



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

**TRADE AND
INTERNATIONAL**



Provisional Measures Report

DUMPING INVESTIGATION

Galvanised Wire from China and Indonesia

Trade (Anti-dumping and Countervailing Duties) Act 1988

August 2020

MBIE/AD/I/2020/002

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Abbreviations and Acronyms

This report contains the following abbreviations and acronyms:

Acronym	Meaning
Act, the	The <i>Trade (Anti-dumping and Countervailing Duties) Act 1988</i>
AD Agreement, the	The WTO Agreement on Implementation of Article VI of the GATT 1994 (the Anti-Dumping Agreement)
ASEAN	Association of South-East Asian Nations
China	People's Republic of China
CIF	Cost, Insurance, Freight
Customs	New Zealand Customs Service
EBIT	Earnings Before Interest and Taxes
FIS	Free into store
FY	Financial year
GATT 1994	General Agreement on Tariffs and Trade 1994
MBIE	Ministry of Business, Innovation and Employment
mm	Millimetre
MT	Metric ton (tonne)
NZ	New Zealand
NZD	New Zealand dollar
Pacific Steel	Pacific Steel (NZ) Limited
POI(D)	Period of investigation (dumping)
POI(I)	Period of investigation (injury)
PVC	Polyvinyl chloride
ROI	Return on investment
SIMA	Canadian Special Import Measures Act 1985
Stats NZ	Statistics New Zealand
USD	United States dollar
VAT	Value added tax
VFD	Value for duty
WTO	World Trade Organisation

EXECUTIVE SUMMARY

MBIE has reviewed the level and effect of dumping of galvanised wire from China and Indonesia, and has concluded that provisional measures on dumped imports from China are necessary to prevent material injury during the remaining period of investigation.

This report provides the basis for the Minister of Commerce and Consumer Affairs to make a decision under section 16 of the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act) as to whether he has reasonable cause to believe, in relation to the importation or intended importation of galvanised wire into New Zealand from the People's Republic of China (China) and Indonesia, that some of the goods are dumped and by reason thereof material injury to an industry has been or is being caused, and whether the Minister is satisfied that provisional anti-dumping measures are necessary to prevent material injury being caused during the period of investigation.

On the basis of the provisional conclusions on the level of dumping, the Ministry of Business, Innovation and Employment (MBIE) considers that there is no dumping of galvanised wire from Indonesia, but there are grounds for the imposition of provisional measures on galvanised wire from China in order to prevent material injury being caused by dumped imports during the remaining period of investigation. MBIE's recommendation to the Minister reflects this conclusion.

MBIE initiated an investigation on the basis of an application from Pacific Steel, which requested that provisional measures be imposed.

On 25 May 2020 MBIE initiated an investigation under the Act into galvanised wire from China and Indonesia, following the receipt of an application for a dumping investigation from Pacific Steel (NZ) Ltd (Pacific Steel). The applicant claimed that galvanised wire from China and Indonesia is being dumped and that dumped imports are causing material injury to Pacific Steel.

Pacific Steel requested that provisional measures be imposed on the allegedly dumped imports during the remaining period of the investigation.

The subject goods are galvanised wire with coatings of zinc and zinc-aluminium.

The subject goods as identified by Pacific Steel are:

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

The goods include galvanising coatings of 100% zinc as well as coatings of zinc-aluminium in proportions of 95% zinc-5% aluminium and 90% zinc-10% aluminium.

Diameters range from 2mm to 4.50mm and include the full range of tensile strengths from low to medium to high.

MBIE has reviewed the goods covered by the investigation to ensure that there is a proper match with the goods produced by the New Zealand industry.

A number of interested parties have challenged the scope of the subject goods, and whether the domestic industry produces like goods, on the basis of the different coatings for galvanised wire.

MBIE has analysed the issues raised and is satisfied that the subject goods description properly covers the zinc and zinc-aluminium coatings that are used in trade in these goods, and that the New Zealand industry produces goods that have characteristics closely resembling the subject goods

Pacific Steel is the New Zealand industry.

MBIE is satisfied that Pacific Steel is the only New Zealand producer of galvanised wire, and therefore constitutes the New Zealand industry producing like goods to the subject goods.

The Act sets out the conditions for the imposition of provisional measures.

Under the Act the imposition of provisional measures requires that:

- at least sixty days to have passed from the initiation of the investigation
- the Minister has reasonable cause to believe that the goods are dumped
- the Minister has reasonable cause to believe that by reason of the dumping the industry is suffering material injury
- the Minister is satisfied that provisional measures are necessary to prevent material injury being caused during the remaining period of investigation.

The information used in this Report is based on the application, responses to questionnaires, Customs data and other information obtained by MBIE.

This report and its conclusions are based on information available to MBIE in the period up to and including 7 August 2020, which has allowed MBIE to assess information provided in response to questionnaires and to MBIE's requests for supplementary information and clarification from interested parties.

Information available to MBIE includes the Pacific Steel application; information received from identified importers and agents, Chinese producers, and Indonesian producers; Customs data; and other information obtained by MBIE.

Where sufficient information is not available, the export price or normal value can be determined on the basis of the information available that is

Section 6 of the Act provides that where the chief executive is satisfied that sufficient information has not been furnished or is not available to enable the export price or the normal value of the goods to be ascertained for the purposes of the Act, the export price or the normal value shall be such amount as is determined by the chief executive having regard to all available information. The chief executive may disregard any information considered to

considered to be reliable.

be unreliable. This reflects provisions of the WTO Agreement on the Implementation of Article VI of the GATT 1994 (the AD Agreement).

The assessment of dumping is carried out according to the Act and the AD Agreement.

The basis for determining the existence and amount of any dumping is governed by the provisions of the Act and the AD Agreement, and is guided by findings in WTO dispute settlement proceedings.

The investigation of dumping is based on information relating to a sample of Chinese producers, and the single Indonesian producer.

MBIE identified a sample of seven Chinese producers responsible for around 68 per cent of Chinese exports to New Zealand in 2019, and a single Indonesian producer.

The Indonesian producer and a related Chinese producer have cooperated fully in the investigation. The other Chinese producers have not cooperated, so the conclusions reached on dumping by these producers is based on the available information.

MBIE has assessed the alleged dumping on the basis of the information provided in the application, questionnaire responses, Customs data and other information available to or identified by MBIE.

Only one Chinese producer and the Indonesian producer (which are related companies) provided meaningful questionnaire responses, allowing export prices and normal values to be established for these producers.

In the absence of meaningful questionnaire responses from the other Chinese producers, export prices were established on the basis of information from importers and from the cooperating Chinese producer, while normal values were established on the basis of information from the cooperating producer.

The provisional conclusion regarding the level of dumping established to this point in the investigation is that imports from China are dumped, but imports from Indonesia are not dumped.

On the basis of the analysis undertaken by MBIE, which takes into account the information available, the provisional conclusion is that there is dumping of galvanised wire from China, with varying margins of dumping for individual producers, and that imports from Indonesia are not dumped.

MBIE has assessed the volume and price effects of the dumping of galvanised wire from China, and the consequent impact on the domestic

MBIE's injury investigation has examined the volume and price effects attributable to dumped imports of galvanised wire from China, and has assessed the consequent impact on the domestic industry in accordance with the factors identified in the Act. MBIE concludes that there have been adverse effects on Pacific Steel in relation to a number of injury factors arising from the price effects

industry. MBIE has also assessed whether factors other than the dumped goods might be injuring the domestic industry. On the basis of these assessments, MBIE has concluded that the imposition of provisional measures is necessary to prevent material injury being caused during the remaining period of investigation.

On the basis of its conclusions regarding dumping and injury, MBIE recommends that the Minister direct the imposition of provisional measures at the level of the margins of dumping provisionally established for Chinese producers.

The next stage of the investigation is the release, by 21 October 2020, of the advice on the essential facts and conclusions likely to form the basis for the final determination.

of dumped imports of galvanised wire from China. These injury factors include declines in sales volume and revenue, profit, productivity, and capacity utilisation and a negative effect on cash flow.

MBIE has also assessed other factors that may be injuring the domestic industry, and is satisfied that it has not attributed injury from those factors to the dumped imports.

MBIE's findings lead to the conclusion that provisional measures are necessary to prevent injury being caused to the domestic industry during the remaining period of the investigation.

In view of its findings on dumping of imports from China and the effect of those dumped imports on the domestic industry, MBIE recommends that provisional measures should be imposed on the basis of the margins of dumping established for each of the Chinese producers in the sample, with a rate for other Chinese producers calculated on the basis of the weighted average margin of dumping of the cooperating producers.

MBIE assessed whether a rate of duty lower than the margin of dumping would be sufficient to prevent material injury, but found that on the basis of the information available the margin of dumping is less than the level of price undercutting, so duties at the level of the margin of dumping are appropriate.

The next stage of the investigation is the preparation and circulation to interested parties by 21 October 2020 of the report on the essential facts and conclusions that will likely form the basis for a Step 1 determination.

The Step 1 determination, to be made by 20 November 2020, will establish whether or not the subject goods are dumped and by reason thereof causing material injury to the industry.

1. Introduction

1.1 Purpose

1. This report provides a basis for a recommendation to the Minister on a provisional measures determination to be made under section 16 of the Act, that in relation to the importation or intended importation of goods into New Zealand, there is reasonable cause to believe that the goods are dumped and by reason thereof material injury to an industry has been or is being caused, and that provisional measures are necessary to prevent material injury being caused during the period of investigation.

1.2 Proceedings

2. On 12 February 2020 MBIE accepted a properly documented application from Pacific Steel, alleging that galvanised wire from China and Indonesia is being dumped and by reason thereof causing material injury to the New Zealand industry.
3. On 25 May 2020, the chief executive started (initiated) an investigation pursuant to section 10 of the Act, being satisfied that for the purpose of initiation the industry had provided sufficient evidence to support its application. This included evidence which suggested that:
 - Galvanised wire from China and Indonesia was being dumped, and
 - Material injury to the New Zealand industry was being caused by dumped goods imported from China and Indonesia.
4. The investigation is being carried out according to the requirements of the Act and the AD Agreement, bearing in mind that section 1A of the Act describes its purpose as “to enable New Zealand to apply anti-dumping and countervailing duties in accordance with its obligations as a party to the WTO Agreement.”¹ Where the Act is silent, or its interpretation and that of the AD Agreement requires context, WTO dispute settlement findings provide guidance.
5. The investigation was initiated on 25 May 2020. The 60-day period referred to in section 16 of the Act expired on 23 July 2020. In accordance with section 10B(2) of the Act, MBIE must, within 150 days of initiation (21 October 2020), give interested parties written advice of the essential facts and conclusions that are likely to form the basis for a determination to be made by the Minister under section 10D(1). The 180-day investigation period for the completion of a Stage 1 investigation will conclude on 20 November 2020, by which time the Minister must make determinations under section 10D of the Act, including the

¹ The Agreement establishing the World Trade Organisation adopted at Marrakesh on 15 April 1994.

initiation of a Stage 2 investigation into whether or not the imposition of duties is in the public interest. The Stage 2 investigation must be completed within 90 days. The six month period referred to in the AD Agreement (because MBIE will be considering a lesser duty) will depend on when any provisional measures are applied, but if applied, for example, on 31 August 2020, then provisional measures could be applied only until the end of February 2021, while the full investigation covering both Stage 1 and Stage 2 has a target completion date of 12 March 2021.

6. Questionnaires were sent to importers and manufacturers. Article 7 of the AD Agreement provides for interested parties to have the opportunity to provide information and comments before the imposition of provisional measures, if any.

1.3 Grounds for the Application

7. Pacific Steel claimed that the alleged dumping of galvanised wire from China and Indonesia is causing the company material injury through:

- import volume effects
- price undercutting
- price depression
- price suppression

resulting principally in injury in relation to:

- output and sales
- market share
- profits
- productivity
- return on investments
- use of production capacity
- other adverse effects, including cash flow, employment and wages, growth, ability to raise capital, and investments, and the impact of the margin of dumping.

1.4 Provisional Measures

8. In its application, Pacific Steel noted that provisional duties can be applied at any time from 60 days after an investigation is initiated, provided there is reasonable cause to believe that the goods are dumped and causing or threatening to cause material injury, and provided such action is necessary to prevent material injury being caused during the remainder of the investigation. Pacific Steel considered that this circumstance applies to the New Zealand industry, now, and requested that provisional measures be imposed.
9. Pacific Steel pointed out that while the application of provisional measures is permitted only after 60 days from initiation, that reflects only what is permitted, and does not engage the matter of when validly justified provisional duties ought to be applied. Pacific Steel stated that in its view it was counter to the purpose of provisional measures for day 60 to

be viewed principally, or only, as an enabling date. MBIE understands this to mean that Pacific Steel considers that provisional measures can be applied at any time after 60 days, and that the position at that point should not prevent the imposition of provisional measures at any time after that point, should the conditions be met.

10. In its submission of 22 July 2020, Pacific Steel noted that its view was that the provisional measures decision, while it can be made by 25 July 2020, “ought to have been made some months ago.” MBIE notes that any Ministerial decision regarding the imposition of provisional measures needs to be based on an adequate and reasoned assessment of the information available, which requires that all interested parties to the investigation be provided with an adequate opportunity to submit relevant information. Any such decision could not be made before the initiation of an investigation, nor could it be based solely on information provided by the applicant.
11. MBIE agrees that the 60 day period simply marks the earliest point at which provisional measures can be applied, and that they can be applied (or removed) at any time during the remaining period of investigation if information obtained during the investigation confirms that the necessary conditions have been met, or that those conditions no longer apply.
12. This Provisional Measures Report (Report) is based on information available to MBIE up to 7 August 2020. This takes account of the dates by which interested parties have been required to provide information in response to questionnaires and other requests for information, and in particular takes into account requests for extensions of time as a result of COVID-19-related issues and for other reasons.
13. Where sufficient information has not been furnished, or is not available to enable MBIE to ascertain the amount of the dumping, the available information considered to be reliable has provided the basis for a determination of the amount of the dumping to be taken into account in considering whether or not provisional measures should be imposed. In terms of the AD Agreement, conclusions have been drawn on the basis of the best information available. To the extent that subsequently available information might indicate that different conclusions should be drawn, then MBIE will need to address that situation.

