

24 February 2015

Ms Candy Caballero
Director Operations
Anti-Dumping Commission
Ground Floor Customs House
1010 Latrobe Street
Docklands, VIC 3008

Dear Ms Caballero

Dumping Investigation ADC 240 - Rod in Coils exported from Indonesia, Taiwan and Turkey – PT. ISPAT INDO

Introduction

I refer to the recently published *Remote Exporter Verification Report* (“the report”) for the Indonesian exporter, PT Ispat Indo (“Ispat”), in the dumping investigation concerning rod in coils (“RIC”) exported from Indonesia, Taiwan and Turkey (“Dumping Investigation No. 240”). The report has been prepared by the Anti-Dumping Commission (“the Commission”) on the basis of information supplied and forwarded to the Commission by Ispat. The Commission has not undertaken a visit to the exporter’s premises to substantiate the financial information provided by the exporter.

The report raises a number of concerns to the Australian industry applicant, OneSteel Manufacturing Pty Ltd (“OneSteel”), that impact the Commission’s preliminary dumping margin calculations for RIC exported to Australia by Ispat. Given the placement of the report on the public record on Friday, 20 February 2015; in advance of the publication of the Commission’s SEF (Statement of Essential Facts) on 2 March 2015; OneSteel has confined this submission to two issues of critical importance to the determination of the preliminary dumping margin:

- the reliability of the financial information provided by Ispat, in light of the Indonesian government’s own verification of the exporter’s loss making domestic sales of the RIC during the relevant investigation period; and
- the importance of the Parliamentary Secretary exercising her power under subsection 269TAF(6) of the *Customs Act 1901* (“the Act”) to publish more than one public notice, fixing the rate of foreign exchange across the second-half of the investigation period so as not to permit the exporter to mask dumping by reason of the sustained movement (devaluation) of the Indonesian Rupiah (“IDR”).

OneSteel requests the Commission to fully consider the following items and the consequential impact on findings in the Ispat report, and ultimately the SEF and Final Report.

In fact, unless properly addressed in advance of the publication of the SEF, OneSteel is concerned that several interested parties, may allege that insufficient procedural fairness was afforded them, should the Commission agree with OneSteel’s submission, and recommend to the Parliamentary Secretary that:

- (a) Ispat’s financial information was unreliable and should be disregarded; and
- (b) Notices be published in the *Gazette* pursuant to subsection 269TAF(6) of the Act, fixing the rate of exchange for the purpose of the conversion of currency between domestic and export sales.

Therefore, notwithstanding the extensions to the publication of the SEF to date, OneSteel would not oppose the Parliamentary Secretary granting a modest additional extension to the due date to the publication of the SEF, if it permits the Commission the opportunity to allow interested parties to respond to the allegation that Ispat's financial information is unreliable and should be disregarded, and further, it affords the Parliamentary Secretary an opportunity to publish the requisite notices in the Gazette.

Given the late placement of Ispat's remote exporter verification report on the public record (i.e. five-business days prior to publication of the SEF), OneSteel feels that a further extension to the SEF is in the interests of ensuring that the correct and preferable decision results from Dumping Investigation No. 240.

Reliability of Ispat's financial information

OneSteel repeats its earlier reference to the recently published *Notification of a Proposal to Impose a Measure* pursuant to the *WTO Agreement on Safeguards* following the conclusion of a safeguards investigation by the *Indonesian Safeguards Committee* into RIC products exported to the Republic of Indonesia from the People's Republic of China ("China"), Japan and Malaysia¹.

The Indonesian safeguards investigation is of key relevance to the reliability of the Commission's remote exporter verification of financial information submitted by Ispat for the following reasons:

- Ispat was a co-applicant to the Indonesian safeguards investigation;
- Ispat admits "[i]t is the largest wire rod producer [also known as RIC] in Indonesia with the highest market share"²;
- The Indonesian safeguard's investigation period includes the Dumping Investigation No. 240's investigation period (i.e. calendar year 2013);
- The Indonesian safeguard's investigation covers the same description of goods, also the subject of Dumping Investigation No. 240;
- The Indonesian safeguard's investigation verified Ispat's domestic Indonesian sales price in the face of import price competition (i.e. the same domestic sales the subject of the Commission's normal value assessment); and
- The Indonesian safeguard's investigation verified Ispat's domestic Indonesian sales' cost of production (i.e. the same cost of production data the subject of the Commission's investigation).

Given the relevance of the Indonesian safeguards investigation to Dumping Investigation No. 240's, OneSteel finds it extremely difficult to reconcile the completely contrary outcomes of the two inquiries. Firstly, the *Indonesian Safeguards Committee* found, *inter alia*, that:

"During the period of investigation, the Applicant [Ispat being the largest] suffered financial losses with a trend of 36.0%, particularly in 2013 where the Applicant experienced a huge financial loss in 2013 of 315.6 point index."³ [Emphasis added]

On the other hand, the Commission's conclusion (based on *remote* exporter verification) completely contradicted the *Indonesian Safeguards Committee's* findings:

¹ Refer NON-CONFIDENTIAL ATTACHMENT 1.

