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Non-confidential: Initiation of Review

Application by Pacific Wire for a Review of the Anti-Dumping Duties on Galvanised Wire from Malaysia

Summary

1. This report assesses an application made by Pacific Wire (a division of Fletcher Steel Ltd) on 6 March 2009 for a review of anti-dumping duties that currently apply to imports of galvanised wire from Malaysia.

2. The report recommends that the Manager, Trade Rules, Remedies and Tariffs Group, acting under delegated authority from the Chief Executive of the Ministry of Economic Development, should initiate a review.

Background

3. Anti-dumping duties were first imposed on galvanised wire from Malaysia in April 2004. The anti-dumping duties that currently apply will expire on 27 April 2009, being 5 years from the date of the final determination, unless a review is initiated prior to this date. Reviews that are initiated prior to the expiry of anti-dumping duties are also known as 'sunset' reviews. If a review is initiated, the duties would remain in place pending the outcome of the review.

4. The description of the galvanised wire that would be subject to any review that is initiated is the same as that which applies to the goods which are subject to anti-dumping duty as described below:

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

5. Galvanised wire imported from Malaysia enters New Zealand under the following 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

6. Galvanised wire originating from Malaysia is subject to a Normal tariff rate of 5 percent. Malaysia is a member of the Association of Southeast Asian Nations (ASEAN) and under the ASEAN-Australia-New Zealand Free Trade Area which was signed in February 2009, but has yet to come into effect, this tariff is due to be phased out by either 2012 (7217.20.90) or 2017 (7217.20.10).

Sunset Reviews

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

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

9. The application for a review was submitted by Pacific Wire on 6 March 2009, which is 53 days prior to the expiry of the anti-dumping duties that it seeks to have considered in the review. The assessment team is satisfied that Pacific Wire's request for a sunset review was submitted within a reasonable period of time prior to the expiry of the duties.

Consideration of Evidence Presented

10. 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

[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.

jurisprudence relating to the 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.

11. The Ministry considers, therefore, that while an application for the initiation of a sunset review may cover the information on the factors 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

12. 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[5] of the Act defines an "industry" as the New Zealand producers of like goods and section 3[6] of the Act defines "like goods".

13. Pacific Wire has advised that it continues to produce galvanised wire and its status at the time of the original investigation as sole New Zealand producer of these products has not changed. The original investigation found that Pacific Wire produced goods that were like those under investigation. Pacific Wire has noted that at the time of the 2002 investigation its galvanised wire product was coated with 100 percent zinc whereas now _______________ galvanised wire is coated with a mix of __ percent zinc and _ percent aluminium. Pacific Wire has referred to the Ministry's final report on the review of the anti-dumping duty on galvanised wire from South Africa dated July 2008 where the Ministry concluded that the zinc/aluminium coated wire produced by Pacific Wire was still "like" the galvanised wire from South Africa that was subject to the anti-dumping duty. The description of the galvanised wire from South Africa that is subject to anti-dumping duty is the same as that in this case (except that certain steel spring wire is excluded from the South African duty).

14. On the basis of the findings of the original investigation and the findings of the South African review, and Pacific Wire's confirmation that it still produces this product, the assessment team considers that for the purposes of initiating a review

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[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 July 2002, paragraph 8.42.

[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

there is adequate evidence that Pacific Wire is producing goods that are like the goods subject to the duty. The Ministry is not aware of any other New Zealand producers of galvanised wire.

15. The assessment team considers the information provided above constitutes positive evidence that there is still in place a domestic "industry" in terms of section 3A of the Act, which consists solely of Pacific Wire, and that the request for the initiation of a review therefore constitutes an application made by the New Zealand domestic industry.

Continuation or Recurrence of Dumping

Export Price

16. Pacific Wire has observed that mid to late 2008 is a difficult period in which to determine export prices and normal values because of significant movements in world steel, and thus wire, prices. Pacific Wire has provided a graph to illustrate the trends in world steel prices which is sourced from the Steel Business Briefing world price tracker[7] which shows a sharp increase in prices from about January 2008 to July 2008 and then an equally sharp decline in prices thereafter until about November 2008. Pacific Wire consequently considers it reasonable to base comparative prices on the most recent relatively stable period of prices which it considers to be the year ended 30 June 2008. Pacific Wire has commented that it "[h]as no reason to believe cost and price patterns and behaviour in this period is not a sensible predictor in this case".