New Zealand Legislation

14. Section 16(1) of the Act provides as follows:

If, at any time after 60 days from the date on which an investigation has been initiated by the chief executive under section 10A (not being an investigation that has been terminated under section 11),—

(a) the Minister has reasonable cause to believe, in relation to the importation or intended importation of goods into New Zealand, that—

(i) the goods are being dumped or subsidised; and

(ii) by reason thereof material injury to an industry has been or is being caused or is threatened or the establishment of an industry has been or is being materially retarded; and

(b) the Minister is satisfied that action under this section is necessary to prevent material injury being caused during the period of investigation,—

the Minister may, by notice, give a provisional direction that payment of duty in respect of the goods shall be secured in accordance with sections 240 and 241 of the Customs and Excise Act 2018, except that the rate or amount of duty to be secured shall not exceed the difference between the export price of the goods and their normal value, or the amount of the subsidy, as the case may be.

WTO Anti-Dumping Agreement

15. Provisional measures are covered in Article 7 of the AD Agreement, which provides:

7.1 Provisional measures may be applied only if:

- (i) an investigation has been initiated in accordance with the provisions of Article 5, a public notice has been given to that effect and interested parties have been given adequate opportunities to submit information and make comments;*
- (ii) a preliminary affirmative determination has been made of dumping and consequent injury to a domestic industry; and*
- (iii) the authorities concerned judge such measures necessary to prevent injury being caused during the investigation.*

...

7.3 Provisional measures shall not be applied sooner than 60 days from the date of initiation of the investigation.

7.4 The application of provisional measures shall be limited to as short a period as possible, not exceeding four months or, on decision of the authorities concerned, upon request by exporters representing a significant percentage of the trade involved, to a period not exceeding six months. When authorities, in the course of an investigation, examine whether a duty lower than the margin of dumping would be sufficient to remove injury, these periods may be six and nine months respectively.

7.5 The relevant provisions of Article 9 shall be followed in the application of provisional measures.

16. Article 12.2.1 of the AD Agreement provides:

A public notice of the imposition of provisional measures shall set forth, or otherwise make available through a separate report, sufficiently detailed determinations on dumping and injury and shall refer to the matters of fact and law which have led to arguments being accepted or rejected. Such a notice or report shall, due regard being paid to the requirement for the protection of confidential information, contain in particular:

- (i) the names of the suppliers or, when this is impracticable, the supplying countries involved;*
- (ii) a description of the product which is sufficient for customs purposes;*
- (iii) the margins of dumping established and a full explanation of the reasons for the methodology used in the establishment and comparison of the export price and the normal value under Article 2;*
- (iv) considerations relevant to the injury determination as set out in Article 3;*
- (v) the main reasons leading to the determination.*

Summary of Legal Requirements

17. Under the Act the imposition of provisional measures requires that:

- at least 60 days have passed from the initiation of the investigation
 - the Minister has reasonable cause to believe that the goods are dumped
 - the Minister has reasonable cause to believe that by reason of the dumping the industry is suffering or is threatened with material injury
 - the Minister is satisfied that provisional measures are necessary to prevent material injury being caused during the remaining period of investigation.
18. The AD Agreement includes additional requirements relating to the period of application.

Availability of Information

19. Section 6 of the Act provides as follows:
- (1) Where the chief executive is satisfied that sufficient information has not been furnished or is not available to enable the export price of goods to be ascertained under section 4, or the normal value of the goods to be ascertained under section 5, the normal value or export price, as the case may be, shall be such amount as is determined by the chief executive having regard to all available information.*
- (2) For the purposes of subsection (1) the chief executive may disregard any information that the chief executive considers to be unreliable.*
20. Article 6.8 of the AD Agreement provides as follows:
- In cases in which any interested party refuses access to, or otherwise does not provide necessary information within a reasonable period or significantly impedes the investigation, preliminary and final determinations, affirmative or negative, may be made on the basis of the facts available. The Provisions of Annex II shall be observed in the application of this paragraph.*
21. Annex II to the AD Agreement sets out procedures to be followed regarding the request for and provision of information from interested parties. Paragraph 7 of Annex II provides:
- If the authorities have to base their findings, including those with respect to normal value, on information from a secondary source, including the information supplied in the application for the initiation of the investigation, they should do so with special circumspection. In such cases, the authorities should, where practicable, check the information from other independent sources at their disposal, such as published price lists, official import statistics and customs returns, and from the information obtained from other interested parties during the investigation. It is clear, however, that if an interested party does not cooperate and thus relevant information is being withheld from the authorities, this situation could lead to a result which is less favourable to the party than if the party did cooperate.*
22. Information relating to those parties who have not provided information is based on the facts available to this point in the investigation that MBIE considers to be reliable. MBIE notes that while there has been good cooperation from New Zealand importers and the Indonesian producer and one related Chinese producer, there has been very limited or no cooperation from other Chinese producers.

23. MBIE makes available all non-confidential information via the Public File for this investigation. Any interested party is able to request both a list of the documents on this file and copies of the documents on it.

1.5 Report Details

24. In this report, unless otherwise stated, years are calendar years ending 31 December and dollar values are New Zealand dollars (NZD). Information provided by Pacific Steel included data relating to financial years (FY). In tables, column totals may differ from individual figures because of rounding. The term VFD refers to value for duty for New Zealand Customs Service (Customs) purposes, and CIF refers to Cost, Insurance, Freight as a contract term.
25. The period of investigation for dumping (POI(D)) is the year ended December 2019, while the investigation of injury (POI(I)) involves evaluation of data for the period from January 2014 to December 2019.
26. All volumes are expressed on a metric ton (MT or tonne) basis unless otherwise stated. Exports to New Zealand were mainly invoiced in United States dollars (USD), although a variety of currencies were used. The exchange rates used are those relating to specific transactions, where available, or the Customs exchange rates or the rate that MBIE considers most appropriate in the circumstances, as indicated in the text.
27. It should be noted that this Report provides a summary of the information, analysis and conclusions relevant to this particular investigation, and should not be accorded any status beyond that.

2. Subject Goods and New Zealand Industry

2.1 Subject Goods

28. The subject goods are described as:

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

29. Pacific Steel noted that the goods subject to the application are descriptively the same as the goods that were subject to previous investigations of galvanised wire from Malaysia and South Africa.

30. The scope of the description of subject goods has been questioned by an interested party, on the grounds that 'galvanised' wire means wire that is coated with zinc only.

31. MBIE has reviewed the information available relating to this issue, and notes that the relevant standard in New Zealand, AS/NZS 4534:2006 covers both zinc coating and zinc-aluminium coating, albeit with separate definitions; a number of producers in describing their goods do not make a distinction between wire coated with zinc and zinc-aluminium coated wire, although such a distinction is implied by some producers; and MBIE research indicates that while the term 'galvanised' at one time referred to coating steel only with zinc, developments in coating technology mean that it can now be used to refer to coatings of zinc when combined with other metals.

32. MBIE has concluded that while "galvanised" may have traditionally been used to refer to the application of a 100 per cent zinc coating, the development of galvanising has resulted also in the usage of the term "galvanised" for the application of coatings that are predominantly zinc but include other metals such as aluminium, and which have corrosion resistance as their main purpose. MBIE uses the term "galvanised" in this sense, and has advised interested parties to this effect.

33. As in previous investigations and reviews involving similar goods, wire that is coated with PVC is excluded from coverage.

Tariff Classification

34. The subject goods are currently subject to the following classifications in the New Zealand Customs Tariff (greyed lines are not covered by the subject goods description). Note that some statistical keys include goods that are outside the subject goods description (indicated by "Ex" – added by MBIE in the Tariff Item column in Figure 1).

Figure 1: Tariff Classification²

Tariff item	Stat Key	Unit	Description	Duty %	Pref.
72.17			Wire of iron or non-alloy steel:		
7217.10.00			– Not plated or coated, whether or not polished		
			– Plated or coated with zinc:		
7217.20.10			-- Containing by weight less than 0.6 % carbon	5	Free *See Below CA Free CPT 4 1/2019 3 1/2020 2 1/2021 1 1/2022 Free KR 1 1/2019 Free
			. . . Containing by weight less than 0.25 % carbon:		
			. . . . Fencing wire:	
			. . . . . Less than 1.6mm in diameter:	
	01H	kg	. . . . . Coils, not exceeding 50 kg	
	03D	kg	. . . . . Other	
			. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:	
Ex	05L	kg	. . . . . Coils, not exceeding 50 kg	
Ex	07G	kg	. . . . . Other	
			. . . . . 2.5 mm or more, but less than 4 mm in diameter:	
	08E	kg	. . . . . Coils, not exceeding 50 kg	
	09C	kg	. . . . . Other	
			. . . . . 4 mm or more in diameter:	
Ex	11E	kg	. . . . . Coils, not exceeding 50 kg	
Ex	13A	kg	. . . . . Other	
			. . . . Other:	
	14K	kg	. . . . . Less than 1.6 mm in diameter	
Ex	15H	kg	. . . . . 1.6 mm or more, but less than 2.5 mm in diameter	
	16F	kg	. . . . . 2.5 mm or more, but less than 3.55 mm in diameter	
	17D	kg	. . . . . 3.55 mm or more, but less than 4.5 mm in diameter	
Ex	18B	kg	. . . . . 4.5 mm or more, but less than 5.5 mm in diameter	
	19L	kg	. . . . . 5.5 mm or more in diameter	
			. . . Other:		
			. . . . Fencing wire:	
			. . . . . Less than 1.6 mm in diameter:	
	21B	kg	. . . . . Coils, not exceeding 50 kg	
	23J	kg	. . . . . Other	
			. . . . . 1.6 mm or more, but less than 2.5 mm in diameter:	
Ex	25E	kg	. . . . . Coils, not exceeding 50 kg	
Ex	27A.	kg	. . . . . Other	
			. . . . . 2.5 mm or more, but less than 4 mm in diameter:	
	28K	kg	. . . . . Coils, not exceeding 50 kg	
	29H	kg	. . . . . Other	
			. . . . . 4 mm or more in diameter:	
Ex	31K	kg	. . . . . Coils, not exceeding 50 kg	
Ex	33F	kg	. . . . . Other	

² Extract from the NZ Customs Working Tariff Document, Section XV: Base metals and articles of base metals
<https://www.customs.govt.nz/globalassets/documents/tariff-documents/working-tariff-document-2018/section-xv-1-july-2019.pdf>

			... Other:		
	34D	kg	... Less than 1.6 mm in diameter		
Ex	35B	kg	... 1.6 mm or more, but less than 2.5 mm in diameter		
	36L	kg	... 2.5 mm or more, but less than 3.55 mm in diameter		
	37J	kg	... 3.55 mm or more, but less than 4.5 mm in diameter		
Ex	39E	kg	... 4.5 mm or more in diameter		
7217.20.90			-- Other	5	Free
			... Fencing wire:		*See
			... Less than 1.6 mm in diameter:		Below
	01A	kg	... Coils, not exceeding 50 kg		CA Free
	03H	kg	... Other		CPT 4
			... 1.6 mm or more, but less than 2.5 mm in diameter:		1/2019 3
Ex	05D	kg	... Coils, not exceeding 50 kg		1/2020 2
Ex	07L	kg	... Other		1/2021 1
			... 2.5 mm or more, but less than 4 mm in diameter:		1/2022
	08J	kg	... Coils, not exceeding 50 kg		Free
	09G	kg	... Other		KR 1
			... 4 mm or more in diameter:		1/2019
Ex	11J	kg	... Coils, not exceeding 50 kg		Free
Ex	13E	kg	... Other		
			... Other:		
	14C	kg	... Less than 1.6 mm in diameter		
Ex	15A	kg	... 1.6 mm or more, but less than 2.5 mm in diameter		
	16K	kg	... 2.5 mm or more, but less than 3.55 mm in diameter		
	17H	kg	... 3.55 mm or more, but less than 4.5 mm in diameter		
Ex	18F	kg	... 4.5 mm or more in diameter		
*Unless otherwise indicated, AAN, AU, CN, CPT, HK, KR, LLDC, MY, Pac, SG, TH, TPA and TW rates in the Preferential Tariff are Free.					

35. The duty rate applicable to China is Free under the NZ-China Free Trade Agreement, and to Indonesia is Free under the ASEAN, Australia, New Zealand Free Trade Agreement.

Imports of Subject Goods

36. In its application, Pacific Steel used trade data from TradeMap³ because data from Statistics New Zealand (Stats NZ) was affected by confidentiality requirements.
37. Stats NZ operates the International Merchandise Trade Statistics confidentiality policy, which sets out the policy for preventing disclosure of confidential information in published international trade statistics. Detailed international trade statistics are normally published without prior checking for disclosure. If an exporter and/or importer requests suppression, aggregated data that identifies individual trade transactions, can, at the discretion of the Government Statistician, be suppressed in future publicly available tables. When such a

³ TradeMap is a proprietary database of trade statistics, originally developed by the International Trade Centre UNCTAD/WTO (ITC). Data is sourced from national statistics organisations and other international sources.

request is received, Stats NZ will verify the alleged identification risk. If Stats NZ concludes that a risk of identification exists, either directly or by deduction, then it will amalgamate the relevant items with other trade transactions to prevent disclosure. There are five statistical keys that are covered by the subject goods which are currently subject to data suppression.

38. MBIE has obtained data from Customs for 2013-2019, including details of the goods subject to suppression orders, for the tariff items and statistical keys for the subject goods, with adjustments made to exclude goods whose entry line description clearly puts them outside the subject goods description. This is the data used as "Customs data" in this report, unless otherwise noted. The import levels and trends from Indonesia shown in the Customs data are similar to those shown by the Pacific Steel data, and while the trends are similar for imports from China the actual volumes of imports of the subject goods are lower than those identified by Pacific Steel. MBIE also notes that Indonesia is not the main source of New Zealand's imports of galvanised wire - that has been Australia which has contributed around half of the annual volume of imports since FY2014 (with most imports under suppressed items).
39. Further adjustments to the import data for 2019 have been made on the basis of information provided by importers which has confirmed that a number of shipments were not covered by the description of the subject goods. This has primarily reflected imports of goods outside the dimensions of the subject goods. It has also confirmed that there have been imports of the subject goods under different tariff headings. Similar adjustments have not been made to import data for earlier years, because relevant invoice information has not been available.
40. The 2019 data, adjusted as noted above, has been used to establish that imports from China and Indonesia are well above the negligibility levels noted in Article 5.8 of the AD Agreement.
41. Confidential Attachment 1 includes tables and charts to illustrate the points made above. The information is confidential because it includes data subject to data suppression by Stats NZ, and is based on entry-line data from NZ Customs and invoice information from importers and producers which is provided on a confidential basis.

