

Australian Government

Anti-Dumping Review Panel

Anti-Dumping Review Panel C/O Legal, Audit & Assurance

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By EMAIL

Mr Dale Seymour The Commissioner of the Anti-Dumping Commission Anti-Dumping Commission 55 Collins Street Melbourne VIC 3000

Dear Commissioner,

Certain Aluminium Extrusions Exported to Australia from Malaysia and the Socialist Republic of Vietnam and Certain Aluminium Extrusions Exported to Australia from Malaysia (No 2017/61)

The Anti-Dumping Review Panel (Review Panel) is currently conducting a review of the Parliamentary Secretary to the Minister for Industry, Innovation and Science's decision to publish a dumping duty notice and subsidy duty notice in relation to Aluminium Extrusions from Malaysia and a dumping duty notice in relation to Aluminium Extrusions for the Socialist Republic of Vietnam (Vietnam). The Review Panel accepted applications for review from the following applicants:

- 1. Capral Limited (Capral);
- 2. Global Vietnam Aluminium Company Limited (GVA); and
- 3. Everpress Aluminium Industries Sdn Bhd (Everpress).

As you are aware, I am conducting the review.

Pursuant to section 269ZZL of the *Customs Act 1901* (the Act), I require that the finding that dumped and subsidised aluminium extrusions from Malaysia and dumped aluminium extrusions from Vietnam caused material injury to the Australian industry producing like goods be reinvestigated. This reinvestigation request arises from the ground of review in Everpress' application challenging the finding that the low volume of 'dumped' and subsidised exports from Malaysia could result in the required injury to the Australian industry.

To clarify, this request for re-investigation does not cover the finding that there was material injury suffered by the Australian injury.

I provide below a summary of my reasons for making the request under s.269ZZL.

- 1. As background, in determining whether the total volume of dumped or subsidised goods from a particular country is a negligible volume, for the purpose of terminating the investigation pursuant to s.269TDA(3) of the Act as read with of s.269TDA(6) (for dumping) and s.269TDA(7) as read with s.269TDA(12) (for subsidisation), the volumes of goods at negligible dumping or subsidy margins "are not prevented from being taken into account". This was the methodology correctly used by the ADC in determining that the volume of alleged dumped and subsidised goods was greater than the legislated thresholds and therefore not negligible for purposes of s.269TDA(3) and s.269TDA(7) respectively. This is reflected in Sections 5.16 and 6.6 of REP 362. While the ADC did not provide any figures or percentages in these sections of the report, in its submission to the Review Panel in terms of s.269ZZJ of the Act, it referred to Section 5.16 and 6.16 [sic]¹ of REP 362 and the supporting calculations in Confidential Attachment 14 to REP 362, which, it stated, indicated that the "volume of dumped and subsidised goods from Malaysia are above de minimis levels, representing approximately 7.5 per cent of total import volumes".²
- 2. I consider that in determining whether 'dumped' and 'subsidised' goods cause material injury to the domestic industry for the purpose of s.269TAE, which enacts Australia's obligations under Article 3 of the WTO Anti-Dumping Agreement (ADA), the consideration of what constitutes 'dumped' and 'subsidised' goods is different to that required for s.269TDA(3) and (7) in that only those imports with margins of dumping and subsidy greater than *de minimis* can be included in the analysis for s.269TAE(1). While s.269TAE is silent on what constitutes 'dumped' and 'subsidised' imports for the injury and causal link analysis, various provisions of the Act support the interpretation that only those imports with margins of dumping and subsidy greater than negligible can be considered in the injury and causation analysis:
 - The most persuasive argument is that there is an express provision to include exports with negligible margins in s.269TDA(3) (for dumping) and s.269TDA(12) (for subsidisation), but no such permission with regard to the injury and causation analysis in s.269TAE(1);
 - ii. Subsections 269TAE(2C)(c) and (da), which also fall under the section in the Act entitled, "Material Injury to industry" (which addresses the injury and causation analysis) specifically prohibit exportations with negligible dumping and subsidy margins from being taken into consideration for cumulation for the purpose of the injury and causation analysis under s.269TAE. It would be illogical if exportations with negligible dumping and subsidy margins are not taken into consideration with respect to cumulation for the injury and causation analysis, but are included in the actual injury and causation analysis; and
 - iii. It is also clear from s.269TDA(13A), s.269TDA(14A), and s.269TDA(14B) that for the cumulative assessment of injury *for the purpose of terminating dumping or*

¹ This should be a reference to Section 6.6 in REP 362.