² Refer NON-CONFIDENTIAL ATTACHMENT 2.

³ Refer NON-CONFIDENTIAL ATTACHMENT 1, p. 6.

“The Commission used quarterly domestic CTMS to test whether domestic sales were profitable.

“Sales of rod in coil at a loss were less than 20% of the volume of sales.

“Sales in the ordinary course of trade [i.e. profitable and/or recoverable domestic Indonesian sales] were made in all quarters of the investigation period.”⁴ [Emphasis added]

Given the disparity between the conclusions reached by the *Indonesian Safeguards Committee* - based on (presumably) in-country verification - and the Commission’s conclusions - based on remote exporter verification - OneSteel cannot help but to call into question the reliability of the financial information provided by Ispat to the Commission.

In these circumstances, OneSteel submits that the Parliamentary Secretary cannot reasonably consider the financial information provided by Ispat to be reliable, and may, according to subregulation 180(7) of the *Customs Regulation 1926* (“the Regulations”), disregard the information for the purpose of determining the exporter, Ispat’s, costs under paragraphs 269TAAD(4)(a) and 269TAAD(4)(b) of the Act.

Impact of sustained movement in rates of exchange between currencies

OneSteel has previously highlighted with the Commission the impact of the devaluation of the Indonesian Rupiah (IDR) on domestic prices across the investigation period of Dumping Investigation No. 240, and urged the Commission to consider the requirements of subsection 269TAF(3) of the Act⁵.

Upon reviewing the pattern of devaluation of the IDR against the United States Dollar (USD); being the two currencies relevant to the question of conversion of currencies under subsection 269TAF(1) of the Act; OneSteel now considers that the IDR’s devaluation represents a sustained movement and that the requirements of subsection 269TAF(4) of the Act should apply.

The applicability of subsection 269TAF(4) of the Act to the circumstances of currency devaluation, as observed in this investigation, are consistent with the previously cited WTO (World Trade Organisation) jurisprudence, specifically, the *Disputes Settlement Panel’s Report in US — Stainless Steel (Korea)*⁶.

Subsection 269TAF(4) of the Act states that:

“If:

- (a) the comparison referred to in subsection [269TAF](1) requires the conversion of currencies; and*
- (b) the Minister is satisfied that the rate of exchange between those currencies has undergone a sustained movement;*

⁴ Refer Australian Anti-Dumping Commission, *Dumping Investigation No. 240*, ‘Remote Exporter Verification Report – PT Ispat Indo’, p. 24.

⁵ Refer Public Record Folio No. 046, *OneSteel letter dated 6 February 2015*.

⁶ United States – Anti-Dumping measures on stainless steel plate in coils and stainless steel strip from Korea, WT/DS179/R, adopted on 22 December 2000.

the Minister may, by notice published in the Gazette , declare that this subsection applies with effect from a day specified in the notice and, if the Minister does so, the Minister may use the rate of exchange in force on that day for the purposes of that comparison during the period of 60 days starting on that day”.

OneSteel observes the Commission’s policy in relation to sustained movements in currencies is contained in the Commission’s *Dumping and Subsidy Manual (December 2013)* (“the Manual”):

“A currency may show steady change, or some fluctuation, over time in the rate of exchange. The notion of a ‘sustained movement’ suggests something outside of a normal range of fluctuation. There must have been a ‘movement’, and this ‘movement’ must have been ‘sustained’ throughout subsequent periods.

“The Commission may, for example, and where the circumstances warrant, examine the rate of exchange throughout the investigation period – if the movements, up or down, were not significantly different from a moving average rate of exchange for the previous 60, or 90 days, it may be taken to support a view that no sustained movement had occurred.” [at p. 117]

OneSteel submits that *Chart 1*, below, reveals that during the second half of the investigation period, there was a sustained movement in the USD/IDR exchange rate. In fact, between 1 July and 31 December 2013, the IDR depreciated against the USD by at least 23%.

When the movement in the exchange rate is analysed in accordance with the Manual, for a 90 day period following the conclusion of the investigation period, it is observed that the value of the IDR remains 14% below its 1 July 2013 levels, in terms of USD. In these circumstances, the movement in the USD/IDR remains sustained in accordance with the Commission’s policy.