17. Pacific Wire has commented that it could not obtain direct evidence, such as invoices, showing the prices charged by Malaysian exporters. The confidentiality order in place on import data by Statistics New Zealand has also been noted by Pacific Wire as preventing it obtaining any meaningful export prices from this source.

18. Pacific Wire has consequently estimated ex-factory export prices based on statistical data for Malaysian exports for the year ended 30 June 2008 for the HS code 721720000 which it said represents the majority of galvanised wire exports. Pacific Wire has calculated an average FOB price in Malaysian ringgit (MYR) per tonne over this period for Malaysia's total exports and its exports to the top five destinations by volume, the prices being MYR____ and MYR____ respectively. These prices have been adjusted using evidence supplied to the Ministry in 2003 to initiate the original dumping investigation to which an inflation adjustment has been applied to calculate estimated ex-factory prices of MYR____ (total exports) and MYR____ top five destinations). Pacific Wire subsequently supplied the relevant export statistics in electronic form and the assessment team checked the calculation of the average FOB prices for exports to all countries and the top five destinations.

19. The assessment team notes that the period over which the export price has been calculated (the year ended 30 June 2008) in fact includes most of the period over which there was a particularly sharp increase in world steel prices and therefore only

[7] See www.steelbb.com

partially represents a period of relatively stable prices. The normal values are, however, either adjusted to reflect prices over the same period (in the case of methodology one) or are based on costs incurred over the same period (in the case of methodology two), as outlined below. The assessment team therefore does not consider that basing export prices on data over this period materially affects its consideration of whether there is sufficient evidence of dumping.

Normal Value

20. Pacific Wire has noted that the magnitude of the price changes in the latter part of 2008 makes the use of data in that period problematic. In addition, Pacific Wire has commented that none of the Malaysian producers of galvanised wire publish information on their domestic selling prices. Pacific Wire has therefore estimated a normal value using two methodologies: one based on a wholesale price and the other on a constructed value.

Methodology One

21. The normal value calculated under this methodology is based on [redacted] company that purchases about [redacted] tonnes of galvanised wire per annum. Pacific Wire has stated [redacted] indicates that the price from a local Malaysian wire mill is MYR[redacted] per tonne as of late February 2009. Pacific Wire did not identify the company concerned in its initial application but subsequently did so at the request of the assessment team. There is no documented evidence to substantiate this price, but the way in which it was obtained would make any such evidence inherently difficult to obtain.

22. In its initial application, Pacific Wire adjusted this price upwards on the basis that it relates to a low carbon manufacturing wire and that a high carbon high tensile fence wire sells at a premium to such a product. In the initial application the amount of this premium was calculated in two ways. The first method was through [redacted] with a person involved in the [redacted] steel industry who advised that in [redacted] the premium is approximately [redacted] percent. The second method was based on the premium Pacific Wire achieves on the New Zealand market. Pacific Wire calculated a simple average of the premium amounts obtained under each method to derive an adjustment of MYR[redacted] per tonne.

23. When queried on how it had determined that the export prices represented sales of high carbon high tensile wire Pacific Wire said this was suggested by an analysis of the Malaysian export statistics. Pacific Wire advised, however, that it had since obtained information from a person involved in the [redacted] steel industry who had advised that only about [redacted] percent of the Malaysian galvanised wire exported to [redacted] was of the high carbon high tensile type. Pacific Wire has therefore concluded that an adjustment is still justified, but only at an amount of [redacted] percent of MYR[redacted] or MYR[redacted] per tonne. The assessment team considers that for the purposes of initiation an adjustment of MYR[redacted] can be accepted, but notes that in any review the basis for and evidence supporting such an adjustment would need to be subject to deeper scrutiny.

