Non-Confidential: Initiation of Review

Application by Pacific Wire (a Division of Fletcher Steel Ltd) for a Review of the Anti-dumping Duties on Galvanised Wire from Malaysia

ISBN: 978-0-478-43309-8

Summary

1. Pacific Wire (PW) is a division of the Pacific Steel Group (PSG) of Fletcher Steel Ltd. PW made an application on 17 March 2014 for the continuation of anti-dumping duty on galvanised wire imported from Malaysia.

2. The current anti-dumping duty expires on 17 November 2014 if a review of the duty has not been initiated.

3. The report recommends that the General Manager, Trade and International Environment Branch, acting under delegated authority from the Chief Executive of the Ministry of Business, Innovation and Employment, initiate a review.

Background

4. Anti-dumping duties were first imposed on galvanised wire from Malaysia in April 2004. They were reassessed in November 2005 and reviewed in November 2009. The current rate of anti-dumping duty is an ad valorem rate of 15 percent.

5. The anti-dumping duty expires 5 years from the date it was last reviewed (a five-yearly review of a duty is known as a 'sunset' review). Sunset reviews are initiated prior to the expiry of the duty. If a review is initiated the current anti-dumping duty will remain in place pending the outcome of the review.

6. The goods that will be subject to review if it was initiated are described as:

   "Galvanised steel wire of high, medium and low tensile strength between (and including) 2mm and 4.5mm in diameter"

7. Galvanised wire imported from Malaysia enters New Zealand under the following New Zealand Customs tariff items and statistical keys:

7217.20.10.05L	7217.20.10.07G	7217.20.10.08E	7217.20.10.09C	7217.20.10.11E
7217.20.10.13A	7217.20.10.15H	7217.20.10.16F	7217.20.10.17D	7217.20.10.18B
7217.20.10.25E	7217.20.10.27A	7217.20.10.28K	7217.20.10.29H	7217.20.10.31K
7217.20.10.33F	7217.20.10. 35B	7217.20.10.36L	7217.20.10.37J	7217.20.10.39E
7217.20.90.05D	7217.20.90.07L	7217.20.90.08J	7217.20.90.09G	7217.20.90.11J
7217.20.90.13E	7217.20.90.15A	7217.20.90.16K	7217.20.90.17H	7217.20.90.18F

8. There is a Normal tariff rate of 5 percent, however, there are two free trade agreements Malaysian exporters may export to New Zealand under which have different tariff rates applicable for galvanised wire. Malaysia is a member of the Association of Southeast Asian Nations (ASEAN), and under the ASEAN-Australia-New Zealand Free Trade Agreement signed in 2009, the tariff for imports of galvanised wire originating from Malaysia phased down to 3 percent in January 2014, and is due to phase to zero in January 2017. And under the New Zealand-Malaysia Free Trade Agreement, the tariff for imports of galvanised wire phases to zero in January 2016.

Sunset reviews

9. A sunset review requires an investigation to determine whether the expiry of the anti-dumping duty would likely lead to a continuation or recurrence of dumping and injury[1].

10. Any interested party that requests a review of the imposition of anti-dumping duties must submit positive evidence which is duly substantiated, justifying the need for a review[2] and be made by or on behalf of the domestic industry within a reasonable period of time prior to the expiry of the duties.

11. In response to a request by the Ministry, the industry submitted an application for a review some months earlier than would normally be required. The Ministry had requested this for operational reasons. The application was received on 17 March 2014 which is well within the time required before the expiry of the duties (17 November 2014).

Consideration of the evidence presented

12. The Ministry interprets the requirement of section 14(8) of the Dumping and Countervailing Duties Act 1988 for an interested party to submit "positive evidence justifying the need for a review" as being a requirement for positive evidence, but not evidence to the same extent as that required under section 10(2) of the Act in respect of new investigations. This interpretation is supported by the international jurisprudence relating to the WTO Anti-Dumping Agreement[3] and the WTO Agreement on Subsidies and Countervailing Measures[4], which has evidentiary provisions that are very closely aligned with those of the Anti-Dumping Agreement.

---

[1] The Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Anti-Dumping Agreement), Article 11.3, states in part: "…any definitive anti-dumping duty shall be terminated on a date not later than five years from its imposition (or from the date of the most recent review…if that review has covered both dumping and injury…), unless the authorities determine, in a review initiated before that date on their own initiative or upon a duly substantiated request made by or on behalf of the domestic industry within a reasonable period of time prior to that date, that the expiry of the duty would be likely to lead to the continuation or recurrence of dumping and injury [footnote omitted]."

[2] The Dumping and Countervailing Duties Act 1988, section 14(8), states: "The [Chief Executive] may, on his or her own initiative, and shall, where requested to do so by an interested party that submits positive evidence justifying the need for a review, initiate a review of the imposition of anti-dumping duty… in relation to goods and shall complete that review within 180 days of its initiation."

[3] World Trade Organisation Dispute Settlement Panel United States – Sunset Review of Anti-Dumping Duties on Corrosion-Resistant Carbon Steel Flat Products from Japan WT/DS244/R 14 August 2003 (paragraph 7.27).

[4] World Trade Organisation Dispute Settlement Panel United States – Countervailing Duties on Certain Corrosion-Resistant Carbon Steel Flat Products from Germany WT/DS213/R 3 July2002 (paragraph 8.42).

13. The Ministry considers, therefore, that while an application for the initiation of a sunset review may cover the information outlined in section 10(2) of the Act and paragraph 2 of Article 5 of the Anti-Dumping Agreement, it is not necessary that all of these matters are addressed or addressed in full for an application to constitute "positive evidence justifying the need for a review" and to be duly substantiated.