2.2 Like Goods

42. In order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into injury, and having identified the subject goods, it is necessary to determine whether there are New Zealand producers of goods which are like those goods in all respects or have characteristics which closely resemble the subject goods.
43. Section 3(1) of the Act defines like goods, in relation to any goods, as:
 - a. Other goods that are like those goods in all respects; or
 - b. In the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods.

44. The scope of the subject goods is defined in section 2.1 above.
45. Pacific Steel considers that the galvanised wire products that it produces are “like goods” to the subject goods, as required under section 3(1) of the Act. Pacific Steel noted that the goods are the same as the goods in previous MBIE investigations into galvanised wire from South Africa and Malaysia in respect of method of manufacture, physical characteristics, end use and marketing and distribution channels.
46. Pacific Steel noted that there are no material differences since MBIE’s previous examination in respect to method of manufacture, physical characteristics, end use, and marketing and distribution channels.
47. The definition of like goods is also relevant to the identification of like goods to the subject goods in domestic sales in the country of export for the purposes of comparing export prices and normal values.
48. Claims have been made by interested parties that because Pacific Steel does not produce wire with a zinc only coating or a 90-10 zinc-aluminium coating, then it does not produce like goods to the subject goods. Claims were also made that Pacific Steel does not produce the full range of diameters of wire covered by the subject goods description.

MBIE Consideration

49. To determine whether the goods produced in New Zealand are like goods to the subject goods, MBIE normally considers physical characteristics, function and usage, pricing patterns, marketing and distribution, substitutability and commercial interchangeability, and any other relevant considerations, with no one of these factors being necessarily determinative.

Physical characteristics

50. Pacific Steel is New Zealand’s only producer of bright wire and galvanised wire. All galvanised wire currently produced by Pacific Steel is coated with a mix of 95 percent zinc and 5 percent aluminium. Pacific Steel produces fencing wire and manufacturing wire.
51. Pacific Steel’s website indicates that Pacific Steel produces the following 95/5 zinc-aluminium wire:
 - high tensile, diameters 1.6 to 4.0mm
 - medium tensile, diameters 2.0 to 3.15mm
 - low tensile diameters 2.0 to 5.0mm.
52. MBIE verified sales information for 2019 which showed that Pacific Steel made sales of all of these types and dimensions of galvanised wire, except for medium tensile galvanised wire greater than 2.5mm. MBIE is satisfied that Pacific Steel makes galvanised steel wire from 1.6mm to 5mm.
53. There are differences between Pacific Steel’s galvanised wire and most of the galvanised wire from China and Malaysia in respect of the coatings used, affecting the level of protection from corrosion in some cases. However, as noted above in the discussion on

subject goods, all of the coatings identified for both domestic production and imports match the physical description of galvanised wire.

Production methods and technology

54. MBIE understands that there may be some differences in production processes of galvanised wire used in different plants, but there is no significant difference in the basic production methods used by both Pacific Steel and foreign producers. MBIE has sighted illustrations of the production processes used by Pacific Steel and foreign producers to confirm this point.
55. MBIE notes that Standards such as AS/NZS 4534:2006 and AS 2423-2002 encompass both zinc and zinc-aluminium coated wire.

Function and usage

56. The New Zealand and imported galvanised wire have similar functions and uses, with the primary uses in New Zealand being fencing, the manufacture of mesh for fencing and other uses, baling, and for a variety of other manufactured goods. Differences in corrosion-resistance levels and tensile strength influence how the wire is used in practice.

Pricing Patterns

57. MBIE understands from interested party submissions that there are different price levels for 100% zinc galvanised wire, 95/5 zinc-aluminium and 90/10 zinc-aluminium wire, but that there are also price differences within coating groups, reflecting the level of coating and tensile strength.
58. MBIE has limited information on pricing by interested parties in the New Zealand market. The information available indicates that there are no significant differences in basic pricing structures of the subject goods and the goods produced by Pacific Steel, even though each party may sell at different prices.

Marketing and distribution

59. Marketing and distribution of locally-produced and imported wire is through similar channels.

Substitutability and commercial interchangeability

60. MBIE has no substantiated information to indicate that there are circumstances in which galvanised wire with different coatings than that produced by the New Zealand industry has specific applications that would exclude the use of galvanised steel wire produced in New Zealand.

Conclusions

61. Taking all of these considerations into account, MBIE has concluded that Pacific Steel produces like goods to the goods imported from China and Indonesia, in that while the goods produced by Pacific Steel may not be identical to all of the goods included in the

subject goods description, they are goods that have characteristics closely resembling the subject goods.

2.3 New Zealand Industry

62. Section 3A of the Act sets out the meaning of industry:

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.

63. MBIE is satisfied that Pacific Steel is the only New Zealand producer of galvanised wire, and is the New Zealand industry for the purposes of the investigation.

3. Interested Parties

3.1 Legal Requirements

64. Section 3(1) of the Act identifies the parties who are to be given notice under section 3E of the Act, including:

- the Government of the country of export
- exporters and importers known by the chief executive to have an interest in the goods
- the applicant in relation to the goods

65. Article 6.11 of the AD Agreement provides:

For the purposes of this Agreement, "interested parties" shall include:

- an exporter or foreign producer or the importer of a product subject to investigation, or a trade or business association a majority of the members of which are producers, exporters or importers of such product;*
- the government of the exporting Member; and*
- a producer of the like product in the importing Member or a trade and business association a majority of the members of which produce the like product in the territory of the importing Member.*

This list shall not preclude Members from allowing domestic or foreign parties other than those mentioned above to be included as interested parties.

66. Notice of initiation of the investigation was provided to the parties listed in section 3(1) of the Act.

3.2 Applicant

67. Pacific Steel is a wholly owned subsidiary of New Zealand Steel Holdings Limited whose ultimate parent company is BlueScope Steel Limited, an Australian-based company listed on the Australian Stock Exchange.

3.3 Producers

68. Chinese and Indonesian manufacturers supplying galvanised wire to New Zealand were identified from Customs data and questionnaire responses provided by importers. For the purposes of the investigation, a sample of the main Chinese producers of goods exported to New Zealand was identified. There was effectively only one Indonesian producer responsible for exports to New Zealand so establishment of a sample was not required.

69. Details of the trade volumes and trading arrangements of the Chinese and Indonesian producers subject to investigation are listed in Confidential Attachment 2. As a result of information provided by importers and producers, it was possible to identify the extent to which Customs data needed to be adjusted to exclude 2019 imports that were outside the description of the subject goods. It was also possible to exclude shipments which were effectively re-exported without substituting for domestically-produced goods.

China

70. The following is the final list of Chinese producers included in the sample investigated:

- Beijing Steels Metal Co Ltd (Beijing Steels)
- Bekaert (Qingdao) Wire Products Ltd (Bekaert Qingdao)
- Dingzhou Five Star Metal Wire Mesh Manufactory (Dingzhou Five Star)
- Hebei Longsheng Metals and Minerals Co Ltd (Hebei Longsheng)
- Hebei Metals and Minerals Import and Export Corp (Hebei Metals)
- Tianjin Bluekin Industries Ltd/Ocean King Industries Ltd (Tianjin Bluekin/Ocean King)
- Tianjin Huayuan Times Metal Products Co Ltd (Times Metal)

71. Questionnaires were sent to all companies identified as sample producers. A response was received from Bekaert Qingdao, and a minimal response was received from Beijing Steels, but no responses were received from the other producers.

Indonesia

72. Information was sought from PT Bekaert Wire Indonesia (Bekaert Indonesia), the producer supplying virtually all of New Zealand's imports from Indonesia in 2019. Detailed responses were provided to the original questionnaire and to supplementary requests for clarification and further information.

3.4 Importers

73. New Zealand-based importers were identified from Customs data, and invited to supply information which would identify suppliers in China and Indonesia and information which would assist in identifying imports of subject goods.

74. Questionnaires were sent to importers of goods from the sample producers in order to obtain and confirm information relating to import shipments, and information on the operation of the New Zealand market for the subject goods. Responses were received from eight importers, with a further three importers providing information on invoices.

3.5 Other Interested Parties

75. The governments of China and Indonesia are interested parties.

76. No other interested parties have come forward or have been identified.

4. Dumping Investigation

4.1 Dumping

77. Section 3 of the Act includes the following definitions:

***dumping**, in relation to goods, means the situation where the export price of goods imported into New Zealand or intended to be imported into New Zealand is less than the normal value of the goods as determined in accordance with the provisions of this Act, and **dumped** has a corresponding meaning.*

78. The dumping investigation determines export prices and normal values in accordance with the provisions of the Act and the AD Agreement, and makes a proper comparison between them in order to establish whether and to what extent any dumping is occurring.

79. For imports from Indonesia and from uncooperative producers in China, MBIE has made a provisional comparison of export prices to normal values on a weighted-average to weighted-average basis. This method involves comparing the weighted average export price and the weighted average normal value across the POI(D). The weighted-average to weighted-average methodology is used by MBIE when there is a large number of export transactions or where there are a large number of different model types at different prices making up the goods under investigation. Using the weighted-average to weighted-average prices, MBIE is then able to establish whether or not the goods were dumped across the POI.

80. For imports from the cooperative Chinese producer, the provisional comparison has been made on a transaction-to-transaction basis, reflecting the limited number of transactions involved and the availability of information for both export and domestic sales by the producer on a transaction-level basis.

4.2 Basis for Investigation of Dumping

81. The information available to MBIE in investigating the dumping of galvanised coil from China and Indonesia includes:

- information contained in Pacific Steel's application and subsequent submissions, and from MBIE's verification visit to Pacific Steel
- responses to importer/exporter/manufacturer questionnaires and subsequent submissions
- information from previous MBIE investigations
- information from WTO dispute findings and other documents
- information from NZ Customs
- information arising from MBIE's independent research.

82. The objective of the investigation is to establish if there is dumping, i.e. whether the export price of the goods is less than the normal value when a fair comparison is made.

Questionnaire Responses

83. MBIE sent Foreign Manufacturer Questionnaires to each of the sample manufacturers identified in section 3.4 above. Detailed responses were received from Bekaert Indonesia and Bekaert Qingdao, and a limited response from one Chinese producer.
84. Importer Questionnaires were sent to the importers of galvanised wire from the sampled manufacturers. Responses, including questionnaire responses and copies of invoices, were received from eleven importers.
85. In the absence of adequate responses from Chinese producers other than Bekaert Qingdao, the Chinese producers concerned have been regarded as uncooperative. As provided in section 6 of the Act, MBIE is satisfied that sufficient information has not been furnished by uncooperative producers or is not available to enable the normal value of goods to be ascertained under section 5, and therefore the normal value has been determined by MBIE having regard to the available information.

4.3 Export Price

86. Export prices are determined in accordance with section 4 of the Act. The export price is usually the price paid for the goods by the importer, less costs, charges and expenses incurred in preparing the goods for shipment that are additional to such costs incurred for sales for home consumption and any other costs, charges and expenses resulting from the exportation of goods or arising after their shipment.
87. The starting point for MBIE is the documentation (usually invoices) for each shipment, which shows the price paid or payable for the goods by the purchaser. MBIE requested this information from both producers and importers in its questionnaires. It also requested documentation of other costs incurred in exportation of the goods. The base price, which is the starting point for the calculation of the export price, is the transaction price paid, whether by the importer or an intermediary.
88. Adjustments are then made to take the base price back to the ex-factory level and to ensure a fair comparison with the normal value. Adjustments to calculate an ex-factory price generally cover costs such as inland freight between the factory and the port, port charges and bank charges, overseas freight and insurance (depending on the terms of sale). Most fair comparison adjustments are made to the normal value, but those relating to differences in the cost of credit and packaging are usually made to the full extent of the costs involved to both the export price and normal value.
89. In some cases where there is an intermediary company involved which acts as a facilitator of the sales and shipment of the goods, adjustments are made for the intermediary's commission or margin, and any other costs associated with the trade to ensure an ex-factory equivalent is achieved.
90. MBIE normally seeks to compare the export price with the normal value at the ex-factory level, after appropriate allowances to ensure a fair comparison. The information available

in this investigation has been reviewed to establish the basis for and extent of any adjustments that may be required.

91. MBIE has considered adjustments for the following:
- Costs to bring values back to the ex-factory level
 - Additional costs of preparation for export (section 4(1)(a)(i) of the Act)
 - Other costs resulting from exportation (section 4(1)(a)(ii) of the Act)
92. Fair comparison adjustments are also dealt with in section 4.4 below on normal values (section 5(3) of the Act), but where it is sensible to do so, adjustments have been made to export prices.

4.3.1 Export Price – China

93. For the purposes of this Provisional Measures Report, MBIE has used information provided in the questionnaire responses from Bekaert Qingdao and from importers, including invoice information. In the absence of information from other Chinese producers, MBIE has used available information to determine export prices.
94. Section 4(1) of the Act requires that the export price be based on the price paid by the importer, where it is an arm's length transaction. Section 3(2) of the Act sets out the basis for when a purchase or sale of goods shall not be treated as an arm's length transaction.

Bekaert Qingdao

Base prices

95. Details of export shipments to New Zealand from Bekaert Qingdao were provided by the company in its questionnaire responses and in its replies to MBIE's requests for clarification and supplementary information, and confirmed from invoice information provided by importers and from Customs data.
96. A significant proportion of the goods shipped were not subject goods because their diameters were outside the range of the subject goods. These shipments have been excluded from the calculation of export prices.
97. MBIE notes that Bridon NZ is an associated company of Bekaert Qingdao. In 2019 there was one shipment to Bridon NZ involving two transactions. MBIE has reached a provisional conclusion that sales to PT Bridon should be treated as not being at arm's length and since the goods are not subsequently sold by the importer the provisions of sections 4(1)(b) and (c) of the Act do not apply. Sales to Bridon NZ have not been included in the determination of export prices.
98. The remaining product-level transactions, numbering only five, provide the basis for establishing export prices.
99. MBIE has accepted that the prices set out in export invoices to the New Zealand customer over the period of review are the base prices for the calculation of ex-factory export prices to New Zealand.

Adjustments to base prices**Freight and insurance**

100. All sales to New Zealand customers were on a CIF basis. The information regarding export transactions provided by Bekaert Qingdao included details of freight costs, which included internal freight to the port, as well as port handling and documentation charges. MBIE has deducted these costs from the base prices

Handling, packing, loading and ancillary expenses

101. As noted above, these charges were included in the freight costs provided in the information submitted by Bekaert Qingdao. Packaging costs have been addressed below.

