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**FURTHER SUBMISSION IN ANTI-DUMPING INVESTIGATION  
NOS 190A AND 190B CONCERNING IMPORTS OF ZINC COATED  
(GALVANIZED) STEEL AND ALUMINIUM ZINC COATED STEEL  
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA,  
THE REPUBLIC OF KOREA AND TAIWAN**

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ON BEHALF OF

**THE CHINA IRON AND STEEL ASSOCIATION (CISA) AND ITS MEMBERS**

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We refer to the submission from BlueScope Steel Limited (BlueScope or the Applicant) of 15 November 2012 in the anti-dumping investigation into the alleged dumping of galvanized steel and aluminium zinc coated steel exported from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan.

Among other topics, BlueScope's submission addresses several issues raised by the China Iron and Steel Association ("CISA") in its original submission of 1 November 2012.

On behalf of CISA, we hereby provide our comments and remarks to those issues raised in BlueScope's submission.

**Synchronous investigations concerning two products:**

Whilst Bluescope still has in fact lodged two separate applications, it is important for Australian Customs to ensure that the analysis for each product, including the material injury and causation analysis, must be completely separate during the investigation process. CISA notes that, Article 2.1 of the WTO Anti-dumping Agreement (ADA) requires that an investigation should only cover *one product*. Zinc coated steel and aluminium zinc coated steel have different physical characteristics and are entered for customs purposes under different tariff codes. In particular, aluminium zinc coated steel:

- has ideal forming properties on manufacturing lines;
- has a thinner metallic coating to achieve an appropriate corrosion resistance and is in turn lighter in terms of weight; and
- offers a better corrosion resistance with a cathode edge protection.

**Product Exclusions:**

(1) Exclusion of certain products which are not produced by the applicant

BlueScope has refuted the proposition that it is unable to produce some of the products under consideration ('PUC') because it cannot produce the PUC with greater widths. BlueScope asserts that it can produce metallic coated products out to a width of 1525mm.

A variety of interested parties have provided similar information, all referring to the fact that BlueScope does not produce the PUC beyond a particular maximum width. CISA does not intend to verify the detailed figures (i.e. whether it should be 1400 mm or 1525mm) as this is a matter for Australian Customs to investigate. However, CISA wishes raise the legal issue that if an applicant is not producing output of the complete PUC at the time it presents its application, it is not a 'producer' of such products, and thus cannot constitute the 'domestic industry' for the full range of products. It is incumbent upon Australian Customs to ensure

that there is no prospect of dumping duties being imposed upon products not produced in Australia.

(2) Exclusion of certain products which are not sold or offered for sale by the applicant

In addition, CISA noticed that interested parties (in particular, Ace Gutters) have raised special concerns with regard to GALVALUME steel produced by BlueScope. In particular, BlueScope has not provided evidence that:

- BlueScope has *sold* GALVALUME steel to any third party other than its related entities;
- BlueScope has *offered to sell* GALVALUME steel to any unrelated entity on commercial terms;
- BlueScope has ever published a price list for GALVALUME steel.

If BlueScope's GALVALUME steel products are produced only for its captive use, they are not competing with imports on a commercial basis. If there is no meaningful competition between each other, no material injury can be found and no causation can be linked to that material injury. Australian Customs must investigate the prices attributed to GALVALUME steel. At the very least, proper commercial prices should be determined for GALVALUME steel and once this is determined it may be appropriate to exclude these products taking into account their real value.

(3) Exclusion of certain products which are supplied for specific markets

CISA further noticed that the applicant identified three market sectors to which the PUC are supplied, which are:

- the building and construction industry;
- the automotive and transport primary markets, and
- the general manufacturing market.

CISA noticed that certain interested parties (e.g. GM Holden Limited) have raised the argument that there should be separate market assessments as to the material injury, in particular, for goods supplied to the automotive industry.

CISA maintains that, should Australian Customs find that there is no evidence of injury to the Applicant in a specific market, the goods supplied to that market should be excluded from the investigation. CISA refers to the SEF of the HRC case, where the Customs found that there is no evidence of injury to the Applicant in relation to its supply of HRC to the automotive industry and that injury in relation to the automotive sector for HRC is likely have been caused by a reduction in the Australian market for locally manufactured vehicles and not due to any dumping.

**The State of Chinese Industry:**

BlueScope infers that a number of Chinese policies that were referenced in CISA's submission support BlueScope's claims that the Chinese market for coated steel products is significantly influenced by the Government of China ("GOC").

CISA firmly believes that this claim must be rejected. It is clear in CISA's submission that all of these policies are aimed at limiting outdated and redundant production facilities. These efforts are driven by broad public interest and environmental concerns.

These policies should not be construed as evidence that the GOC controls the Chinese steel industry. Instead, they are similar to those of other countries attempting to address such concerns aimed at improving general welfare and reducing waste.