New Zealand industry and like goods

14. The Anti-Dumping Agreement states that a request for a sunset review "must be made by or on behalf of the domestic industry" (Article 11.3). Section 3A of the Act[5] defines an "industry" as the New Zealand producers of like goods and section 3 of the Act[6] defines "like goods".

15. PW has advised that it continues to produce galvanised wire which is 'like' to the subject goods imported. [redacted] galvanised wire produced is coated with a mix of [redacted] percent zinc and [redacted] percent aluminium, compared with 100 percent zinc at the time of the original investigation. PW has said that over the period 2010 to 2011, two thirds of the galvanised wire lines had been changed from a [redacted]. PW said that this [redacted].

16. There is sufficient evidence from the 2009 review to show that the goods produced by PW have characteristics closely resembling the subject goods. PW said the change to the [redacted] outlined is an improvement and does not change the like goods produced by the New Zealand industry. The Ministry considers that there is sufficient evidence to conclude that the goods produced by PW are like those goods subject to the duty, for the purpose of initiating a review.

17. PW has confirmed that it continues to be the sole New Zealand producer of galvanised wire in New Zealand. Fletcher's, Pacific Steel's owner (which includes Pacific Wire, the galvanised wire part of the business), has sold the steel making part of the business to New Zealand Steel, which is owned by Bluescope Steel in Australia. This sale was effective from 3 June 2014. However, PW remains the sole New Zealand producer of galvanised wire – this sale has not changed the New Zealand production of galvanised wire as far as the Ministry is aware. The Ministry is not aware of any other New Zealand producer of galvanised wire.

18. The Ministry considers therefore that the information available constitutes sufficient evidence that there is a domestic "industry" in terms of section 3A of the Act, which consists solely of PW's production of galvanised wire and PW therefore has standing as the industry to make the application.

---

[5] For the purposes of this Act, the term "industry", in relation to any goods, means- (a) The New Zealand producers of like goods; or (b) Such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.

[6] Like goods, in relation to any goods, means- (a) Other goods that are like those goods in all respects; or (b) In the absence of goods referred to in paragraph (a) of this definition, goods which have characteristics closely resembling those goods.

Continuation or recurrence of dumping

Export price

19. The 2009 review showed there was a range of galvanised wire exported from Malaysia to New Zealand, from lightly galvanised (lower priced) to heavily galvanised (higher priced) and from low carbon wire (lower priced) to high carbon or high tensile wire (higher priced). However, only very small volumes of galvanised wire were imported from Malaysia over the period examined in that review.

20. In the 2009 review, likely export prices in the absence of anti-dumping duties were established on the basis of export prices to Australia in 2007. This was because there was no anti-dumping duty in place in Australia, prices in 2007 were more stable than those in the period of investigation (the year ended 31 March 2009) and because of Australia's economic similarities to New Zealand. The mix of wire exported to a country for use outdoors was considered broadly related to the country's weather patterns and coastal exposure. The mix of exports therefore would affect the average export price. Australia was considered to have a similar cost structure to New Zealand for the exports from Malaysia, except that the mix of wire exported to New Zealand had a significant amount of the heavily galvanised high tensile variety, whereas the mix exported to Australia was approximately 80 percent lightly galvanised. In 2009, differences in the amount of galvanisation and the carbon content were taken into account where comparisons were being made with the normal value. These issues may still be relevant in any review, if a similar approach is taken to likely export prices in the absence of duties.

21. For the current application for review, PW said it was not able to obtain direct evidence of actual export prices to New Zealand from invoices for subject goods from Malaysia. PW said some data relating to imports from Malaysia was available from Statistics New Zealand but the data was limited (no individual volumes or values were able to be released) as a confidentiality order is in place covering these products. From the limited Statistics New Zealand data that is available, PW established that Malaysia had exported a small volume of galvanised wire to New Zealand since 2009, although the descriptions of some of the main tariff items' statistical keys' covered a wider range of goods than the subject goods and data from some other relevant statistical keys' was not available.

22. To estimate export prices PW has therefore relied substantially on export data from [redacted][7] compiled for Malaysia for "the World" and the individual top ten destinations for galvanised wire for the period January to November 2013. The export data was provided at the six digit HS code (721720) level which is likely to cover all of the subject goods, but will also cover some goods that are not subject to the review (i.e. galvanised wire of less than 2.0mm and greater than 4.5 mm in diameter). The Ministry considers this export data to be reasonably representative of Malaysian export prices. The Ministry notes that world steel prices[8] have been relatively stable recently, unlike the period covered in the 2009 review. Hot Dipped Galvanised Coil world prices over the period of the export data provided (Jan to Nov

---

[7] [redacted] Malaysian export data for code 721720 - Wire of iron or non-alloy steel, zinc plated/coated. [redacted]

[8] MEPS – World Carbon Steel Prices ($/tonne) (Oct 2012 to Nov 2013)

2013) indicates average prices for this type of product declined by 1.5 percent over that period.

23. PW estimated an export price to New Zealand based on Malaysia's total average exports to the world (FOB USD per tonne), adjusted to an ex-factory export price. The adjustments were made by subtracting amounts for cost of credit, export packaging, export documentation charges, container loading, inland freight, port handling, wharfage and Customs clearance charges (see below). The amounts were calculated in USD and converted to MYR at an exchange rate of USD1.00 to MYR3.14.