24. Pacific Wire has further adjusted the price upwards to account for the difference in the date at which the normal value was established (February 2009) and the

period over which the export price was established (the year ended 30 June 2008). The adjustment has been based on the movement in the "East Asian Long Products Import" price index published by the Steel Business Briefing[8]. The index stood at 228 in February 2009 and the average of the index for the year ended 30 June 2008 was 359, an increase of 57 percent. The base price of MYR_____ plus the MYR______ adjustment in the paragraph above (a total of MYR______) has therefore been adjusted upwards by 57 percent to give an adjustment of MYR________ per tonne (the assessment team's calculation gives a slightly lower figure, but the difference is not material). Pacific Wire subsequently provided both a printout and an electronic version of this index. The assessment team used this information to check the calculation of the movement in the index and considers that the method used is a reasonable way in which to adjust for the difference in the dates on which the export price and normal value are based.

25. Pacific Wire said it understands the base price includes freight and handling and has made an adjustment based on its estimate of these costs in New Zealand and converted it to MYR to give a downwards adjustment of MYR__ per tonne. The cost has not been adjusted to reflect any difference in costs between Malaysia and New Zealand. An adjustment was made to the base normal value in the original investigation for freight from works to customer of MYR__ per tonne, which adjusted for inflation, is about MYR__ per tonne. However, the difference between this figure and that calculated by Pacific Wire makes no material difference to the normal value calculation so the assessment team considers that the Pacific Wire figure should be accepted for initiation purposes.

26. An adjustment has also been made by Pacific Wire for credit terms based on ______________ that suggest Malaysian mills normally offer about ___ weeks credit. Pacific Wire therefore made a downwards adjustment for ___ weeks credit at an interest rate of eight percent to give an adjustment of MYR__ per tonne. In its initial application, Pacific Wire did not provide any evidence or comment on the credit terms provided on the export sales from which the export prices are derived. When queried about the credit terms on export sales Pacific Wire said that as an experienced steel exporter and importer it considers it is unlikely that Malaysian export sales receive credit terms.

27. In the original investigation there were credit terms on export sales and adjustments were made by deducting the value of the credit terms from export and normal value sales. The adjustment on export sales ranged from MYR_ to MYR_ per tonne and on normal value sales from MYR__ to MYR__ per tonne. The adjustment made by Pacific Wire is in the range of the net adjustments made in the original investigation. Any reasonable adjustment for differences in credit terms is unlikely to have any material effect on the calculation of dumping margins. The assessment team consequentially considers that the Pacific Wire figure should be accepted for the purpose of initiating a review.

28. An upwards adjustment for differences in volume has been made. Pacific Wire has noted that the normal value is based on the price to a buyer who purchases

8 See www.steelbb.com/steelpricetrackers

about ______ tonnes per annum who could expect a ___ percent discount compared to a much smaller buyer of about ____ tonnes per annum, which is the volume it expects New Zealand importers would purchase if the duties were removed. In its initial application Pacific Wire therefore made an upwards adjustment of ___ percent or MYR___ per tonne.

29. As export prices are not based on sales to a New Zealand customer but rather on sales to other export destinations, the assessment team queried the basis for this adjustment. In response, Pacific Wire referred to the sales volumes exported to Australia in the year ended June 2008 and estimated that, based on its knowledge of the Australian market, this would likely involve between ___ and ____ customers or 1,500 to 3,000 tonnes per customer. Pacific Wire referred to its own discounts which are largely related to volume and said that the difference in volumes would justify a volume discount of about ___ percent. Pacific Wire has re-calculated this adjustment to account for the reduction in the high tensile high carbon premium adjustment to give an adjustment of MYR____.

30. The assessment team notes that export prices are not based solely on sales to Australia although Australia was the third largest destination for Malaysian exports in the year ended June 2008. The assessment team considers there is some evidence of the need for a volume discount which is sufficient for initiation purposes. Any review will need to consider whether any volume differences have affected the export and normal value prices and therefore whether any volume adjustment is required.

31. A further upwards adjustment has been made by Pacific Wire for additional costs that would be incurred by a Malaysian exporter to New Zealand __________________ __________________________ for galvanised wire. Pacific Wire has estimated this would cost MYR___ per tonne.

