



BRIEFING

Anti-Dumping Duty Suspension Period Review: Aluminium-Zinc Coated Steel from Korea

Date:	21 September 2022	Priority:	High
Security classification:	Commercial: In Confidence	Tracking number:	2223-0624

Action sought		
	Action sought	Deadline
Hon Dr David Clark Minister of Commerce and Consumer Affairs	Agree to extend the period of suspension of an anti-dumping duty on aluminium-zinc coated steel (AZ coated steel) from Korea.	28 September 2022*

***Decision timing**

Your decision must be made and notified by 30 September 2022 but it is preferable that you make your decision by **28 September 2022** in order to allow time for notification and other administrative steps.

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Matthew Molloy	Manager, Trade and International	[Privacy of natural persons.]	[Privacy of natural persons.]	✓
Mike Andrews	Senior Analyst, Trade Remedies		[Privacy of natural persons.]	

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:



BRIEFING

Anti-Dumping Duty Suspension Period Review: Aluminium-Zinc Coated Steel from Korea

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Purpose

To provide you with advice to support your decision under section 13B(4)(b) of the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act) on whether to change the period of suspension of an anti-dumping duty on imports of aluminium-zinc coated steel (AZ coated steel) from Korea.

Executive Summary

- In March 2022 you determined that the imposition of an anti-dumping duty on AZ coated steel from Korea was in the public interest and that the duty should be imposed. You then decided to immediately suspend the imposition of the duty for a period of six months because users of the goods were being significantly impacted by an emergency, namely the COVID-19 pandemic. The duty is currently suspended until 30 September 2022. You may change the suspension period if you consider that the users of the goods subject to duty continue to be significantly impacted by the effects of the COVID-19 pandemic.
- This briefing sets out the legal framework for your decision and MBIE's findings on whether or not the circumstances continue to justify the suspension of the imposition of the duty and, if so, for what period. The briefing also summarises submissions received from interested and affected parties.
- MBIE's findings are that the circumstances have improved since March 2022, and some factors have now resolved, but that users of AZ coated steel from Korea continue to be significantly impacted by the effects of the COVID-19 pandemic, albeit to a lesser extent than when you decided to impose the suspension. MBIE's analysis supports a conclusion that the suspension of the imposition of the anti-dumping duty should be extended by a further three months to 31 December 2022 and that is what MBIE recommends you do.
- If you agree to change the suspension period as recommended, MBIE does not propose to formally reassess the need for the suspension again before it expires on 31 December 2022 unless information arises that warrants reconsideration of this position. In that case, MBIE will provide you with further advice in early December for a decision in mid-December.

Recommendations

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

Substantive matters

- a **Note** the outcome of the March 2022 investigation of dumping of AZ coated steel from Korea was that you determined, under section 10H(1) of the Act, that imposing an anti-dumping duty was in the public interest and that the duty should be imposed. Under section 13B(3) of the Act, however, because the users of the goods subject to an anti-dumping duty had been

significantly impacted by an emergency (namely, the COVID-19 pandemic), you immediately suspended the imposition of the duty for six months until 30 September 2022.

Noted

- b **Note** that MBIE has considered whether or not the current circumstances continue to justify the suspension of the imposition of the duty, and if so, for what period, and has reviewed submissions on the matter from interested parties, as summarised in this briefing.

Noted

- c **Note** that MBIE's findings are that the circumstances have improved since March 2022, and some factors have now resolved, but that users of AZ coated steel from Korea continue to be significantly impacted by the effects of the COVID-19 pandemic, albeit to a lesser extent than when you decided to impose the suspension. MBIE's findings support a conclusion that the suspension of the imposition of the anti-dumping duty should be extended by a further three months to 31 December 2022.

Noted

- d **Agree** with MBIE's findings as set out in this briefing, and on this basis, under section 13B(4)(b) of the Act, change the suspension of the imposition of the anti-dumping duty by extending it for a further three months to 31 December 2022, and sign a notice to this effect (**Annex 1**).

Agree ~~Disagree~~

- e **Note** that, if you agree to change the suspension period as recommended above, MBIE does not propose to formally reassess the need for the suspension prior to its expiry on 31 December 2022. MBIE's analysis indicates the effects of COVID-19 on users of AZ coated steel are likely to continue to improve over the next three months such that it will be appropriate for the suspension to lapse after 31 December 2022. However, if information arises that warrants reconsideration of this position, MBIE will provide you with further advice in early December and will seek a decision from you in mid-December.

Noted

Administrative matters

- f **Note** that, in accordance with section 13B(4)(b) of the Act, MBIE will publish, on your behalf, the notice of your decision in the *New Zealand Gazette* and send a copy to notified parties.

Noted

- g **Agree** that MBIE may proactively release a copy of this briefing, with appropriate redactions, recording your decision and the reasons for it.