Adjustments to the Export Price

Cost of credit

24. PW provided a cost of credit for the export price which was based on 2009 information with an interest rate of [redacted] percent. However, the Ministry notes that interest rates have appreciably declined since then. PW provided further information to show that the Central Bank of Malaysia's official overnight interest rate has a benchmark rate of 3 percent which has been in place for at least the last two years (Jan 2012 to Jan 2014). The Ministry also found information on a Malaysian commercial bank lending rate to companies which could be relevant in this case. The Malaysia Bank lending rate was 4.56 percent in December 2013 (and had always been below 5 percent over 2012 and 2013). As a review looks at the likelihood of a recurrence of dumping that is likely to cause injury in the future, the more conservative rate for company lending (compared to PW's rate) of 4.56% for the cost of credit has been used.

Export Packaging

25. PW said that the export packaging cost is based on its own industry experience. The cost covers dunnage, plastic wrap and dry bag.

Freight Forwarding and Logistics

26. PW said that the freight forwarding and logistics costs were provided by a specialist at [redacted] (an international freight forwarding company). This amount included the charges for export documentation, container loading and an amount for Malaysian inland freight from the factory to the wharf. PW said that the *inland freight* amount was based on an average of the distances from Malaysian producers to the wharf ([redacted]). This distance costed out is a bit more than half way between the shortest and longest distances for Malaysian exporters from a port. The source of the *port handling* and *wharfage and Customs clearance (including Customs examination)* costs was [redacted].

Export price calculation

27. The export price calculated in the application has therefore been adjusted to incorporate the amendments outlined above. The amended totals, including the adjustments to the export price to bring the export price to the ex-factory level, are shown in the table below.

		Malaysian Exports YTD Nov 2013 to World
Total Value (US$ FOB, '000)		[redacted]
Total Volume (tonnes)		[redacted]
Unit Value (US$ FOB per tonne)		[redacted]
Cost of Credit (60 days at 4.6%) (US$/t)	[redacted]	
Export Packaging (US$/t)	[redacted]	
Export documentation Charges (US$[redacted]/shipment)	[redacted]	
Container loading US$[redacted] per 24t container net)	[redacted]	
Inland Freight (US$[redacted] /container of 24t net)(US$/t)	[redacted]	
Port Handling (US$152 per 24t container) (US$/t)	[redacted]	
Wharfage and Customs Clearance (US$[redacted] /container of 24t net)(US$/t)	[redacted]	
Subtotal (US$/t)		[redacted]
Ex-factory Export price (US$/t)		[redacted]
Ex-factory Export Price (MYR/t) USA:MYR X-rate 1:3.140		[redacted]

28. The current export price is 35 to 59 percent of the export prices considered in the 2009 review. This export price has likely been affected in part by the decline in world hot dipped galvanised coil commodity prices, which are currently approximately 30 percent lower than they were at their peak in 2008[9].

Pricing Comparison

29. The Ministry also calculated a free-on-board (FOB) price from New Zealand Customs Service data, which established an export price of MYR 5,194 per tonne, over the same period PW has used, January to November 2013. Even with the removal of costs, based on information from PW, to take the FOB price to ex-factory, it is significantly higher than the export price established by PW and indicates no dumping when compared to the normal value PW has constructed.

30. The Ministry therefore queried PW on its evidence and asked for its view on the disparity between the export price it had calculated and the export price the Ministry has calculated. The following paragraphs set out PW's comments on this disparity.

31. PW considers that the wire included in the New Zealand Customs' data is not comparable, as it is likely a different mix of goods for higher value non-fence use. PW provided examples of [redacted]. All of these

[9] Based on MEPS data.

products are imported under the same tariff items as the subject goods. PW stated that pricing of these alternative purpose goods is not reflective of the lower pricing and profitability of the subject goods, nor are they comparable to the subject goods.

32. PW further considers that the volume of goods included in the Customs' data is negligible and statistically insignificant, as it is less than 1 percent of the total galvanised wire imported into New Zealand over the period[10]. PW considers that the Customs' data unit price should not be considered indicative of likely forward pricing if the flow of goods was to recommence. Based on past evidence (that is, the original investigation and previous sunset review), PW stated, future volume is likely to be some twenty times larger if the duties were removed and that higher future volumes would be reflected in lower per unit export prices.

33. Furthermore, PW noted that the current volume of imports into New Zealand is intermittent. PW said that [redacted] of the 11 months had no shipments and one shipment was only [redacted] tonnes, which is a small portion of a container load. The Ministry's evidence supports this – there were shipments in [redacted] different months with none in the other months, and there was one shipment of [redacted] tonnes. In fact there was also another smaller shipment of [redacted] tonnes, and most of the shipments are not a full container load. PW states that this pattern of shipment is evidence of an unstable, unreliable flow of goods, and is not likely to continue if the duties were removed and volume increases.

34. PW considers the comments from [redacted] a Malaysian manufacturer, in PW's application show that Malaysian manufacturers do not consider themselves participants in the New Zealand galvanised wire market. [redacted] has said that the reason it does not sell galvanised wire to New Zealand is [redacted].

35. PW has said that where there are duties in place and volumes to New Zealand are negligible, the Ministry will normally consider other markets served by the exporter for guidance on dumping. Thus the most reasonably available evidence is Malaysia's pricing to other similar markets which do not have anti-dumping measures in place, and in this case the best evidence is Malaysia's sales to Australia. Based on the evidence in PW's application, there is dumping of the subject goods into Australia. This evidence is discussed briefly in paragraph 59.

36. PW considers it possible that the current imports are [redacted]. PW pointed out that there have been none or few shipments each year since the last review and prior to 2013.