32. Because export prices are not based on sales to New Zealand the assessment team queried the need for this adjustment. In response Pacific Wire said that ____ exports to New Zealand ____________________ on which the adjustment is based. As Pacific Wire noted in its application, this adjustment was ____________________ _______________ (it was not canvassed in the original investigation). ___________ _________________________________ this adjustment when comparing actual exports to New Zealand with sales on the Malaysian domestic market and ________ ________________ this adjustment because it considered it was unlikely that any additional costs would be passed onto New Zealand importers. As the export prices are based on sales to countries other than New Zealand the assessment team does not consider there is sufficient evidence in either the initial application or the additional information provided by Pacific Wire to justify this adjustment and has accordingly excluded it.

33. The following table summarises the assessment team's calculation of the normal value under this methodology.

Item	**MYR Per Tonne**
Malaysian company's purchase price (base price)	________

Plus: high carbon high tensile premium	___
Plus: timing difference between dates of export prices and normal value	___
Less: freight and handling	___
Less: cost of credit	___
Plus: volume differences	___
Normal value	___

Methodology Two

34. Pacific Wire has constructed a normal value based on its own costs of production for the year ended 30 June 2008 with adjustments made where it considers its costs differ significantly to those in Malaysia and adding an estimated profit margin for Malaysian producers. Pacific Wire said this normal value has been calculated to test the reasonableness of the normal value calculated under methodology one.

35. Pacific Wire has noted that the principle difference in costs between New Zealand and Malaysia relates to scrap costs which comprise about ___ percent of the cost of rod from which wire is made. Pacific Wire said that this difference in cost arises because ___. Pacific Wire has based this additional ___ cost on the ___ costs incurred by ___.

36. Pacific Wire has provided a detailed breakdown of its costs of production in New Zealand which also shows where those costs have been adjusted to estimate the cost that would be incurred in Malaysia. Other than scrap, areas of cost difference include the scrap yield, electricity and labour.

37. An amount for profit has been estimated from information on the web site of Southern Steel Berhad[9] and is based on a weighted average of what Pacific Wire referred to as the gross profit for the year ended 31 December 2007 and the two quarters ended 31 March 2008 and 30 June 2008 calculated as a percentage of the cost of sales. The gross profit percentage margin calculated on this basis was 18.75 percent which has been applied to the total estimated cost of production to calculate a final constructed normal value. This figure has been converted to MYR at an exchange rate of NZD1 = MYR2.55 which is the average exchange rate for the year ended 30 June 2008 taken from the OANDA currency conversion web site.

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[9] See www.southsteel.com

38. Pacific Wire subsequently clarified that the "gross profit" it used was in fact the net operating profit. Because the profit margin has been added to the costs of production only (i.e. the costs do not include administrative, selling and general costs) the margin to be added should be the gross margin to cover the administrative, selling and general costs and the net profit. The assessment team has therefore calculated the gross profit as a percentage of the cost of sales for the same year and quarters referred to in the paragraph above and calculated a weighted average gross profit percentage of 23.55 percent.

39. The constructed normal value calculated by the assessment team on the above basis is as follows:

Cost of production	
Gross profit at 23.55%	
Constructed normal value	

40. The normal value constructed on this basis is significantly higher than that estimated under methodology one but at least indicates that the methodology one normal value, which is used in the comparison of export price and normal value below, is conservative.

Comparison of Export Prices and Normal Value

41. In the dumping margin section of its application, Pacific Wire has also calculated export prices for each of the countries to which Malaysia exported galvanised wire in the year ended 30 June 2008 (on the same basis as the two export prices were calculated as outlined in paragraph 18 above) and compared them to the normal value calculated on the basis set out above.

42. The following table shows the results of this comparison for the top ten export destinations as well as that for exports to all countries.

Importing country	Ex-Factory Export Price	Ex-Factory Normal Value	Dumping Margin	DM as % of EP
World				32
UAE				20
Oman				24
Australia				63
India				42
Taiwan				43

Saudi Arabia				25
Russia				26
Kuwait				10
Hong Kong				96
Sri Lanka				114

43. Exports to the top ten destinations are dumped, mostly by significant margins. Pacific Wire has noted that exports to Australia, which it considers the market most similar to New Zealand, has a large dumping margin. Pacific Wire has also observed that none of Malaysia’s export markets other than New Zealand have anti-dumping duties in place.