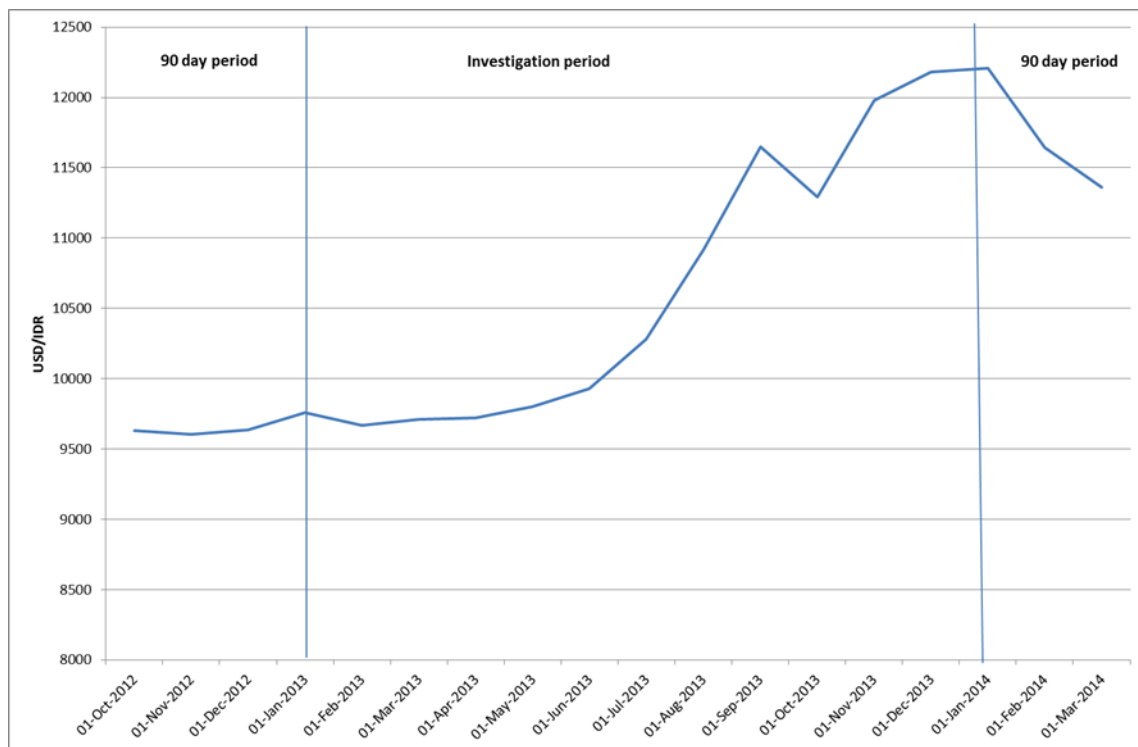


Chart 1: USD/IDR exchange rate 1 October 2012 to 31 March 2014

(Source: WM/Reuters, 31 December 2014)

Therefore, OneSteel considers that the circumstances of this case make it entirely appropriate for the Parliamentary Secretary to publish a public notice pursuant to subsection 269TAF(4) with effect from a date on which the sustained movement in the rate of exchange between the USD and IDR commenced (say, 1 July 2013).

Further, OneSteel submits that as, *Chart 1*, above, demonstrates that the sustained movement continued beyond an initial period of 60 days, but in fact continued throughout the whole of the second half of the investigation period, it is entirely appropriate, for the Parliamentary Secretary to exercise her power under subsection 269TAF(6) of the Act, and to publish more than one public notice under subsection 269TAF(4) because the sustained movement in the rate of exchange continued for more than 60 days resulting in a significant and prolonged depreciation of the IDR.

Specifically, subsection 269TAF(6) of the Act provides:

“Nothing in subsection [269TAF](4) prevents the Minister publishing more than one notice if a sustained movement in the rate of exchange continues for more than 60 days.”

Applied here, not only do the facts support a decision to publish more than one notice, but in fact OneSteel considers that unless the Parliamentary Secretary does so then a material error of fact will occur in respect of Dumping Investigation No. 240, whereby the magnitude and pattern of the sustained movement in currency will ‘mask’ the dumping by Ispat, who clearly took advantage of the devalued currency in the second half of the investigation period to reduce its export price and increase its export volume.

As matters currently stand, the Commission has not applied subsection 269TAF(4) of the Act to the exchange rate at which the currencies are converted for Ispat. In turn this has generated a negative dumping margin of -1.85%. Unless the Parliamentary Secretary publishes multiple public notices under subsection 269TAF(6) of the Act, to fix the rate of exchange for three consecutive 60-days periods following the commencement of the sustained movement in the devaluation of the IDR, then the outcome of Dumping Investigation No. 240 will be subject to significant error, and Ispat will be falsely found not to be dumping.

Closing remarks

The Commission is urged to take full account of the *Indonesian Safeguard Committee’s* decision dated 23 December 2014 as it relates to the domestic Indonesian RIC market, and recommend to the Parliamentary Secretary that she ought not be satisfied that Ispat’s financial information is reliable under subregulation 180(7).

Further, the Commission is urged to recommend to the Parliamentary Secretary that she publish sufficient notices under subsection 269TAF(6) to adjust for the sustained movement in the devaluation of the IDR across the second-half of the investigation period, and that unless she does so, the Commission’s final recommendation will be subject to a significant error of fact.

