



BlueScope Steel Limited
Sirius Building
Five Islands Road, Port Kembla NSW 2505
PO Box 1854, Wollongong NSW 2500
P +61 2 4240 1214 | M +61 412 377 603
E Chad.Uphill@bluescopesteel.com

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Mr Scott Ellis
Member
Anti-Dumping Review Panel
C/o Anti-Dumping Review Panel Secretariat
GPO Box 2013
Canberra City ACT 2601

Email: ADRP@industry.gov.au

Public File

Dear Sir/Madam,

Zinc coated (Galvanised) steel exported from the People's Republic of China, the Republic of Korea, and Taiwan – Application for review of a decision by Dongbu Steel Co., Ltd

I. Introduction

I refer to the application for review of a decision by Dongbu Steel Co., Ltd (“Dongbu”) concerning the decision of the Assistant Minister for Science, Jobs and Innovation (Assistant Minister) under subsection 269ZH(1) to continue the anti-dumping measures applicable to exports to Australia of zinc coated (galvanised) steel (“the goods”) by Dongbu.

Dongbu is a Korean manufacturer and exporter of the goods to Australia.

The decision of the Assistant Minister was published on 17 July 2018 (ADN No. 2018/96) and had the effect of continuing the dumping duties on exports from all exporters from China and certain exporters from Taiwan and Korea, based on different variable factors to those that had previously applied. The continued measures apply to Dongbu.

Dongbu’s application for review contests the decision of the Assistant Minister to accept the recommendation of the Commissioner that the expiry of the measures would likely lead to a continuation or recurrence of dumping and injury.

BlueScope Steel Limited (“BlueScope”) is the only Australian manufacturer of the goods and therefore represents the Australian industry for the purposes of the continuation of measures inquiry.

BlueScope considers the decision of the Assistant Minister is the correct and preferred decision.

II. Dongbu's exports at dumped prices

Dongbu's application identifies the findings of the Anti-Dumping Commission ("the Commission") that Dongbu's exports to Australia were at dumped prices. The margin of dumping determined by the Commission was 2.4 per cent.

Dongbu asserts that it is focused on more profitable sales on the Korean domestic market and that "*it has no reason to chase market share in export markets*". Contrary to this assertion, the Commission found that Dongbu's exports at dumped prices – along with the selling prices of dumped exports from China and select exporters in Taiwan - undercut the Australian industry's selling prices.

BlueScope highlights with the ADRP Dongbu's attempts to minimize Dongbu's dumping practice as suggested in the following statements:

- Dongbu's dumping margin of 2.4 per cent was a mere "*0.4 per cent above a de minimis margin that, if found in an investigation, would require that investigation to be terminated*";
- Dongbu's "*sales people concerned did a reasonable job of aligning the export prices with domestic prices which formed the basis for the normal value*"; and
- "*This behaviour is not indicative of an entity that intends to dump, nor is the margin deduced by the Commission evidence that injurious dumping will occur in the future*".

BlueScope disagrees. Dongbu's exports at dumped prices during the review investigation period is not an isolated occurrence. The applicable dumping measures were in place for a four-year period and, following the initial imposition of measures, Dongbu was aware of the applicable variable factors. Dongbu participated in earlier reviews of the measures (Investigations No. 272 & 273 and 385 & 386) and understands what is required to ensure that it does not export at dumped prices following a review of measures outcome. For this review investigation period, Dongbu did not adhere to measures to ensure its exports were not at dumped prices.

Dongbu argues that it had no "*ongoing sales agreements or arrangements*" in relation to sales to Australia as the sales during the investigation period were through spot traders. BlueScope disputes Dongbu's claims as it is the sales through traders at spot prices that because of their infrequent nature, are often injurious to the industry in the importing country.

III. Dongbu's injurious export prices

Dongbu further contends that as its export prices during the review investigation period exceeded the ascertained export price ("AEP") (upon which the floor-price measure applied) that if it wanted to actively secure market share it would have priced its exports at the AEP. A counter response to Dongbu's argument here is that if Dongbu, as it is claimed, was focused on the more profitable domestic market, why did it not raise its export prices to Australia to be aligned to domestic prices in Korea?

The Commission determined in Reports 456 and 457 that the other Korean exporter POSCO did not export at dumped prices during the review investigation period (a negative 15.4 per cent margin was determined). It is demonstrated by POSCO's exports to Australia that despite being the subject of measures it avoided exporting at dumped prices during the investigation period. It was open to Dongbu to ensure that it was not exporting at dumped and injurious prices during the period, however, it did not diligently ensure this was the case.