Conclusion on Dumping

44. Pacific Wire has provided evidence of estimated export prices based on reasonably available information being Malaysian export statistics which has been checked against the source data and is considered to be reasonable.

45. Pacific Wire has provided evidence on normal values using two methodologies. The first methodology is based on a price obtained from __________ which is not substantiated by any documented evidence. There are a number of adjustments to this base price which have been scrutinised against the evidence available and changed by the assessment team where considered necessary. Pacific Wire has tested the reasonableness of this normal value by constructing a normal value under a second methodology based on its own cost of production plus a reasonable profit margin. The constructed normal value yields a normal value significantly higher than that obtained under the first methodology. While the normal value calculated under the first methodology rests on an unsubstantiated base price, the alternative normal value indicates that it is conservative and the assessment team considers it provides reasonable evidence of a normal value.

46. The information indicates that galvanised wire from Malaysia has been exported at dumped prices to countries other than New Zealand and therefore it is likely that should the duties be removed there would be a recurrence of dumping.

47. The assessment team concludes that information provided by Pacific Wire constitutes positive evidence of a recurrence of dumping should the anti-dumping duties be removed that is sufficient to justify the initiation of a review.

Continuation or Recurrence of Material Injury

48. Pacific Wire has not made any claims that there has been a continuation of injury as a result of imports of the subject goods since the duties were imposed in 2004. Its application consequently focuses on providing evidence of the likelihood of a recurrence of injury should the duties be removed.

Volume Effects

49. Pacific Wire has submitted that there is likely to be a recurrence of dumped imports at volumes sufficient to cause a recurrence of material injury because:

- The evidence it has provided on dumping shows that exports from Malaysia to other export destinations are dumped by significant margins with an average dumping margin to all destinations of 32 percent (as shown in the previous section of this report).
- Malaysian manufacturers of galvanised wire have capacity in excess of domestic demand and have a desire to grow export sales.
- The Malaysian government encourages increased exports.
- There is proven access into the New Zealand market for galvanised wire from Malaysia.
- Malaysian exporters and New Zealand importers who previously exported and imported this wire remain active and the New Zealand market __________.
- Current world and local Malaysian economic forces will encourage Malaysian exports.

Export Designs of Malaysian Industry

50. Pacific Wire has referred to the contents of the web sites of Southern Wire (one of the previous exporters of dumped galvanised wire to New Zealand), the Steel Wire Association of Malaysia, the Malaysian Iron and Steel Federation and the Steel Business Briefing, relating to:

- The range of wire product manufactured by Southern Wire.
- The need for the Malaysian industry to be efficient and compete internationally.
- The need by the Malaysian industry to formulate recommendations on investment, export policies and market development.
- Plans by Southern Steel to expand the production of billet.

51. Pacific Wire has contended that this information shows a clear desire, capability and an official encouragement to grow export sales.

Access to New Zealand Market

52. Pacific Wire has referred to the Ministry's previous investigations into the dumping of galvanised wire (the original investigation relating to this case and the investigation and review relating to galvanised wire from South Africa) which have shown there are well developed distribution channels for imported galvanised wire that give widespread access to the New Zealand market.

53. Pacific Wire has also observed that many of the Malaysian exporters and New Zealand importers who were involved in the trade of dumped Malaysian galvanised wire remain active and will likely be aware of the potential expiry of the anti-dumping duty. Pacific Wire has submitted that the New Zealand galvanised wire market __ _________ and is relatively close to Malaysia and there is therefore a reasonable likelihood that if the duties were removed the Malaysian producers would make sales visits to New Zealand to re-establish previous channels to market and/or establish new ones.

Capacity of Malaysian Industry and Impact of Current Economic Conditions

54. Pacific Wire has observed that prior to the imposition of anti-dumping duties Malaysian exporters were growing their export volume to New Zealand and that it "[d]oes not consider that there is a production cap in Malaysia that would prevent shipments to New Zealand."

