



Australian Government
**Australian Customs and
Border Protection Service**

R E P O R T

**TRADE MEASURES BRANCH
STATEMENT OF ESSENTIAL FACTS NO.154**

**INQUIRY INTO THE CONTINUATION OF
ANTI-DUMPING MEASURES**

**GREYBACK CARTONBOARD EXPORTED FROM THE
REPUBLIC OF KOREA**

March 2010

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ABBREVIATIONS

ACDN	Australian Customs Dumping Notice
the Act	<i>Customs Act 1901 (Cth)</i>
Amcor Packaging	Amcor Packaging (Australia) Pty Ltd
Anzpac	Anzpac Service (Australia) Pty Ltd
CEO	Chief Executive Officer of Customs and Border Protection
CPI	CPI Group
Customs and Border Protection	Australian Customs and Border Protection Service
Daehan	Daehan Pulp Co Ltd
Ekman	Ekman Pty Ltd
the goods	the goods subject to measures
Hansol	Hansol Paper Co Ltd
Korea	Republic of Korea
Minister	Attorney-General
REQ	response to the exporter questionnaire
SEF	Statement of essential facts

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1. SUMMARY AND RECOMMENDATIONS

This continuation inquiry is in response to an application by Amcor Packaging (Australia) Pty Ltd (Amcor Packaging) seeking the continuation of the anti-dumping measures applying to greyback cartonboard¹ exported to Australia from the Republic of Korea (Korea).

This statement of essential facts (SEF) sets out the facts on which the Chief Executive Officer of Customs and Border Protection (CEO) proposes to base his recommendation to the Minister responsible for the Australian Customs and Border Protection Service (Customs and Border Protection)².

1.1 Proposed recommendation

The CEO proposes to recommend that the Minister take steps to secure the continuation of anti-dumping measures applying to greyback cartonboard exported from Korea to Australia from the expiry date 27 July 2010.

1.2 Preliminary findings and conclusions

Customs and Border Protection considers that the expiry of anti-dumping measures is likely to lead to:

- a recurrence of the goods exported at dumped prices; and
- a continuation of, or a recurrence of, the material injury that the anti-dumping measures were intended to prevent.

These preliminary findings and conclusions are based on, but not limited to, the following (sections 8.2.1 and 8.2.2 refer):

- in the absence of anti-dumping measures Daehan could readily use their existing market connections and spare production capacity to fulfil any rise in demand for their goods;
- the potential imposition of measures by another administration, which in the absence of Australian anti-dumping measures may increase the quantity sold to Australia at dumped prices in order to increase sales volume and capacity utilisation;
- exports by Daehan were sold at dumped prices into countries where the Daehan export volume was similar to that of its exports to Australia in the review period;

¹ A full description of the goods is at section 3.2.

² In this report, the term Minister, unless otherwise specified, refers to the Attorney-General. The Minister for Home Affairs has advised that he is unable to exercise powers in this matter and the senior portfolio Minister, the Attorney-General, has indicated that he is the appropriate Minister to receive the report.

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- in the absence of the price undertaking for Daehan Pulp Co Ltd (Daehan) it is likely that the goods would have been exported at a price below that set by the price undertaking;
- the economic condition of the Australian industry is in a relatively weakened state when compared with previous years;
- the price of the Korean goods, when sold in Australia, was competitive in the review period, despite anti-dumping measures;
- third country pricing offered by Korean manufacturers, if transferred into the Australian market, would result in prices lower than that currently offered by the Australian industry;
- a significant volume of Daehan's sales to third country markets were unprofitable, and in relation to markets where its export volumes were similar to Australia in the review period, the export prices were dumped with margins in the range of 22 to -2 per cent; and
- in the absence of anti-dumping measures, the Korean goods would become more price competitive and will consequently displace imports currently sourced from other exporting countries and sales from the Australian industry.

Based on these preliminary findings and conclusions, Customs and Border Protection proposes to recommend that the Minister take steps to secure the continuation of anti-dumping measures applying to greyback cartonboard exported from Korea to Australia from the expiry date 27 July 2010.

1.3 Final report

The CEO's final report and recommendation must be provided to the Minister by **7 May 2010**.

2. INTRODUCTION

2.1 Continuation inquiry process

Dumping duty notices (that have not been revoked) automatically expire five years after the date on which they were published, unless the Minister decides to continue them³.

Not later than nine months before a dumping duty notice expires, Customs and Border Protection must publicly announce that the relevant measures are due to expire and invite certain interested parties to apply within 60 days for continuation of measures⁴. If no application for continuation of the measures is received by Customs and Border Protection within the period allowed the measures expire on the specified date.

If an application for continuation of anti-dumping measures is received, and not rejected, Customs and Border Protection has up to 155 days to inquire and report to the Minister on whether continuation of the measures is justified. Within 110 days of the initiation notice, Customs and Border Protection must place on the public record an SEF on which it proposes to base its recommendation to the Minister concerning the continuation of those measures.

Before recommending the continuation of the measures, Customs and Border Protection must be satisfied that the expiration of the measures would lead, or would likely lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures were intended to prevent.

Where the Minister decides to continue anti-dumping measures, the dumping duty notice will remain in force after the specified date for a further period of five years (unless the relevant notice is revoked before the end of that period).