Agree ~~Disagree~~



Matthew Molloy
Manager, Trade and International
Labour, Science and Enterprise, MBIE

21 / 09 / 2022



Hon Dr David Clark
Minister of Commerce and Consumer
Affairs

28 / 09 / 2022

Background

1. As the Minister of Commerce and Consumer Affairs (the Minister), you must make certain determinations and decisions relating to the imposition of anti-dumping duties under the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act).
2. Anti-dumping duties are intended to prevent material injury or the threat of material injury to New Zealand producers of like goods (New Zealand industry), or the establishment of a New Zealand industry being materially retarded, due to dumped goods being imported into New Zealand.
3. The purpose of the Act (as set out in section 1A) is to enable New Zealand to apply anti-dumping duties in accordance with its obligations as a party to the World Trade Organisation (WTO) Agreement, which includes the WTO Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade (the Anti-Dumping Agreement).
4. The Act provides for MBIE to investigate, and for you to determine, whether goods imported into New Zealand are being dumped and whether as a result, the New Zealand industry is being materially injured (step 1) and, if injurious dumping is found, whether imposing an anti-dumping duty at a determined rate is in the public interest (step 2).
5. As well as making provision for the investigation of dumping and the imposition of anti-dumping duties, the Act provides for the deferral, non-imposition, suspension or termination of a duty where you consider the users of goods subject to the duty have been significantly impacted by a natural disaster or emergency.

AZ Coated Steel from Korea

6. In December 2021, following step 1 of the investigation, you made an affirmative determination that the dumping of AZ coated steel imported from Korea was causing material injury to a New Zealand industry, and determined the rates of duty that would form the basis for the step 2 investigation (Briefing 2122-1931). In March 2022, following the step 2 investigation, you determined that the imposition of an anti-dumping duty was in the public interest (Briefing 2122-2975).
7. At the same time as you made your step 2 determination, you recognised that the circumstances due to the COVID-19 pandemic meant that the users of AZ coated steel imported from Korea had been significantly impacted by an emergency, which was likely to be short-term in nature and was not likely to persist throughout the five-year period of the application of the anti-dumping duty. Accordingly, you suspended the imposition of the anti-dumping duty on imports of AZ coated steel from Korea under section 13B(3) of the Act for a period of six months.

Change of Suspension Period

Legal framework for your decision

8. Section 13B(3) of the Act provides for the suspension of the imposition of a duty where you consider that the users of the goods subject to duty have been significantly impacted by a natural disaster or emergency. Section 13B(4)(b) provides that you may, by notice, change a period of suspension.

Emergency

9. An "emergency" is defined in section 3 of the Act as having the meaning given to it in section 4 of the Civil Defence Emergency Management Act 2002 (the CDEM Act).¹
10. The COVID-19 pandemic was declared a Public Health Emergency of International Concern by the World Health Organisation (WHO) on 30 January 2020. On 25 March 2020, the New Zealand Government declared a nationwide State of National Emergency due to the pandemic, which was in place until 13 May 2020, when it was replaced by a National Transition Period – a statutory mechanism under the CDEM Act. Since that time, the government has implemented a series of measures aimed at limiting and ameliorating the effects of the COVID-19 pandemic. New Zealand's COVID-19 Protection Framework (traffic light system) ended on 12 September 2022, removing most COVID-19 rules and ending border restrictions. The COVID-19 pandemic was clearly an "emergency" as defined in the CDEM Act and under section 13B of the Act when the suspension was imposed.
11. Under section 13B, you are called on to consider the effects of an emergency, which may continue after an emergency has ended. The proximity in time of an emergency may be indicative of how likely it is that any significant impacts the users of the subject goods are experiencing are caused by the effects of the emergency.

Users of the goods subject to duty

12. The term "users" is not defined in the Act. In section 13B, the term "users" refers to users of the goods subject to duty, in this case AZ coated steel. MBIE does not consider the term should be interpreted as capturing users of other goods, such as users of products manufactured using AZ coated steel as an input ("downstream goods").
13. In this context, MBIE considers "users" as including importers and immediate downstream industries (i.e., manufacturers of "downstream goods") who import AZ coated steel themselves, or who purchase AZ coated steel from importers or merchants. The term excludes users of downstream goods, such as builders and roofers and distributors, as well as end users of downstream goods, such as the general public. It also excludes downstream industries that are not the immediate users of imported AZ coated steel (for example, industries that use "downstream goods" as an input to the production of other goods).

Significant impact

14. The impact of the emergency on users of the subject goods needs to meet the threshold of being 'significant'.
15. The term "significantly impacted" is not defined in the Act. The Oxford English Dictionary (OED) definition of "significant" includes "*sufficiently great or important to be worthy of attention; noteworthy; consequential; influential*", while New Zealand Limited (NZ Steel), in a submission dated 4 February 2022 in relation to the original investigation, noted that the Collins.com dictionary said that "significant" means "*big, major, great, important.*"

Direct and indirect impacts

16. In its engagement as part of this suspension review process, NZ Steel submitted that sections 13B(1) and 13B(3) of the Act speak of an impact by a natural disaster or

¹ Under section 4 of the CEDM Act, "emergency" means a situation that:

(a) *is the result of any happening, whether natural or otherwise, including, without limitation, any explosion, earthquake, eruption, tsunami, land movement, flood, storm, tornado, cyclone, serious fire, leakage or spillage of any dangerous gas or substance, technological failure, infestation, plague, epidemic, failure of or disruption to an emergency service or a lifeline utility, or actual or imminent attack or warlike act; and*

(b) *causes or may cause loss of life or injury or illness or distress or in any way endangers the safety of the public or property in New Zealand or any part of New Zealand; and*

(c) *cannot be dealt with by emergency services, or otherwise requires a significant and co-ordinated response under this Act.*

emergency, which it considered to mean that the nexus to the emergency must be first order and direct and that there must be a sufficient causal proximity, from and by, COVID-19. NZ Steel considered any other factors, without a direct link to COVID-19, would be out of scope of this process.

17. In MBIE's view, to be relevant to your consideration under section 13B, the circumstances do not need to directly impact users of the goods subject to anti-dumping duty, but can have indirect effects through intervening parties or causes. For example an earthquake may damage infrastructure which means that a facility that is not otherwise damaged by that earthquake is unable to operate. Similarly, there may be factors having an impact on the market within which AZ coated steel imported from Korea operates, and which are exacerbated by the effect of the COVID-19 pandemic, such as the Russia-Ukraine conflict, or the state of the New Zealand construction market. In those circumstances we consider it is important to ensure that the substantive cause of those impacts remains the "emergency" and hasn't been subsumed by that new factor. However, we note that it is not possible to precisely disentangle and quantify the extent of the effect of COVID-19 on those factors impacting on users in New Zealand. Our advice is therefore necessarily based on a qualitative assessment of the extent that COVID-19 is continuing to impact users of AZ coated steel from Korea.

Original decision to suspend imposition of duty

18. In the Step 2 Final Report of the original investigation, MBIE noted that the COVID-19 pandemic was an emergency, and that in general terms users had been significantly impacted by the COVID-19 emergency in that there had been disruptions to business over the previous two years, and the financial impact of the emergency, in terms of prices, supplies and employment, was likely to continue for the short-term. The mid to longer-term outlook was uncertain, but expectations were that the adverse effects of the pandemic and its consequences would ease.
19. The Step 2 Final Report noted that in specific terms, the COVID-19 pandemic had affected costs and prices for AZ coated steel as well as supplies and availability. This had arisen through a combination of increases in prices of steel products generally, as well as raw material costs, higher shipping costs and constraints on supply chains, and effects on production and availability of the goods at a time of increasing demand for building materials in New Zealand.
20. On the basis of these findings, MBIE recommended that you recognise that the circumstances due to the COVID-19 pandemic meant that the users of AZ coated steel had been significantly impacted by an emergency which was likely to be short-term in nature and was not likely to persist throughout the five-year period of the application of anti-dumping duty, and that in light of these circumstances you suspend the imposition of anti-dumping duty under section 13B(3) of the Act for a period of six months. At the end of that time, you could, by notice, change the period of suspension.

Process for considering whether to change the period of suspension

21. MBIE's previous advice to you (Briefing 2122-2975) noted that the process for considering whether to change the period of suspension would include the following:
 - a. No later than one month before the expiry date for the period of suspension, MBIE will advise interested parties of the upcoming expiry, and seek their views on whether the period of suspension should be changed and, if so, the proposed duration of that change.
 - b. The period for submissions on these matters is likely to be ten working days.
 - c. MBIE will review any submissions received and take them into account as appropriate in advising you whether to change the period of suspension.
 - d. You will have one week to make your decision whether to change the period of suspension or let the suspension lapse.

- e. Your decision will be communicated by notice.
22. In accordance with this process, MBIE issued a request for submissions (RFS) on the period of suspension, and identified some specific questions aimed at assisting consideration of the relevant matters. The RFS was made to interested parties from the original investigation, including affected parties in terms of the step 2 investigation of the public interest.²
23. In addition, MBIE has undertaken independent research into the circumstances relating to a decision whether or not to change the period of the suspension of the anti-dumping duty, or to allow the suspension to lapse and the anti-dumping duty to be imposed.

Summary of submissions

24. Submissions on whether the period of suspension of the anti-dumping duty should be changed or should lapse were received from NZ Steel, Metals New Zealand Inc. (Metals NZ), Roof Tile Group (Roof TG), Fletcher Steel Limited (Fletcher Steel), Dongkuk Steel Mill Co. Ltd (Dongkuk) and Moriah Co. Ltd (Moriah), and have been taken into account as appropriate in the preparation of this advice to you.