37. PW has also said that its evidence shows that pricing of the imports is highly erratic relative to the flow to Australia. It calculated a standard deviation for FOB export prices from Malaysia to Australia and New Zealand in USD for imports in 2004, and for the period January 2013 to March 2014. PW noted that there was little difference in the variation in the prices to each country in 2004 whereas in the recent period there was a significantly greater variation in the prices to New Zealand compared with the variation in the prices to Australia.

[10] Both the total galvanised wire imported into New Zealand and the volume of goods imported from Malaysia may include goods that are not subject goods.

38. Overall, PW considers that the current situation, with the anti-dumping duties in place, is not indicative of the situation if the duties were to be removed. It considers that there is likelihood of dumping recurring which is likely to cause a recurrence of material injury.

Ministry's Consideration of the Evidence

39. The Ministry has considered the evidence provided in relation to export prices, bearing in mind the Ministry's interpretation of the evidentiary requirement for the initiation of a review outlined in paragraphs 12 and 13 above.

40. The Ministry notes that it is possible that the goods in the New Zealand Custom's data are not subject goods or do not consist entirely of subject goods as the data is not particularly descriptive. The Ministry also notes that PW is correct that the volume of galvanised wire imported into New Zealand from Malaysia is low, at less than 1 percent of total imports. The Ministry, in the 2009 review, concluded that import volumes were likely to increase with the removal of the measures, due the pattern of imports prior to and after the previous reassessment; that is, import volumes had increased before the reassessment was initiated and declined significantly once new measures were imposed. The Ministry therefore considers it is not unreasonable to suggest that a similar pattern may be occurring and that volumes would increase significantly if duties were removed.

41. It is not clear how Malaysian manufacturers other than [redacted] view the New Zealand market at present. The pattern of imports suggests that New Zealand is not at all a significant market for any Malaysian manufacturer, but PW's suggestion that exporters are testing the market is possible. Prices of individual transactions for the period January to November 2013 vary considerably between MYR [redacted] and [redacted] (i.e. between dumped and not dumped values based on PW's constructed normal value). This suggests that, while average prices from the Custom's data show no dumping (which may simply be due to the presence in the data of non-subject goods), individual exporters may be dumping.

42. The Ministry considers, for the reasons provided by PW, that an export price based on average prices in New Zealand Customs import data may not be representative of likely export prices if the anti-dumping duty was to be removed. The Ministry consequently considers that the evidence provided by PW of export prices, based on Malaysian export prices to other countries, constitutes sufficient positive evidence of export prices for the purposes initiating a review under section 14(8) of the Act.

Normal value

43. PW was unable to obtain wholesale prices for galvanised wire in Malaysia. It said that it could not find a galvanised wire manufacturer that publishes prices which would allow it to identify offer prices or price lists. PW said that the prices of products manufactured from galvanised wire were obtainable, but the amounts to deduct for the further associated manufacturing costs of downstream products to enable a normal value to be calculated were not able to be found. PW said it could not locate any normal value price-identifying information published by the Steel Wire Association of Malaysia or the South East Asian Iron and Steel Institute.

44. PW said that it produces steel billet using an Electric Arc Furnace (EAF) which is the same process used by the west coast Malaysian steel mills. The company has therefore used its own manufacturing costs, adjusted for Malaysian conditions, as the base on which to construct a normal value. The costs cover the process of producing steel billet and the process of producing galvanised wire from the steel billet at PW's facility in Otahuhu, Auckland. PW has based its analysis on all types of galvanised wire it produces in New Zealand.

45. PW used its adjusted manufacturing costs for the 5 months ending 30 November 2013 to determine a normal value. PW confirmed that the 5 months of manufacturing costs provided would give a similar (or slightly lower) per unit cost ratio than the annual data, thereby producing a more conservative constructed normal value, because December and January (which were not included) tend to have lower throughput (which would have increased the normal value). Using these costs as a basis, PW estimated a range of adjustments for differences in the costs incurred for making galvanised wire in Malaysia, compared with those costs which would be incurred in New Zealand.

46. PW provided a table listing the groups of costs incurred in production in New Zealand and against these, estimated the costs in Malaysia. Against each New Zealand production cost item PW assessed what the cost would be in Malaysia. The costs were calculated on a per tonne basis. Some of the items were estimated to have significant cost differences, some differences were minor, and some costs remained the same. PW said that it considered the principal cost differences were incurred on scrap metal, electricity, gas, and labour.

47. The Ministry considered whether the method PW used to estimate the costs to make and sell galvanised wire in Malaysia provided a reasonable basis for establishing a normal value for the purposes of the initiation of a review.

48. First the sources for the major costs of production were considered by the Ministry. PW sourced information which it used to support its estimates of the major costs (which made up approximately [redacted] percent of total cost). These are summarised below with their supporting evidence:

- Scrap metal: The Malaysian price was based on published data for the price per tonne of scrap in Malaysia[11].
- Electricity: PW compared the cost of electricity in Malaysia to New Zealand on the basis of the cost of [redacted] in April 2013[12] and updated the Malaysian price by a [redacted] percent increase which occurred in Malaysia in early 2014. Based on this the cost of electricity in Malaysia was [redacted] percent of that in New Zealand. However, the Ministry does not consider the [redacted] percent increase should be taken into account, as the costs are based on the 5 months to November 2013 and this increase occured after that date. The cost of electricity in Malaysia is therefore [redacted] percent of that in New Zealand. The cost of electricity used to produce a tonne of product was reduced by the percentage difference calculated.
- The cost of gas (per kilogram) in Malaysia was estimated by PW to be [redacted] percent of the prevailing New Zealand market price in 2012. The information shows that the LPG price in Malaysia[13] is substantially subsidised. The cost of LPG used to produce a tonne

---

[11] [redacted] Scrap price 1st Quarter 2014 CIF Malaysia

[12] Taken from [redacted] on electricity pricing, but based on prices from a Malaysia electricity company, [redacted]. It covers a general cost for electricity rather than industrial cost, which may mean that the adjustment should be lower than what has been stated.