In making recommendations in its final report to the Minister, Customs and Border Protection must have regard to:

- the application for continuation of the anti-dumping measures;
- any submission relating generally to the continuation of the measures to which the CEO has had regard for the purpose of formulating the SEF;
- this SEF; and
- any submission made in response to this SEF that is received by Customs and Border Protection within 20 days of being placed on the public record.

Customs and Border Protection may also have regard to any other matter that it considers to be relevant to the inquiry.

³ Under section 269TM.

⁴ Under section 269ZHB.

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Following the Minister's decision, a notice will be published advising interested parties of the decision.

2.2 Notification and participation

The current anti-dumping measures applying to greyback cartonboard from Korea are due to expire on 27 July 2010.

On 10 August 2009 Customs and Border Protection published a notice inviting certain persons to apply to Customs and Border Protection for continuation of the anti-dumping measures applying to greyback cartonboard from Korea.

On 9 October 2009, Amcor Packaging, the sole manufacturer of greyback cartonboard in Australia, lodged an application for the continuation of measures on greyback cartonboard exported from Korea.

Customs and Border Protection examined the application for the continuation of anti-dumping measures applying to greyback cartonboard from Korea and decided not to reject it. Public notification of initiation of the continuation inquiry was made on 4 November 2009 in *The Australian* newspaper. Australian Customs Dumping Notice (ACDN) No. 2009/36 was also published.

On 25 January 2010 the Minister approved an extension of 29 days to the due date for publishing a SEF. Customs and Border Protection is now required to place the SEF on the public record on or before 23 March 2010. Interested parties are invited to lodge submissions in response to the SEF not later than 12 April 2010.

The report to the Minister which outlines Customs and Border Protection's findings and recommendations is due on or before 7 May 2010.

At the commencement of the inquiry, Customs and Border Protection set 1 July 2008 to 30 June 2009 as the review period. Interested parties submitted that if measures were continued from their original expiry date of 27 July 2010 the data used to perform analysis would be outdated. Opinions were obtained from interested parties regarding whether the review period should be moved forward by one quarter to take account of the most recent verified data from Amcor Packaging and Daehan.

Following consideration of the submissions the most recent period of verified data is preferred because recent cost and price trends are incorporated within any revised variable factors. Although this period includes a portion of the global economic slowdown it would be unsafe to rely on earlier periods on the assumption that future cost and price levels will automatically return to levels prior to the slowdown. Further, as the goods are a commodity product traded on the global market, prices will invariably move on a regular basis. Consequently the review period is altered to 1 October 2008 – 30 September 2009 and analysis in this report is based on data from that period.

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2.3 Responding to the SEF

Interested parties may wish to make submissions in response to this SEF. However Customs and Border Protection is not obliged to have regard to any submissions received after **12 April 2010** if to do so would prevent the timely preparation of the report to the Minister.

Submissions should be sent to:

The Director
Trade Measures Operations 3
Australian Customs and Border Protection Service
5 Constitution Avenue
CANBERRA ACT 2601
AUSTRALIA

Submissions can be faxed to (02) 6275 6990 or emailed to tmops3@customs.gov.au. Interested parties intending to respond to the SEF must include a non-confidential version of their submission for placement on the public record⁵. Submissions provided in confidence must be clearly marked **"IN-CONFIDENCE"**.

The public record contains non-confidential submissions already received from interested parties, this SEF, non-confidential versions of Customs and Border Protection's visit reports and other publicly available documents such as Customs and Border Protection's initiation report, notices and other information. These documents should be read in conjunction with this SEF. The public record may be viewed at Customs House Canberra by contacting Trade Measures Branch administration on (02) 6275 6547.

All documents on the public record are available on the Customs and Border Protection's electronic public record which may be accessed on the internet at www.customs.gov.au by following the prompts for "anti-dumping".

2.4 History of anti-dumping measures

On 15 December 2004, Customs and Border Protection initiated an investigation in respect of greyback cartonboard exported from Korea following an application from Amcor Packaging.

In Trade Measures Report No. 92, Customs and Border Protection concluded that:

- exports of the goods from Korea were at dumped prices;
- the Australian industry producing like goods had suffered material injury as a result of those dumped goods; and

⁵ In preparing a non-confidential version interested parties should take account of the requirements set out in ACDN 2006/54.

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- material injury would continue to be caused to Australian industry if the goods from Korea continue to be exported to Australia at dumped prices.

It was recommended to the then Minister that a dumping duty notice be published in respect of the goods exported from Korea.

On 27 July 2005, the Minister accepted a price undertaking by Daehan and published a dumping duty notice for all other exporters, in respect of greyback cartonboard exported to Australia from Korea. Notification of the Minister's decision was contained in ACDN 2005/39.

The measures have not been reviewed since the initial investigation and are due to expire on 27 July 2010.

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3. GOODS SUBJECT TO THE CONTINUATION INQUIRY

3.1 Preliminary findings

Customs and Border Protection considers that Amcor Packaging produces greyback cartonboard that has characteristics closely resembling those of greyback cartonboard manufactured in Korea and exported to Australia and considers that greyback cartonboard manufactured by Amcor Packaging are like goods⁶.

Customs and Border Protection also considers that goods which fall within either the micron or grams per square metre ranges should be subject to the measures and the inquiry.

