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Initiation of Reassessment: Galvanised Wire from Malaysia

Introduction

1. Pacific Steel Group, part of Fletcher Building Limited, lodged a request for a reassessment of anti-dumping duties on galvanised wire originating from Malaysia on 18 January 2005.
2. This report provides details on the current duties, assesses the evidence provided in support of a reassessment and recommends that you initiate a reassessment of the current anti-dumping duties on galvanised wire from Malaysia.

Background

3. Final anti-dumping duties on galvanised wire originating from Malaysia were imposed, following the completion of an investigation, on 27 April 2004.
4. The anti-dumping duties in place are in the form of:
 - Normal Value (Value for Duty Equivalent) (NV(VFDE)) reference prices for six differing diameters of wire, for Southern Wire Industries (Malaysia) Sdn Bhd and Aspac Alliance Steel Sdn Bhd;
 - RCI Wire Sdn Bhd is excluded from anti-dumping duties as its galvanised wire was found not to be dumped; and
 - An *ad valorem* duty for all other exporters, which is capped by the NV(VFDE) reference prices.
5. The goods subject to the duties, and consequently reassessment are described as:

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

6. The Ministry's final report for the investigation stated "...increased scrap prices have resulted in increased export prices and normal values since the [period of investigation], the year ended September 2003"¹ and that "If for some reason the export and domestic prices change drastically due to scrap price changes, interested parties can make an application for a reassessment of the levels of duties that have been imposed".²

7. Galvanised wire originating from South Africa is also currently subject to anti-dumping duties, which were imposed on 21 December 2002. The duties on galvanised wire originating from South Africa are not subject to this request. The Ministry notes that the volumes of imports from South Africa, declined significantly with the increase in the volumes of imports of Malaysian galvanised wire and there have been no imports of galvanised wire from South Africa since April 2004. In these circumstances the Ministry is not considering initiating a reassessment of anti-dumping duties of galvanised wire from South Africa.

The Request

8. On 18 January 2005 the Ministry received from Pacific Steel Group, New Zealand's sole galvanised wire manufacturer, a request for a reassessment of anti-dumping duties on galvanised wire from Malaysia (the request).

9. The request stated that "steelmaking raw material costs have increased dramatically" since reference prices were established using data from the first quarter of 2004. This claim was evidenced by two graphs obtained from the metal industry resource Metal Bulletin.³ The first graph showed the price per tonne of high melting scrap 1 (HMS1) ferrous scrap imported into Korea, Japan, Taiwan and China from July 2001 to December 2004. This showed a **xxxx** percent increase since the end of the period of investigation. The second graph showed world prices for wire rod over the same period with a **xxxx** percent increase since the end of the period of investigation.

10. The request also stated that normal values in Malaysia have increased significantly since the first quarter of 2004 and provides the example of the price of 2.5 millimetre high tensile heavily galvanised wire, which in the first quarter of 2004 was approximately US\$**xxxx** while in October 2004 the price was approximately US\$**xxx**. These prices were obtained during **[text deleted due to confidentiality]** Malaysian wire **[text deleted due to confidentiality]**.

11. The request concluded that the reference prices imposed following the investigation are now ineffective because of the increases in raw material costs, which have resulted in price increases of the finished product.

¹ Ministry of Economic Development of New Zealand *Final Report Galvanised Wire from Malaysia*, April 2004, paragraph 630

² *Ibid*, paragraph 652

³ www.metalbulletin.com, HMS1 Ferrous Scrap Import Cost into Korea, Japan, Taiwan & China (US\$/t FOB) and World Average Wire Rod Export Price (USD FOB per tonne).

12. On 21 January 2005, the Ministry responded to the request. The Ministry's response included preliminary observations on the evidence necessary to initiate a reassessment, sought clarification and requested additional information.

13. On 28 February 2005, Pacific Steel Group provided further evidence:

- That HMS1 scrap is a key raw material in steel manufacturing in Malaysia;
- That wire rod is drawn out to make bright wire, which is an input in the production of galvanised wire;
- A copy of the **[text deleted due to confidentiality]** notes referred to in the request; and
- Provided clearer versions of the graphs contained in the request as well as the base data.

14. Pacific Steel Group advised that it was not in possession of any specific evidence relating to Malaysian prices of galvanised wire, other than that provided in the **[text deleted due to confidentiality]** notes. Pacific Steel Group also advised that it was working to obtain data relating to imports and prices of HMS1 into Malaysia, however, it proposed that sufficient evidence was contained within the application and subsequent letter to initiate a reassessment.

Legal Provisions and Ministry Policy

15. Information from the period 28 February 2004 to March 2005 will form the data from which any reassessment of the duties will be based. This is the period of investigation (POI).

16. Reassessments are provided for in sub-section 14(6) of the Dumping and Countervailing Duties Act 1988 (the Act) as follows:

(6) The [Chief Executive] may initiate a reassessment of any rate or amount of anti-dumping ...duty determined under subsection (4) of this section, including any elements of any formula used to establish such a rate or amount,—

- (a) On the initiative of the [Chief Executive]; or
- (b) Where a request for a reassessment is submitted to the [Chief Executive] by an interested party who submits evidence justifying the need for a reassessment; or
- (c) Following the completion of a review carried out under subsection (8) of this section—

and the Minister may determine a new rate or amount in accordance with subsection (4) of this section, and, in that event, shall give notice of the new rate or amount.