[13] [redacted]

of product was reduced by the percentage difference, on the basis that the New Zealand price is a market price.

- The cost of labour in Malaysia was estimated at being 56 percent of the cost in New Zealand based on the ratio of GDP per capita[14] between Malaysia and New Zealand.

49. In support of the validity of the ratio of raw material costs in Malaysia relative to those in New Zealand relating to the production of steel, PW quoted the SEAISI's[15] Chairman (in February 2013) as saying that ferrous scrap was the main raw material input, as well as iron ore and coking coal, and that raw materials constitute about 65 to 70 percent of the cost of steel production. PW estimated the cost of billet in Malaysia at MYR [redacted][16], or [redacted] percent of the cost of drawn bright wire, which puts PW's adjusted costs for steel billet production used in the estimate of normal value within the range stated by SEAISI.

50. PW said it made adjustments where necessary to other costs, based on its expertise in the economics of steel and/or wire making gathered by its personnel in the industry. The adjustments to PW's costs included reductions in fixed costs for economies of scale.

51. Most of the other costs were comparatively small, and some of these costs were considered to be the same (in Malaysia and New Zealand). For billet production, PW made adjustments for additives, electrodes, refractories, fixed overheads, depreciation, rolls, guides, and packaging; and adjustments for wire drawing were made for fixed bright wire costs, and fixed galvanising costs. (To be consistent with the calculation of other fixed costs, an amendment was made by the Ministry to the amount in the application for the fixed overhead for billet production to [redacted] percent of the amount allocated (as done for other fixed costs). This had the net effect of a reduction to the normal value in the application of [redacted] MYR per tonne).

52. To estimate the cost of sales and administration expenses PW, subsequent to its initial application, calculated a figure of NZD[redacted] per sales tonne based on its own results for the 5 months to November 2013 (using actual figures). The amount was calculated using the company's reported "Total Sales and Administration" plus a five month portion of sponsorship costs. PW also estimated a profit margin of MYR [redacted], which was based on Southern Steel Bhd's quarterly report, indicating a profit margin of 1.70 percent.

53. In the absence of a Malaysian domestic market price the Ministry compared the normal value calculated by PW with that of the 2009 review updated by the Producer Price Index (PPI). Between 2009 and 2012 the Malaysian PPI increased by 4.5 index points. However, the PPI adjusted normal values established by the review in 2009 were all higher (MYR [redacted] to MYR [redacted]) than the current estimate of the normal value (MYR [redacted]). A comparison of the normal values between 2009 and 2014 shows that they have fallen by between 22 and 27

---

[14] PW calculated that GDP per capita in Malaysia is [redacted]% of New Zealand's GDP per capita. PW used for Malaysia 2012 USD GDP and 2013 USD GDP for New Zealand. The Ministry notes there are several possible bona fide sources of GDP per capita figures available. Even though different years were used by PW for the comparison – the ratio was still similar using OECD GDP per capita figures for 2012.

[15] South East Asian Iron and Steel Institute Chairman Mr Chow Chong quoted from the Institute's Feb 2013 Newsletter.

[16] This includes electricity costs adjustments by the Ministry as per paragraph 49 and an adjustment by the Ministry to fixed costs, as per paragraph 52.

percent. It is likely that this in part reflects the impact of the high world steel prices during 2008, which are currently approximately 30 percent lower than they were at their 2008 peak.

Comparison of export price and normal value

54. The table below shows the comparison of export price and normal value and the resulting dumping margin, based on the evidence in the paragraphs above.

Ex-Factory Export Price (MYR/tonne)	Ex-factory Normal Value (MYR/tonne)	Dumping Margin (MYR/tonne)	DM as % of EP
[redacted]	[redacted]	[redacted]	22%

55. Based on an export price to all destinations and a constructed normal value, there is a dumping margin of 23 percent of the export price.

56. In support of its application to show that dumping would likely continue if the anti-dumping duties were removed, PW calculated export prices based on Malaysia's average export price per tonne to the top ten export destinations and to all other destinations. PW compared the export price with the normal value per tonne it had calculated for the Malaysian domestic market.

57. PW has stated that in its view export prices calculated from the Malaysian export statistics provide positive evidence of the likelihood of a recurrence of the dumping of galvanised wire into the New Zealand market if the current remedies were removed.

58. The following are the export prices and constructed normal values calculated for the top ten destinations and to all other destinations using the same adjustments in the preceding sections of this report. The dumping margins are expressed as a percentage of the export price.

Importing Country	Ex-Factory Export Price (MYR/tonne)	Ex-factory Normal Value (MYR/tonne)	Dumping Margin (MYR/tonne)	DM as % of EP
Australia	[redacted]	[redacted]	[redacted]	46%
UAE	[redacted]	[redacted]	[redacted]	14%
China	[redacted]	[redacted]	[redacted]	31%
Thailand	[redacted]	[redacted]	[redacted]	-10%
Philippines	[redacted]	[redacted]	[redacted]	41%
India	[redacted]	[redacted]	[redacted]	27%
Canada	[redacted]	[redacted]	[redacted]	-2%
Oman	[redacted]	[redacted]	[redacted]	6%
Singapore	[redacted]	[redacted]	[redacted]	5%
Fiji	[redacted]	[redacted]	[redacted]	6%
All Others	[redacted]	[redacted]	[redacted]	17%

Note: A negative dumping margin means that the goods were not dumped

59. The dumping margin for Australia (being New Zealand's next closest market) is substantially higher than the dumping margin established in paragraph 54, at 46 percent. The Ministry notes that the export prices and normal values above are considerably lower than the equivalent values established in the 2009 review, even though the Malaysian PPI has increased slightly over the intervening period. It is likely that this is predominantly because the price of steel (or steel scrap) which is the largest cost element in producing galvanised wire, had peaked just prior to the 2009 review and has since declined from that peak by approximately 30 percent.