Other costs resulting from exportation*Commission*

102. Bekaert Qingdao's sales to New Zealand are made through an agent. A deduction from the sales price has been made for the applicable rate of commission.

Other costs and charges

103. Bekaert Qingdao advised that it did not provide any direct or indirect reimbursement to customers covering sales promotion, advertising or warranty charges. This has been confirmed from information provided by importers

Other adjustments

104. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a fair comparison with normal values at the ex-factory level.

Cost of credit

105. Costs of credit arise from the particular terms and conditions of sale relating to each transaction. Bekaert Qingdao provided details of the payment terms applicable to each transaction, and this has been confirmed from MBIE's examination of invoices. Information on relevant interest rates was provided in the Financial Statement included in Bekaert Qingdao's Questionnaire response and has been used to establish amounts for credit costs for each transaction.

Value Added Tax

106. There is no value-added-tax (VAT) on export sales but wire sold on the Chinese domestic market was subject to output VAT at 16 per cent for January-March 2019, and 13 per cent for April-December 2019. Deductible input VAT was, however, payable on inputs to manufacturing at 10 per cent over the whole period. This means that there was residual input VAT of 6 per cent for January-March 2019, and 3 per cent for April-December 2019. These amounts have been confirmed from the transaction-level information provided by Bekaert Qingdao.

107. MBIE has made a deduction to export prices for the VAT paid but not rebated to ensure a fair comparison with Chinese domestic VAT-exclusive sales prices.

Packaging Costs

108. Wire is generally shipped in coils, with packaging costs made up of raw materials, such as plastic for wrapping, and metal strips; direct labour, and other packaging materials. MBIE has analysed Bekaert Qingdao's packaging costs for the categories of goods exported to New Zealand for both exports and domestic sales in 2019. The overall average indicates that packing costs for exports were lower than for domestic sales. However, in order to ensure that provision for packaging is consistent across both export and domestic sales, MBIE has deducted all packaging costs from export sales, and will do the same for domestic sales.

Calculation of export prices – Bekaert Qingdao

109. Taking the base prices, adjusted as described above, MBIE has established export prices for each of the five product-level transactions of subject goods exported to New Zealand by Bekaert Qingdao during 2019. The relevant amounts are set out in Confidential Attachment 3.

Other Chinese Producers

110. The Chinese producers selected for the sample who have not cooperated in the investigation include Dingzhou Five-Star, Hebei Longsheng, Hebei Metals, Tianjin Bluekin/Ocean King, and Times Metal. Beijing Steels provided a minimal response to the Foreign Manufacturer Questionnaire but did not provide further information when requested to do so.
111. The available information used to establish export prices for imports from these producers has been obtained from invoices provided by importers, Customs data, information provided by the cooperating producer, and MBIE's research.

Base prices

112. MBIE has accepted that the prices on invoices to the New Zealand customers over the period of review are the base prices for the calculation of ex-factory export prices to New Zealand for the other Chinese producers.
113. MBIE has checked invoice information against Customs data to confirm the volumes and values of the relevant transactions covering the subject goods.

Adjustments to base prices

Freight and insurance

Overseas freight

114. Where costs for overseas freight and insurance have been available from invoices, this information has been used to identify adjustments for this item. Where information for CIF sales was not available from invoices, estimates of the appropriate amounts have been

used, based on Customs data showing the difference between CIF and VFD values, and information from invoices from other suppliers.

Marine insurance

115. Amounts for insurance are based on invoice information identifying an actual insurance payment and taking the percentage of the FOB price as the basis for other producers.

Inland freight

116. Information from the cooperating producer cannot be used for identifying amounts for inland freight, because the amounts are included in overall freight costs, and in any event are very small because the plant is very close to the port. This is not the case for the other producers. In the absence of any other reliable information, MBIE has used the information provided in the application regarding costs for inland freight.

Handling, packing, loading and ancillary expenses

Packaging

117. The weighted average packaging costs for export sales of subject goods by the cooperating producer have been applied to the other producers. Adjustments for packaging costs have been made in both the export price and normal value calculations in order to ensure that any differences are appropriately accounted for.

Other costs

118. Amounts for handling, loading and ancillary expenses were not separately identified by the cooperating producer. In the absence of any other reliable information, MBIE has used the information provided in the application regarding handling, loading and ancillary charges.

Other costs resulting from exportation

119. Information from importers indicates that there are no other costs or charges, including any direct or indirect reimbursement to customers covering sales promotion, advertising or warranty charges.

Other adjustments

120. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a comparison at the ex-factory level.

Cost of credit

121. Costs of credit arise from the particular terms and conditions of sale relating to each transaction. The terms of sale were established from invoice information and the cost of

credit calculated on the basis of the credit period provided and the indicative interest rate provided by the Prime Lending Rate for China⁴ of 4.35 per cent that applied during 2019.

Value Added Tax

122. MBIE has made a deduction to export prices for the VAT paid but not rebated to ensure a fair comparison with Chinese domestic VAT-exclusive sales prices. The rates of non-rebated VAT were 6 per cent for January-March 2019 and 3 per cent for April-December 2019.

Packaging Costs

123. Wire is generally shipped in coils, with packaging costs made up of raw materials, such as plastic for wrapping, and metal strips; direct labour, and other packaging materials. In the absence of information from the other Chinese producers, MBIE has used information from the cooperating producer as the basis for an adjustment. In order to ensure that provision for packaging is consistent across both export and domestic sales, MBIE has deducted all packaging costs from export sales, and will do the same for domestic sales.

Calculation of export price

124. Taking the base prices, adjusted as described above, MBIE has established export prices for subject goods exported by each of the other Chinese producers in 2019. The relevant amounts are set out in Confidential Attachment 4.

4.3.2 Export Price – Indonesia

125. Customs data confirmed that Bekaert Indonesia was effectively the only supplier from Indonesia. A very small quantity of imports came from another supplier in 2019, and while yet another company was identified as a supplier, the goods were in fact supplied by Bekaert Indonesia and did not enter the New Zealand market. Accordingly, MBIE has based the investigation of the imports of subject goods from Indonesia on Bekaert Indonesia.
126. For the purposes of establishing export prices from Indonesia, MBIE has used information provided in questionnaire responses from Bekaert Indonesia and from importers.

Base prices

127. Details of export shipments to New Zealand from Bekaert Indonesia were provided by the company in its Questionnaire responses, and confirmed from invoice information provided by importers and from Customs data.

⁴ From <https://tradingeconomics.com/china/lending-rate>, the Prime Lending Rate is the weighted average rate quoted by three major banks on loans; the weights are the shares of each bank in the volume of loans.

128. A proportion of the goods shipped were not subject goods because their diameters were outside the range of the subject goods, or they were PVC⁵ coated wire or armouring wire. These shipments have been excluded from the calculation of export prices.
129. Section 4(1) of the Act requires that the export price is to be based on the price paid by the importer, where it is an arm's length transaction. Section 3(2) of the Act sets out the basis for when a purchase or sale of goods shall not be treated as an arm's length transaction.
130. MBIE notes that Bridon NZ is an associated company of Bekaert Indonesia, but there were no sales to Bridon NZ in 2019.
131. The remaining product-level transactions provide the basis for establishing export prices.
132. MBIE has accepted that the invoice prices on export invoices to the New Zealand customer over the period of review are the base prices for the calculation of ex-factory export prices to New Zealand.

Adjustments to base prices

Freight and insurance

133. Relevant export transactions in 2019, included both FOB and CIF deliveries, and freight information provided by Bekaert Indonesia covered overseas freight and insurance, inland transport, and charges associated with exportation. In order to establish a provisional basis for considering freight costs, MBIE has assessed the freight charges identified by Bekaert Indonesia for individual transactions for both overseas freight and for internal freight and port handling and other costs.
134. MBIE is satisfied that the information provided regarding freight costs per transaction can be used as adjustments to export prices for those transactions.

Handling, packing, loading and ancillary expenses

135. The information provided by Bekaert Indonesia identified packing costs, but did not provide separate information on other expenses related to the exportation of the goods, which are included in freight costs as described above. Packaging costs have been addressed below.

⁵ PVC – poly vinyl chloride, a synthetic plastic polymer, used here for coating wire.

Other costs resulting from exportation*Commission*

136. An adjustment has been made to cover the commission paid to Bekaert Indonesia's agent on each shipment to New Zealand. Bekaert Indonesia provided information on the contractual arrangements for commissions.

Other costs and charges

137. Bekaert Indonesia has not identified any further costs or charges arising from exportation, and information from importers confirms that there are no discounts or direct or indirect reimbursements to cover sales promotion, advertising rebates and the like.

Other adjustments

138. In addition to the adjustments provided for in section 4(1)(a) of the Act, a number of other adjustments can be made to export prices under section 5(3) of the Act in order to ensure a fair comparison with normal values at the ex-factory level.

Cost of Credit

139. Costs of credit arise from the particular terms and conditions of sale relating to each transaction. Bekaert Indonesia provided details of the payment terms applicable to each transaction, and this has been confirmed from MBIE's examination of invoices. Bekaert Indonesia provided information on relevant interest rates for each month in 2019, and these rates have been used to establish amounts for credit costs for each transaction.

Packaging costs

140. Shipments of wire can be unwrapped, or plastic-wrapped with or without additional hardboard or timber support. MBIE has analysed the packaging identified in export and domestic invoices provided by Bekaert Indonesia, and notes that while most exports and a major proportion of domestic sales are wrapped with or without timber, a significantly higher proportion of domestic sales are made unwrapped and loose. MBIE concludes that overall it can be assumed that export sales have higher packaging costs, so in order to ensure that differences in packaging costs are taken into account, adjustments have been made to both export prices and normal values by deducting all packaging costs.
141. MBIE has identified packaging costs from the information provided by Bekaert Indonesia and has accepted the information provided as an appropriate basis for a deduction for packaging costs.

Export Price calculations

142. In calculating ex-factory export prices for Bekaert Indonesia, MBIE deducted the above costs from the values for each of the shipments to New Zealand over the POI. Details of these calculations are set out in Confidential Attachment 5.
143. For the purposes of this Provisional Measures Report, MBIE has established export prices on the basis of weighted averages of export transactions of the subject goods.

4.4 Normal Value

144. Normal values are determined in accordance with section 5 of the Act. The normal value is usually the price at which the galvanised wire producers sell like goods in their domestic market. The types of sales that can be used to determine normal values can generally be described as arm's length sales of like goods in the ordinary course of trade for home consumption in the country of export.
145. Footnote 2 to Article 2.2 of the AD Agreement provides that sales of the like product destined for consumption in the domestic market of the exporting country shall normally be considered a sufficient quantity for the determination of the normal value if such sales constitute 5 per cent or more of the sales of the product under consideration to the importing Member, provided that a lower ratio should be acceptable where the evidence demonstrates that domestic sales at such lower ratio are nonetheless of sufficient magnitude to provide for a proper comparison.
146. Section 5(6) of the Act provides that where sales of the like product in the domestic market of the exporting country or sales to a third country have been made for an extended period of time and in respect of a substantial quantity of like goods at prices below the cost of production plus administrative, selling and general costs they shall be deemed to be not in the ordinary course of trade. Article 2.2.1 of the AD Agreement provides that such sales may be disregarded in determining normal value only if the authorities determine that such sales are made within an extended period of time (normally one year but in no case less than six months) in substantial quantities (not less than 20 per cent of the volume sold in transactions under consideration for the determination of the normal value) and are at prices which do not provide for the recovery of all costs within a reasonable period of time. If prices which are below per unit costs at the time of sale are above weighted average per unit costs for the period of investigation, such prices shall be considered to provide for recovery of costs within a reasonable period of time.
147. As provided in section 5(3) of the Act and Article 2.4 of the AD Agreement, export prices and normal values are to be compared at the same level of trade, normally at the ex-factory level, and in respect of sales made at as nearly as possible the same time. In making the comparison, due allowance is to be made, as appropriate, for differences which affect price comparability, including differences in conditions and terms of sale, taxation, levels of trade, quantities, physical characteristics, and any other differences which are also demonstrated to affect price comparability.

4.4.1 Normal Value - China

Basis for Normal Values

148. For the purposes of this Report, MBIE has used information provided in the questionnaire response from Bekaert Qingdao and from importers, including invoice information. In the absence of information from other Chinese producers, MBIE has used available information to determine normal values.

Bekaert Qingdao

Base Prices

Like goods

149. Bekaert Qingdao provided details of all domestic sales of the subject goods. The information indicated that while there are variations in some attributes of the goods sold domestically compared with the subject goods exported to New Zealand, there is a sufficient basis to identify categories of goods with sufficient similarities to use this information for the purpose of making comparisons between export prices and normal values.
150. Goods sold domestically that are not like the subject goods have been identified and excluded from the comparison, including armouring wire, wire with a diameter below 2.00mm and above 4.50mm, and ungalvanised wire.

Sufficiency of volumes

151. On the basis of the information provided by Bekaert Qingdao, relevant domestic sales exceed export sales to New Zealand, so the volume of sales does not provide a basis for using alternative approaches to the comparison of export prices and normal values.

Ordinary course of trade

Arm's length transactions

152. Section 3(2) of the Act sets out the basis for considering whether or not a purchase or sale of goods shall not be treated as an arm's length transaction, including whether the price is influenced by a relationship between the buyer and seller. Section 3(4) of the Act sets out the basis for deeming whether or not a person shall be deemed to be related to another person.
153. With regard to domestic sales of like goods, Bekaert Qingdao has identified that it makes sales to Bekaert Jiangyin Wire, an associated company that produces ropes. The Notes to the 2019 Financial Statement included details of sales to related companies which confirmed the sales data provided in the transaction-level information. Transaction-level data also indicated some very small transactions with Bekaert Applied Material Technology. These related-party transactions have been excluded from the consideration of normal values.

Sales at a loss

154. Information provided by Bekaert Qingdao indicates that a number of domestic transactions were made at a loss. MBIE has analysed the relevant sales, and has established that sales made in 2019 for goods that were sold at a loss over the year made up significantly less than 20 per cent of the total sales under consideration. From its analysis of the information provided, MBIE is satisfied that the sales made at a loss can be included in the domestic sales under consideration.