Support for the suspension being removed

25. NZ Steel, the sole domestic producer of AZ coated steel, submitted that there is insufficient positive evidence now to warrant a decision to extend the suspension. It considered that while COVID-19 was still affecting users in certain ways from late 2021 into 2022, the impacts by COVID-19 on economic activity, the international steel market, supply chains and supply and demand in New Zealand have all either now improved or do not apply. NZ Steel also submitted its views on the scope of the considerations under section 13B of the Act (as discussed above) and offered its views on the procedure followed in conducting this review.
26. Metals NZ, an industry body for the New Zealand metals sector, submitted that the anti-dumping duty suspension should not be extended because the economic conditions that precipitated the suspension are no longer in place. Metals NZ also noted both the benefits of competition presented by imported products and the government's obligation to protect domestic manufacturing businesses from dumped and/or subsidised imports.

Support for the suspension being continued

27. Roof TG, which uses AZ coated steel to produce roofing products, submitted that the suspension of the anti-dumping duty should be continued. It considered that the COVID-19 driven impact on supply chains and costs had not abated and that it expects this impact to last another six months or longer. Roof TG explained that the impact of COVID-19 is still being felt through local supply constraints of AZ coated steel, elevated freight costs due to the global freight system being "scrambled" and off-shore constraints due to the COVID-19 lockdowns in China and the Russia-Ukraine conflict's impact on steel supply.
28. Fletcher Steel, which uses AZ coated steel to produce building products, submitted that the anti-dumping duty suspension should be extended until overseas orders placed during the period of constrained domestic supply have been received in New Zealand as this approach would appropriately recognise the supply chain issues arising from the effects of the COVID-19 emergency.
29. Dongkuk, a Korean exporter of AZ coated steel, submitted that the current suspension of the anti-dumping duty should be extended at least until the end of 2022 considering the factors and circumstances still affected by COVID-19. In its submission Dongkuk considered the impact of the pandemic on its operations (Dongkuk is not a user of AZ coated steel in terms of section 13B), international steel prices and supply chain issues.
30. Moriah, an intermediary trader of AZ coated steel from Korea, submitted that it opposes the lapse of the current suspension of the anti-dumping duty and that it should be extended for a

² Section 10G(2) describes affected parties as persons "affected by imposing the duty" and, as detailed in the Step 2 Final Report, for this investigation this included consumers and downstream industries as well as representative business and consumer groups.

further six months, minimum. In support of its submission Moriah considered the impact of the pandemic on users in New Zealand, COVID-19 case numbers, inventories, inflation, interest rates, international steel prices and international freight prices and times.

Significant impact of an emergency

31. MBIE's conclusions on the circumstances relating to whether or not the users of AZ coated steel imported from Korea continue to be significantly impacted by an emergency (COVID-19) are summarised below.

Economic activity in New Zealand

32. MBIE considers that New Zealand users of coated steel from Korea continue to be impacted by the COVID-19 pandemic. At the macro level, users are still having to deal with the domestic and international inflationary impacts of the response to COVID-19 which has resulted in higher steel costs and prices. On a micro level, such impacts include labour shortages, wage and salary increases, and some lingering impacts of COVID-19 related staff illness and self-isolation requirements. While the situation has improved in recent months, with New Zealand case numbers having decreased significantly in recent weeks and with the removal of the traffic light system including the requirement to isolate as a household contact, the totality of the information sourced indicates that the effects of the COVID-19 pandemic on the New Zealand economy continue to impact negatively on users of the subject goods from Korea.

International steel market

33. MBIE considers that users are continuing to be impacted by the pandemic through having to pay higher AZ coated steel prices ex-Korea and by having to incur higher shipping costs and delays to get the goods into New Zealand. Korean AZ coated steel prices have steadily increased since the beginning of 2021, which is likely attributable to global COVID-19-related production disruptions and then the global inflationary pressures brought about by the global fiscal and monetary responses to COVID-19. While global steel prices have decreased since the beginning of 2022, AZ coated steel prices from Korea to New Zealand remain high and are unlikely to decrease to pre-pandemic levels in the next few months.
34. While it could be argued that steel prices to New Zealand would be lower if it were not for the Russia-Ukraine conflict, the information gathered suggests that a key reason for the continued high steel prices to New Zealand is the global inflationary pressure still being felt from the expansionary fiscal and monetary policies adopted by governments and central banks worldwide to combat the expected economic impacts from the pandemic. This fact, combined with the high shipping costs due to COVID-19-related freight disruptions and delays, indicates that the effects of COVID-19 on international steel prices are still impacting New Zealand users of coated steel from Korea.

Supply chain issues

35. MBIE considers that users of AZ coated steel from Korea are continuing to be impacted by the pandemic through high shipping costs and delays which have increased significantly since the pandemic began. While shipping costs and delays have decreased recently, they are still higher than pre-pandemic levels and can largely be attributed to COVID-19-related issues, including the recent lockdowns in China, as opposed to other geo-political factors such as the Russian invasion of the Ukraine. While it is likely that the Russia-Ukraine conflict has contributed to the supply chain disruptions in transporting the Korean steel to New Zealand, the information gathered suggests that these supply chain issues are largely the result of the COVID-19 pandemic as opposed to other factors.