² I noted from a review of Confidential Attachment 14 that the volumes of imports of <u>some</u> of the exporters with de minimis margins were not included in the calculation of the 'dumped imports' for the purpose of s.269TDA(3). It was subsequently confirmed in a Conference with the ADC held on 8 November 2017 that this was an error and that the 7.5 per cent was an underestimation. The actual percentage, which included the export volumes of all the exporters with negligible dumping margins, was higher. A similar error was made with regard to the calculation of subsidised imports for the purposes of s.269TDA(7) as the volumes of some exporters with negligible subsidy margins were also not included in the calculation, and therefore the reference to 7.5 per cent was also an underestimation (to a larger extent) of the volumes of subsidised imports from Malaysia. However, since the error resulted in an underestimation of the relevant percentages, these errors in the calculations do not affect the ADC's conclusion that the volume of dumped and subsidised imports exceeded the threshold for the purposes of s.269TDA(7).

countervailable investigations if exports cause negligible injury, exportations with negligible dumping and subsidy margins are not taken into consideration.

3. In any event, to the extent that there is any ambiguity in the statute, WTO law and jurisprudence may assist in interpreting Australia's anti-dumping laws. Thus, the provisions of Part XVB of the Act are to be interpreted, as far as the language permits, in accordance with Australia's obligations under those international agreements.³ WTO case is quite clear on this point:

The Panel in EC – Salmon (Norway) stated:

"We consider that imports attributable to a producer or exporter for which a de minimis margin of dumping is calculated may not be treated as "dumped" for purposes of the injury analysis in that investigation." ⁴

See also EC – Fasteners (China) where it was stated:

"We consider that the text of the AD Agreement is perfectly clear in this regard, and that the consideration of "dumped imports" for purposes of making an injury determination consistent with Articles 3.1, 3.2, 3.4 and 3.5 of the AD Agreement entails the consideration of only those imports for which a margin of dumping greater than de minimis is established in the course of the investigation." ⁵

There does not appear to be anything in the language of s.269TAE(1) or Part XVB generally which would require a different approach to that of the WTO jurisprudence referred to above.

4. It should also be pointed out that s.269TAE(2AA) of the Act provides that a determination for the purposes of subsection (1) (that is, whether material injury to an Australian industry has been caused or threatened) must be "based on facts and not merely on allegations, conjecture or remote possibilities" (emphasis added). This enacts Australia's obligations under Article 3.1 of the ADA, which provides:

"A determination of injury for purposes of Article VI of GATT 1994 <u>shall be based on</u> <u>positive evidence and involve an objective examination</u> of both (a) the volume of the dumped imports and the effect of the dumped imports on prices in the domestic market for like products, and (b) the consequent impact of these imports on domestic producers of such products." (emphasis added)

5. This means that for the injury and causation analysis in this investigation, it should be clear that only those Malaysian imports from the uncooperative exporters and non-cooperative entities (with margins above negligible levels) should be included in such analysis. Therefore, if the ADC erroneously treats imports with negligible dumping or subsidy margins as dumped or subsidised, for the purpose of the injury and causation analysis, it would be contrary to s.269TAE(2AA) and the requirements of Article 3.1 of the ADA to make a determination of injury on the basis of "positive evidence" and to

³ Pilkington (Australia) Ltd v Minister of State for Justice and Customs [2002] FCAFC 423.

⁴ European Communities – Anti-Dumping Measure on Farmed Salmon from Norway (WT/DS337/R), paragraph 7.625.

⁵ European Communities – Definitive Anti-Dumping Measures on Certain Iron or Steel Fasteners from China (WT/DS397/R), paragraph 7.354.

ensure that the injury determination results from an "objective examination" of the volume of dumped imports and the effect of dumped imports on prices.