PUBLIC RECORD VERSION

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If you have any questions concerning this letter please do not hesitate to contact OneSteel's representative Mr John O'Connor on (07) 3342 1921 or Mr Matt Condon of OneSteel on (02) 8424 9880.

Yours sincerely

A handwritten signature in black ink, appearing to read "Matt Condon", enclosed in a thin black rectangular border.

Matt Condon
Manager – Trade Development
OneSteel Manufacturing Pty Ltd

NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON**SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT****THEREOF CAUSED BY INCREASED IMPORTS****NOTIFICATION OF A PROPOSAL TO IMPOSE A MEASURE
INDONESIA**

*(Bars and Rods, Hot-Rolled, in Irregularity Wound Coils, of Iron
or Non-Alloy Steel or of Other Alloy Steel)*

The following communication, dated 23 December 2014, is being circulated at the request of the Delegation of Indonesia.

Pursuant to Article 12.1(b) of the WTO Agreement on Safeguards, the Government of the Republic of Indonesia, hereinafter referred as "GOI", hereby notifies to the Committee on Safeguards on its findings of serious injury or threat thereof caused by the increased imports.

1 GENERAL BACKGROUND**a. Initiation of Investigation**

On 23 December 2013, the Indonesian Safeguards Committee/*Komite Pengamanan Perdagangan Indonesia* (the Investigating Authority) received an application from PT. Ispat Indo and PT. Krakatau Steel Tbk., hereinafter referred as the "Applicant", requesting an initiation of a safeguard investigation against importation of "bars and rods, hot-rolled, in irregularity wound coils, of iron or non-alloy steel or of other alloy steel under HS Codes 7213.91.10.00, 7213.91.20.00, 7213.91.90.00, 7213.99.10.00, 7213.99.20.00, 7213.99.90.00", and 7227.90.00.00".

Based on the examination of the above-mentioned application, the Investigating Authority initiated an investigation on 17 January 2014. On the same date, the Investigating Authority announced the initiation of the investigation in a national daily newspaper ("*Bisnis Indonesia*"), and notified to the WTO Secretariat, which the document was circulated to the Members on 24 January 2014 ([G/SG/N/6/IDN/24](#)).

b. Period of Investigation

The period of investigation covers 2010 to 2013.

c. Major Proportion

The total production of the Applicant is 58.6% from the total domestic production of the Subject Good, therefore it represent a major proportion as required by Article 4.1 (c) of the WTO Agreement on Safeguards.

d. Views and Comments of the Interested Parties

In accordance to Article 3.1 of the WTO Agreement on Safeguards, during the process of investigation, the Investigating Authority has provide an opportunities to all interested parties, including the representatives of exporting country to submit their views, evidence, and response. The Investigating Authority has held 2 (two) times public hearings. The first hearing was held on 21 February 2014, and the second one on 18 August 2014.

2 EVIDENCE OF SERIOUS INJURY OR THREAT THEREOF CAUSED BY INCREASED IMPORTS

In a view to determine the existence of serious injury or threat thereof caused by increased imports, the Investigating Authority has made an evaluation and analyze of all relevant factors of

an objective and quantifiable nature having a bearing on the situation of the Applicant. The following evaluation was based on data provided by the Domestic Industry (both Applicant and non Applicant), and interested parties, where the data has been verified by the Investigating Authority.

a. Evidence of serious injury

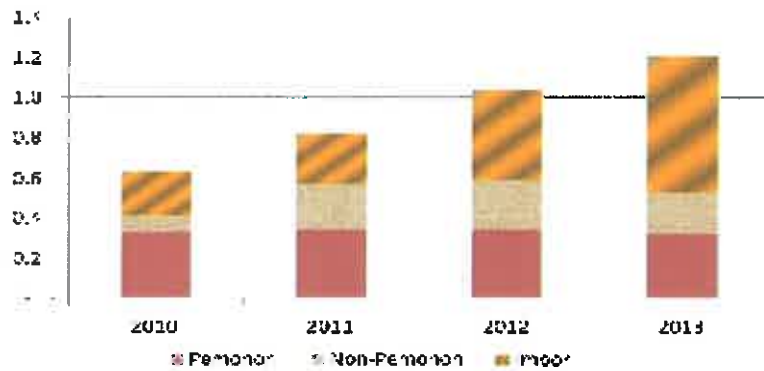
TABLE 1
IMPORTS, DOMESTIC SALES, MARKET SHARES, AND NATIONAL CONSUMPTION

No.	Description	Unit	Year				Trend 10-13 (%)
			2010	2011	2012	2013	
1.	Imports	Ton	222,876	254,595	444,702	677,965	47.6
2.	Applicant's Domestic sales	Index	100	101.0	102.6	94.7	(1.5)
3.	Other Domestic Industry (Non-Applicant) Domestic Sales	Index	100	186.4	199.4	157.5	15.4
4.	Shares of imports	Index	100	95.7	132.4	174.2	22.0
5.	Applicant Market Share	Index	100	84.6	68.1	54.2	(18.6)
6.	Other Domestic Industry (Non-Applicant) Market Share	Index	100	156.1	132.3	90.2	(4.6)
7.	National Consumption	Index	100	119.4	150.7	174.6	20.9