Supply and demand for AZ coated steel in New Zealand

36. MBIE considers international sources of supply, including from Korea, are operating well enough that there are minimal concerns about sourcing product from abroad. Import volumes from both Korea and other sources are close to where they were pre-COVID-19. Other information gathered indicates that travel restrictions and New Zealand border restrictions

that were being lifted at the time the Step 2 Final Report was released have, for the most part, come to an end. Other factors involved in procuring and bringing the product to the New Zealand market, such as elevated travel costs and an aversion to travel due to extra administrative and health risks, may still be present, but there is no evidence they are significantly hampering the supply of AZ coated steel to New Zealand.

37. MBIE considers that, until recently, the general outlook for construction activity was one of continued growth with the economic conditions facing users being forecasted to stay strong. At the time the Step 2 Final Report was released, the Omicron outbreak was affecting the level of activity in the construction sector through staff availability. However, the latest information suggests that any Omicron-related impacts on the industry have largely dissipated.
38. The most recent information gathered suggests that demand for housing, and construction activity in general, is forecast to decrease steadily in the coming years, largely due to the reduced strength of the residential sector. In terms of AZ coated steel as an input to building products, as noted above, there appear to be minimal impediments to sourcing AZ coated steel from abroad,³ including from Korea. Other information suggests that the domestic supply constraints (i.e. New Zealand production) also no longer exist. This indicates that in terms of section 13B, in respect of the demand (and supply) for AZ coated steel in New Zealand, COVID-19 is unlikely to be significantly impacting users of the subject goods in New Zealand.
39. The table below summarises the factors that were considered in March 2022, which led to the suspension of the anti-dumping duties, and the extent to which the same factors have changed.

Factor	Findings during the investigation – March 2022.	Findings from the suspension review – September 2022.
Economic activity and COVID-19 in New Zealand	<ul style="list-style-type: none"> The COVID-19 pandemic was directly impacting users through lockdowns and travel restrictions The Omicron variant appeared to be nearing its peak. However it was expected to impact users through the health and availability of staff involved in the production and distribution of AZ coated steel. It seemed likely that the worst effects would be over in six months' time. 	<ul style="list-style-type: none"> New Zealand users are still being negatively impacted by the effects of COVID-19 through domestic and international inflationary pressure, including higher steel costs. COVID-19 control measures have been eased or removed, but some effects of the pandemic on the New Zealand economy continue to impact negatively on users of the subject goods from Korea. Such impacts include labour shortages, wage and salary increases, and some lingering impacts of COVID-19 related staff illnesses and self-isolation requirements.
International steel prices	<ul style="list-style-type: none"> International steel prices rose sharply in the second half of 2020 and remained high through most of 2021 before starting to ease. While global steel prices were likely to remain higher than pre-COVID-19 levels for some time, the situation was expected to remain volatile. 	<ul style="list-style-type: none"> Korean AZ coated steel prices to New Zealand increased from the beginning of 2021 and have continued to increase. Global steel prices reached a peak in late 2021 and have been declining since the beginning of 2022. In both cases prices remain above pre-pandemic levels, a key reason being the global inflationary pressure still being felt from expansionary fiscal and monetary policies in response to COVID-19.
Supply chain issues	<ul style="list-style-type: none"> Supply chain issues were expected to remain uncertain and volatile but shipping congestion, disruptions and 	<ul style="list-style-type: none"> New Zealand users of AZ coated steel continue to be impacted by the effects of

³ That is, there are minimal impediments to identifying and securing sources of supply *albeit* shipping costs and delays persist.

	<p>bottlenecks were expected to ease later in 2022</p> <ul style="list-style-type: none"> The potential impact of the Omicron variant created some uncertainty, however, it was expected that the impact on domestic supply chains would have eased in six months' time. 	<p>COVID-19 on shipping costs and disruptions to supply chains.</p> <ul style="list-style-type: none"> The situation has not settled to pre-pandemic levels largely due to COVID-19-related issues, including the COVID-19 resurgence in China, as opposed to other geo-political factors such as the Russian invasion of the Ukraine.
Supply of AZ coated steel in New Zealand / Finding alternative suppliers	<ul style="list-style-type: none"> If anti-dumping duties were imposed, parties noted that it would take at least six months to confirm alternative overseas suppliers since it is necessary to ensure such suppliers can meet the standards and specifications required. Travel restrictions under COVID-19 were also hindering the ability of importers to complete any new supply arrangements although these travel restrictions were being lifted. 	<ul style="list-style-type: none"> International sources of supply, including from Korea, are operating well enough that there are now minimal concerns about securing sources of product from abroad. Import volumes from both Korea and other sources are close to where they were pre-COVID-19. Travel restrictions and New Zealand border restrictions have, for the most part, come to an end. Other information suggests that domestic supply constraints (i.e., New Zealand production) also no longer exist.
Demand developments in New Zealand	<ul style="list-style-type: none"> There was continued growth projected for the construction industry but the Omicron outbreak was found to be affecting the level of activity through staff shortages. These effects were expected to have eased in six months' time which would be an appropriate point to take stock of how NZ Steel has been able to respond to the increased demand for AZ coated steel, and the extent to which users will be reliant on imports. 	<ul style="list-style-type: none"> Demand has been largely driven by the demand and supply for housing, which is forecast to decrease steadily in the coming years largely due to the reduced strength of the residential sector. The COVID-19-related staff availability issues impacting on the construction industry, identified in the March 2022 Step 2 Final Report, have largely dissipated.
Other factors	<ul style="list-style-type: none"> Developments in the recently-commenced Russia-Ukraine conflict were seen to confirm the volatility and uncertainty involved in trying to assess the future evolution of prices and supplies of AZ coated steel. 	<ul style="list-style-type: none"> The Russia-Ukraine conflict is seen as another factor that has impacted users at the same time as COVID-19. It is not possible to precisely disentangle and quantify the extent of the effect of COVID-19 from other factors impacting on users in New Zealand. MBIE has undertaken a qualitative assessment of the extent that COVID-19 is continuing to impact users of AZ coated steel from Korea.

