subject suppliers. Given these considerations, it is highly probable that subject imports would have a similar effect on domestic prices, sales and profitability if the measures are not continued.

In summary, given the large amounts of capacity in the subject countries, the historically materially injurious pricing practices of the subject importers, the high degree of substitutability between the subject and domestic merchandise, and the importance of price in the purchase decision, the subject imports from India, Malaysia, and Vietnam are again likely to undersell the domestic like product significantly. By doing so, they will have a depressing and/or suppressing effect on domestic prices. The Commission should therefore find that significant underselling and price depression and suppression by the subject imports is highly probable if the measures expire.

F. Likely Impact on the Domestic Industry

In evaluating the impact of subject imports on the domestic industry in the event the measures expire, the Commission considers, among other relevant factors, profits, productivity, return on investment, capacity utilisation, inventories, employment, and wages. In addition to price depression, price suppression, and reduced profit and profitability, INV 370 concluded that the Australian industry experienced material injury in the form of reduced capital expenditure and reduced employment.[24]

BlueScope has evidenced above that, without the discipline of the anti-dumping measures, there will again likely be a rapid increase in the volume and market participation rate of the subject imports from India, Malaysia, and Vietnam. This increase will cause substantial declines in the domestic industry's sales, production, and employment, as well as an increase in per-unit fixed costs. The additional volume of subject imports and extensive underselling by subject imports will also have a depressing and/or suppressing effect on domestic prices. These adverse volume and price effects will, in turn, lead to a significant decline in the domestic industry's financial performance and have a deleterious impact on other economic factors. Because of the domestic industry's vulnerability to material injury, the adverse impact of measures expiration on the domestic industry would likely be severe.

The domestic Australian industry requires that the Minister take steps to secure the continuation of the anti-dumping measures against India, Malaysia, and Vietnam so that it can compete on a level playing field in the Australian market and obtain a fair return on its investment in galvanised steel production. Australian industry cannot achieve such a return if the market is again distorted by unfair trade from dumped, subsidised, and materially injurious imports.

If you have any questions concerning this submission, please do not hesitate to contact me on [redacted].

Kind regards,

[redacted]
Manager – Trade Measures

[23] Investigation 370, Folio No. 106, p. 69.
[24] Ibid, p. 60.