Source: CBS (Central Bureau Statistic) and as verified by Investigating Authority

1. The above Table shows that during the period of investigation the Applicant domestic sales have declined with a trend 1.5%. Even though the Applicant Domestic Sales increased during the period of 2010-2012, but in 2013 it suffered a decreased by 7.7% which was relatively higher than the increased in 2010-2012. During the period of 2010-2013 the domestic industry Non-Applicant domestic sales have increased with a trend 15.4%, however it also experienced a declined by 21.0% in 2013 compared to 2012.
2. During the period of investigation, there was a significant increased volume of imports with a trend 47.6%. On the other hand the Applicant's Domestic Sales experienced a decline during the same period, while the Domestic Industry Non Applicant's domestic sales increased with a trend of 15.4%, however it experienced a decline in 2013 compared to 2012.
3. When the imports increased significantly during the period of investigation, the Applicant market shares decreased significantly and suffered a year-to-year declined during the same period. During 2010-2013, the Domestic Industry Non Applicant's market shares decreased with a trend 4.6%, therefore, both the Applicant and the Domestic Industry Non Applicant suffered a loss in market shares which has been taken by imports during the period of investigation.

INDONESIA NATIONAL CONSUMPTION



Source: CBS, and the Domestic Industry Output (Applicant and Non-Applicant)

- During the period of investigation, the national consumption has increased with a trend of 20.9%. In line with the increased of national consumption, the market shares of imports has also increased significantly from 2010-2013 with a trend of 47.6%. Consequently, the market shares of both the Applicant and Domestic Industry Non Applicant have been taken by imports and they could not enjoy the increased in national consumption during the period of investigation.

TABLE 2:
PRODUCTION, CAPACITY, AND UTILIZATION CAPACITY

No.	Description	Unit	Year				Trend 10-13 (%)
			2010	2011	2012	2013	
1.	Production	Index	100	104.4	87.5	84.6	(6.6)
2.	Target Production	Index	100	98.4	96.1	97.8	(0.9)
3.	Capacity	Index	100	100	100	100	-
4.	Capacity Utilization	Index	100	104.4	87.5	84.6	(6.6)

Source: as been verified by The Investigating Authority

- During the period of investigation, the Applicant production has suffered a decline with a trend 6.6%. Even though the Applicant Production enjoyed a slight increased by 4.4 index point in 2011 compared to 2010, during 2011-2013 it declined by 18.9%. In line with the decline in production, the capacity utilization also experienced a declined during the same period.
- In contrary with the capacity which remains stable, during the period of investigation, the decline of production and capacity utilization has made the actual production was not in optimal condition, therefore, the Applicant was forced to reduce its production target from 100 index point in 2010 to 97.8 index point in 2013.

TABLE 3:
PROFIT/LOSS, AND COST OF PRODUCTION

No.	Description	Unit	Year				Trend 10-13 (%)
			2010	2011	2012	2013	
1.	Profit/Loss	Index	(100)	(253.9)	(174.5)	(315.6)	(36.0)
2.	Loss Margin	Index	(100)	(228.6)	(142.9)	(300.0)	(32.7)
3.	Profit/Loss (per unit)	Index	(100)	(251.4)	(170.1)	(333.3)	(38.0)

Source: As been verified by the Investigating Authority

- The Applicant has experienced financial losses during 2010-2013 with a negative trend of 36.0%. In 2013, the Applicant

suffered a huge financial loss compared to 2012, from (174.5) index point to (315.6) index point.

TABLE 4:
EMPLOYMENT, PRODUCTIVITY, TARGET PRODUCTIVITY, PRODUCTION, AND TARGET PRODUCTION

No.	Description	Unit	Year				Trend 10-13 (%)
			2010	2011	2012	2013	
1.	Employment	Index	100	97.7	102.3	105.9	2.2
2.	Productivity	Index	100	106.8	85.5	79.9	(8.6)
3.	Expected Productivity	Index	100	100.7	94.0	92.3	(3.0)

Source: As been verified by the Investigating Authority

8. From the table above, employment has increased with a trend 2.2% during the period of investigation. The increased in employment was due to the effort by the Applicant to improve and maintain its sales to its consumers by focusing on the improvement of product quality control.
9. The Applicant's productivity has declined during the period of investigation with a trend of 8.6%, even though it increased in 2011 compared with 2010. The declined in productivity was mainly due to the decline in production with a trend of 6.6%.