Conclusion on dumping

60. PW has provided evidence of estimated export prices of the subject goods based on reasonably available information, being Malaysia's FOB export statistics.

61. The constructed normal value that PW provided was based on its costs to manufacture the product in New Zealand, adjusted in a number of cost areas where costs were considered to be different in Malaysia. The Ministry considered the adjustments made by PW against PW's explanations for each adjustment, and made amendments where necessary. An estimate of selling and administration expenses (based on its own costs) and a profit margin (based on a Malaysian steel company's half year profit) were provided, both of which had the effect of increasing the normal value and as a consequence, the dumping margin.

62. The Ministry also compared the export prices and normal values calculated with the values established in the 2009 review, and found that both export prices and normal values had declined significantly. This outcome, however, is consistent with the price of steel (being the most significant input cost) declining from a high level on world markets in 2008.

63. The explanations provided by PW on the apparent disparity between its information on export prices and that calculated by the Ministry from Custom's data seem to be reasonable for the purposes of initiation. The nature of the goods and future pricing and volume considerations will need to be examined in any review.

64. The export FOB trade data was used by PW as a base for calculating the export price, as it was for initiation purposes in the 2009 review. The Ministry considers that in conjunction with the explanations provided by PW for the adjustments made to the export prices, and the explanations provided for possible differences as referred to in the paragraph above, the method and data used for calculating the export price is reasonable.

65. The Ministry considers that the use by PW of its own costs as the only substantive information available to it, in conjunction with the explanations and method of calculating and adjusting the various constituent costs to estimate the normal value, appears to be reasonable. The fact that both the export prices and the normal value are lower than those found in the 2009 review is consistent with what would be expected with the significant decline of world carbon steel prices over the last five years.

66. It is noted that the percentage of high tensile/heavily galvanised wire exported to New Zealand would likely increase the average export price to New Zealand. It is not clear how significant an effect a change in the product mix would have on the dumping margin.

67. The Ministry considers that information provided by PW constitutes positive evidence of a likelihood of a recurrence of dumping into New Zealand if the current anti-dumping duties were removed.

Continuation or recurrence of material injury

68. PW said that the current anti-dumping duties have been significant in reducing dumping into the New Zealand market. As a consequence PW has not claimed that it has been injured from Malaysian imports of the subject goods since the last review in 2009. PW said that the imports entering New Zealand from Malaysia are insufficient to use to determine the likely pricing of the subject goods, for a number of reasons. These include that:

- The volume is small ([redacted] tonnes in 2013) and the supply intermittent. (PW said that from the data it has, Malaysia appears as the country of origin in the ranking of sources only [redacted] times in the [redacted] months between December 2010 and January 2014).
- When Malaysian galvanised wire first entered the market prior to the original investigation, the volume was more than [redacted] times the current volume ([redacted] tonnes), and grew the following year to [redacted] tonnes. PW said the current imports 'are not of that character' (taken to mean generally that the current import trend is not similar in volume, value or timing of the imports as they were at the time of the original investigation).
- The pricing of the imports in the review period is highly erratic (with a [redacted] percent range in prices).

69. PW said it has therefore focused on providing evidence of the likelihood of a recurrence of injury from dumped imports, if the duties were removed.

Volume effects

70. PW has submitted that if the duties were removed there is likely to be a recurrence of dumped imports at volumes sufficient to cause a recurrence of injury to the industry because:

- The evidence it has provided on dumping shows that the average Malaysian export prices are at a dumped level and that most exports to individual country destinations are dumped, many by significant margins (as shown in paragraph 58).
- Malaysian manufacturers have capacity in excess of their domestic market and current export levels.
- The Malaysian government encourages companies to increase exports.
- There is a history by Malaysian exporters of an ability to access and supply the New Zealand market.
- Exports to Australia, which PW considers a similar market to New Zealand, were dumped by a significant amount (in the 11 months to November 2013), and if the anti-dumping duties were removed, the potential would exist for exports to New Zealand to be dumped to the same extent as they are to Australia. PW said that because of the size of the New Zealand market a small volume by Malaysian standards (e.g. [redacted] tonnes) at such a level of dumping (46 %) would be very injurious to it.

Capacity of the Malaysian industry

71. PW submitted that there is likely to be a recurrence of dumped imports at volumes sufficient to cause a recurrence of injury because:

- There is evidence that a number of Malaysian iron and steel industry organisations and company websites refer to plans to expand Malaysian production capacity.

- There is evidence that Malaysian manufacturers of galvanised wire have capacity in excess of the Malaysian domestic market and current export levels.
- There is evidence that several Malaysian companies plan to increase capacity over the next few years.

Export plans of the Malaysian industry

72. In its application PW quoted a number of Malaysian iron and steel industry organisations and company websites which referred to plans to expand production capacity and export markets. PW says this evidence supports its contention that there is threat of a recurrence of injury if the anti-dumping duties were removed because:

    - There is evidence that a number of Malaysian companies have a stated objective of expanding their overseas markets, including into Australasia.
    - There is an express objective by several Malaysian companies to expand the volume of their exports with ‘aggressively marketed’ product. PW said that the most likely interpretation of this comment is the intention to promote low (dumped) prices.