3.2 The goods

The goods subject to the measures (the goods) are coated greyback cartonboard, grey on one side and coated white on the other side. The goods are cellulose fibre based paperboards containing recycled fibre. Thickness ranges from 320 to 720 microns, which corresponds to a weight range of 250 to 550 grams per square metre.

Various terms are used to describe the goods, such as coated duplex board, duplex board, boxboard, newsback and white lined chipboard. The goods are referred to as greyback cartonboard throughout this report.

Greyback cartonboard has one white, smooth, glossy surface which is suitable for high quality graphic printing. The other side is grey or brown in colour, representing the colour of the recycled fibre used. Greyback cartonboard is supplied in sheets or in rolls.

The principal use of greyback cartonboard is in the manufacture of printed folding cartons for the packaging of a range of supermarket goods, such as breakfast cereals, biscuits and snacks, laundry detergents, dental care products, facial tissues, nappies and cake mixes.

It came to the attention of the case management team during the inquiry that it is possible for goods to be produced with properties that overlap the ranges specified in the above paragraph. That is, it is possible to produce greyback cartonboard within the grams per square metre (gsm) range but outside the micron level range. Customs and Border Protection asked for the views of interested parties on whether those goods which have properties within the gsm range but outside the micron range should be subject to measures and to this continuation and review inquiry. Interested parties suggested that changes to manufacturing processes and materials used in the manufacturing process will cause variances in the properties of the goods. These variances are noted in the product specification sheets published by all manufacturers.

⁶ In terms of s.269T.

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Ultimately, these variances do not affect the end-usage of the goods. Customs and Border Protection finds that the goods description should be read to mean that goods which have properties falling on or within the gsm or micron ranges stated should be subject to measures and to this continuation and review inquiry.

3.2.1 Tariff classification

The tariff classifications for the goods are 4810.13.90 statistical code 56, 4810.19.90 statistical code 57, 4810.29.90 statistical codes 64 and 80 and 4810.99.00 statistical code 85. These classifications have been applicable to the goods since 1 January 2002. The applicable rate of Customs duty for greyback cartonboard imported from Korea is five per cent.

Customs and Border Protection notes there are a number of tariff concession orders applying to the tariff classifications listed above where may or may not be the goods. Consideration Report 154, Appendix B refers.

3.2.2 Like goods

Like goods manufactured and sold in Australia by Amcor Packaging

Amcor Packaging manufactured two grades of greyback cartonboard which compete directly with the goods subject to measures, Eco-Cote and Artcote Grey. However since measures have been in place, Amcor Packaging have ceased the manufacture of the Eco-Cote grade of greyback cartonboard. Customers who previously bought Eco-Cote have moved to purchasing Artcote Grey. It is claimed by Amcor Packaging that it ceased production of Eco-Cote for two main reasons: that customers now expect a product with a higher quality finish and for production efficiencies. Artcote Grey also covers the specifications previously covered by the Eco-Cote grade.

In Trade Measures Report No 92, Customs and Border Protection was satisfied that the Eco-Cote and Artcote Grey grades of greyback cartonboard were like goods to the goods. Based on the information provided by the Australian industry and importers, Customs and Border Protection considers the goods manufactured by the Australian industry are like goods to the goods for the following reasons:

- physical: the goods are produced in similar grades, weights, standards and appearance;
- commercial: the goods directly compete with Australian produced goods and are interchangeable;
- functional: the goods are used perform the same function and have the same end-use; and
- production: the goods are manufactured in a similar process;

Amcor Packaging also manufactures the following grades of cartonboard.

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- Artcote White. This cartonboard is coated on both sides. It is used where hygiene and aesthetics demand a white back, such as the packaging of food, confectionary, cosmetics and pharmaceuticals.
- Artcote Kraft. This cartonboard is coated white on one side and coated with unbleached kraft pulp on the other side (this pulp is brown in colour). It is used where added strength and moisture resistance is required, such as the packaging of frozen foods.
- Uncoated boards. This cartonboard has no coating on either side.
- Starcote Laminating. This is a thinner greyback cartonboard that is designed specifically for use as a liner for corrugated boxes. It is used in the packaging of goods such as wine casks and electrical appliances.

Amcor Packaging also sells a brand of cartonboard that is “off quality”, or second grade. Amcor Packaging stated that this product does not meet the technical and quality specifications of the relevant grade. Customs and Border Protection did not in Trade Measures Report 92 consider that these other grades of cartonboard are like goods to the goods. Again, in this continuation inquiry based on the information provided by the Australian industry, Customs and Border Protection does not consider that these grades are like goods to the goods. As a consequence the cost and sales data for these items were excluded from analysis.

Like goods manufactured and sold in Korea and to third countries

Daehan, a Korean manufacturer of greyback cartonboard, stated in its response to the exporter questionnaire (REQ) that it manufactured and sold like goods on the domestic Korean market and to third countries. Specifically it stated that the like goods sold on these markets are identical in their specification and production process to the goods.

Based on the information provided to Customs and Border Protection in the REQ and the Daehan visit report, Customs and Border Protection considers that the greyback cartonboard sold on the Korean domestic market and to third countries are like goods to the goods.