TABLE 5:
PRICE UNDERCUTTING

(Index)

No.	Description	Year		
		2011	2012	2013
1.	The Applicant Sales Price	100	100	100
2.	Import Price	98.6	83.8	87.9

Source: As been verified by The Investigating Authority

10. Based on the Table above, during the period of 2011-2013 the import price was lower than the Applicant sales price, thus the Applicant unable to increase its sales price.

TABLE 6:
PRICE SUPPRESSION

(Index)

No.	Description	Year			Trend 11-13 (%)
		2011	2012	2013	
1.	The Applicant Sales Price	100.0	100.0	100.0	0.9
2.	Import Price	98.7	83.8	87.9	(4.7)
3.	The Applicant Cost of Production	102.1	102.0	104.1	(24.4)

Source: As been verified by The Investigating Authority

11. The table above shows that during the period 2011-2013 the Applicant Sales Prices were lower than the Applicant cost of production. The cheap price of imported goods, has caused the Applicant unable to increase its sales price higher than the cost of production.

b. Other Factors That May Contribute to Injury

In order to ensure that injury is only caused by increased imports, the KPPI also examined the following other known factors:

Effect of competition among the Domestic Industry

TABLE 7:
THE DOMESTIC INDUSTRY AND IMPORTS MARKET SHARE

No.	Description	Year				Trend 10-13 (%)
		2010	2011	2012	2013	
1.	Shares of imports	100	95.7	132.4	174.2	22.0
2.	Applicant Market Share	100	84.6	68.1	54.2	(18.6)
3.	Domestic Industry Non-Applicant Market Share	100	156.1	132.3	90.2	(4.6)

Source: as been verified by the Investigating Authority

Based on table above, although the domestic industry Non-Applicant market share increased in 2011, however in 2011-2013 the domestic industry Non-Applicant market share decreased significantly from 156.1 index point to 90.2 index point. Therefore, it can be concluded that the decline in the Applicant market share was not caused by the competition among the Domestic Industry.

Technology and machineries

Verification result shows that the Applicant uses Electric Arc Furnace (EAF) machineries to produce raw material for wire rod, which is billet. EAF technology uses scrap iron, mixed with sponge iron and direct reduced iron (DRI) . Billet then directly processed to rolling mill plant and then formed into wire rod.

Wire rod produced using the Applicant's technology and machineries is in compliance with domestic and international standards, such as Indonesian National Standard (SNI), Japan Industrial Standard (JIS), Standard American for Automotive Engineering (SAE) and American Iron and Steel Institute (AISI) . Strict quality control of wire rod production process has also been implemented by the Applicant, such as the control of scrap, chemical analysis sampling, and metallurgy analysis. The purpose of this strict quality control is to ensure that the wire rod produced is in accordance with the aforementioned standards. Therefore, the Applicant's technology and machineries was not a factor that caused its injury.

Captive Market

Based on the result of investigation, although the Applicant was selling low carbon wire rod to its subsidiaries, however the volume was insignificant, which was less than 1% of the Applicant's total sales of low carbon wire rod during the period of investigation. Therefore, it can be concluded that sales to captive market did not have any effect to the injury suffered by the Applicant.

c. Conclusion on Causal Link

The investigation authority has examined all factors having a bearing in the Applicant situation, and came to a conclusion that serious injury suffered by the Applicant mainly caused by significant increased volume of imports and not due to the other factors. The reasonings of the conclusions are as follows:

- 1) There was a significant increase volume of imports in absolute and relative terms to the domestic production, as shown in Table 7 and 8 below.
- 2) When the national consumption increased during the period of investigation, the volume of imports has also increased significantly with a trend much higher than the increase of national consumption. On the contrary, the Applicant domestic sales has suffered a decline with trend of 1.5%.
- 3) With the decline in the Applicant Domestic Sales, consequently the Applicant market shares also declined with a trend 18.6% during the period of investigation. The increased volume of imports has caused a fierce competition to the Applicant's domestic sales, and has taken the Applicant market share during the period of investigation.

4) The declining in the Applicant domestic sales and market shares during the period of investigation has made a negative impact to the Applicant production, utilization capacity, and above all on the Applicant financial performance. During the period of investigation, the Applicant suffered a financial losses with a trend of 36.0%, particularly in 2013 where the Applicant experienced a huge financial loss in 2013 of 315.6 point index.

5) There was also an existence of the low selling price of the imported goods below the Applicant's cost of production and sales prices. To regain its market share that has been taken away by the imports during the period of investigation, the Applicant forced to sell below the cost of production. The Applicant decision to sell below the cost of production has contributed to a substantial financial loss.

6) Based on findings as mentioned in point b, it is concluded that there were no other factors attributed to the serious injury suffered by the Applicant other than significant increased volume of imports.