Previous importers and exporters remain active and have access to the New Zealand market

73. PW referred to the Ministry’s previous review and the original investigation into the dumping of galvanised wire from Malaysia, and said that many of the importers and exporters that were trading the subject goods during that time remain active. PW says that there is a threat of a recurrence of injury from dumped imports because:

    - There is proven history of access by exporters of galvanised wire into the New Zealand market from Malaysia.
    - As previous Malaysian exporters and importers remain active, there is an established distribution system in New Zealand to handle any increase in volume.
    - There are ‘new long steel importers’ that have also been established in New Zealand since the 2009 review, which could relatively easily accommodate a new galvanised wire product range.
    - The New Zealand galvanised wire market is [redacted] and relatively close to Malaysia.
    - The New Zealand agriculture and horticulture (including viticulture) sectors (which consume galvanised wire) are profitable sectors in New Zealand, currently growing their export revenue, which is forecast to continue (and therefore will have increasing galvanised wire requirements).
    - It would not be difficult for Malaysian companies to resume contacts in New Zealand and previous channels to market, or establish new ones.

Likely import volumes

74. PW said that the conditions outlined above would support the likelihood of an increase in imports causing a recurrence of material injury where: the subject goods were available at low (i.e. dumped) prices; importers remained active; capacity exists to export; the exporters’ desire growth in their export volumes; the New Zealand market is attractive and familiar, and the size of the Malaysian industry is much larger than New Zealand’s.

75. PW provided information to show that the production volume of Malaysian galvanised wire and the volume exported is very much larger than the New Zealand market (Malaysia exported [redacted] tonnes for the 10 months to October 2013). PW said that although detailed production capacity and utilization data for Malaysian galvanised wire plants is not available, there is a body of evidence to conclude that Malaysia possesses significant capacity in excess of domestic demand and intends to fill it with exports.

76. PW noted that the recent changes in the Australian Government's anti-dumping regime and the increased assistance provided to producers to make an application [redacted].

77. PW estimated that if anti-dumping duties were removed Malaysia would achieve exports to New Zealand in the region of [redacted] tonnes (based on the average of the two years of exports to New Zealand in 2003 and 2004 which was prior to the anti-dumping duties being put in place). PW considers that such an increase in Malaysian production volume is conservative and could readily be achieved by Malaysian exporters, without affecting its exports to any other market. This is [redacted] percent of Malaysia's annualised 2013 exports. PW said that such an export volume would put New Zealand [redacted] in the ranking of Malaysia's export destinations for these goods. (To put this volume in context, PW noted that prior to the anti-dumping duties being put in place in 2004, New Zealand was the recipient of [redacted] percent of Malaysia's galvanised wire export volume).

78. In considering whether PW's estimate of [redacted] tonnes is a reasonable volume to expect to be imported if the duties were removed, the Ministry notes that actual imports from Malaysia in the year to June 2004 (which was mainly prior to anti-dumping duties being put in place in March 2004) was [redacted] tonnes.

79. Taking into account the information provided by PW about the capacity and export potential and stated intentions of the Malaysian industry to the expand the volume of exports, PW's estimate of the volume of exports to New Zealand if duties were removed appears to be reasonable.

Price effects

80. PW said that if the duties were removed there would be undercutting, depression, and suppression of its prices, and that as a consequence further economic effects may materialise including loss of volume, loss of sales revenue and profits leading to significant adverse effects on PW's achievable returns on investment, utilisation of production capacity, cash flow, inventory, employment and growth.

Price undercutting

81. As the volume of imports from Malaysia to New Zealand is small and therefore not considered by PW to be representative of export prices if the duty was to be removed, PW estimated an ex-wharf price of subject goods from Malaysia which it would need to compete with for sales in New Zealand if the duties were removed. It based the ex-wharf price on the FOB export price from Malaysia to Australia from the Malaysian export statistics (sourced from [redacted]), taken over the same period that the export prices were calculated (see export price section).

82. The export price was converted to NZD using the average exchange rate for the period to give an FOB price of NZD[redacted]. PW said that it is reasonable to use the export price from Malaysia to Australia because Australia has been a consistently significant export destination for the subject goods, and because the galvanised wire exported to Australia is generally similar to that used in New Zealand. PW stated the Australian and New Zealand rural markets use galvanised wire in similar situations for similar purposes and have similar product standards.

83. PW made an adjustment to the base price for sea freight and insurance using the difference between the CIF and the FOB cost of exports from Malaysia to Australia as recorded in [redacted]. An adjustment was also made for Customs duty of 3 percent, and an adjustment for local costs covering port handling, service charges and insurance, based on 2009 costs. PW said that based on its experience it did not consider these costs to be materially different than they were in 2009. The ex-wharf cost on this basis was NZD[redacted].

84. The costs of sea freight and insurance for containers of wire recorded in Custom's data for exports from Malaysia in 2013 were compared by the Ministry with the cost estimated by PW. The Ministry considered that PW's estimated cost was low (although it notes PW's comment that the costs for the shipments over this period are not particularly representative) however the other costs appear to be reasonable. If the amount of PW's estimate of freight and insurance was increased by [redacted] per tonne (based on costs taken from Custom's data) the ex-wharf cost would increase by only about [redacted] percent.

85. Consistent with the previous reviews and investigation, the Ministry considers that the ex-wharf level of trade is the relevant level to compare with PW's ex-factory price, as it is the first point of competition with the industry in the New Zealand market. This means that the importer's choice is to compare an ex-wharf price for imports with the price from PW. PW has agreed that this is still the case as there have not been any changes in product, market or industry dynamics that would alter the point of comparison.