- 6. The finding in Chapter 8 of REP 262 that material injury to the Australian industry is caused by dumped and subsidised imports from Malaysia and dumped imports from Vietnam relied, at least in part, on analyses that included those volumes of imports that had negligible margins. Those aspects of the causation analysis that I consider to be tainted by the error of including imports with below negligible margins as dumped or subsidised, are set out in some detail in Appendix 1 to this letter.
- 7. In certain of the instances of error identified in Appendix 1, the volumes of exports involved may not seem to be sufficiently substantial so as to change the outcome of the injury analysis, or to amount to a violation of the obligation to conduct an "objective examination". However, this is not the relevant issue. In *EC Fasteners (China)* the European Union acknowledged that it did not exclude certain undumped imports from the volume of imports it considered in its examination of the volume of dumped imports and analysis of injury and causation. However, the EC asserted that since the volume of imports attributable to these two producers was very small, their consideration as "dumped" imports did not undermine the objectivity of the injury determination within the meaning of Article 3.1 of the AD Agreement, as excluding them would not have changed the outcome of the injury determination, so "substantively" there was no violation of the obligation to conduct an objective examination because of the inclusion of non-dumped imports that accounted for a very small percentage of all imports from China in the examination of the volume of dumped imports. The Panel rejected this argument stating:

"In our view, the question of whether the investigating authority undertook an objective examination is secondary in this context – first comes the question whether the investigating authority considered the relevant "positive evidence". In our view, data concerning imports that includes imports that the investigating authority itself has determined are not dumped cannot simply be substituted for evidence of the actual volume of imports that are properly treated as dumped. This is so regardless of the volume of non-dumped imports involved. Articles 3.1 and 3.2 are perfectly clear that the relevant consideration is of the volume of "dumped imports" without equivocation."⁶

8. Given the various concerns that I have with the causation analysis in REP 362, as discussed above and as set out in Appendix 1, I consider that the analysis does not meet the required standard set by the Act and the ADA, as being based on "facts" and "positive evidence" nor can it be considered to be based on an "objective examination". This has led to me to request a reinvestigation of the finding that dumped and subsidised aluminium extrusions from Malaysia and dumped aluminium extrusions from Vietnam caused material injury to the Australian industry producing like goods.

If you have any issues in relation to the reinvestigation or if you consider that a conference under s 269ZZHA of the Act would assist in obtaining the further information the subject of the reinvestigation, please contact the Secretariat.

Please could you report the result of the reinvestigation within 65 days, that is, by **21 January 2018**.

⁶ European Communities – Definitive Anti-Dumping Measures on Certain Iron or Steel Fasteners from China (WT/DS397/R), paragraph 7.358.

Thank you for your assistance.

Yours faithfully,

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Leora Blumberg Panel Member Anti-Dumping Review Panel 17 November 2017



2017/61: Certain Aluminium Extrusions exported from Malaysia and the Socialist Republic of Vietnam and Certain Aluminium Extrusions exported from Malaysia

Request for Reinvestigation: Appendix 1

References to "Dumped" and "Subsidised" Imports in the Causation Analysis that Might Include Volumes of Imports from Exporters with Negligible Margins

Cumulation for the Purposes of Material Injury

- 1. In Section 8.2 of REP 362 the ADC considered that the requirements of subsection 269TAE(2C) were met and that it was appropriate to consider the cumulative effect of the dumped and subsidised exports from Malaysia and dumped exports from Vietnam. However, with regard to one of the requirements, being that the volume of dumped / subsidised imports from each country is not negligible, it appears that the ADC's calculation of volumes of dumped and subsidised exportations for Malaysia is the same as the calculation made for the purpose of s.269TDA(3) and s.269TDA(7), (as discussed in the main body of the letter) which permitted export volumes with negligible margins to be included in the calculation.¹
- This indicates that for the purpose of assessing the dumped and subsidised volumes, 2. for cumulation for the injury analysis the ADC incorrectly considered the same percentage for Malaysia, that is 7.5 per cent² (which included imported volumes from some exporters with negligible margins), to be the relevant volumes for the purpose of cumulation for the injury and causation analysis. The ADC subsequently confirmed at the Conference held on 8 November 2017 that the volumes of dumped and subsidised imports above negligible margins, is approximately 5.4 per cent. Since the corrected and lower percentage of dumped and subsidised imports from Malaysia as a percentage of total imports is still above the required negligible levels (which is a quantitative threshold and not a subjective consideration), I do not consider that this error of inclusion of some volumes of exporters with negligible margins in the calculation, tainted the ADC's conclusion that the requirements of s.269TAE(2C) had been met and that cumulation was appropriate for the injury and causation analysis. In the reinvestigation, however, the ADC is requested to ensure that the correct percentages are used for the cumulation calculation.