3 INFORMATION ON WHETHER THERE IS AN ABSOLUTE INCREASE IN IMPORTS OR AN INCREASE IN IMPORTS RELATIVE TO DOMESTIC PRODUCTION

In the light to provide evidence whether there is an absolute increase in imports or an increase in imports relative to domestic production, the Investigating Authority has analyzed import data during the period of investigation.

a. Absolute increase in imports

TABLE 7: DATA OF IMPORTS

Description	Unit	Year			
		2010	2011	2012	2013
Volume	Ton	222,876	254,595	444,702	677,965
Growth	%	-	14	75	52
Trend	%	47.6			

Source: Indonesia Statistic

Based on the data shown from the Table 7, there was an increased volume of imports in absolute terms during the period of investigation, with a trend of 47.6%.

b. Relative to domestic production

TABLE 8: DATA OF IMPORTS AND TOTAL PRODUCTION

Description	Unit	Year			
		2010	2011	2012	2013
Volume	Ton	222,876	254,595	444,702	677,965
Total Domestic Production	Index	100	72.0	100.0	92.8
Imports to Total Domestic Production	Index	100	79.1	151.2	258.1
Trend	%	42.8			

Source: Domestic Industry (Applicant and Non Applicant) As verified by the Investigating Authority, and Indonesia Statistic

The Table 8, above indicates that there was also an increased volume of imports relative to Total Domestic Production during the investigation period, with a trend of 42.8%.

c. Imports from Main Countries

TABLE 9: IMPORTS SHARES (%)

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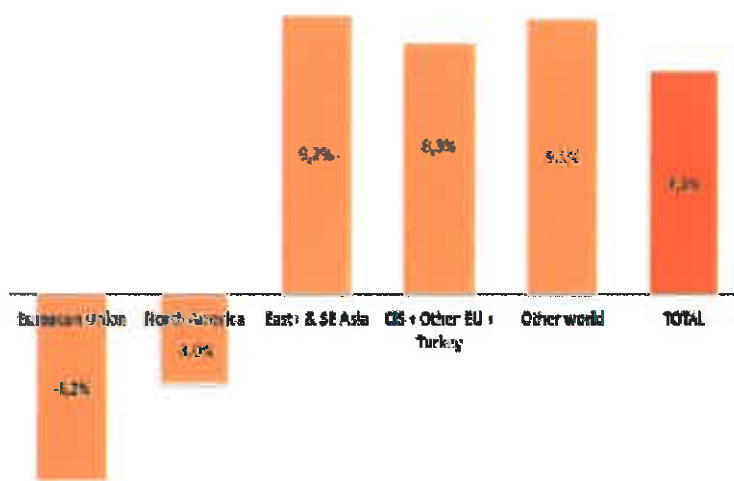
Country	Import Share 2010	Import Share 2013
China, P. R.	28.3	79.7
Japan	19.7	8.0
Malaysia	19.6	5.4
Total	67.6	93.1

Table 9 indicates that the total shares of import from the main countries are 67.6% in 2010 and 93.1% in 2013. The imports from China, P. R. has increased significantly from 28.3% in 2010 to 79.7% in 2013.

4 UNFORESEEN DEVELOPMENT

- a. According to World Steel Association Statistical Yearbook 2014, the capacity of production of China steel wire rod had significantly increased from 106 million tons in 2010 to 150 million ton in 2013. Such increased has contributed to the overcapacity of wire rod products in China.
- b. Based on the International Rebar Exporters and Producers Association (IREPAS), the 70th Meeting in March 2014 presented data, during 2010-2013 there was a significant decline of wire rod consumption in the European countries and North America. At the same time South East Asia and East Asia countries experienced a significant and positive growth of wire rod consumption due to positive economic growth on those countries, such as Indonesia.

GRAPHIC OF GROWTH FOR WIRE ROD CONSUMPTION (2012-2013) IN THE WORLD BASED ON REGIONS (IN %)



Source: IREPAS

- c. In addition to that, Malaysia and European Union has imposed trade remedies (Anti-Dumping) practices against wire rod product from major exporting countries as shown in Table 10. Thus, that condition has caused an alteration of their export to other countries in Southeast Asia region, such as Indonesia.

TABLE 10: STATISTICS OF TRADE REMEDIES MEASURES

Imposing Countries	Affected Countries	Product	Trade Remedies Instruments	Duties	Initiation	Duration of Measures
Malaysia	PRC, Taiwan, Korea Selatan, Turki	Steel Wire Rod	Anti-Dumping	3.03-25.20%	25 .06.2011	19.02.2013-19.02.2018
Uni Eropa	PRC	Steel Wire	Anti-Dumping	7.9%-24%	08 .05.2008	06.08.2009-

		Rod			06.08.2014
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Source: European Commission and Ministry of International Trade and Industry Malaysia

- d. Based on the above conditions, it's been alerted that overcapacity has occurred during the year 2010-2013. However, a sudden slowdown in demand in some major markets and also parallel with trade remedies measures imposition by other countries, which could not be foreseen, has resulted in export diversion that caused significant increase volume of imports to Indonesia as shown in Table 8.