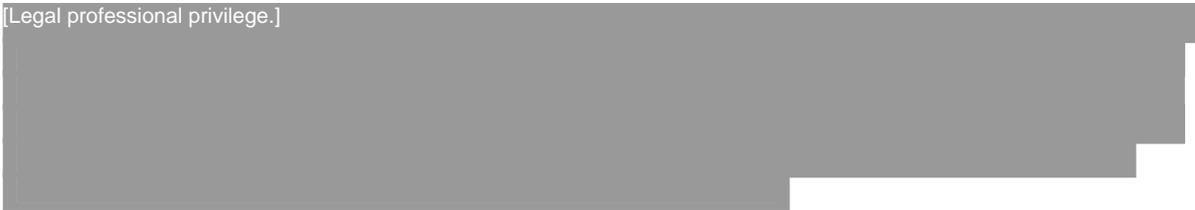
Conclusions

40. The analysis above indicates that many of the COVID-19-related disruptions and impediments and general circumstances that significantly impacted New Zealand users of AZ coated steel from Korea at the time the anti-dumping duty was suspended in March 2022 have dissipated to the extent that they are no longer of serious concern to these users. However, the analysis also indicates that users of the subject goods are still facing impacts of the pandemic, including international and domestic inflationary pressures as result of expansionary fiscal and monetary policies in response to COVID-19, labour shortages and increased wage and salary costs, high prices for AZ coated steel, elevated international freight costs and delayed shipping. While individually each of these impacts may not rise to the level of being significant in and of themselves, the cumulation of these impacts continues

to significantly affect users of the AZ coated steel from Korea and on this basis MBIE concludes that users of the subject good from Korea continue to be significantly impacted by the COVID-19 pandemic.

41. MBIE concludes that a change to the period of suspension is justified and that the period for which the imposition of the duty is suspended should be extended by three months. MBIE **recommends** that you direct it to issue a notice extending the suspension of the imposition of the anti-dumping duty for a period of three months to **31 December 2022**, under section 13B(4) of the Act.
42. If you agree to change the suspension period as recommended above, MBIE does not propose to formally reassess the need for the suspension prior to its expiry on 31 December 2022. MBIE's analysis indicates that the effects of COVID-19 on users of AZ coated steel are likely to continue to improve over the next three months such that it will be appropriate for the suspension to lapse from 1 January 2023. If information arises that warrants reconsideration of this position, however, MBIE will provide you with further advice in early December and will seek a decision from you in mid-December.

Legal Risks [in confidence - legally privileged]

43. [Legal professional privilege.]

44. [Legal professional privilege.]

45. [Legal professional privilege.]


Communications

46. There is a possibility this proceeding will attract media coverage since it involves ongoing requests from NZ Steel for protection against dumped imports at a time of shortages and increased costs for building materials, and some downstream industries have been actively involved in this investigation.
47. At the end of the original anti-dumping investigation, you determined it was in the public interest to impose the duties at the rates determined, having considered that the cost to consumers and downstream industries of imposing the duty did not materially outweigh the benefits to the domestic industry of doing so. The Step 2 Final Report (and Briefing 2122-

⁴ For example in the public interest test where "downstream industries" and "consumers" are both defined and limited in scope

2975) noted that the likely impact of imposing the duty on the cost of an end product, such as a whole house, would effectively be immaterial.

48. This is the first time that a change in the period of a suspension of the imposition of anti-dumping duty has been addressed, and given the connection with COVID-19, it could attract media attention.
49. Reactive media lines are attached as **Annex 2**.

Next steps

50. MBIE is available to brief you further on any questions you may have with regard to the matters addressed in this briefing.
51. Your decision must be made and notified by 30 September 2022 but it is preferable that you make your decision by 28 September 2022 in order to allow time for notification and other administrative steps.
52. Following your decision:
 - MBIE will arrange the publication of a notice in the *New Zealand Gazette* as soon as possible, and provide notice to the parties.
 - MBIE will inform the Ministry of Foreign Affairs and Trade and Customs New Zealand, of your determination.
 - If you agree to MBIE doing so, we will proactively release this briefing with appropriate redactions.