Level of trade

155. Bekaert Indonesia noted that its domestic sales were 100 per cent to businesses. MBIE notes that while the transaction-level data does include some clients who might be traders, the volume involved is comparatively extremely small. For the purposes of establishing normal values, MBIE sees no need to make any adjustments or allowances for the level of trade of domestic customers.

Timing of sales

156. The comparison between export price and normal value is to cover sales made at as nearly as possible the same time.
157. For the purposes of a transaction-to-transaction comparison, the timing of transaction-level sales need to be identified, and suitable comparators selected.
158. The transaction data provided by Bekaert Qingdao identified the month of sale for domestic sales. MBIE has used invoice data to establish the month of exports for transactions for all Chinese exporters. MBIE has reviewed the monthly pattern of both export and import sales demonstrated by the data, and is satisfied that, while recognising the significantly lower number of individual export transactions, the patterns of monthly sales for export and domestic sales are broadly similar.
159. MBIE's provisional conclusion is that there is no need to make any particular adjustments or arrangements to ensure that prices are compared for sales at as nearly as possible the same time.

Sales Prices

160. Bekaert Qingdao provided detailed information on domestic sales transactions, together with samples of invoices. MBIE has used this information as establishing the base prices for calculating normal values for individual transactions, and also as the basis for establishing normal values to be applied to non-cooperating producers.

Adjustments**Level of Trade**

161. For the reasons outlined above, both export and domestic transactions being compared were effectively to manufacturers and not to resellers, so no adjustments are necessary to the base prices used. Further adjustments to the transaction values used as base prices in order to ensure that the comparison is at the ex-factory level are addressed below.

Sales at the same time

162. As noted above, sales in the POI(D) were broadly similar in terms of timing, so no adjustments or accommodations are necessary.

Terms and conditions of sale

163. Bekaert Qingdao provided information on its order processing procedure, general terms of sale, information on payment and credit terms, and delivery charges. Bekaert Qingdao

advised that it did not provide any direct or indirect reimbursement to customers, or any consideration other than price. Bekaert Qingdao noted that it did not incur any additional sales expenses or after sales cost on the domestic market that it did not incur on export sales to New Zealand customers, and does not provide any direct or indirect reimbursement to customers.

164. MBIE's provisional conclusion is that no adjustments will be required for differences in terms and conditions of sale other than those it has identified in relation to credit terms and freight costs.

Cost of credit

165. MBIE has calculated the credit costs for each transaction, based on the payment terms reported by Bekaert Qingdao, and the applicable interest rate verified from Bekaert Qingdao's Financial Statement. The resulting figures are deducted from the base price.

Delivery terms

166. MBIE has deducted from the base price all freight costs identified in the transaction data provided by Bekaert Qingdao.

Levels of trade

167. As noted above, MBIE has limited the transactions under consideration to those at the same level of trade as export transactions, so no further adjustments are required.

Taxation

168. The individual transaction prices in the information provided by Bekaert Qingdao for domestic sales are exclusive of any taxation.

Quantities

169. MBIE has analysed the information provided by Bekaert Qingdao and information relating to imports from other Chinese producers. The analysis indicates that the average sizes of export and domestic transactions for Bekaert Qingdao were relatively close, and while the average size of export transactions by all Chinese producers was larger than the average for Bekaert Qingdao's domestic transactions, the maximum sizes were relatively close.

170. MBIE's provisional conclusion is that there is no need to make any particular adjustments or arrangements to ensure that prices are compared for sales of similar quantities.

Physical characteristics

171. Physical difference adjustments are required when differences in the physical characteristics of the goods affect price comparability. MBIE has identified the main physical attributes characterising the goods as being the coating material, coating weight, diameter, and tensile strength. The purpose of the wire in terms of its use may also be relevant, but in general will be reflected in the physical attributes. Differences between the exported subject goods and domestic sales of like goods can be attributed to different descriptions and requirements in relevant standards, and differing customer requirements depending on the use of the products.

172. For its provisional establishment for normal values to be applied to non-cooperating Chinese producers, MBIE has identified the categories of goods sold domestically by Bekaert Qingdao which have characteristics, including purpose, which are similar to the subject goods exported to New Zealand. This categorisation does not include any differences arising from the particular coatings used, but broadly reflects the uses of the wire as agricultural, baling, fencing, general use, and use in the production of mesh products. On this basis, there are no adjustments to be made for physical differences.

Other differences affecting price comparability

173. The information provided by Bekaert Indonesia did not identify any other differences affecting price comparability.

Normal Value calculations

174. In calculating ex-factory normal values for domestic sales, MBIE made the adjustments outlined above to the transaction-level price information provided by Bekaert Qingdao. Details of these calculations are set out in the Confidential Attachment 3.
175. The transaction-level normal values established for specific goods and transactions that are most similar to the transactions for subject goods exported by Bekaert Qingdao have been used as the basis for establishing dumping margins on a transaction-to-transaction basis. For the purposes of establishing a level of duty for provisional measures to be applied to Bekaert Qingdao, the weighted average of the dumping margins established on a transaction-to-transaction basis has been used.

Other Chinese producers

176. In the absence of information from uncooperative producers on their domestic sales, MBIE has established normal values on the basis of information available. The best information available is the information provided by the cooperating producer.
177. The normal value to be used in the comparison with export prices for uncooperative Chinese producers is the weighted average of the normal values calculated for the goods as a whole by the type of coating (zinc or zinc-aluminium), for goods sold by the cooperating producer on the domestic market. Details are set out in Confidential Attachment 4.
178. For the purposes of establishing a level of dumping as the basis for provisional measures for each of the other Chinese producers, a weighted average of the dumping margins established for each coating type has been used.

4.4.2 Normal Value – Indonesia

179. MBIE's determination of normal values for imports of subject goods from Indonesia has used information provided in questionnaire responses from Bekaert Indonesia and from importers.

Base Prices**Like goods**

180. Bekaert Indonesia provided details of all domestic sales of the subject goods. The information indicated that while there are variations in some attributes of the goods sold domestically compared with the subject goods exported to New Zealand, there is a sufficient basis to identify categories of goods with sufficient similarities to use this information for the purpose of making comparisons between export prices and normal values.
181. Goods sold domestically that are not like the subject goods have been identified and excluded from the comparison, including armouring wire, wire with a diameter below 2.00mm and above 4.50mm, and non-galvanised wire.

Sufficiency of volumes

182. On the basis of the information provided by Bekaert Indonesia, relevant domestic sales exceed export sales to New Zealand, so the volume of sales does not provide a basis for using alternative approaches to the comparison of export prices and normal values.

Ordinary course of trade*Arm's length transactions*

183. Section 3(2) of the Act sets out the basis for considering whether or not a purchase or sale of goods shall not be treated as an arm's length transaction, including whether the price is influenced by a relationship between the buyer and seller. Section 3(4) of the Act sets out the basis for deeming whether or not a person shall be deemed to be related to another person.
184. With regard to domestic sales of like goods, Bekaert Indonesia has identified that it makes sales to PT Bridon Indonesia, a sister company that produces ropes. The Notes to the 2019 Financial Statement included details of sales to PT Bridon which matched the sales data provided in the transaction-level information provided. MBIE notes that the specific product lines sold to PT Bridon were not sold to any other customers, and the sample of invoices did not include any invoices to PT Bridon.
185. The information provided makes it clear that PT Bridon is related to Bekaert Indonesia. In the absence of information that would allow prices to PT Bridon to be tested against prices to other customers, MBIE has reached a provisional conclusion that sales to PT Bridon should be treated as not being at arm's length, and are therefore not included in the determination of normal values.

Sales at a loss

186. Information provided by Bekaert Indonesia indicates that a number of domestic transactions were made at a loss. MBIE has analysed the relevant sales, and has established that sales made in 2019 for the goods concerned did result in the recovery of

costs for around half of such goods. The remaining such goods that were sold at a loss over the year made up less than 20 per cent of the total sales under consideration.

187. On the basis of the information provided by Bekaert Indonesia relating to its domestic sales, and MBIE's analysis of the data provided, MBIE is satisfied that the sales made at a loss can be included in the domestic sales under consideration.

Level of trade

188. Bekaert Indonesia noted that its domestic sales were 85 per cent to businesses and 15 per cent to wholesalers. The wholesaler customers were identified in the transaction data provided to MBIE and sample invoices were also provided.
189. MBIE has excluded sales to wholesalers from the domestic sales to be compared with export prices, since export sales were almost exclusively to manufacturers and the comparison is to be made at the same level of trade.

Timing of sales

190. The comparison between export price and normal value is to cover sales made at as nearly as possible the same time. The transaction data provided by Bekaert Indonesia identified the month of sale for both export and domestic sales. MBIE has reviewed the monthly pattern of sales demonstrated by the data, confirmed from invoice information, and is satisfied that the patterns of monthly sales for export and domestic sales are broadly similar. MBIE has also reviewed price trends over the period for total of export and domestic sales per month, which indicated that domestic prices were a little higher for a couple of months in the first part of the year but fell away in the final quarter as the average for domestic prices declined and export prices increased.
191. MBIE's provisional conclusion is that there is no need to make any particular adjustments or arrangements to ensure that prices are compared for sales at as nearly as possible the same time.

Sales prices

192. Bekaert Indonesia provided detailed information on domestic sales transactions, together with samples of invoices. MBIE has used this information as establishing the base prices for calculating normal values for individual transactions.

Adjustments

193. To meet the requirements of section 5(3) of the Act regarding the need to effect a fair comparison between the normal value and export price, a number of adjustments are required.

Level of trade

194. For the reasons outlined above, both export and domestic transactions being compared were to manufacturers and not to resellers, so no adjustments are necessary to the base prices used. Further adjustments to the transaction values used as base prices in order to ensure that the comparison is at the ex-factory level are addressed below.

Sales at the same time

195. As noted above, sales in the POI(D) were broadly similar in terms of timing, so no adjustments or accommodations are necessary.

Terms and conditions of sale

196. Bekaert Indonesia provided information on its order processing procedure, general terms of sale, information on payment and credit terms, and delivery charges. Bekaert Indonesia advised that it did not provide any direct or indirect reimbursement to customers, or any consideration other than price. Bekaert Indonesia noted that it did not incur any additional sales expenses or after sales costs on the domestic market that it did not incur on export sales to New Zealand customers, and does not provide any direct or indirect reimbursement to customers.
197. MBIE's provisional conclusion is that no adjustments will be required for difference in terms and conditions of sale other than those it has identified in relation to credit terms and freight costs.

Cost of credit

198. Bekaert Indonesia provided information on relevant interest rates for each month in 2019, and these rates have been used to establish amounts for credit costs for each transaction. The resulting figures are deducted from the base price.

Delivery terms

199. MBIE has deducted from the base price all freight costs identified in the transaction data provided by Bekaert Indonesia.

Levels of trade

200. As noted above, MBIE has limited the transactions under consideration to those at the same level of trade as export transactions, so no further adjustments are required.

Taxation

201. The individual transaction prices in the information provided by Bekaert Indonesia are exclusive of any taxation.

Quantities

202. The information provided by Bekaert Indonesia indicates that the average sizes of export and domestic transactions were relatively close, with the average export transaction being 13 per cent larger than the average domestic transaction, and with maximum transaction sizes for both being around 24.50 tonnes, which is equivalent to a full container.
203. MBIE's provisional conclusion is that there is no need to make any particular adjustments or arrangements to ensure that prices are compared for sales of similar quantities.

Physical characteristics

204. Physical difference adjustments are required when differences in the physical characteristics of the goods affect price comparability. MBIE has identified the main

physical attributes characterising the goods as being the coating material, coating weight, diameter, and tensile strength. The purpose of the wire in terms of its use may also be relevant, but in general will be reflected in the physical attributes. Differences between the exported subject goods and domestic sales of like goods can be attributed to different descriptions and requirements in relevant standards, and differing customer requirements depending on the use of the products.

205. For its provisional establishment for normal values, MBIE has identified the categories of goods sold domestically which have characteristics, including purpose, which are similar to the subject goods exported to New Zealand. This categorisation does not include any differences arising from the particular coatings used, but broadly reflects the uses of the wire as agricultural, baling, fencing, general use, and use in the production of mesh products. On this basis, there are no adjustments to be made for physical differences.

Other differences affecting price comparability

206. The information provided by Bekaert Indonesia did not identify any other differences affecting price comparability.

Normal Value calculations

207. In calculating ex-factory normal values for domestic sales, MBIE made the adjustments outlined above to the transaction-level price information provided by Bekaert Indonesia. Details of these calculations are set out in the Confidential Attachment 5.
208. For the purposes of establishing a provisional normal value, MBIE has determined a weighted average normal value for the total of Bekaert Indonesia's domestic sales of goods.

4.5 Conclusions Relating to Dumping

209. MBIE has established dumping margins for the POI by comparing the export prices established in section 4.3 and the normal values established in section 4.4. The provisional dumping margins so established are shown in Figure 5.
210. MBIE has used the transaction-to-transaction methodology to establish dumping margins for imports of subject goods from Bekaert Qingdao. For the purposes of identifying the overall margin for Bekaert Qingdao, the weighted average of the individual dumping margins so established has been included in the table below.
211. Because of the lack of information from other Chinese producers, the weighted average-to-weighted average methodology, based on domestic sales information from the cooperating producer, has been used to establish dumping margins for imports of subject goods from other Chinese producers.
212. MBIE has used the weighted average-to-weighted average methodology to establish dumping margin for imports of subject goods from Indonesia because of the volume of transactions and the variety of the goods concerned.

Figure 5: Provisional Dumping Margins

	Margin
China	
Beijing Steels	24%
Bekaert Qingdao	7%
Dingzhou Five-Star	36%
Hebei Longsheng	30%
Hebei Metals	29%
Tianjin Bluekin/Ocean King	0%
Times Metal	27%
All others	28%
Indonesia	
Bekaert Indonesia	0%
All others	0%

4.6 Further Proceedings

213. Section 11 of the Act requires the Minister, at any time before making a final determination, to terminate an investigation where the Minister is satisfied that there is insufficient evidence of dumping to justify proceeding with the investigation; or there is insufficient evidence that material injury to a New Zealand industry is being caused or threatened.
214. Article 5.8 of the AD Agreement requires that an investigation be terminated promptly as soon as the authorities concerned are satisfied that there is not sufficient evidence of either dumping or injury to justify proceeding with the case. There shall be immediate termination in cases where the authorities determine that the margin of dumping is *de minimis*, or that the volume of dumped imports, actual or potential, is negligible. The *de minimis* level dumping is 2 per cent, expressed as a percentage of the export price. The volume of dumped imports is negligible if it represents less than 3 per cent of total imports of the like product.
215. On the basis of MBIE's provisional conclusions, the weighted average dumping margin for China, at 28 per cent, exceeds *de minimis* levels. Imports of dumped goods have been provisionally assessed at over 3 per cent of total imports, so are not negligible. The provisional conclusion regarding Indonesia is that imports are not dumped.
216. As noted in the analysis above, the provisional conclusion reached is based on information available up to 7 August 2020. Subsequent information obtained by MBIE or made available to it, could provide a basis to modify this provisional conclusion during the remaining period of investigation in the determination of the margins of dumping, and may need to be taken into account in the application of Article 5.8 of the AD Agreement, relating to *de minimis* levels of dumping and negligible import levels.