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4. AUSTRALIAN INDUSTRY

4.1 Preliminary findings

Customs and Border Protection considers that:

- there is an Australian industry producing like goods; and
- Amcor Packaging is the sole manufacturer of greyback cartonboard in Australia.

4.2 Manufacturing process

For goods to be taken as produced in Australia:

- they must be wholly or partly manufactured in Australia; and
- for the goods to be partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia⁷.

Amcor Packaging states that it is the sole manufacturer of greyback cartonboard in Australia. No other interested party has claimed to be an Australian producer of greyback cartonboard.

Customs and Border Protection undertook a verification visit to Amcor Packaging. The visit report details Amcor Packaging's production costs and notes that previously an inspection of the manufacturing facilities had been undertaken.

Customs and Border Protection considers that at least one substantial process in the manufacture of greyback cartonboard is carried out in Australia, and that greyback cartonboard is wholly or partly manufactured in Australia.

4.3 Preliminary conclusion – Australian industry

Based on the information available, Customs and Border Protection considers that:

- the greyback cartonboard manufactured or produced by Amcor Packaging are like goods;
- the like goods were wholly or partly manufactured in Australia;
- a substantial process of manufacture was carried out in Australia by Amcor Packaging⁸; and
- there is an Australian industry consisting of persons who produce like goods in Australia⁹ in the form of Amcor Packaging.

⁷ Subsections 269T(2) and 269T(3).

⁸ In terms of ss.269T(3).

⁹ In terms of ss.269T(4).

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5. AUSTRALIAN MARKET

5.1 Preliminary findings

Customs and Border Protection considers that the Australian market for greyback cartonboard is 75,000 – 85,000 tonnes per year, which is an increase of approximately 20 – 25 per cent since measures were imposed.

5.2 Market structure

The Australian market for cartonboard is supplied from Amcor Packaging's Petrie Mill and by imports. Importers are either converters or distributors.

Converters account for the majority of imports of greyback cartonboard. Converters manufacture printed folding cartons for packaged goods manufacturers such as Kellogg, Arnotts, Sanitarium, and Colgate. These packaged goods are sold to retailers who are responsible for the sale of the final packaged product to the consumer. During the review Customs and Border Protection visited:

- Anzpac Services (Australia) Pty Ltd (Anzpac) a converter;
- CPI Group (CPI) a distributor; and
- Ekman Pty Ltd (Ekman) a trader that imported greyback cartonboard from Korea.

Amcor Packaging also sells greyback cartonboard to distributors and converters.

5.3 Market size and share

In TMB Report 92, Customs and Border Protection estimated the market size for greyback cartonboard to be between 60,000 – 70,000 tonnes per year. For the review period Customs and Border Protection combined Australian industry sales data with data gathered from importers visited as part of the inquiry and from Customs and Border Protection's import database. The market size in Australia for greyback cartonboard is estimated to have been 75,000 – 85,000 tonnes during the review period. This represents a 20 – 25 per cent increase in the market size since the original investigation in 2005. The majority of the Australian market share is held by the Australian industry with the American, Korean, German and Finnish products constituting the next largest sources of approximately equal proportions.

6. DUMPING IN THE REVIEW PERIOD

6.1 Preliminary findings

Customs and Border Protection has made preliminary findings that Daehan has not dumped in the review period. However, analysis indicates that dumping by Daehan into third country markets has occurred in the review period.

6.2 Dumping in Australia

At the commencement of this inquiry, Customs and Border Protection sent an exporter questionnaire to known Korean exporters of the goods. Daehan provided Customs and Border Protection with a completed questionnaire and a verification visit was subsequently undertaken. Hansol, who had exported to Australia since measures were imposed, but not in the review period, declined to complete the exporter questionnaire.

Following the Daehan verification visit, a report was produced which among other findings, calculated a dumping margin of -0.43 per cent of not insignificant volumes exported to Australia during the review period. Further details regarding the verification visit can be found in the Daehan visit report which is available on the public record.

6.3 Dumping in third countries

As part of the verification visit with Daehan, an analysis of the company's sales to third countries was undertaken. Customs and Border Protection found that a significant volume of the goods sold into third country markets were unprofitable. Further, when the weighted average FOB export price for sales to countries with a similar sales volume to Australia, was compared to the normal value calculated in the Daehan visit report, a dumping margin range of 22 to -2 per cent was found.

7. ECONOMIC CONDITION OF THE INDUSTRY

7.1 Preliminary findings

Customs and Border Protection has made the following preliminary findings that Amcor Packaging has:

- lost sales volume;
- experienced price suppression, depression and undercutting; and
- experienced lost profits and lower profitability.

Customs and Border Protection considers that the Australian industry is in a relatively weakened state and that Korean manufactured greyback cartonboard, whilst undumped, remain competitive in the Australian market.