55. Pacific Wire has also provided various reports, largely from the Steel Business Briefing web site, on the impact of the global financial crisis and the impact of this both in terms of declining demand for steel and the policies of other countries (particularly India and China) to boost steel exports. This information also includes a report that Perwaja Steel in Malaysia has signed a contract to significantly increase capacity through the building of a new electric arc furnace which is due to come on stream by October 2009. Pacific Wire has submitted this is evidence of "[t]he likelihood of generally increased export pressure" and in particular has submitted that the decline in demand in Malaysia will free up capacity for exports.

Likely Import Volumes

56. Pacific Wire has noted that the Malaysian galvanised wire industry is much larger than that in New Zealand, and that in the years ended June 2007 and 2008 total exports of galvanised wire from Malaysia were _______ tonnes and _______ tonnes respectively (these figures being taken from Malaysian export statistics). Pacific Wire has stated that the volume of exports from Malaysia represents capacity in excess of domestic demand and has submitted that the drop in exports from 2007 to 2008 shows that there was surplus export capacity in 2008 equal to at least the reduction in volume (3,298 tonnes).

57. Pacific Wire has submitted that the 3,298 tonnes of surplus export capacity in 2008 could be readily made and exported to New Zealand. Pacific Wire has suggested that a reasonable estimate of the export volume to New Zealand in the absence of duties would be about half of this surplus export capacity (1,500 tonnes per annum), which it has noted would represent around a quarter of Malaysia's exports to Australia in 2008. Pacific Wire has observed that 1,500 tonnes would represent a ___ percent share of total Malaysian exports of galvanised wire in 2008.

58. In considering whether Pacific Wire's estimate is reasonable, the assessment team has examined the findings of the original investigation. This investigation was completed in April 2004 and analysed imports from June years 1999 to 2003 and for the period April 2003 to January 2004. There were no imports in 1999 and 2000 and only minor volumes in 2001 and 2002 and then a sharp increase in dumped imports in 2003 (486 tonnes) and a further increase in the April 2003 to January 2004 period

to 944 tonnes. Dumped import volumes were calculated by applying the proportion of imports found to be dumped over the period of investigation (66 percent) to the import volumes from Malaysia in each year or period. Actual imports from Malaysia in the year ended June 2003 and the period April 2003 to January 2004 were 736 tonnes and 1,430 tonnes. Updated Customs data since the original investigation was completed shows that imports from Malaysia for the year ended June 2004 were 1,810 tonnes (the imposition of provisional measures in March 2004 and final duties in April 2004 may have impacted on the volume of imports over this period).

59. In light of the actual import volumes referred to in the paragraph above, and the other evidence provided by Pacific Wire on the capacity of the Malaysian industry and the ease of access to the New Zealand market, the assessment team considers that the volume of imports estimated by Pacific Wire in the absence of the duties is reasonable.

Price Effects

Price Undercutting

60. Pacific Wire has calculated an estimated ex-wharf price in New Zealand on the basis of the average FOB export price from Malaysia to Australia for the year ended 30 June 2008 taken from Malaysian export statistics. This price has been converted to NZD at the average exchange rate for this period to give an FOB price of NZD_____ per tonne. Pacific Wire has submitted it is reasonable to use prices to Australia because it is a significant export destination and because Australian and New Zealand rural markets use galvanised wire for similar purposes and operate under similar product standards.

61. An adjustment has been made for sea freight based on information sourced from a freight forwarding company. Further adjustments have been made for Customs' duty (at 5 percent) and for port handling, service charges and insurance based on Pacific Steel's estimate of these costs relating to rebar in its recent application for a review of the anti-dumping duty on rebar from Thailand. The ex-wharf cost calculated on this basis is NZD_____ per tonne.

62. The cost of sea freight recorded in the Customs data for some recent imports of galvanised wire from Malaysia indicates that the cost estimated by Pacific Wire is reasonable. The assessment team has also checked the other costs against the costs which the Ministry has accepted as reasonable in the rebar application.

63. Pacific Wire said it agrees with the Ministry's conclusion in the original investigation that ex-wharf is the relevant level of trade for galvanised wire imported from Malaysia and the assessment team agrees it is reasonable to take this as the relevant level of trade for initiation purposes. Pacific Wire said in its initial application that it considers the relevant point at which to compare the imported product with its prices is at the into store level. Pacific Wire subsequently clarified that this was an error and that consistent with the original investigation and that ex-factory is the relevant level of trade.