Annexes

Annex 1: Gazette Notice

Annex 2: Communication material

Annex 1: Gazette Notice

Notice of change of the period of suspension of the imposition of anti-dumping duty on aluminium-zinc coated steel from the Republic of Korea

Pursuant to section 13B(4)(b) of the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act), I hereby give notice that I have changed the period of suspension of the imposition of anti-dumping duty, as notified in the Notice of Determinations in Step 2 Dumping Investigation into Aluminium-Zinc Coated Steel from Korea dated 28 March 2022 and published in the *Gazette* of 1 April 2022 (Notice No. 2022-In1228).

The change in the period of suspension of the imposition of the anti-dumping duty is to extend the suspension until 31 December 2022. I consider that users of the subject goods which are described in Schedule 1, and which are subject to an anti-dumping duty at the rates set out in Schedule 2, continue to be significantly impacted by an emergency, namely the effects of the COVID-19 pandemic.

SCHEDULE 1

GOODS SUBJECT TO INVESTIGATION

Country of Origin

Republic of Korea

Description of Goods

The subject goods that this notice applies to are described as:

Flat rolled iron and steel products (whether or not containing alloys), plated or coated with principally aluminium-zinc alloys (but the plating or coating may contain other alloys), not painted, and whether or not including resin coating or other surface treatment.

The subject goods EXCLUDE:

- Painted goods
- Goods for which there is no aluminium in the coating
- Goods for which there is no zinc in the coating (e.g. aluminised steel)
- Goods with coatings where zinc is the predominant or only element, whether or not aluminium is included, and whether electrolytically coated or hot dipped
- Goods with coatings which include magnesium alloyed with aluminium and zinc
- Goods for which there is no coating at all
- Goods of a thickness of 2mm or more.

Notes

The goods are currently classified under tariff headings 7210.61, which covers flat-rolled products of non-alloy steel plated or coated with aluminium-zinc alloys, of width of 600mm or more; 7212.50 which covers flat-rolled products of non-alloy steel, otherwise plated or coated, not exceeding 600mm in width; and 7225.99 and 7226.99 which cover flat-rolled products of other alloy steel, and

potentially of coatings of aluminium-zinc alloys. These classifications are provided for convenience and Customs purposes only, the written description being dispositive.

SCHEDULE 2

RATE OF ANTI-DUMPING DUTY

The rates of anti-dumping duty imposed on the subject goods imported or intended to be imported into New Zealand from the Republic of Korea shall be the rates listed below, calculated as a percentage of the declared New Zealand Customs value for duty of the subject goods.

Korean Manufacturer	<i>Ad valorem</i> duty rate
Dongkuk Steel Mill Co (Dongkuk)	2.5%
KG Dongbu Steel Co Ltd (KG Dongbu)	12.6%
Other	2.5%

Dated at Wellington this 28th day of **September 2022**.



Hon Dr David Clark, Minister of Commerce and Consumer Affairs.

Annex 2: Communications Material

Background

Review of suspension of anti-dumping duty on AZ coated steel

- In March 2022, I determined that it was in the public interest to impose anti-dumping duty on imports of AZ coated steel from Korea that were being dumped and causing injury to the domestic industry. I imposed the duty at rates I had previously determined, but then immediately suspended it for a period of six months until 30 September 2022. The suspension was because I considered users of AZ coated steel from Korea were being significantly impacted by an emergency, namely the COVID-19 pandemic.
- MBIE has provided me with advice as to whether to change the period of the suspension or let it lapse, in which case the anti-dumping duty would be imposed from 1 October 2022. In preparing this advice, MBIE consulted interested and affected parties and took account of their submissions, as appropriate. MBIE's advice considered whether or not the current circumstances continue to justify the suspension of the imposition of the duty and, if so, for what period.
- I am considering MBIE's advice and when I have made my decision it will be notified in the *New Zealand Gazette*.

Basis for suspension and review

- Section 13B(3) of the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act) provides that if I consider users of goods subject to an anti-dumping duty have been significantly impacted by a natural disaster or emergency, I may, by notice, suspend the imposition of the duty. In March 2022, I suspended the anti-dumping duty on AZ coated steel from Korea under this provision until 30 September 2022, on the basis that users of the goods were significantly impacted by an emergency, namely the COVID-19 pandemic.
- Section 13B(4) of the Act provides that if I suspend the imposition of a duty I must specify in a notice the period of suspension and that I may, by further notice, change it. I am now considering whether to let the current suspension period lapse after 30 September 2022 or change the suspension period.

Market study

- MBIE's investigation into dumping of AZ coated steel and the current review of the suspension of the duty are separate from the Commerce Commission's market study into the supply of building products. The market study is focused on the state of competition in the residential building supplies sector in New Zealand. It is much broader in scope than the anti-dumping investigation and the current suspension review.