5. Injury Investigation

5.1 Legal Requirements

218. The basis for considering material injury is set out in section 8(1) of the Act, and requires MBIE to examine the volume of imports of the dumped goods, the effect of the dumped goods on prices in New Zealand for like goods, and the consequent impact of the dumped goods on the relevant New Zealand industry.
219. MBIE interprets this to mean that injury is to be considered in the context of the impact on the industry arising from the volume of the allegedly dumped goods, their effect on prices, and the consequent impact on the industry. This is consistent with Article 3 of the AD Agreement.
220. The Act goes on in section 8(2) to set out a number of factors and indices which the chief executive shall have regard to, although noting that this is without limitation as to the matters the chief executive may consider. These factors and indices include:
- the extent to which there has been or is likely to be a significant increase in the volume of dumped goods, either in absolute terms or relative to production or consumption
 - the extent to which the prices of dumped goods represent significant price undercutting in relation to prices in New Zealand
 - the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have occurred
 - the economic impact of the dumped goods on the industry, including actual or potential decline in output, sales, market share, profits, productivity, return on investments, or utilisation of production capacity; factors affecting domestic prices; the magnitude of the margin of dumping; and actual and potential effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments.
221. In addition, the chief executive must have regard to factors other than dumping which may be injuring the industry since, in accordance with Article 3.5 of the AD Agreement, it must be demonstrated that the dumped imports are, through the effects of dumping, causing material injury.
222. The demonstration of a causal relationship between the dumped imports and the injury to the domestic industry must be based on an examination of all relevant evidence before the authorities, who must examine any known factors other than the dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these other factors must not be attributed to the dumped imports. Factors which may be relevant in this respect include, *inter alia*, the volumes and prices of non-dumped imports of the product in question, contraction in demand or changes in the patterns of consumption,

trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry.

223. The chief executive is also required to have regard to the nature and extent of importations of dumped goods by New Zealand producers of like goods, including the value, quantity, frequency, and purpose of any such importation.

Material Injury and Provisional Measures

224. Under section 16 of the Act the imposition of provisional measures requires that:
- at least sixty days have passed from the initiation of the investigation
 - the Minister has reasonable cause to believe that the goods are dumped
 - the Minister has reasonable cause to believe that by reason of the dumping the industry is suffering or being threatened with material injury
 - the Minister is satisfied that provisional measures are necessary to prevent material injury being caused during the remaining period of investigation.

Cumulation

225. Article 3.3 of the AD Agreement provides:

Where imports of a product from more than one country are simultaneously subject to anti-dumping investigations, the investigating authorities may cumulatively assess the effects of such imports only if they determine that (a) the margin of dumping established in relation to the imports from each country is more than de minimis as defined in paragraph 8 of Article 5 and the volume of imports from each country is not negligible and (b) a cumulative assessment of the effects of the imports is appropriate in light of the conditions of competition between the imported products and the conditions of competition between the imported products and the like domestic product.

226. In its application, Pacific Steel considered the effects of imports from China and Indonesia on a cumulated basis.
227. MBIE is satisfied that on the basis of the information available to it and the provisional conclusions reached regarding the existence and extent of dumping, imports from Indonesia are not dumped, although imports from China are dumped. Accordingly, the conditions for cumulation are not met, and the injury analysis will be based on the dumping of imports from China only, bearing in mind the provisional basis for the conclusions relating to dumping.

Information Available

228. MBIE has used information relating to the POI(I) in its analysis of injury. This relates to the calendar years 2016-2019, and takes into account the POI(D) which is calendar 2019. In its application, Pacific Steel provided information on the basis of its financial years ending June. At verification MBIE asked Pacific Steel to provide the information relating to injury on a calendar year basis, which it did so for 2016-2019. In the absence of calendar year

information for any earlier years, MBIE has therefore been unable to take full account of years before 2016 in its analysis.

229. MBIE verified the information provided by Pacific Steel during a verification visit to Pacific Steel's premises on 23-25 June 2020. A non-confidential version of the report on the verification visit will be available on the Public File for this investigation. The information provided by Pacific Steel regarding its costs has been adjusted to reflect prices actually paid for billet without notional increases to reflect international prices for vanadium.

5.2 Import Volume Effects

230. Section 8(2)(a) of the Act requires that the chief executive should have regard to the extent to which there has been or is likely to be a significant increase in the volume of imports of dumped goods either in absolute terms or in relation to production or consumption in New Zealand.
231. Pacific Steel could not identify the point where injury began to be caused, but noted that import growth of dumped goods had been lumpy and was of an overall upward direction. Pacific Steel pointed out that it was notable that the dumped goods share of the market value was uniformly lower than the share of volume, which, it was claimed, was consistent with the dumped goods being injurious.
232. Because of the suppression orders in place on some statistical keys covering the subject goods, and because domestic production information is classified as commercial-in-confidence, MBIE cannot provide details of the actual volumes of imports and domestic production. Also, while the dumping analysis has covered goods from 2019, the analysis has not covered imports in preceding years.
233. MBIE has analysed dumped imports from China, in absolute terms and in relation to consumption in New Zealand. The information shows that in absolute terms the volume of imports from China remained static in 2016 and 2017, nearly doubled in 2018, then declined in 2019. Over the same period, other imports increased in 2017 compared with 2016, then over the next two years declined to lower levels than in 2016. This appears to have been primarily as a result of decreases in imports from Australia. Relative to New Zealand production, dumped imports from China increased over the period, but at relatively low levels. Dumped imports as a share of domestic consumption (the New Zealand market) reflected the pattern of absolute imports, but at very low levels of market share. Detailed information on imports is set out in Confidential Attachment 1.
234. On the basis of this analysis, there is evidence to indicate provisionally that when the end of the period is compared with the beginning of the period there has been an increase in the volume of imports of dumped goods from China over the POI(I) in absolute terms and in relation to production and consumption in New Zealand.

5.3 Price Effects

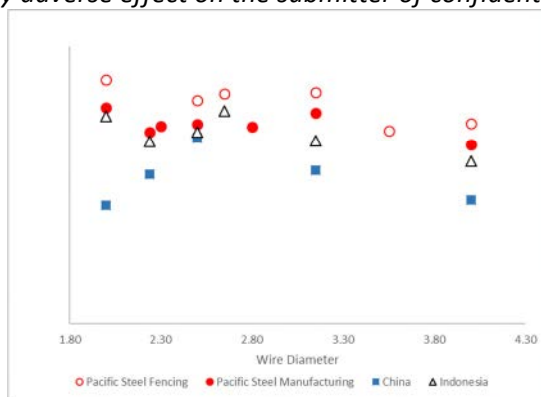
235. Sections 8(2)(b) and (c) of the Act require that the chief executive should have regard to the extent to which prices of the dumped goods represent significant price undercutting in relation to prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers, and the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have been likely to have occurred (price suppression).

5.3.1 Price Undercutting

236. Price undercutting refers to the extent to which the prices of the subject goods are lower than prices in New Zealand for like goods of New Zealand producers. Prices are compared at the point that the imported goods first compete with the goods made in New Zealand, generally at the ex-wharf level. Price undercutting is not in itself a determinant of the existence or extent of injury, i.e. the margin or frequency of price undercutting is not a measure of the extent of the economic impact on the industry. That impact is to be measured, *inter alia*, in terms of the factors set out in section 8(2)(d) of the Act, outlined in section 5.4 of this Report.

237. MBIE has analysed price undercutting by taking the weighted average prices for Pacific Steel’s sales for individual diameters of wire for the fencing and manufacturing markets, and comparing them with the weighted averages for the subject goods for imports from China and Indonesia. It should be noted that this analysis does not take account of any differences that may arise from different coatings, tensile strength, coating weight, or coil size. The outcome is that goods from China are generally significantly below the Pacific Steel manufacturing wire levels, with weighted average price undercutting of around 24 per cent. Prices for the non-dumped imports from Indonesia are generally close to Pacific Steel manufacturing wire levels, with weighted average price undercutting of around 3 per cent.

Figure 3: Price Undercutting, NZD/MT weighted averages
[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]



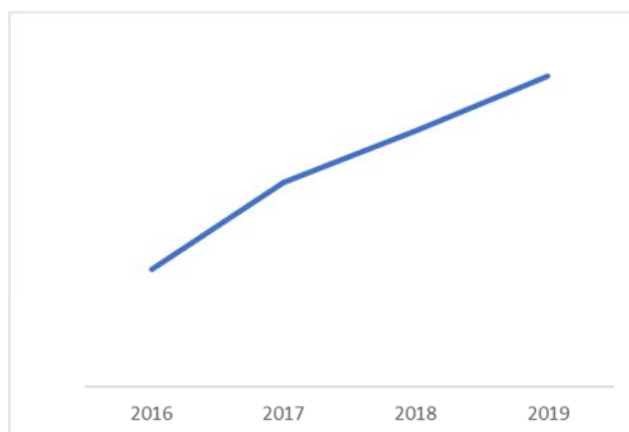
238. There appears to be some correlation between dumping margins and the extent of price undercutting for some of the exports from China, with dumping margins generally a little lower than the margin of price undercutting. It also appears that there has not been any significant price undercutting by non-dumped goods.
239. The overall conclusion that MBIE draws from this analysis is that there is price undercutting by imports of dumped goods from China, and that provisionally, this undercutting can be attributed to dumping. MBIE also notes that there is also some undercutting by goods that are not dumped.

5.3.2 Price Depression

240. Price depression occurs where prices achieved by the New Zealand manufacturers are lower than those achieved in a period unaffected by allegedly dumped or subsidised goods. Price depression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured primarily in terms of the factors set out in section 8(2)(d) of the Act.
241. Pacific Steel submitted that it is suffering price undercutting and price depression at the level of trade at which it sells.
242. Pacific Steel provided information on price movements for 2011-2019. Based on the POI(I) of 2016-2019, the following chart shows Pacific Steel's average domestic selling prices for galvanised wire from 2016 to 2019, with index values based on 2016.

**Figure 4: Price Depression
(NZD/tonne)**

[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]



243. Figure 4 shows that during the POI(I), Pacific Steel's average selling price increased from 2016 through to 2019.
244. The evidence indicates that Pacific Steel has not experienced price depression.

5.3.3 Price Suppression

245. Price suppression occurs when New Zealand producers are unable to increase prices, for example, to recover cost increases. Price suppression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured in terms of the factors set out in section 8(2)(d) of the Act.
246. MBIE has compared Pacific Steel's total costs as a percentage of sales revenue from 2016 to 2019. The following chart shows the resulting calculations:

Figure 5: Price Suppression

[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]



247. Figure 5 shows that Pacific Steel's cost of production per unit as a percentage of sales value fluctuated over the POI(I), but increased in 2019, indicating that cost increases have not been recovered in prices.
248. There is evidence that Pacific Steel has experienced price suppression to the extent that average unit revenue did not reflect increases in costs per unit over the period examined.

5.3.4 Conclusion on Price Effects

249. There is evidence that the average prices of dumped imports from China have undercut Pacific Steel's average selling prices; that there is no evidence of price depression; but there is price suppression. MBIE is satisfied that it can be provisionally concluded that dumped Chinese imports may be contributing to these price effects.
250. As noted earlier, the price effects examined above are not in themselves a determinant of injury. There must be a consequent impact on the industry, in particular when measured, *inter alia*, in terms of the factors and indices set out in section 8(2)(d) of the Act. Injury caused to the New Zealand industry is assessed in terms of the economic impact in the following section of the report.

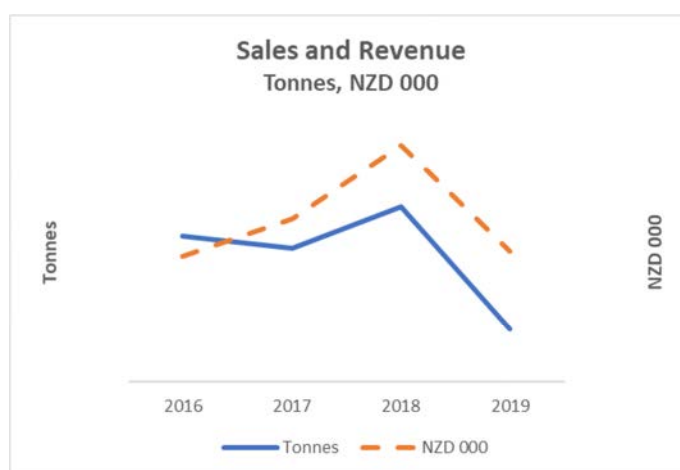
5.4 Economic Impact

5.4.1 Output and Sales

251. Movements in sales revenue can reflect changes in volume and prices of goods sold. Dumped imports can affect both of these factors through increased supply of goods to the market and through price competition.
252. Pacific Steel provided sales volume and sales revenue information covering 2016 to 2019.
253. The following chart illustrates the sales volume and sales revenue information for the POI(I), based on information provided by Pacific Steel.

Figure 6: Sales Volume and Revenue

[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]



254. The information shows that Pacific Steel's annual sales volume increased in 2018, but over the whole period sales volume declined while sales revenue returned to 2016 levels in 2019.
255. There is evidence that Pacific Steel has experienced a decline in sales volume while sales revenue has been static. Total imports from China declined in 2019, compared with the previous year, and dumped imports make up only a very small share of the market. However, in view of the levels of dumping and price undercutting provisionally established, it can be concluded that the dumped imports have contributed to the declines in sales volume and have affected sales revenue, and consequently have had an economic impact on the domestic industry.