64. Pacific Wire has taken its average ex-factory price for the year ended June 2008 of NZD_____ per tonne as the comparison price as it covers the same period as that

from which the import price was calculated. The amount of price undercutting is therefore NZD___ per tonne or __ percent of Pacific Wire's ex-factory selling price.

65. The assessment team notes that an ex-wharf price based on the average price of Malaysian exports to all destinations would still show significant price undercutting, although not to the same extent as the undercutting outlined above based on exports to Australia.

Price Depression and Suppression

66. Pacific Wire has submitted that if the duties were removed, in order to attempt to maintain market share it would need to lower its prices in order to match the price of the Malaysian product. As it has estimated that price undercutting would be NZD___ per tonne, Pacific Wire considers it would need to reduce its prices by the same amount in order to match the Malaysian price.

67. Pacific Wire has also noted that any loss of volume to dumped imports from Malaysia would cause its prices to be suppressed because its cost of production per tonne would increase as a result of a reduction in production and it could not expect to recoup this increased cost. Pacific Wire has also noted that the original investigation found there was price suppression and that it considers it reasonable to conclude that similar price suppression will re-occur if dumped Malaysian wire was again sold in New Zealand.

Economic Effects

Output and Sales

68. Pacific Wire said that if it depressed its prices by NZD___ per tonne as outlined in paragraph 66 above to match the price of the Malaysian wire, on the basis of its sales volume in the year ended June 2008 of _____ tonnes, its sales revenue would decline by NZD_________. Pacific Wire has estimated that this response would limit its loss of sales volume to ___________________ tonnes per annum referred to in paragraph __ above and on the basis of its average selling price per tonne in the year ended June 2008 of NZD______ would equate to a loss of revenue of NZD___ _____.

Profits

69. Pacific Wire said that the NZD_______ loss of revenue referred to in paragraph 68 above would directly result in a loss of pre-tax profits of the same amount as the cost base of the business would not alter. In addition, Pacific Wire has stated that the ___ tonne loss of sales volume referred to in the same paragraph equates to a ___ percent decline in plant throughput which will negatively affect profits as fixed costs will need to be spread over a reduced plant output. Pacific Wire has not quantified the extent to which this will affect profits.

Other Economic Effects

70. Pacific Wire has submitted that the loss of sales volume, sales revenue and profits from the recurrence of dumped imports will also have significant adverse effects upon its return on investments, utilisation of production capacity, cash flow,

inventories and employment and growth. Pacific Wire has not, however, quantified these effects.

Causal Link

71. Pacific Wire has noted that the original investigation established a causal link between dumped imports and material injury to the New Zealand industry. Pacific Wire said it is not aware of any reason why the commercial activities and practices which established the causal link in 2004 will not again be present if dumped Malaysian goods re-enter the market. Pacific Wire has also noted that New Zealand industry structure and commercial practice is substantially unchanged since 2004 and the principle New Zealand importers and Malaysian exporters remain active.

Conclusion on Injury

72. Pacific Wire has provided reasonable evidence of the likely import price into New Zealand of galvanised wire from Malaysia in the absence of anti-dumping duty. The information has shown that the estimated import price for the Malaysian galvanised wire would undercut Pacific Wire's average selling price leading to price depression and suppression. Pacific Wire has made reasonable assumptions that the level of price undercutting and suppression of prices would have an adverse effect on its profits, return on investments, utilisation of capacity, cash flow, inventories, employment and growth. The assessment team considers this information constitutes positive evidence of a likely recurrence of material injury should anti-dumping duties be removed sufficient to justify the initiation of a review.

Conclusion

73. 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 that the expiry would be likely to lead to a continuation or recurrence of dumping and injury.

74. The assessment team is satisfied that an application has been made by the domestic industry within a reasonable period of time prior to the expiry of duties that contains positive evidence sufficient to justify the initiation of a review.

Recommendation

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

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

b. sign the attached notice of the initiation of the review for publication in the *Gazette*.

Robin Hill
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Trade Rules, Remedies and Tariffs Group
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Agreed/Not Agreed

Anne Corrigan
Manager
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