17. Suppliers and importers involved in the original investigation into galvanised wire from Malaysia and any new companies identified as having exported or imported during the POI will be advised of the initiation of a reassessment and may participate in the

reassessment process if they wish. The Ministry will send questionnaires to parties that have supplied or imported the goods subject to the reassessment during the current POI or were part of the Ministry's selection during the original investigation except where a party has been exempted from anti-dumping duties. Galvanised wire from RCI Wire Sdn Bhd. was found not to be dumped during the investigation, was excluded from anti-dumping duties and has subsequently been excluded from reassessment of anti-dumping duties on this basis. All "interested parties" pursuant to Article 6.11 of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Agreement), will be informed, in an interim report, of the essential facts under consideration and the outcome of the reassessment, regardless of their involvement.

18. Injury analysis is not usually undertaken during a reassessment, other than determining whether a "lesser duty" should apply. Analysis is limited to assessing whether the dumping margins and normal values established during the original investigation have changed and therefore whether the duties are still effective in remedying the injury suffered by the New Zealand industry. Questionnaires would be sent to relevant parties and verification visit(s) may be conducted. An interim report would normally be circulated and interested parties given the opportunity to make submissions upon it. Any submissions on the interim report would be considered in the final report containing recommendations to the Minister of Commerce on the correct level of anti-dumping duties.

19. Reassessments are not bound by a legislative timeframe. The Ministry usually provides an intended timeline to known interested parties soon after the initiation of a reassessment and it is recommended the same be done in this case should a reassessment be initiated.

20. If the reassessment results in a duty lower than the current duty, the Minister of Commerce may direct a refund, from the date of initiation of the reassessment, of the difference between the duty paid and the lower duty. The Act does not provide for retrospective collection of additional duties if a reassessment results in higher duties

Evidence Provided

21. Pacific Steel Group is an "interested party" pursuant to Article 6.11 of the Agreement and is therefore able to request a reassessment under section 14(6)(b) of the Act.

22. Pacific Steel Group has advised the Ministry of increased prices of inputs into galvanised wire. The inputs are the raw material steel scrap and the processed input wire rod, which is used in the manufacture of bright wire, a direct galvanised wire input.

23. The request is in respect of Malaysian galvanised wire, although the evidence provided, in relation to steelmaking raw material costs, is not specific to that country. The prices of HMS1 scrap relate to imports of four large Asian scrap importing countries and the wire rod prices are world prices. However given that steel inputs, especially scrap, are global commodities it is likely that prices of HMS1 scrap and wire rod in Malaysia have similarly increased.

24. No information on export prices was provided in the request. In the application for the investigation, under which the current anti-dumping duties were imposed, export prices were based on Statistics New Zealand data for the year ending June 2003, some of which was estimated due to suppression of import data. Data on four of the thirty tariff items and statistical keys under which the goods subject to anti-dumping duties can be classified, 7217.20.10.35B, 7217.20.10.36L, 7217.20.10.37J and 7217.20.10.39E, has been suppressed pursuant to Statistics New Zealand's confidentiality policy for overseas trade statistics following suppression applications made by importers.

25. The Ministry currently monitors the suppressed tariff items and statistical keys listed above. The monitoring is the only remaining part of the steel import monitoring system that was implemented in response to the imposition of steel safeguards by several countries. The monitoring of the suppressed items is designed to maintain the integrity of Statistics New Zealand's suppression policy and releases only aggregated information when it is possible to do so without identifying the imports of any given importer. The monitoring is designed to provide the steel manufacturing industry with broad information, being aggregated sources and, where possible, volumes on steel imports. The Ministry notes from its monitoring that the value for duty prices of galvanised wire imported from Malaysia have increased by **xxxx** percent since the end of the period of investigation.

26. Pacific Steel Group advised that normal values in Malaysia had increased. It provided supporting evidence from notes of **[text deleted due to confidentiality]** galvanised wire. Although this evidence is limited it does indicate an increase in the domestic prices of galvanised wire since the investigation of approximately **xxxx** percent. The Ministry notes that the application for the original investigation estimated Malaysian normal values information obtained during **[text deleted due to confidentiality]**. This evidence, read together with the evidence regarding global scrap costs, indicates that prices for steel products, including galvanised wire, have increased since the investigation. The Ministry concludes that these increases are likely to be mirrored in Malaysian domestic prices of galvanised wire.

27. The Ministry also notes that obtaining detailed normal value information, for use in anti-dumping investigations, has often proved difficult for New Zealand industries. The Ministry considers that the information on normal values, while not ideal, when considered in conjunction with the other evidence, is sufficient to justify initiation of a reassessment.

Recommendation

28. The evidence provided by Pacific Steel Group is sufficient to justify the initiation of a reassessment of anti-dumping duties on galvanised wire from Malaysia in terms of sub-section 14(6) of the Act. It is recommended that:

- a. in accordance with section 14 (6) of the Act, and acting under your delegated authority, you formally initiate a reassessment of the anti-dumping duty on galvanised wire imported into New Zealand from Malaysia; and
- b. you sign the attached *Gazette* notice of the initiation of a reassessment.

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Agreed

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Acting under delegated authority from the Chief Executive of the Ministry of Economic Development