BlueScope also disagrees with Dongbu's statement that "*if it [Dongbu] did not demonstrate that behaviour in the past [to not export at dumped prices], a finding that it would manifest that behaviour in the future is unsafe*

and unsupported', particularly given that Dongbu has been found to have subsequently exported at dumped prices. The exports by Dongbu were at prices that *"were lower than most other exporters"* which is indicative that it is competing with the dumped export prices from China and Taiwan – all at levels that undercut the Australian industry's selling prices.

IV. Dongbu's exports as a percentage of total import volume

Dongbu claims that the Commission has over-stated the relative volume of its exports to Australia during the investigation period. Dongbu claims that the Commission's assessed 33 per cent share of the total Korean export volume to Australia *"tends to over-emphasise"* the exporter's presence in the Australian market. Dongbu seeks to dismiss its volumes as minor in the overall context of the Australian market suggesting that the exports account for approximately 0.5 per cent total share of the Australian market and, that it is *"fairly certain that its export volume would have been less than 3 per cent of the volume of total exports of the goods during the inquiry period"*.

Dongbu's attempts to down-play its dumped export volumes during the review period fails to consider its impact that coincides with the dumped exports from China and Taiwan that, when aggregated, represent a not insignificant, not insubstantial and not immaterial share of the Australian market. The Commission was correct in aggregating the impact of the dumped and injurious exports to Australia to demonstrate that the dumping and injury supported a finding that it was likely that future exports at dumped and injurious prices would continue should the measures be allowed to expire.

Hence Dongbu's arguments that its export volumes at dumped prices are negligible and hence not injurious to the Australian industry cannot be accepted in isolation and must be considered in the context of the continuation of the measures applicable to all exporters under investigation.

BlueScope further notes Dongbu's statement that *"unless things were to change dramatically.....it is unlikely that Dongbu's export volumes to Australia would increase significantly to the extent that it would cause injury to the Australian industry"*. It is recalled that Dongbu's exports to Australia were spot sales via traders. In the absence of anti-dumping measures there exists a very real and imminent threat that traders would actively seek supply volumes from known suppliers (i.e. Dongbu) at prices that are competitive with other import sources. It is therefore not reasonable for Dongbu to state that it is unlikely it would increase its exports to Australia – particularly in an environment of no dumping measures. This is pure conjecture and not based on any commitment to not export at dumped prices.

V. Future threat of material injury to Australian industry

Dongbu disputes the Commission's finding that the Australian industry is vulnerable to the injurious effects of dumping. It states that BlueScope's sales volumes are at its second highest level and market share highest since 2008. These indicators, however, do not reflect the price impact of the dumped exports. BlueScope is vulnerable due to its reduced margin over the investigation period which has impacted profit and profitability. This has been caused by the measures lagging actual price increases and, as such, BlueScope's prices are suppressed by dumped export prices (including those of Dongbu).

Should the measures be allowed to expire, it is likely that price depression and price suppression would further result from the dumped exports from China, Korea and Taiwan, and additional profit and profitability injury would likely occur.

BlueScope rejects Dongbu's contentions that the price pressures it experiences from imports *"appears to simply be assertions from BlueScope's customers"*. BlueScope is well apprised of price competition from imports via its market intelligence, including via customer feedback and monitoring of imports of the goods

into Australia. BlueScope considers this information to be credible and more reliable than simple assertions.

The Commission's assessment as to the vulnerability of the Australian industry should the measures be allowed to expire is therefore correct and accurate.

VI. Correct or preferable decision

BlueScope does not consider that Dongbu has sufficiently and adequately demonstrated that should the measures be allowed to expire its future exports to Australia would not be at dumped prices that would cause, or threaten, material injury to the Australian industry.

Dongbu is familiar with the anti-dumping process in Australia (via its involvement in previous review inquiries 272 & 273, and 385 & 386) and failed to take steps to ensure its exports during the investigation period were not at dumped prices.

BlueScope agrees with the Commission's finding In Report No. 449 & 450 that should the measures be allowed to expire, it considers *"it likely that the dumping of galvanised steel exported from Korea by Dongbu would place downwards pressure on prices in the Australian market, and that BlueScope would respond by reducing its own prices in order to maintain its market share"* and further *"Noting the economic condition of the Australian industry and its present vulnerability, the Commission considers it likely that material injury would be experienced by BlueScope as a result of the continuation and recurrence of dumping of galvanised steel exported from Korea by Dongbu"*.

BlueScope submits that the decision of the Assistant Minister is the correct and preferable decision and that Dongbu's application for review must fail.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4240 1214, or BlueScope's representative Mr John O'Connor on (07) 3342 1921.

Yours faithfully,



Chad Uphill
Senior Commercial Specialist – International Trade Affairs