Impact on prices of building products made from AZ coated steel

- At the end of the dumping investigation, in March, I determined that it was in the public interest to impose the duty on imports of AZ coated steel from Korea. I considered whether the playing field for local producers was fair and whether the public interest was best served by imposing an anti-dumping duty. The investigation into the public interest carefully considered a range of factors to assess the effect on downstream industries and consumers, including manufacturers who use AZ coated steel to produce goods used in building and construction (for example, painted AZ coated steel, roofing and cladding products, rainwater products including spouting and down pipes, kitset building, fences and garage doors), builders, roofers, distributors of various building goods (such as building supply retail chains), and the general public.

Reactive Talking Points

1. For use before your decision

- While a decision is pending, I am limited in what I can say, but more information will be provided when the outcome of the suspension review is announced.

When will the outcome of the suspension review be announced?

- I will make a decision on whether to change the period of the suspension or let it lapse by the end of September 2022.

Won't this put further pressure on AZ coated steel at a time when building supplies are in short supply?

- If I decide to let the suspension lapse, the duty will apply from 1 October 2022.
- Any action taken as part of a trade remedy investigation is aimed at protecting producers against unfair pricing practices.

What is the relationship between this process and the Commerce Commission's market study into building supplies?

- The two processes are separate. The anti-dumping investigation focused first on whether importers from Korea were dumping goods on the New Zealand market, resulting in harm to the local industry, then on whether imposing anti-dumping duty was in the public interest. The investigation ended in March 2022 with my decision to impose a duty on AZ coated steel imports from Korea. The key question in the current review of the suspension of the duty is whether users of the goods (who are mostly manufacturers of building materials using AZ coated steel as an input) are significantly impacted by the COVID-19 pandemic. The market study is focused on the state of competition in the residential building supplies sector in New Zealand and is much broader in scope.

2. For use after your decision⁵

- I have considered MBIE's advice and have decided to change the period of suspension of the anti-dumping duty on imports of AZ coated steel from Korea so that it will expire on 31 December 2022.
- MBIE's advice indicated the effects of COVID-19 on users of AZ coated steel are likely to continue to improve over the next three months such that it will be appropriate for the suspension to lapse after 31 December 2022. This would mean the duty would be imposed from 1 January 2023.
- If information arises that warrants reconsideration of this position, MBIE will provide me with further advice. Any further decision I might make on these matters will be notified in the *New Zealand Gazette*.

What did the dumping investigation find?

- The investigation into dumping of imports of AZ coated steel from Korea found that dumped imports from Korean suppliers were causing harm to the New Zealand industry. At the end of step 1 of the investigation in December 2021, as required by law, I determined rates of anti-dumping duty to address this injury to the New Zealand industry. In March 2022, I found that it was in the public interest to impose anti-dumping duty at the rates determined. However, because users of the goods have been significantly impacted by the COVID-19 pandemic,

⁵If you make a different decision to MBIE's recommendations, MBIE will provide you with a separate set of reactive material.

including its effect on prices and supplies of AZ coated steel, I decided to suspend imposition of the anti-dumping duty for six months.

What did the suspension review find?

- MBIE's advice was that users of AZ coated steel from Korea are still significantly impacted by an emergency, namely the impact of COVID-19 and the circumstances continue to justify the suspension on the duty until 31 December 2022.
- MBIE advice was that many of the COVID-19-related disruptions and impediments and general circumstances that significantly impacted New Zealand users of AZ coated steel from Korea at the time the anti-dumping duty was suspended in March 2022 have dissipated to the extent that they are no longer of serious concern to these users.
- However, users of AZ coated steel from Korea are still facing impacts of the pandemic, including inflationary pressures as a result of expansionary fiscal and monetary policies in response to COVID-19, labour shortages and increased wage and salary costs, high prices for AZ coated steel, elevated international freight costs and delayed shipping.
- While individually each of these impacts may not be significant in and of themselves, the cumulation of these impacts continues to materially affect users of the AZ coated steel from Korea and on this basis MBIE concluded that users of the subject good from Korea continue to be significantly impacted by the COVID-19 pandemic.

3. Trade remedies (for general use)

- New Zealand supports open markets and free trade. Trade remedies have an important role to play in protecting producers against unfair pricing practices, and we take applications from any New Zealand producer seriously.
- Trade remedy investigations strictly follow due process based on New Zealand law and our World Trade Organisation obligations.
- New Zealand's trade remedies regime is an important safety net for our domestic producers. The regime is aimed at ensuring New Zealand industries are not injured by unfair trade by another country's exporters.
- Provisional anti-dumping duties can be applied part way into an investigation to prevent material injury to the domestic industry during the period of an investigation.
- Final anti-dumping duties can only be imposed following an investigation if it concludes that:
 - goods are being dumped and are causing material injury to the domestic industry; and
 - doing so is in the public interest.
- Trade remedy investigations follow an independent process determined by domestic legislation, and this is consistent with our obligations as a member of the World Trade Organisation.
- Investigations, including determinations on whether dumping is causing injury to a domestic industry and whether imposing anti-dumping duties is in the public interest, must normally be concluded within 270 days of initiation, unless there are extenuating circumstances.