7.2 Amcor Packaging's claims

In their application for the continuation of measures on the goods from Korea, Amcor Packaging claimed that:

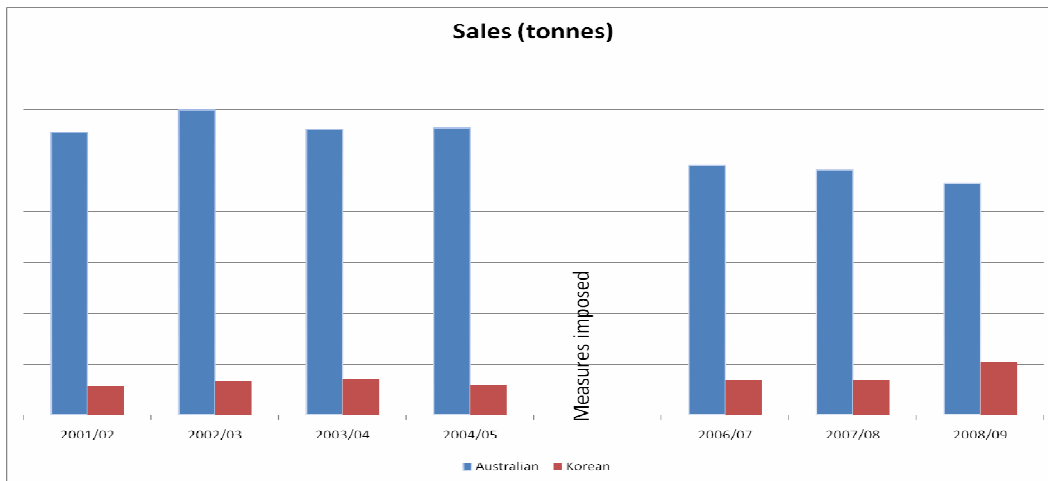
- as exports of the goods from Korea have continued since measures were imposed and that Korean manufacturers are heavily export orientated, it would be likely that exports of Korean greyback cartonboard to Australia would increase if measures were to expire;
- Korean greyback cartonboard exports to third countries are dumped, consequently in the absence of measures dumping would be likely to resume in the Australian market;
- the imposition of measures has 'stemmed the flow' of material injury and has stabilised prices for the goods but the impact of the global financial crisis has impacted upon Amcor Packaging's business; and
- a resumption of dumping by Korean exporters will lead to: reduced selling prices; diminution of profits; and profitability.

7.3 Volume effects

7.3.1 Sales volume

Customs and Border Protection compared sales volume information gathered from Amcor Packaging in the original investigation and in this continuation inquiry. This information is summarised in the table below.

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*Due to the timing of the application data for 2005/06 period is absent.

It can be observed from the above graph that Amcor Packaging's sales volume for the goods has continued to decline since measures were imposed. Additionally the volume sold is below that sold prior to measures being imposed. Amcor Packaging claimed that the rise in 2008/09 in Korean imports is due to the loss of a supply contract to Korean imports.

7.4 Price effects

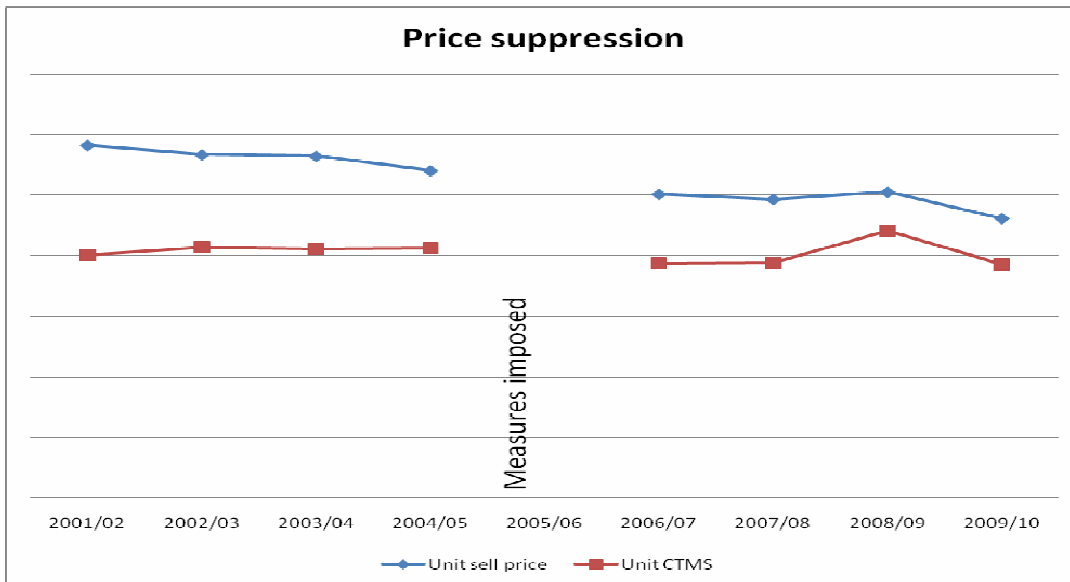
Price effects may be in the form of:

- price suppression, which occurs when price increases for a company's product, which otherwise would have occurred, have been prevented; and/or
- price depression, which occurs when a company, for some reason, lowers its prices; and/or
- price undercutting, which occurs when imported product is sold at a price below that of the Australian product.

7.4.1 Price suppression

Price suppression occurs when price increases for the Australian industry's product, which otherwise would have occurred, have been prevented. Movements in Amcor Packaging's unit prices and costs are illustrated in the following chart.

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*Data for the 2009/10 period is for the first quarter only. Due to the timing of the application data for the 2005/06 period is absent.