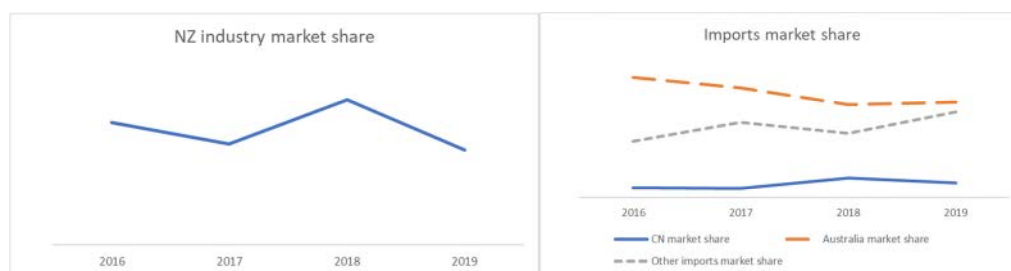
5.4.2 Market Share

256. Analysis of market share must consider changes in the size of the total market. A decline in the domestic industry's market share when the total market is expanding will not necessarily indicate that material injury is being caused, particularly if the domestic

- industry's sales are also growing, because the New Zealand industry is not entitled to a particular market share.
257. Pacific Steel provided market share information which it claimed to show that the dumped goods have grown segment share over the period FY2013 to FY2019 showing steady growth at the expense of Pacific Steel, despite Pacific Steel having the capacity to supply those goods. Pacific Steel noted that counterfactual analysis indicates the extent of injury by a comparison of the share of Chinese and Indonesian goods in FY2013 compared with FY2019.
258. Pacific Steel referred to the Panel report in WTO dispute DS518 as supporting the view that loss of domestic manufacturer share can be injurious.⁶ MBIE notes that the Panel's conclusions related to the matters before it and to the particular situation of that safeguard investigation, including whether the Indian authority had provided a reasoned and adequate explanation of its findings on market share in the context of the overall examination of the situation of the domestic industry. This does not negate the MBIE position that there is no entitlement to market share, and that a decline in the domestic industry's market share when the total market is expanding will not necessarily indicate that material injury is being caused. As noted below, the situation in the current case is not that of a declining market share in a growing market.
259. The following charts illustrate market share information for galvanised wire from 2016 to 2019 using Customs data and Pacific Steel production figures. The figures have not been adjusted to reflect only dumped imports.

**Figure 7: Market Share
(Customs data, %)**

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260. The charts show that the domestic industry's market share declined over the period as a whole. It increased in 2018, primarily because of the decline in imports from Australia, while the decrease in 2019 appears to have resulted from the increase in other imports

⁶ DS518 India – Iron and Steel Products, Panel Report WT/DS518/R.

(including Indonesia) rather than imports from China, which also decreased its share. Changes in the total market size have mainly reflected changes in the levels of imports from Australia while the decline in the share of domestic sales is not attributable in whole to any increase in the total market.

261. MBIE provisionally concludes that there is evidence of a decline in the industry's market share but that cannot be attributed to dumped imports from China.

5.4.3 Profits

262. Dumped imports can affect gross profit and net profit via their impact on sales prices and volumes.
263. Pacific Steel claimed that gross profit and earnings before interest and taxation (EBIT) had declined in absolute terms as a result of Chinese and Indonesian undercutting. Pacific Steel noted that the price per tonne for gross profit and EBIT showed a similar pattern. Pacific Steel claimed that MBIE must consider the circumstances of the domestic industry but for the dumping, and assessed the gross profit and EBIT that would have applied in FY2019 if profitability levels from FY2013-FY2015 had applied, with the difference between the notional level and the actual level being a measure of the injury.
264. MBIE has assessed the EBIT levels achieved in FY2013-FY2015 and notes that if the average EBIT levels applying in that period had applied in 2016-2019, there would have been an improvement in the level of EBIT achieved, but in either case there would still be adverse impacts on the level of EBIT.
265. To the extent that dumped imports have undercut the prices achieved by the New Zealand industry, and consequently affected the ability to increase prices, then any adverse effects on EBIT can be attributed, in part, to the dumping of imports. However, non-dumped imports, in particular from Indonesia, have also undercut Pacific Steel's prices, to a lesser extent but with greater volumes than the imports from China, so it is difficult to conclude that the adverse impacts on EBIT can be fully attributed to the dumped imports from China.
266. Nevertheless, MBIE is satisfied that over the POI(I) Pacific Steel did suffer adverse effects through a decline in profits, and that in part that economic impact on the domestic industry can provisionally be attributed to dumped imports from China.

5.4.4 Other Economic Impacts

267. Pacific Steel provided information on the other factors referred to in section 8(2)(d) of the Act, and the extent to which they are affected by dumped imports.

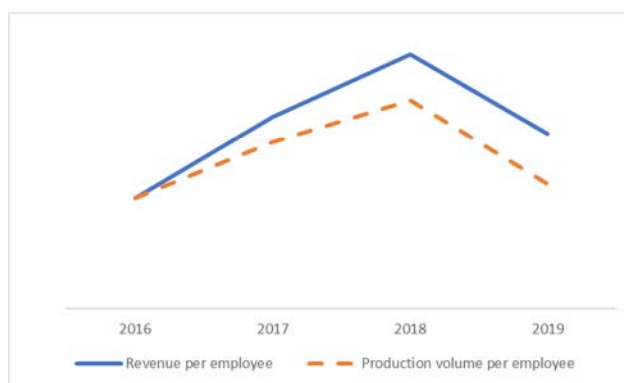
Productivity

268. Productivity is the relationship between goods produced and the inputs required to manufacture those goods. Productivity is affected by output/sales and capacity utilisation levels.

269. Pacific Steel provided information on productivity by volume and value per employee for galvanised wire production.
270. Figure 8 indicates that productivity increased from 2016 to 2018 but has since declined. This reflects the decline in sales volume in 2019.

Figure 8: Productivity (indexed)

[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have a significantly adverse effect on the submitter of confidential information]



271. In light of this information, and in view of its conclusions regarding sales volume and revenue, MBIE provisionally concludes that dumped imports from China have contributed to a decline in productivity having an economic impact on the New Zealand industry.

Return on investment (ROI)

272. An analysis of return on investment measures profit against the value of the investment in a business. Changes in return on investment may impact the ability to retain current investment or attract new investment. Declines in return on investment can result from a decline in profit or an increase in the level of investment within the business.
273. Pacific Steel has noted that the change in ownership of Pacific Steel in 2014 and consequent changes in accounting provisions has affected the relevance of information from previous periods relating to return on investments. Pacific Steel considers that the ROI is dependent on the profitability of the wire mill so adverse effects on ROI are linked to profit performance.
274. MBIE notes that due to the changes in relevant accounting provisions there is no consistent data that would allow a ready assessment of the economic impact of the alleged dumping on ROI over time, and that generally the effects on ROI will arise from effects on profits and profitability.

Utilisation of production capacity

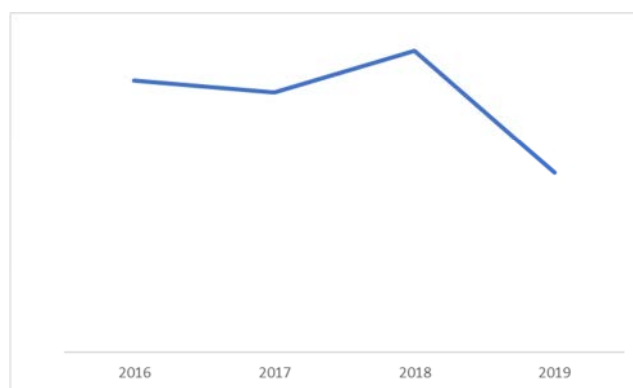
275. The utilisation of production capacity reflects changes in production volumes or changes in capacity. A decline in production volumes will normally lead to a higher cost per unit due to

increased fixed overheads per unit. This will lead to a decrease in profit level, unless offsetting savings are found elsewhere.

276. Information provided by Pacific Steel indicated that use of galvanised wire production capacity declined slightly between 2016 and 2017, increased in 2018, and declined in 2019. Pacific Steel attributed this to the alleged dumping of imports since the dumping and price undercutting had enabled those goods to increase their market share at the expense of domestic production.

Figure 9: Capacity Utilisation (%)

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277. MBIE notes that there is evidence that there has been a decline in capacity utilisation over the POI(I). In light of this information, and in view of its conclusions regarding price undercutting and the impact on sales volume and revenue, MBIE provisionally concludes that dumped imports from China have contributed to a decline in capacity utilisation, and have had an economic impact on the domestic industry.

Factors affecting domestic prices

278. The Act lists this matter as one of the various factors and indices to which the chief executive must have regard to when assessing the economic impact of dumped goods on the industry. MBIE examines this factor in the context of the economic impact of dumped goods on the industry.
279. Pacific Steel has not made any claims regarding factors affecting domestic prices other than those relating to price effects of dumped imports and their consequent impact on the factors outlined above.
280. MBIE notes that a relevant factor affecting domestic prices is Pacific Steel's import parity pricing process, which takes into account feedback on prices of imports and international prices, in establishing prices for its customers. To the extent that these prices are affected by dumping, they will have an impact on the prices for goods sold by the domestic industry.

Magnitude of the margin of dumping

281. Section 8(2)(d)(iii) of the Act refers to the magnitude of the margin of dumping as a factor the chief executive is to have regard to.
282. Pacific Steel's application identified dumping margins of 30.2 per cent and 19.6 per cent for China and Indonesia respectively, and pointed out that the impact of the margin of dumping is reflected in the market through the import price parity process.
283. MBIE notes that it has provisionally established that the weighted average dumping margins for imports of subject goods from individual Chinese exporters range from 0 per cent to 36 per cent with an overall average of 28 per cent. No dumping has been established for the exporter of subject goods from Indonesia.
284. There appear to be some degree of correlation between the dumping margins provisionally established for Chinese exporters and the price undercutting margins provisionally established for those exporters. Accordingly, MBIE concludes that there is evidence that the magnitude of the margin of dumping is a contributing factor to price undercutting, and hence to any injury that can be attributed to the dumping of the goods.

Negative Effects

285. Section 8(2)(d)(iv) of the Act refers to the actual and potential negative effects on a range of identified factors as matters that the chief executive is to have regard to in relation to the impact on the industry of dumped goods.

Cash flow

286. Cash flow is the total amount of money being transferred into and out of a business, especially as it affects liquidity, and provides an indication of the ability of producers to self-finance their activities.
287. Information provided by Pacific Steel regarding the impact on cash flow was verified by MBIE. Net cash flow based on EBITDA⁷ plus CAPEX⁸ less Working Capital Movement⁹ was identified and indicated a negative effect.
288. To the extent that the effect of dumped imports has been to cause adverse effects on profits, actual negative effects on cash flow can be attributed in part to the dumping of imports from China.

⁷ EBITDA - Earnings before interest, taxation, depreciation and amortisation.

⁸ CAPEX - Capital expenditure.

⁹ Working Capital Movement – Sum of changes in provision for debtors, stocks, creditors and other current assets.

Inventories

289. Increasing inventories at the end of a financial period can be a sign of injury, bearing in mind the context of the normal conditions and practices of the industry concerned.
290. Pacific Steel provided information, verified by MBIE, which indicated that inventories had increased in 2019, and were significantly above the levels of previous years in the POI in both absolute terms and relative to production. This is despite the fact that most of Pacific Steel's production is made to order. MBIE notes that in earlier years inventory levels were similar to or above the 2019 level, so this may not have any significance, and in fact, in its application Pacific Steel did not claim any adverse impact on inventories as a result of imports of dumped goods.
291. MBIE concludes that there are no actual or potential negative effects on inventories that can be attributed to imports of the dumped goods.

Employment and Wages

292. Pacific Steel provided information on employment and wages that was verified by MBIE.
293. Pacific Steel claimed that there has been material injury in relation to employment arising from profitability pressure, and provided evidence of the numbers employed in the production of galvanised wire, showing that there has been a decline in employment, with possible consequences for total wages.
294. MBIE notes that there has been a decline in employment, so to the extent that the decline resulted from profitability pressure from dumped imports, it can be provisionally concluded that the dumped imports have had a negative effect on employment and wages.

Growth

295. Pacific Steel did not provide any specific information on the effects on growth of dumped imports.
296. In its application, Pacific Steel observed that the price undercutting by imports from China and Indonesia adversely affects growth. Pacific Steel suggested that the availability of remedies for unfairly-traded goods is a very important part of the global and New Zealand domestic economy, and full recourse should be available to local businesses if they are to compete on a level playing field in New Zealand against international competitors.
297. There is no basis for MBIE to conclude that the dumped imports have had a negative effect on growth.

Ability to Raise Capital and Investments

298. Pacific Steel did not provide any specific evidence relating to the effect of dumped imports on the ability to raise capital and investments.
299. In its application, Pacific Steel claimed that the current dumping and injury from Chinese and Indonesian goods challenged the availability of investment capital for the Auckland wire mill. Decisions to place investment capital take account of the visible risks to a fairly

traded economic environment and the unavailability of trade measures is a significant negative in any investment consideration.

300. There is no basis for MBIE to conclude that the dumped imports have had a negative effect on the ability to raise capital and make investments.

5.4.5 Conclusions on Economic Impact

301. MBIE is satisfied that there is a reasonable basis to reach provisional conclusions that:

- Dumped imports from China have contributed to declines in sales volume and have affected sales revenue.
- There is evidence of a decline in the industry's market share but that cannot be attributed to dumped imports from China.
- Dumped imports from China have contributed to a decline in profits.
- Dumped imports from China have contributed to a decline in productivity.
- Due to the changes in ownership there is no consistent data that would allow a ready assessment of the economic impact of the alleged dumping on ROI.
- Dumped imports from China have contributed to a decline in capacity utilisation.
- To the extent that prices established under Pacific Steel's import price parity process are affected by the prices of the dumped imports, these prices will have an impact on the prices for goods sold by the domestic industry.
- The magnitude of the margin of dumping is a contributing factor to price undercutting, and hence to any injury that can be attributed to the dumping of the goods.
- To the extent that the effect of the dumped imports has been to cause adverse effects on profits, actual negative effects on cash flow can be attributed in part to the dumping of imports from China.
- There are no actual or potential negative effects on inventories that can be attributed to imports of the dumped goods.
- To the extent that declines in employment have resulted from profitability pressure from the dumped imports, such imports have had a negative effect on employment.
- There is no basis for MBIE to conclude that the dumped imports have had a negative effect on growth.
- There is no basis for MBIE to conclude that the dumped imports have had a negative effect on the ability to raise capital and make investments.