² As mentioned in the main body of the reinvestigation request, this percentage has subsequently been found to be an underestimation for both the dumped and subsidised imports from Malaysia, for the purposes of s.269TDA(3) and (7).

¹ In fact, in doing its volume analysis for the cumulation, in Section 8.2.3 of REP 362 (page 78) the ADC specifically refers back to its analyses under s.269TDA(3) and (7), in coming to the conclusion that the volume of dumped and subsidised imports from Malaysia were not negligible for the purposes of cumulation:

[&]quot;As outlined at sections 5.16 and 6.6, the volume of dumped imports from each country was not negligible and that the volume of subsidised imports from Malaysia was not negligible."

Size of the Dumping Margin

3. With regard to the analysis of the size of dumping margins, the ADC correctly excludes the cooperating and residual exporters from its analysis of the size of the dumping margins for the purpose of s.269TAE(1)(aa). Similarly, regarding the analysis of the size of the subsidy margins, the ADC correctly only considers the non-cooperative and all other entities in its analysis.

Volume Effects

- 4. In examining the volume effects for causation, the ADC concludes that the volume of dumped and subsidised imports from Malaysia and dumped imports from Vietnam (at approximately 18.5 per cent of total imports) are substantial enough to have impacted the Australian industry's sales price and profit as outlined in the report.
- 5. A review of Confidential Attachment 14 revealed that the 18.5 per cent referred to is an overestimation, as it includes some volumes of imports from Malaysian exporters with negligible margins. While the difference in the actual percentage may not be a substantial amount, I consider that the fact that the ADC refers to a figure that includes imports from exporters with negligible dumping and subsidy margins, in coming to its subjective conclusion (that dumped and subsidised imports impacted the Australian industry's price and profit), detracts from the volume effects analysis being considered to be based on "positive evidence and involve an objective examination ofthe volume of the dumped imports" or being "based on facts".³
- 6. The ADC is therefore requested to reinvestigate this finding in regard to the volume effects (for the purpose of causation) and in its reinvestigation to ensure that its consideration and analysis is based only on volumes of imports that are considered to be "dumped" and "subsidised" for the purposes of s. 269TAE (that is, with above-negligible margins).⁴

³ Also see EC – Fasteners (China) at paragraph 7.358, referred to in main body of the letter.

⁴ It should be pointed out that the first paragraph of Section 8.5 of REP 362 appears to confuse the volume effects for the purpose of causation with the volume effects that is referred to in section 7.3 of REP 362, also entitled "volume effects", which in fact relates to the analysis of the economic condition of the Australian industry (Chapter 7) for the purpose of determining injury, and in particular to the sales volume and market share of the domestic industry. It was concluded in Section 7.3.3 of REP 362, in a subsection entitled, "Conclusion – volume effects" that the ADC was satisfied that the Australian industry did not experience injury in terms of lost sales volumes or lost market share. The important finding in respect of volume effects for purpose of the causation analysis is the one referred to in paragraph 4 of Appendix 1, that "the volume of dumped and subsidised imports from Malaysia and dumped imports from Vietnam (at approximately 18.5 per cent of total imports) are substantial enough to have impacted the Australian industry's sales price and profit as outlined below", which addresses the establishment of causal link between the volumes of dumped and subsidised imports. As mentioned above, this finding was tainted with the error.

Price Undercutting

7. In examining price undercutting regarding imports from Malaysia, REP 362 states:

"Given that none of the selected cooperating exporters or residual exporters were found to be dumping or in receipt of subsidies at above de minimis levels, to assess the level of price undercutting in relation to dumped and subsidised goods imported from exporters from Malaysia who are in the uncooperative and all other exporters, and non-cooperative and all other entities category, the Commission has relied on the ABF import database to obtain FOB prices and other relevant information such as verified importation costs from Malaysia to derive an Australian FIS sales price.