Customs and Border Protection notes that Amcor Packaging's unit sell price for the goods is below that achieved prior to measures being imposed. Further, the unit cost to make and sell has remained stable since 2001/02 except for an increase in the most recent financial year.

7.4.2 Price depression

Price movements in Amcor Packaging's weighted average prices for greyback cartonboard are illustrated in the chart above. Customs and Border Protection notes that Amcor Packaging's price for greyback cartonboard is lower than before measures were imposed and has moved slightly upwards in 2008/09.

7.4.3 Price undercutting

Customs and Border Protection compared the weighted average net free into store invoice price of Amcor Packaging during the review period with the landed duty paid into store price to importers for the Korean goods. Customs and Border Protection observed price undercutting at this aggregate level at a margin that is not insignificant.

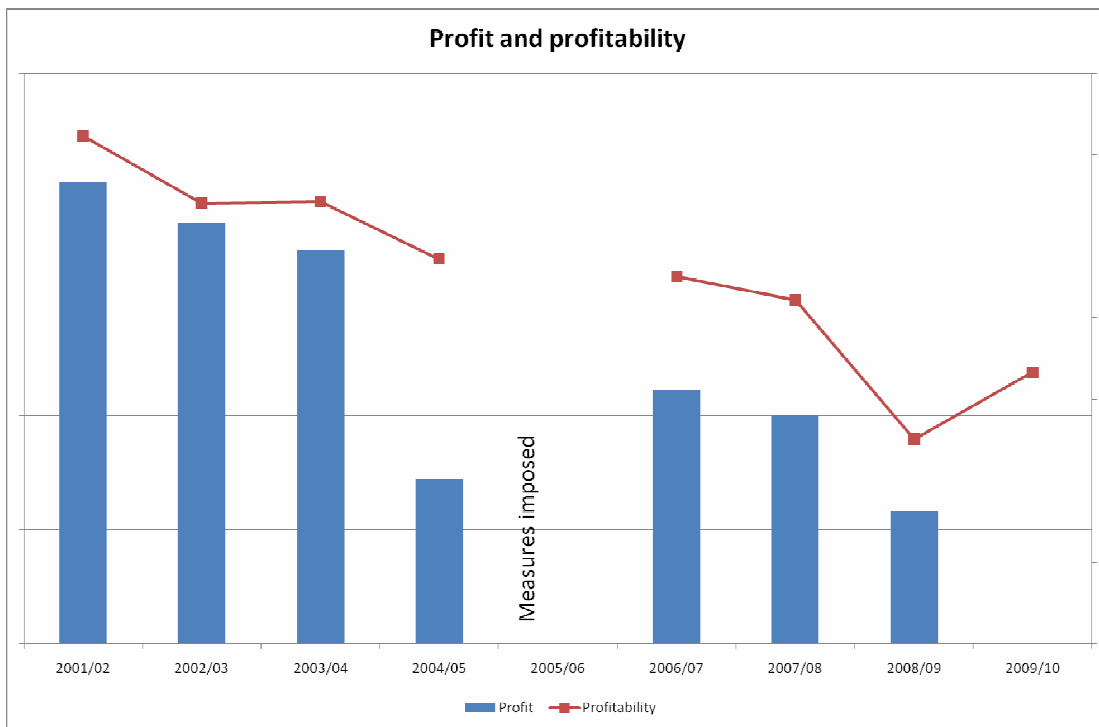
Customs and Border Protection also compared prices to customers that were common to Amcor Packaging and Korean exports during the review period. It noted the weighted average net free into store invoice price of Amcor Packaging was undercut by the landed duty paid into store price of the Korean goods by a margin that was not insignificant.¹⁰

¹⁰ Due to restrictions in the available data this analysis is performed for the 2008/09 period.

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7.5 Profits and profitability

Movements in Amcor Packaging's total domestic profits and profitability (profit measured as a percentage of revenue) are illustrated in the following chart.



*Data for the 2009/10 period is for the first quarter only. The 2009/010 profit graph is not shown as annualising one quarter of data could be misleading. However as profitability is measured as a percentage of revenue it is considered a more reliable indicator.

Customs and Border Protection notes that since 2001/02 Amcor Packaging's profit and profitability for greyback cartonboard have been in decline.

7.6 Customs and Border Protection's assessment

The price, volume and profit indicators for Amcor Packaging demonstrate declining economic performance and to this extent Amcor Packaging are considered to be in a weakened state relative to previous years.

In relation to competition, Customs and Border Protection noted the goods imported from Korea in the review period, whilst not dumped, were competitive on price.

8. LIKELIHOOD OF DUMPING OR INJURY RECURRING OR CONTINUING

8.1 Preliminary findings

Customs and Border Protection considers that the expiry of anti-dumping measures is likely to lead to:

- a recurrence of the goods exported at dumped prices; and
- a continuation of, or a recurrence of, the material injury that the anti-dumping measures were intended to prevent.

8.2 Continuation test

Customs and Border Protection must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures is intended to prevent.

8.2.1 Likelihood of dumping continuing or recurring

Customs and Border Protection makes the following observations in regards to the question of whether dumping would, or would be likely to, continue or recur if measures were to expire.