302. Overall, MBIE is satisfied that the dumped imports of galvanised wire from China have contributed to an adverse economic impact on Pacific Steel in relation to sales volume and revenue, profits, productivity, capacity utilisation, and cash flow, arising from the volume and price effects of the dumped imports.

5.5 Conclusion on Material Injury

303. Material injury is not defined in either the Act or the AD Agreement, but rather is the level of injury which can be demonstrated by an objective and unbiased investigating authority

on the basis of an assessment of the factors set out in section 8 of the Act, and in the context of the circumstances of the industry concerned.

Import Volumes

304. There has been an increase in the volume of imports of the dumped goods from China over the POI(I) in absolute terms and in relation to production and consumption in New Zealand.

Price Effects

305. There is evidence that the average prices of dumped imports from China have undercut Pacific Steel's average selling prices; that there is no evidence of price depression; but there is price suppression. MBIE is satisfied that it can be provisionally concluded that the dumped Chinese imports are contributing to these price effects.

Economic Impact

306. MBIE is satisfied that the dumped imports of galvanised wire from China have contributed to an adverse economic impact on Pacific Steel in relation to a number of injury factors arising from the volume and price effects of the dumped imports.

Conclusion

307. On the basis of its analysis, MBIE has provisionally conclude that the domestic industry is being materially injured by allegedly dumped imports of galvanised wire from China.

6. Causal Link

6.1 Legal Requirements

308. Section 8(2)(e) of the Act sets out factors other than the dumped goods that may have injured the industry, and which the chief executive shall have regard to. This reflects Article 3.5 of the AD Agreement, which provides:

It must be demonstrated that the dumped imports are, through the effects of dumping, as set forth in paragraphs 2 and 4, causing injury within the meaning of this Agreement. The demonstration of a causal relationship between the dumped imports and the injury to the domestic industry shall be based on an examination of all relevant evidence before the authorities. The authorities shall also examine any known factors other than the dumped imports which at the same time are injuring the domestic industry, and the injuries caused by these other factors must not be attributed to the dumped imports. Factors which may be relevant in this respect include, inter alia, the volume and prices of imports not sold at dumping prices, contraction in demand or changes in the patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry.

6.2 Dumped Imports

309. As described in the preceding sections of this report, MBIE has examined the information available concerning the volume and price effects of allegedly dumped imports and the consequent impact on the domestic industry, including the extent and nature of any such effects and the causal relationship with the dumped imports of galvanised wire from China.
310. MBIE has concluded that there has been an increase in imports of galvanised wire from China, and that price undercutting by dumped imports from China has contributed to price undercutting and to price suppression being experienced by Pacific Steel. MBIE has also concluded that the consequence of these volume and price effects are actual declines in sales volume and sales revenue, profit, productivity and capacity utilisation, with actual and potential negative effects on cash flow and employment. In addition, MBIE has concluded that the factors affecting domestic prices have been affected by dumped imports, while the magnitude of the margin of dumping has contributed to price undercutting.

6.3 Other Imports

311. Section 8(2)(e)(i) of the Act refers to the volume and prices of goods that are not dumped as factors other than the dumped goods that may have injured or are injuring the industry.
312. MBIE has reviewed Customs data on the levels of imports from the main supplying countries and other sources for all of the subject goods. The information covers statistical keys subject to data suppression, and some goods which may not compete directly with

the goods produced by Pacific Steel, and are average values, but the information reviewed does provide an indication of the potential impact of imported goods other than the allegedly dumped goods from China and Indonesia.

313. The information indicates that imports from sources other than China were primarily from Australia, Canada and Indonesia, with much smaller volumes from other sources, including Malaysia. Australia has been the major source of imports over the period, with Canada being the second-largest supplier. An analysis of average prices for Australia, Canada and Korea suggests that they were not undercutting Pacific Steel's prices. There was some undercutting by imports from Indonesia, and there may have been undercutting by imports from Thailand and Taiwan.
314. A number of submissions by importers stressed the significance of Australia as an influence on the New Zealand market, with the availability of supplies dependent on the situation in Australia. It was also claimed that Australia offers competitive prices and a wider range of goods than is available from Pacific Steel. However, no specific evidence has been provided that would indicate that the availability and prices of imports from Australia have adversely affected the New Zealand industry.
315. Imports from Malaysia are subject to anti-dumping duties, which are currently subject to a full (sunset) review.
316. Details of imports from other countries are included in Confidential Attachment 1.
317. MBIE is satisfied that information on the prices and volumes of imports other than the allegedly dumped goods does not provide a basis for changing the conclusions regarding injury reached in this Report.

6.4 Demand and Consumption

318. Section 8(2)(e)(ii) of the Act refers to contraction in demand or changes in the patterns of consumption as factors other than the dumped goods that may have injured or are injuring the industry.
319. Levels of demand for galvanised wire generally reflect economic activity, in particular in agriculture, horticulture and viticulture, including the impact of the COVID-19 pandemic on the economy generally as well as more particularly on these industries. Changing land use, such as dairy conversions, and environmental initiatives for fencing waterways may also influence demand. Patterns of consumption do not appear to have changed significantly, although there does appear to be an increasing demand for longer resistance to corrosion, and a reliance by New Zealand wire product manufacturers on imports for wire of a wider range of specifications than can be provided by Pacific Steel.
320. From comments by interested parties, MBIE understands that the main driver of purchasing decisions is the availability of the quality and type of product required by wire product manufacturers, although prices are also important. The assessment of the injury attributable to dumping has identified the impact of dumped goods on prices, and has not found similar injury that could be attributed to non-dumped imports.

321. MBIE is satisfied that the effects of any changes in demand or patterns of consumption have not been attributed to the injury caused by dumped imports.

6.5 Trade Practices

322. MBIE notes that in New Zealand competition is regulated by the Commerce Commission. MBIE is nevertheless required under section 8(2)(e)(iii) of the Act to assess restrictive trade practices of, and competition between, overseas and New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
323. Interested parties have raised concerns about competition in the New Zealand market, noting that Pacific Steel is a monopoly producer, and that the market structure and distribution channels in New Zealand can affect the ability of wire product manufacturers to participate in the market. MBIE notes, however, that these effects are not causes of injury to the domestic industry.
324. MBIE also notes that in 2014, the New Zealand Commerce Commission gave clearance to the proposed acquisition of Pacific Steel by NZ Steel as it was satisfied that it would not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand. MBIE is aware that the main issue facing the Commerce Commission was the effect on competition as a result of the acquisition of a long products manufacturer by a flat products manufacturer, and recalls that in its considerations, the Commerce Commission discussed the New Zealand markets for various steel products and the availability of imports from a range of sources, and was satisfied that competition could be maintained through access to imports.
325. MBIE is satisfied that any adverse effects to the New Zealand industry arising from trade practices or competition in the New Zealand market have not been attributed to dumped imports.

6.6 Developments in Technology

326. Section 8(2)(e)(iv) of the Act refers to developments in technology as factors other than the dumped goods that may have injured or are injuring the industry.
327. Relevant developments in technology could relate to advances in products in relation to customers' requirements, including coatings and coating technology, and any developments in manufacturing processes. Comments by interested parties have noted that overseas mills tend to be larger than Pacific Steel's wire operations, with more advanced technology, and in particular that Bekaert is a global leader in wire coating technology and the development of new products.
328. The subject goods in this investigation cover all forms of zinc coating of steel wire, irrespective of the technologies involved in the product or the production process. MBIE is satisfied that any effects of technological differences that are not related to dumping have not been attributed to the effects of dumped imports.

6.7 Exports of New Zealand Producers

329. Section 8(2)(e)(v) of the Act refers to the export performance and productivity of the New Zealand producers as factors other than the dumped goods that may have injured or are injuring the industry.
330. Pacific Steel advised that it has not recently been exporting the subject goods and provided information, verified by MBIE, regarding exports during the POI(I).

6.8 Imports by the New Zealand Industry

331. Section 8(2)(f) of the Act requires the chief executive to have regard to the nature and extent of importations of dumped or subsidised goods by New Zealand producers of like goods, including the value, quantity, frequency, and purpose of any such importation.
332. Pacific Steel advised that it has not recently imported subject goods and MBIE has confirmed this from Customs data.

6.9 Conclusions on Causal Link

333. MBIE is satisfied that there is sufficient evidence of a causal link between the allegedly dumped imports from China and the volume and price effects and consequent impact on the domestic industry as set out in this Report.
334. With regard to the other causes of injury identified in the Act, MBIE is satisfied that injury caused by any other factors has not been attributed to the dumped imports.

7. Imposition of Provisional Measures

7.1 Conditions

335. As outlined in section 1.3 above, the imposition of provisional measures requires that:

- at least sixty days have passed from the initiation of the investigation
- the Minister has reasonable cause to believe that the goods are dumped
- the Minister has reasonable cause to believe that by reason of the dumping the industry is suffering material injury
- the Minister is satisfied that provisional measures are necessary to prevent material injury being caused during the remaining period of investigation.

Time Period

336. The first of these conditions has been met since the sixty day period ended on 23 July 2020.

Dumping

337. MBIE has provisionally established that on the basis of the information available to this point in the investigation imports of galvanised wire from China have been dumped, but imports of galvanised wire from Indonesia have not been dumped.

Material Injury

338. MBIE has provisionally concluded that prices of dumped imports of galvanised wire from China have undercut Pacific Steel's selling prices, and that there is price suppression. MBIE has also concluded that there has been a consequent impact on Pacific Steel in relation to actual declines in sales volume and sales revenue, profit productivity and capacity utilisation, with actual and potential negative effects on cash flow and employment. In addition, MBIE has concluded that the factors affecting domestic prices have been affected by dumped imports, while the magnitude of the margin of dumping has contributed to price undercutting.

339. MBIE further concludes that there is a causal link between dumped imports of galvanised wire from China and the price effects and consequent impact on the domestic industry, and that the effect of other possible causes of injury has not been attributed to the dumped imports.

Need for Provisional Measures

340. While the level of imports of subject goods from China is small relative to total imports and to the total New Zealand market, the weighted average margin of dumping, at 28 per cent is not insignificant, and the margins for many of the individual Chinese producers are close to the levels of price undercutting of imports from China provisionally established by MBIE. This indicates that it is reasonable to conclude that the imposition of provisional measures would contribute to removing the injurious effect of the dumping of imports from China,

and could therefore prevent material injury being caused by imports of dumped galvanised wire from China during the remaining period of the investigation.

7.2 Provisional Measures

341. Section 16(1) of the Act provides that if the Minister is satisfied that action under the section is justified, the Minister may, by notice, give a provisional direction that payment of duty in respect of the goods shall be secured in accordance with sections 240 and 241 of the Customs and Excise Act 2018.
342. Section 16(1) of the Act also provides that the amount of provisional duty imposed may not exceed the difference between the normal value of the goods and the export price.
343. MBIE has reviewed whether duties at levels below the margin of dumping would be sufficient to remove the injury as provisionally established. The price undercutting analysis indicates that the level of price undercutting for each Chinese producer generally exceeds the margin of dumping. This suggests that provisional measures will need to be set at the level of the margin of dumping, since higher levels are not permitted.
344. The rates of provisional duty which would be applicable are:

Figure 10: Provisional Duties

	Duty
China	
Beijing Steels	24%
Bekaert Qingdao	7%
Dingzhou Five-Star	36%
Hebei Longsheng	30%
Hebei Metals	29%
Tianjin Bluekin/Ocean King	0%
Times Metal	27%
All other suppliers	28%

345. Section 16(3) of the Act provides that provisional measures cease to have effect from the date of the determination made by the Minister under section 10H(1) following a public interest determination, or if no such determination is made, the date of the determination made under section 10D(1) relating to dumping causing material injury.

7.3 Conclusions

346. MBIE considers that in the circumstances summarised above, there is reasonable cause to believe that galvanised wire imported from China is being dumped and that the dumping is causing material injury to a New Zealand industry. MBIE further concludes that the imposition of provisional measures is necessary to prevent material injury being caused during the remaining period of investigation, and that the level of the provisional direction to impose duties on imports of galvanised wire from China should be set at the rates set out in Figure 10 above. No provisional measures would apply to imports of subject goods from Indonesia because the provisional conclusion is that those imports are not dumped.

8. Recommendation

347. MBIE recommends that on the basis of the provisional findings on the level of dumping and the consequent material injury caused to the domestic industry, the Minister give a provisional direction to impose duties on galvanised wire from China in order to prevent material injury being caused by dumped imports during the remaining period of investigation.

Adam Dubas
Acting Manager, Trade and International
Science, Innovation and International Branch
Labour, Science and Enterprise Group

August 2020

CONFIDENTIAL ATTACHMENT 1: TRADE DATA

The information in this Confidential Attachment includes trade data subject to suppression orders by Stats NZ because release of the data could identify individual transactions and commercial publication of commercially sensitive information would damage the businesses of importers or exporters.

CONFIDENTIAL ATTACHMENT 2: PRODUCERS AND IMPORTERS

The information in this Confidential Attachment identifies suppliers and importers of specific transactions of subject goods. The information is derived from Customs data from information provided by suppliers and exporters to ensure that it covers only subject goods. The information regarding trade levels and commercial arrangements and relationships is confidential because making the information available would have a significantly adverse effect on the exporters and importers to whom the information relates.

CONFIDENTIAL ATTACHMENT 3: DUMPING ANALYSIS CHINA – BEKAERT QINGDAO

This Attachment is Confidential in its entirety because making the information available would give a significant competitive advantage to a competitor of the submitter of the information. Section 4 of this Report provides a summary of this confidential information to the extent that information is capable of summary.

CONFIDENTIAL ATTACHMENT 4: DUMPING ANALYSIS CHINA – OTHER PRODUCERS

This Attachment is Confidential in its entirety because making the information available would give a significant competitive advantage to a competitor of the submitter of the information. Section 4 of this Report provides a summary of this confidential information to the extent that information is capable of summary.

CONFIDENTIAL ATTACHMENT 5: DUMPING ANALYSIS INDONESIA – BEKAERT INDONESIA

This Attachment is Confidential in its entirety because making the information available would give a significant competitive advantage to a competitor of the submitter of the information. Section 4 of this Report provides a summary of this confidential information to the extent that information is capable of summary.