5 DESCRIPTION OF THE PRODUCT INVOLVED

The description of Subject Good under Article 12.1 (a), has been modified and narrowed down based on the capability of the Applicant production and considering all inputs from the interested parties to exclude some particular products such as high carbon quality and cold heading quality wire rod. Therefore, the Subject Good are as follows:

"Wire rod in a form of bars and rods, hot rolled, in irregularity wound coils, of iron or non-alloy steel or of other alloy steel , with, which taken all together, particular size of circular cross-section diameters, chemical compositions, and Harmonized System (HS) Codes, as follows:

**TABLE 11:
THE SUBJECT GOOD BASED ON SIZE OF CIRCULAR CROSS-SECTION DIAMETERS AND CHEMICAL COMPOSITIONS**

Steel Wire Rod	Harmonized System (HS) Code	Circular Cross-Section Diameter Size (mm)	Chemical Composition (%)		
			C	B	Al
Non Alloy Steel Wire Rod	7213.91.10.00	< 14	0.25 max	0.0002 min	0.02 max
	7213.91.20.00	5.5 – 14			
	7213.91.90.00	5.5 – 14			
	7213.99.10.00	14 – 20			
	7213.99.20.00	14 – 20			
	7213.99.90.00	14 – 20			
Alloy Steel Wire Rod	7227.90.00.00	5.5 – 20	0.17 max	0.0008 min	-

Source: Indonesia Custom Tariff Book 2012 (BTKI 2012)

Note: Carbon (C), Aluminium (Al), and Boron (B)"

6 DESCRIPTION OF THE PROPOSED MEASURE

In view of the aforementioned findings, a safeguard measure has been proposed in form of import duty.

7 PROVIDE PROPOSED DATE OF INTRODUCTION OF THE MEASURE

Not applicable.

8 PROVIDE EXPECTED DURATION OF THE MEASURE

Not applicable.

9 CONSULTATIONS

In light of Article 12.3 of the WTO Agreement on Safeguards, hereby the GOI will give an opportunity for consultation for those Members having a substantial interest as the exporters of the Subject Good. The consultation scheduled to be carried out in the period of 14 working days started from the date of circulation this notification.

Members, with a substantial interest, requesting a consultation should notify to the Indonesian Safeguards Committee/Komite Pengamanan Perdagangan Indonesia not later than 7 (seven)

working days from the date of the circulation of this notification addressed to:

THE INDONESIAN SAFEGUARDS COMMITTEE
(Komite Pengamanan Perdagangan Indonesia/KPPI)
Jl. M.I. Ridwan Rais No.5, Building I, 5th floor, Jakarta 10110
Telephone / Facsimile: (62-21) 385 7758
E-mail: kppi@kemendag.go.id

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PT. Ispat Indo

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PT. Ispat Indo

PT. Ispat Indo was established in Indonesia in 1976. The company was set up as a 60,000 tpa Greenfield project, for rolling. Today, Ispat Indo has an annual production capacity in excess of 700,000 tons.

The company manufactures a wide range of low and high carbon grades of billets, wire rods and bars using approximately 65% scrap and 35% of DRI/Pig Iron. The mix varies according to the grade of steel produced.

PT. Ispat Indo has a strong foothold in neighbouring markets and is strategically well positioned for trading throughout the world. It sells approximately 70% of its products to the domestic market and about 30% to the export markets of the fast growing Asia-Pasific region. It is the largest wire rod producer in Indonesia with the highest market share. Ispat Indo is known for the shortest delivery period with highly flexible product mix at the most competitive prices.

The products of PT. Ispat Indo are an outcome of the most modern facilities of steelmaking through the electric arc furnace with slag free eccentric bottom tapping, secondary metallurgy and continuous casting for clean steels. Followed by rolling in the state of the art automated mill with controls for better metallurgical properties. Goods are under close supervision for quality control and testing at each stage of process with complete identification and traceability of each coil dispatched to the customers.

The Company is Compliance under JIS by Japan Quality Assurance Organisation (JQA) for production below:

- Electrode Grade (JIS G 3503) Cetificate Number JQID 08008
- Low Carbon Wire Rod (JIS G 3505) Cetificate Number JQID 08009
- High Carbon Wire Rod (JIS G 3506) Cetificate Number JQID 08010
- Steel Bar for Concrete Reinforcement (JIS G 3112), SNI 07-2052 - 2002 , SNI 07-0954 - 2005 , SMK3 and also certified ISO 9001:2008 , ISO 14001:2004 , OHSAS 18001:2007 by LRQA
- Acreditation ISO/IEC 17025:2005 with No. LP - 455 - IDN by National Accreditation Committee of Indonesia (KAN)