1. In regard to the goods as exported to Australia:
 - a. for the 12 month period ending September 2009, they have only been exported by Daehan and have not been dumped. Further, Daehan has acted in accordance with its price undertaking obligations;
 - b. since measures were imposed, these were not insignificant in volume in relation to the size of the Australian market; and
 - c. were sold by Daehan at prices above the agreed price undertaking level¹¹ and the dumping margin for Daehan as established in the Daehan visit report is -0.43 per cent.
2. In regards to the performance of Korean manufacturers since measures were imposed:
 - a. it is noted that Daehan has maintained a presence in the Australian market via supply arrangements with Australian distributors / importers and end-users (as established in the Ekman and Daehan visit reports);

¹¹ Customs and Border Protection has had regard to the magnitude of the margin above the price undertaking but cannot reveal that margin for confidentiality reasons.

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- b. the volume sold by Daehan in the Australian market for the goods remained constant in 2006/07 and 2007/08 with a rise in 2008/09 (as shown in the graph at 7.3.1);
 - c. the recent global economic slow down negatively impacted upon Daehan's capacity utilisation (Daehan visit report and REQ);
 - d. the Korean export price and normal value for the goods have increased since measures were imposed (Daehan REQ and visit report) and;
 - e. costs for Daehan produced greyback cartonboard have increased since measures were imposed (Daehan REQ and visit report).
3. In regards to the likely future performance of Korean manufacturers of the goods:
 - a. Daehan views the Australian market as key to their business operations and will be likely to continue to supply the Australian market (Ekman and Daehan visit reports) and;
 - b. spare production capacity exists in the manufacturing facilities of Daehan as a result of the recent global economic slowdown (Daehan visit reports).
4. Further to point 3b above, Korean manufacturers of the goods are able to switch their manufacturing facilities from the production of other paperboard products to greyback cartonboard manufacture should it be deemed necessary by the manufacturer.
5. The National Tariff Commission (NTC) of the Islamic Republic of Pakistan (Pakistan) in December 2009, made a preliminary determination and levy of provisional anti-dumping duties on imports of "one side coated duplex greyback paperboard" from several countries including Korea. The preliminary dumping margin as a percentage of the export price for Korean exports was between three and 30 per cent. Customs and Border Protection understands these goods to be the same or similar to the goods and is not aware of any other anti-dumping administration currently investigating allegations of dumping or of any administrations applying dumping duties on the goods.
6. It is likely that Korean manufacturers of the goods would seek alternative markets for their products should the NTC decide to implement measures at a level which no longer make the Korean manufactured goods price competitive.
7. The size of the Australian market for the goods has increased by between 20 and 25 per cent since measures were imposed (section 5.3 refers) but the volume sold by Amcor Packaging has declined since measures were imposed (as evidenced by the tonnes sold by Amcor Packaging discussed at section 7.3.1). The market share held by Korean manufacturers has declined since measures were imposed. The lost Korean market share has been replaced by a rise in imports from Chile, Germany, Finland and the USA.

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8. Section seven of the Daehan visit report and Daehan's REQ indicates that the company sold a significant volume of the goods into third country markets during the review period at prices which are considered to be loss making. In addition, when Daehan's normal value is compared to the FOB export price of countries with a similar volume of sales to Australia a dumping margin range of -2 to 22 per cent is observed.
9. Amcor Packaging submitted in its application two quotes for supply of the goods into a third country market (this market is considered by Customs and Border Protection to be an appropriate market for comparison):
 - a. Amcor Packaging calculated the dumping margin of Daehan product into the third country market at 35 per cent. Customs and Border Protection calculated the FOB export price for the goods sold into the third country and compared that to the known normal value calculated in the Daehan visit report. This showed a lower dumping margin but it was not insignificant;
 - b. A second quote for Hansol product into the same third country was provided in the application and a dumping margin of 30 per cent was calculated by Amcor Packaging. Customs and Border Protection again calculated the FOB export price and compared that with the normal value determined for Hansol in this inquiry. Comparing the normal value to the export price showed a lower dumping margin but it was not insignificant.
10. Interested parties stated that Korean exporters are export oriented in their business operations. The implication being that as Korean manufacturers are reliant on the export market for their goods, they must find a market to sell their products rather than being able to sell the goods on the domestic Korean market. Customs and Border Protection has found that the export market for Korean manufacturers of the goods is important (Daehan REQ and Daehan visit report).
11. Amcor Packaging claimed that the growth in Chinese domestic production of the goods have supplanted sales of Korean manufactured greyback cartonboard in China. Consequently, Korean manufactures of the goods would be directed to other markets including Australia. A decline in sales to China of Korean manufactured greyback cartonboard is observed when a comparison is made between data on sales to China verified by Customs and Border Protection in the original investigation and data verified for this inquiry which would support Amcor Packaging's claim. This should however be compared to a smaller overall decrease in sales volume to third country markets since measures were imposed.

Customs and Border Protection's assessment

Since measures were imposed, Daehan has maintained a market presence and increased the overall volume of the goods sold in Australia. Further, Daehan considers the Australian market key to their business operations and spare production capacity exists within their manufacturing facilities. Customs and Border Protection considers that in the absence of ant-dumping measures Daehan could readily use their existing market connections and spare production capacity to fulfil any rise in demand for their goods. Despite the rise in the cost to make and sell, the export price and the normal

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value for the goods, the unit sell price for the goods remains below that of the Australian industry.