CISA's argument is supported by an independent academic report recently submitted by Peter Drysdale, Luke Hurst and Ryan Manuel. That report establishes that:

- The Chinese steel industry, by all standard measures, is less concentrated and more competitive than most other major steel markets;
- That Chinese steel domestic and export product prices appear to behave in a pro-competitive way;
- That there is no evidence of unusual divergence between China's steel export prices and those of other competitors in recent years. Rather, steel prices have been generally subject to downward pressure in all markets because of weak demand in relation to capacity;
- It would be difficult to infer that there has been 'dumping' of products into the Australian market from China.

CISA does not accept Australian Custom's conclusion (at the consideration stage) that a "particular market situation" exists in the Chinese galvanized steel and aluminum zinc coated steel market, nor does CISA accept a determination of normal values of Chinese imports on the basis of constructed values in third countries. Most of the Chinese producers of galvanized steel (such as Angang Steel and Wuhan Iron & Steel who have submitted their exporter's questionnaire responses) are integrated producers so they do not *purchase* HRCs from the Chinese domestic market. The alleged low prices of HRC in the Chinese market, which was addressed in International Trade Remedies Report No. 177 (REP 177) in respect of the HSS case, should not automatically be applicable to this case. The abovementioned independent academic report has established that the Chinese steel industry is less concentrated and more competitive than most other major steel markets. CISA maintains that, before the investigation into the Chinese steel market is complete, any assertion on the existence of the particular market situation in the Chinese galvanized steel and aluminum zinc coated steel market should be rejected.

### **Lack of Dumping**

CISA understands that there are several Chinese exporters who have submitted their exporter's questionnaire responses, including Yieh Phui Enterprise Co. Ltd, Angang Steel Company Limited & ANSC-TKS Galvanizing Co., Ltd, Union Steel China Co., Ltd, Wuhan Iron & Steel Company Limited and Jiangyin Zongcheng Steel Co. Ltd.

CISA looks forward to reviewing the results of this aspect of the investigation and notes the obligation on all investigating authorities to conduct an unbiased analysis into the questionnaire responses and make an objective finding in this regard.

### **Lack of Injury and Lack of Causation**

It seems that BlueScope did not dispute that fact that there is no trade remedy measure in force against the PUC imported from China into any third country, nor did BlueScope dispute that it was assigned a very high dumping margin of 50.5 % in the Brazilian proceeding concerning the same PUC.

BlueScope claims that, in respect of aluminium zinc coated steel, dumped imports from China, Korea and Taiwan commenced in 2008-2009, and there was a delay in the injury experienced by the Australian industry. Customs, however, stated in its Visit Report that "BlueScope's market share fell in 2009-2010 but has remained stable since." This directly contradicts BlueScope's claim and is an important factor in determining that there is no material injury.

CISA continues to attribute the injury to the global financial crisis since 2008, which BlueScope quoted in its submission but has not provided a meaningful comment to it. Indeed, in its application (galvanised steel), BlueScope confirms itself that due to the financial crisis, demand for the PUC has been impacted, reducing sales volumes and consequently increasing the cost-to-make, which is the real reason of injury. BlueScope's restructuring efforts and corporate structure further contributed to the alleged injury.

As the sole producer of the PUC in Australia, BlueScope acknowledged that it has a market share of approximately 60 per cent. This overwhelming majority of the market share in Australia raises very important competition concerns.

In the event that anti-dumping duties are imposed, there is a strong likelihood that competition in the Australian market for the PUC will be further reduced. For example, prices will rise and the availability and reliability of supplies of the PUC will reduce.

CISA notices that interested parties have already reported their difficulties in conducting business with the Applicant. For example:

- B & B Enclosure Pty Ltd acknowledged that BlueScope is unable to provide the full extent of the requirement of the Australian market for steel coils;

- One Steel Coil Coated Pty Ltd submitted that they have sought to source raw coils from BlueScope, but BlueScope has not entered bona fide supply negotiations. One Steel further submitted evidence of frustrated negotiations for the supply of products by BlueScope;
- BlueScope refused to provide products on a reasonable commercial basis to Ace Gutters, forcing the latter to source products from overseas;
- BlueScope has not offered to sell GALVALUME steel on commercial terms to any competitor or unrelated party in Australia.

CISA again raises the issue that, since BlueScope is a major producer of painted coated steel, which is a downstream product of the PUC, the possibility of cost and profit shifting between these business units has to be examined. CISA notices that certain interested parties (in particular, POSCO) have submitted that COLORBOND (a type of downstream product) is a highly profitable product in the Australian market and the Applicant seems to focus on the more profitable products (such as COLORBOND), at the expense of other less profitable products. In this regard, CISA requests that Australian Customs examine if the Applicant indeed sells the PUC at a lower price, and absorbs the loss of revenue through the premium available to it on the downstream products.

CISA hereby requests the Custom to conduct a complete assessment on the overall financial situation of the Applicant along the production line. Without doing so, the alleged injury might be bolstered and the true financial position of the Applicant might not be disclosed.

**Conclusion:**

CISA respectfully requests Australian Customs to reject BlueScope's claims. The anti-dumping proceedings initiated against imports of zinc coated (galvanized) steel and aluminium zinc coated steel from, inter alia, China, should be terminated immediately without the imposition of anti-dumping duties.

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