The volume of dumped and subsidised goods imported from Malaysia accounts for approximately 38 per cent of all aluminium extrusions imported from Malaysia and accounts for approximately 7.5 per cent of total imports to Australia and is therefore relevant to the causation analysis."

While it appears from the first paragraph of the above-quoted passage that the ADC 8. did indeed exclude the exporters with negligible margins from the price undercutting analysis, there would appear to some contradictions in the second paragraph regarding the stated volume percentages. It has already been established that the reference to the dumped and subsidised imports from Malaysia accounting for 7.5 per cent of total imports, is an overestimation of volumes for the injury and causation analysis since it includes volumes with negligible margins. The correct percentage has now been confirmed to be approximately 5.4 per cent. Similarly, the 38 per cent is also an overestimation and should have been a reference to approximately 27.2 per cent of all aluminium extrusions from Malaysia, if all export volumes with negligible margins were excluded. Since the ADC's made a subjective finding that the volumes of dumped and subsidised imports from Malaysia were relevant to the causation analysis (with respect to undercutting), and since these stated percentages erroneously included volumes of exports with negligible margins, such a consideration cannot be considered to be based on "positive evidence and involve an objective examination ofthe volume of the dumped imports" or "based on facts". In addition, the Commissioner's assessment regarding price undercutting in Section 8.6.6 of REP 362 states:

> The Commissioner considers that there is sufficient evidence from the price undercutting analysis to conclude that dumping and subsidisation from Malaysia and dumping from Vietnam *at the levels outlined in chapters 5 and 6 respectively* created a competitive advantage to importers sourcing goods from Malaysia and

Vietnam, and demonstrates that the Australian industry faced price pressure from the dumped and subsidised imported goods."(Emphasis added)

It has already been clarified that "levels outlined in Chapter 5 and 6" include volumes with negligible margins, and therefore this consideration by the ADC also cannot be considered to be "based on facts" or "positive evidence". The ADC is therefore requested to reinvestigate this finding regarding price undercutting (for the purpose of causation) and in doing so should ensure that all aspects of the consideration and analysis is based only on volumes of imports that are considered to be "dumped" and "subsidised" for the purposes of s.269TAE (therefore excluding those imports with negligible margins).

9. The ADC confirmed in a Conference on 15 November 2016 that the blue data line labelled "Malaysia Dumped" in Figure 10 entitled "Price Undercutting Analysis" in Section 8.6.2 relating to the price undercutting analysis, did not include data in relation to Malaysian goods from exporters whose dumping and subsidy margins were below negligible. Therefore, the analysis based on this Figure is not tainted with the same error. However, it should be made clear in the reinvestigation that the blue data line in Figure 10 does not include data from exporters with negligible margins. In addition, in reinvestigating the price undercutting analysis, it should also be clarified whether the red data line labelled "Malaysia – Not Dumped" includes <u>all</u> imports with negligible margins. If not, and in order to ensure that the analysis will be considered to "involve an objective examination", the reason for any exclusions should be indicated including an explanation as to why the ADC considers the red data line to be representative of all undumped imports.

Price Effects

- 10. With respect to the price effects analysis in REP 362, the ADC compared the FOB export prices and import volumes of the goods exported from China, Malaysia and Vietnam over the injury analysis period, in Figure 11 and Figure 12. In Section 8.7.2 the ADC makes some observations about the relative movements in prices and volumes relating to exports from China, Malaysia and Vietnam in comparison to the Australian industry's prices, as depicted in Figures 11 and 12, concluding in the last paragraph of that section that the analysis supports a finding that price depression and price suppression has been caused by dumped and subsidised goods from Malaysia and dumped goods from Vietnam.
- 11. In response to a clarification request as to whether the red data lines in Figure 11 (FOB Price Comparisons) and Figure 12 (Quarterly import volumes), both labelled

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"Malaysia", includes data in relation to Malaysian goods from exporters whose dumping and subsidy margins were below negligible levels, the ADC confirmed that the red line data in both Figures 11 and 12 includes data in relation to goods exported by <u>all</u> exporters from Malaysia (that is, both dumped and undumped). The ADC added a clarification that this was deliberate, the intention being to illustrate broad trends in FOB prices and volumes from various sources to illustrate the relative trade flows from China, Vietnam, Malaysia and the Australian industry. While the general observations made in subsection 8.7.2 with regard to Figures 11 and 12 cannot be criticised, there appears to be no reasoning link to or logical basis for the conclusion in the last paragraph of that subsection, that the analysis and observations on Figures 11 and 12 "supports a finding that price depression and price suppression *has been caused by dumped and subsidised goods from Malaysia and dumped goods from Vietnam*" (emphasis added). Since the data in Figures 11 and 12 includes undumped and unsubsidised volumes from Malaysia, this conclusion cannot be considered to be based on facts or be an objective examination.