Customs and Border Protection considers that if the Pakistani NTC imposes the anti-dumping duties it would make the Korean manufactured goods less price competitive. Alternative markets for the goods which would otherwise have been sold in Pakistan may include Australia. In the absence of measures, an increase in the quantity sold at dumped prices may result in order to increase sales volume and capacity utilisation.

The analysis of Daehan's activities in third country markets showed dumping into particular markets. That is, Daehan has sold a significant volume of the goods at a loss and the dumping margin for exports to countries sold in similar volumes to those exported to Australia in the review period is between 22 and -2 per cent. In addition, in a specific third country market the goods were dumped by Daehan and by Hansol at dumping margins that were not insignificant. Interested parties stated the Korean manufacturers are export orientated. Customs and Border Protection considers that export markets are important for Korean manufacturers and exported goods are sold at prices below the normal value. Without measures in place it is likely that similar pricing activity would take place in Australia.

Whilst the goods have not been exported to Australia at dumped prices, the export price is only marginally above the price taking level. In the context of dumped export prices from Daehan into markets other than Australia, it appears that the price undertaking measure has been effective in keeping the export price above the normal value. Customs and Border Protection considers that in the absence of the price undertaking measure the goods would have been exported at a price below that set by the price undertaking.

Customs and Border Protection considers that expiration of the anti-dumping measures on greyback cartonboard from Korea is likely to lead to a recurrence of the goods exported at dumped prices.

8.2.2 Likelihood of injury continuing or recurring

Customs and Border Protection makes the following observations in regards to the question of whether injury would, or would be likely to, continue or recur if measures were to expire.

1. It is likely that the volume of Korean manufactured greyback cartonboard would increase in absolute and relative terms if measures were allowed to expire.
2. It is likely that the price of the goods and like goods would fall if measures were allowed to expire.
 - a. As discussed above in 8.2.1, the price of the goods offered by Korean manufacturers in the third country indicates that they are likely to be dumped. Further, the price of the goods in absolute terms offered in the identified third country market are significantly below that currently offered in Australia and are below the current level of the measures.

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- b. The sell price of Amcor Packaging's like goods has continued to fall after the imposition of measures (section 7.4.1). Also, as discussed in 7.4.3 of this report Customs and Border Protection has calculated undercutting of Australian prices by a margin that is not insignificant. The third country pricing discussed at 8.2.1 (9) also indicates a significantly lower sell price being offered by Korean manufacturers.
3. Amcor Packaging lost a substantial customer to Korean imports of the goods in 2008/09. A rise in Korean imports is seen at this time.
4. The Korean industry's future performance is likely to improve following the global economic slowdown.
5. Production facilities of Korean manufacturers are able to produce a variety of paperboard products including greyback cartonboard and switch production to meet market demand.
6. One importer of the goods, Anzpac, stated that customers/end-users of greyback cartonboard prefer Daehan produced goods as they offer better end results and "machinability" (i.e. the goods run more efficiently through production facilities). Further, the 100 per cent recycled nature of Korean manufactured greyback cartonboard gave it better marketing opportunities. No other interested party made the same or similar claims.
7. There has been an overall decrease in the market share of Korean manufactured goods and a rise in market share for the goods from Chile, Germany, Finland and the USA. An analysis of the Customs and Border Protection import database for the review period indicates that the landed cost of imported greyback cartonboard from countries other than Korea were higher than the landed cost of Korean goods.

Customs and Border Protection's assessment

The economic condition of the Australian industry has continued to decline since the imposition of measures. The continued decline may in part be attributed to the global economic slowdown however in 2008/09, which shows the steepest decline in sales, the Australian industry lost a client to Korean manufactured goods. Customs and Border Protection considers it likely that in the absence of measures the volume of the goods from Korea to Australia would continue to increase.

Customs and Border Protection considers the price of the Korean goods in the Australian market was competitive in the review period, despite anti-dumping measures. This is evident in the ability of Korean goods to maintain market presence, and secure additional sales volume associated with a contract previously held by the Australian industry. It is also evident in the analysis that shows the goods imported from Korea were lower in price than other import sources.

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Evidence was provided to Customs and Border Protection regarding the sell price for the Korean goods in a third country market. This third country pricing offered by Korean manufacturers, if transferred into the Australian market, would result in prices lower than that currently offered by the Australian industry. From the third country sales information provided to Customs and Border Protection it is noted that the goods were sold at dumped prices during the review period.

Customs and Border Protection regards a significant volume of Daehan's sales to third country markets as unprofitable and at dumped prices within the range of 22 to -2 per cent. These likely lower selling prices for the goods, combined with the Australian industry's relatively weakened state, indicates the Australian industry is likely (if anti-dumping measures expire) to suffer injury through lower sales volume and price suppression, depression, undercutting and consequently reduced profits and profitability.

In the absence of anti-dumping measures, the Korean goods would become more price competitive and will consequently displace imports currently sourced from other exporting countries and sales from the Australian industry.

Customs and Border Protection considers that the expiration of anti-dumping measures on greyback cartonboard from Korea is likely to lead to a continuation of, or a recurrence of, the material injury that the anti-dumping measures were intended to prevent.