



Productivity Commission  
Level 12  
530 Collins Street  
Melbourne Victoria 3000

Email: [antidumping@pc.gov.au](mailto:antidumping@pc.gov.au)

Dear Sir/Madam,

### **Submission to Productivity Commission (PC) - Anti-dumping system research project**

The Plastics and Chemicals Industries Association (PACIA) welcomes the opportunity to provide this submission to the PC's research into the anti-dumping system.

PACIA is the peak national body representing the business of chemistry in Australia.

Our members include chemicals manufacturers, raw material suppliers, plastics fabricators and compounders, importers and distributors, logistics and supply chain partners, chemicals and plastics recyclers, and service providers to the sector. These businesses range from small family-owned companies and innovative medium-sized enterprises, to leading national and multinational enterprises.

The chemistry industry – comprising the chemicals and plastics sectors - is the second largest manufacturing sector in Australia. The chemistry industry:

- supplies 109 of Australia's 111 industries – about 805 of the sector's outputs are inputs to other sectors of the economy;
- contributes \$11.6 billion to Australia's gross domestic product;
- comprises 5,500 small medium and large businesses nationally; and
- directly employs more than 64,000 people.

The local chemistry industry is not only important in its own right, but has a multiplier effect on productivity and cost saving benefits to the broader economy. Each job in the chemicals and plastics sector creates five more in related supply chains. The industry's central role in multiple supply chains provides benefits that exceed the directly attributable benefit of the industry.

PACIA members are directly impacted by the anti-dumping system either as applicants for anti-dumping and/or countervailing measures or as importers and traders of products subject to anti-dumping and countervailing investigations and/or measures. A number of PACIA members also use local and imported products subject to anti-dumping and countervailing investigations and/or measures as raw materials for the manufacture of products in Australia.

PACIA supports an anti-dumping system that is effective at implementing the WTO rules and which provides a robust framework to encourage and support investment in Australian manufacturing and jobs, while at the same time facilitating fair and open trade.

The PC has sought comments from stakeholders on the following matters:

- trends in anti-dumping activity and possible drivers of these trends;
- how the anti-dumping system is operating, including outcomes for local industries and consequences for broader economic, trade and competition policy goals;
- any opportunities to improve outcomes from the anti-dumping system.

PACIA would make the following comments:

### **Trends and drivers**

PACIA members indicate that the principal driver of anti-dumping activity is global manufacturing over-capacity. With vast amounts of capital invested in manufacturing capacity, enterprises often continue to run manufacturing assets at or as close to full capacity as possible. As a result, “excess” production may be sold into foreign markets at prices close to the variable cost of production (i.e. raw material cost). This practice is often referred to as “marginal costing”. Such practices can assist manufacturers and producers to improve their return on investment. However, such practices can also cause significant harm in foreign markets where local manufacturers are confronted with an increase in import competition from goods that are priced below the full cost of production.

The WTO Anti-dumping Agreement recognises the damage that these types of trading practices can cause and provides remedies for manufacturers/producers that suffer material injury from imported goods that are sold for export at prices below the price at which like goods are sold on the domestic market of the country of export.

The sustained global economic downturn that has followed the global financial crisis has led to significant manufacturing over-capacity in a number of industry sectors. This has in-turn led to a significant increase in anti-dumping activity across the globe.

Australia with its economy insulated from much of the impact of the global economic downturn by growth associated with the construction phase of the mining boom has been a destination for much of the over-capacity in a broad range of industries. The high Australian dollar has also made Australia an attractive destination for dumped goods.

Recognising that over-capacity is primary driver of anti-dumping activity, Australian markets will continue to be a destination for dumped products whenever overseas manufacturers have surplus manufacturing capacity.

### **Operation of current anti-dumping regime.**

PACIA members continue to express concerns about differences in the administration of Australia's anti-dumping regime when compared to the administration of the anti-dumping system by other WTO member countries. These differences are particularly evident when investigating authorities in other jurisdictions conduct investigations into similar industry sectors and the outcomes and measures imposed in those other jurisdictions differ significantly from the outcomes and measures, if any, determined by the Anti-dumping Commission (ADC). PACIA understands that the different approaches to administration by the ADC generally disadvantage Australian manufacturers and producers.

Circumvention of measures by exporters and importers also continues to be an issues. The effectiveness of recent legislative reforms designed to address these behaviours is still to be established. PACIA nevertheless welcomes these reforms.

### **Improving the system**

PACIA members believe that improved administration of the current legislative regime by the ADC is principal area for improving the anti-dumping system.

Greater transparency of Australian Bureau of Statistics (ABS) trade data would also improve the current system. At present, a lot of trade data is suppressed on the grounds of “commercial confidentiality”. The lack of access to trade data makes it difficult for local industries to identify whether or not dumping is occurring. As a result, local manufacturers/producers may suffer additional injury as they seek alternative sources of data to support an application for trade remedies. PACIA understands that trade data in other jurisdictions (e.g. United States, Canada, and Europe) is much more transparent than in Australia.

If you have any questions concerning this submission, please contact me

Yours faithfully

Bernard Lee  
Director – Policy and Regulation