86. PW calculated the amount of price undercutting to be NZD[redacted] per tonne at the ex-wharf to its FIS level. As PW's average price is a delivered (FIS) price, to calculate the amount of price undercutting at the ex-wharf versus ex-factory level, the average cost of inland freight needs to be deducted. The Ministry has therefore compared the ex-wharf price calculated above with PW's average price per tonne adjusted by the amount of average inland freight. For the year to June 2013, PW's cost per tonne was NZD[redacted] less NZD[redacted] freight, or NZD[redacted]. The potential price undercutting if the duties were removed is therefore NZD[redacted] per tonne or [redacted] percent of PW's price.

87. The Ministry notes that the average Malaysian export price to all destinations was higher than the price to Australia used above, and if the all destinations price were used to calculate an average ex-wharf price, it still [redacted] undercuts PW's ex-factory price. The Ministry considers that PW's price undercutting estimate using the Australian ex-wharf price is reasonable, as there is potential for [redacted] price undercutting from Malaysia if the duties were removed as shown by the average export price from Malaysia to all destinations.

88. It is not clear what the differences in product mix between markets are (i.e. whether the wire is high, medium or lightly galvinised or whether it is high or low tensile strength wire); however, PW has said that these differences affect both cost of production and the price charged for the product. It is possible that if the product mix is significantly different between

Australia and New Zealand, therefore changing the price of the imported goods from what has been calculated, the undercutting margin may vary from that above.

Price depression and suppression

89. PW said that the Malaysian statistics clearly show that the Malaysian producers have consistently exported product to other countries at significantly lower prices (on average [redacted]% lower) than undumped prices.

90. PW said that in order to try to maintain market share and volume in the absence of a remedy against unfairly traded goods, it would need to depress its own prices by a similar amount. PW said that price suppression would also occur because any loss of sales volume would mean that the cost of production per tonne would increase as the production volume declined. PW would not be able to recoup this cost in the marketplace as its prices would be depressed.

Economic effects

Output and sales

91. PW said that dumped imports can affect both volume and prices through increased supply of goods to the market and through price competition. PW said that it would have to compete on price to maintain market share. PW said that if it had to reduce its prices by NZD[redacted] per tonne in order to match the imported dumped prices over all of its domestically sold galvanised wire, assuming an annual volume of [redacted] tonnes (being the volume produced to June 2013), its sales revenue would decline by NZD[redacted] per annum. It said that the impact may be ameliorated by competitive responses but [redacted] of this effect on PW’s revenue would be substantial. PW said that even if only half of the estimated [redacted] import volume had the impact outlined, this would equate to a loss of volume of [redacted] tonnes which would reduce sales revenue by NZD[redacted] million.

Profits

92. PW said that if the duties were removed, the necessary reduction in selling prices and resulting loss of volume would have a negative impact on EBIT in absolute and per unit terms. PW stated the loss of [redacted] tonnes to imports, as indicated above in what PW considers to be its likely loss of volume, equates to a [redacted] percent decline in total plant throughput, or [redacted] percent against galvanised plant throughput only. A reduction in production volume, therefore, would have a negative effect on profits as the fixed costs would need to be spread over reduced plant output, causing an increase in fixed costs per unit. PW has not quantified any likely impact on EBIT.

Other economic effects

93. PW has submitted that the loss of production volume, sales revenue and profits from a recurrence of dumped imports if the duties were removed would also have significant adverse effects on PW’s achievable returns, utilisation of production capacity, cash flow, inventories, employment and growth. PW did not quantify these effects.

Causal link

94. PW noted that a causal link between the dumped imports and material injury to the New Zealand industry was established in the original investigation in 2004. PW said that it is not aware of any reason why the commercial activities and industry practices which established

the causal link will not again be present if dumped imports re-enter the New Zealand market. PW said that the industry structure and commercial practice is substantially unchanged since 2004 and the principal New Zealand importers and Malaysian exporters remain active.

Conclusion on injury

95. PW has provided reasonable evidence of the likely import price to New Zealand of galvanised wire from Malaysia if the anti-dumping duties were removed. The information shows that the estimated import price of galvanised wire would be able to undercut PW's average selling price leading to price depression and price suppression. PW has made reasonable assumptions that the level of price undercutting and price suppression would have an adverse effect on its profits, return on investments, utilisation of production capacity, cash flow, inventories, employment and growth. The Ministry considers that this information constitutes positive evidence of a likely recurrence of material injury if anti-dumping duties were removed, sufficient to justify the initiation of a review.

Conclusion

96. In order for a review to be initiated the Act requires a request by an interested party that submits positive evidence justifying the need for a review. The Anti-Dumping Agreement requires that a duly substantiated request must be made by or on behalf of the domestic industry within a reasonable period of time prior to the expiry of the anti-dumping duties, and that the expiry would likely lead to a continuation or recurrence of dumping and injury.

97. The Ministry is satisfied that an application has been made within a reasonable period of time prior to the expiry of the duties and that it contains positive evidence sufficient to justify the initiation of a review.

Recommendation

98. It is recommended in accordance with the section 14(8) of the Act and acting under delegated authority, that you:

    a. Formally initiate a review of the imposition of the anti-dumping duty on galvanised wire from Malaysia; and

    b. Sign the attached notice of the initiation of the review for publication in the *New Zealand Gazette*

Amy Van Ossenbruggen
Trade Remedies

Agreed/ ~~Not Agreed~~

Mark Steel
General Manager
Trade and International Environment Branch
Ministry of Business, Innovation and Employment