- 12. The same could be said for the last paragraph of the conclusion on price effects, in subsection 8.7.3 of REP 362 as it is not clear how the ADC can conclude in the third paragraph, "based on observations made from Figures 11 and 12" (which included undumped and unsubsidised imports from Malaysia) that the Australian industry would have been able to achieve increased prices in a market not affected by aluminium extrusions exported from Malaysia at dumped and subsidised prices and Vietnam at dumped prices. Drawing such a conclusion from Figures 11 and 12 could therefore not be said to be based on "positive evidence and involve an objective examination ofthe volume of the dumped imports" or be considered to be "based on facts".
- 13. The ADC is therefore requested to reinvestigate this finding in regard to the price effects (for the purpose of causation) and in doing so ensure that all aspects of its consideration and analysis leading to a conclusion on causal link, is based only on volumes of imports that are considered to be "dumped" and "subsidised" for the purposes of s.269TAE and not on general trends of imports (both dumped and undumped).

Profits Effects

14. With respect to the profits effects analysis, it was concluded that based on, "the price undercutting observed, the dumping and subsidy margins and the price effects experienced by the Australian industry", the Commissioner considers that the Australian industry has experienced injury in the form of loss of profits and reduced profitability and that injury was caused by sales of aluminium extrusions from Malaysia

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at dumped and subsidised prices and Vietnam at dumped prices." Since this conclusion is based on the price undercutting, dumping and subsidy margins and the price effects, discussed above, any tainting of those analyses by including the prices or volumes of those exports with negligible margins or any other undumped imports, will consequentially taint the profit effects analysis. As discussed above, the conclusion drawn relating to price effects is open to this criticism, and therefore the profits analysis is similarly so tainted. The ADC is therefore requested to reinvestigate the profit effects analysis, for the same reasons.

Other Relevant Factors

15. With respect to other relevant economic factors the ADC considered that the link between aluminium extrusions exported from Malaysia at dumped and subsidised prices and from Vietnam at dumped prices, and injury experienced by Australian industry, in the form of price and profit effects, had a negative impact on Australian industry's decisions in respect of other economic factors, such as, reduced capital expenditure and reduced ROI. Since this conclusion is stated to be based on price and profit effects, any tainting of those analyses by including the prices or volumes of those exports with negligible margins, will consequentially taint the analyses on these other relevant economic factors. The ADC is therefore requested to reinvestigate the causal link with regard to other relevant economic factors, for the same reasons.

Summary of Findings

- 16. At the end of Chapter 8 of REP 362 dealing with whether dumping and subsidisation caused material injury, the ADC summarises its findings from the various factor analyses discussed in the chapter, in Section 8.2 entitled, "Findings". The particular "findings", that were based on erroneously including imports with negligible dumping and subsidy margins, cannot be considered to be based on "facts" or "positive evidence" nor can such analyses be considered to be "objective examinations" for the purposes of s.TAE(2AA) of the Act and Article 3.1 of the ADA. These 'tainted' findings are based on the above discussion, and include the following:
 - the volume of dumped and subsidised goods from Malaysia is not negligible
 - the Australian industry would have been able to increase its prices in a market not affected by aluminium extrusions from Malaysia at dumped and subsidised prices and Vietnam at dumped prices. Such increases would have reflected positively on the Australian industry's profits and profitability over the investigation period;

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 the link between aluminium extrusions exported from Malaysia at dumped and subsidised prices and Vietnam at dumped prices, in the form of price and profit effects has had a negative impact on the Australian industry's decisions in relation to other economic factors

The ADC is therefore requested to reinvestigate the summary of findings, for the same reasons.