Simcoa Operations
ACN 009 064 653
ABN 42 009 064 653

ADMINISTRATION:
973 MARRIOTT ROAD, WELLESLEY, WESTERN AUSTRALIA 6233
P. O. BOX 1389, BUNBURY, WESTERN AUSTRALIA 6231
TELEPHONE: (08) 9780 6744 FACSIMILE: (08) 9780 6746

12 March 2015

Ms Joanne Reid
Director
Anti-Dumping Commission
c/o Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Public File Copy

Dear Ms Reid

Investigation No. 237 - Dumping and Subsidisation of Silicon Metal exported from P R China to Australia – Simcoa Operations Pty Ltd response to SEF & PAD

Please find attached for your consideration Simcoa Operations Pty Ltd ("simcoa") response to Statement of Essential Facts and Preliminary Affirmative Determination No. 237 for silicon metal exported from the People's Republic of China.

If you have any questions concerning the attached submission, please do not hesitate to contact me on (08) 9780 6762, or Simcoa's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

David Miles
Vice President
Site Services and Marketing

1.0 Introduction

Simcoa Operations Pty Ltd ("Simcoa") welcomes the publication of Statement of Essential Facts ("SEF") and preliminary Affirmative Determination ("PAD") No. 237 on 23 February 2015 imposing securities on future exports of silicon metal from the People's Republic of China ("China").

Simcoa is the applicant company that has requested the publication of dumping and countervailing duty notices. In its application of 10 January 2014, Simcoa alleged that exports of silicon metal from China were at dumped and subsidized prices and that the Australian industry manufacturing like goods had suffered material injury from the exported goods.

2.0 Like goods

Simcoa is a manufacturer of silicon metal. The Anti-Dumping Commission ("the Commission") confirmed that Simcoa manufactured seven grades of silicon during the investigation period (1 January 2013 to 31 December 2013). Six of the seven grades are used by primary aluminium smelters, with the seventh grade generally sold to secondary aluminium producers.

One of the large cooperative importers – Pacific Aluminium – notified the Commission that it had shifted its purchasing requirements away from the more purified grades to Grade 441. Pacific Aluminium sought to argue that the Grade 441 silicon metal should be excluded from the investigation as it was of a lesser quality and purity than what Simcoa manufactured. However the Commission has correctly concluded that Simcoa produces silicon metal that has the same essential characteristics as the imported silicon metal from China, including:

(i) Physical likeness – the primary physical characteristics of the imported and locally produced goods are similar;
(ii) Commercial likeness – the imported goods and locally produced goods compete with each other and are sold to common end-users and compete in the same market;
(iii) Functional likeness – the imported goods and the locally produced goods perform and function alike and have the same similar end-uses; and
(iv) Production likeness – the imported goods and locally produced goods are manufactured via similar processes.

Simcoa concurs with the Commission's conclusion that the locally produced silicon metal is a like good to the imported goods.

3.0 Australian market for silicon metal

The Commission estimated the size of the Australian market in the 2013 investigation period at 8,000 metric tonnes. The market had declined by approximately 60 per cent across the injury period, along with the Australian industry's share of the market. Pacific Aluminium accounted for approximately 80 per cent of the imports of silicon metal from China during the investigation period via its three related entities:

- Rio Tinto (Bell Bay) Company Ltd;
- Boyne Smelters Ltd; and
- Tomago Aluminium Ltd.

As Pacific Aluminium is the largest importer of silicon metal from China, the company's importing activities therefore materially impact Simcoa's local supply position. The Commission established that the purchase prices of Pacific Aluminium undercut Simcoa's selling prices by 6.5 per cent during the investigation period. This level of price undercutting prevented Simcoa from supplying locally produced silicon metal to the largest purchaser on the Australian market.

4.0 Dumping Investigation

4.1 – Market situation

Simcoa's application for anti-dumping measures asserted that a particular market situation for silicon metal applied in China. Specifically, Simcoa cited the recent Canadian Border Services Agency ("CBSA") finding of 5 November 2013 that determined the Government of China ("GOC") significantly exerted influence over "the Chinese ferroalloy sector, which includes silicon metal". CBSA further determined:

> "*domestic prices [*for silicon metal*] are substantially determined by the GOC, and there is sufficient reason to believe that the domestic prices for silicon metal are not substantially the same as they would be in a competitive market*[1]."

Simcoa's application referred to the following GOC policies and programs that influenced silicon metal prices in China, including:

- *GOC export control measures* – including the repealed 15 per cent export tax (repealed with effect 1 January 2013), the absence of an export rebate on the 17 per cent VAT tax, the maintenance of minimal export prices for silicon, and the use of export quotas on silicon[2];

- *GOC influence on the price of inputs used in the manufacture of silicon* – this included the cost of electricity[3] and coal that accounted for up to 70 per cent of the production cost of silicon metal;

- *GOC policies and regulations directed at production levels and participants* – directives that involve backward integration of less efficient production facilities, impacting production levels in a manner inconsistent with free market factors. This was evidenced in an edict dated 28 December 2012, by the Office of the People's Government of Yunnan Province detailed objectives relating to "Promoting Industrial Restructuring of Industrial Silicon". The document details the need for urgent restructuring in the silicon industry to achieve the objectives detailed in China's 11th and 12th Five Year Plans[4]. More specifically, the Government of the Yunnan Province was driving restructuring of the silicon industry on behalf of the GOC through the following initiatives:

    - production capacity restrictions (limiting Yunnan Province to 1.4 million tonnes capacity);
    - phasing out all industrial silicon electric furnaces at or under 12,500kVA by 2015;
    - employ advanced technology in silicon production;
    - require cluster development, with production to be located in industrial parks;
    - increase the proportion of chemical grade silicon;
    - restrict energy consumption per unit of silicon at 12,000kwh or less, energy consumption at 3,500kg of standard coal or less, carbonaceous reducing agents at 1,300kg or less, achieve silicon recycle rate of 85 per cent or

[1] CBSA Statement of Reasons – Final Determination on the dumping and subsidizing of certain silicon metal originating in or exported from the People's Republic of China, 4214-39 AD/1400, 4218-37 CVD/136, 5 November 2013 (at Non-Confidential Attachment B-3.1.1 of Simcoa's application, P.25.

[2] Refer to Simcoa's submission dated 25 September 2014 referencing the Guosen Securities (HK) confirmation of export quotas on silicon metal.

[3] *Ibid*, where independent reporting confirmed beneficial electricity prices for silicon manufacturers in China.

[4] *Ibid*, P.3.

above, achieve waste heat utilization rate for silicon furnaces at 70 per cent or above, recycling of micro-silica dust.

Complete details of the GOC's influence on the silicon metal industry via policies and regulations are detailed in Simcoa's submission dated 25 September 2014;

- *GOC influence on the use and supply of inputs* – this included references to the CBSA's assessment on the Yunnan provincial government's "Opinions Concerning Promoting Industrial restructuring of Industrial Silicon". Further activities involved the influence of the GOC on determining the size of furnaces, the efficiency of facilities in terms of energy consumption, recycling targets, and silicon micro-dust capture, that impact the operations of a Chinese silicon metal manufacturer;

- *Chinese domestic selling prices for silicon metal* – Chinese domestic selling prices were up to 37 per cent below market selling prices in other countries (i.e. USA) according to respected industry publications that document market prices.

Simcoa also referred to the GOC's Twelfth Five Year Plan which included specific references to the ferro-alloy (including silicon metal) industry. At the 5th International Silicon Industry Summit of 12,13 May 2012 agenda items included discussions related to progress with elimination of backward integration capacities as per the GOC's detailed12th Five-Year Plan[5].

4.2 - Legislative provisions

The normal value for goods exported to Australia is determined in accordance with subsection 269TAC(1) of the *Customs Act.* Where the price paid or payable for the goods on the domestic market are in sufficient volumes in the ordinary course of trade in arm's length transactions, the domestic selling prices will be the basis for normal values. However, subsection 269TAC(2)(a)(ii) provides that where the normal value of goods cannot be determined under subsection 269TAC(1), and the Parliamentary Secretary is satisfied that:

> *"…the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1)."*

Where the Parliamentary Secretary is satisfied, the Commission can determine normal values on a constructed cost basis (subsection 269TAC(2)(c)) of export sales to third countries (subsection 269TAC(2)(d)).

4.3 – GOC Cooperation

The Commission provided the GOC with a Government Questionnaire detailing questions directly associated and relevant to determining the basis for the policies and regulations understood to apply to the silicon metal sector and administered by the GOC. It is noted in PAD and SEF No. 237 that:

> "*The GOC did not provide a response to any of the questions related to an assessment of market situation*".

The Commission therefore relied upon evidence obtained in the CBSA investigation that immediately preceded the current inquiry. The factors considered by the Commission in arriving at a positive conclusion on a market situation for silicon metal in China includes the facts and evidence supplied to the Commission by Simcoa in its application and submissions to the inquiry (in particular, the submission dated 25 September 2014).

[5] *Ibid*, P.4.

4.4 – Normal values

Where the Commission determines a market situation applies for goods in the exporting country, consideration is given to the constructed cost provisions under s.269TAC(2)(c). Further regard is also made of Regulations 180, 181 and 181A. In respect of determining the cost of manufacture, Regulation 180(2) requires that if:

- an exporter or producer keeps records relating to like goods that are in accordance with generally accepted accounting principles (GAAP) in the country of export; and
- those records reasonably reflect competitive market costs associated with the production or manufacture of like goods,

the Parliamentary Secretary is required to work out the cost of production or manufacture using information contained in the exporter or producer's records.

Simcoa demonstrated in its application for measures that the cost of electricity in China for certain silicon metal manufacturers did not reasonably reflect a competitive market cost for electricity and that the cost in the exporter or producer's records should be substituted. Simcoa demonstrated that the electricity cost to some silicon producers in Yunnan province was as much as 32 per cent below the electricity cost for other industrial users in China.

Simcoa supports the Commission's finding that for Chinese silicon producers that "*the electricity costs have been affected by preferential rates provided by SIE (State Invested Enterprises) electricity providers for industries in the silicon manufacture sector, and hence do not reasonably reflect competitive market costs, and should be replaced by a competitive market substitute*."

In selecting an appropriate benchmark price to substitute in for the producer's electricity cost, the Commission utilized the tariff rate for "Other Large Industry" as provided by the GOC in its schedule of electricity tariff rates. It was considered by the Commission that the "Other Large Industry" electricity tariff in China reflected a competitive market cost in China for all other industries in the relevant provinces.

Simcoa would highlight with the Commission that the GOC has identified electricity (along with other utilities of gas, water, etc) are the subject of government control pricing[6]. The benchmark price relied upon by the Commission is unsighted by Simcoa and it cannot be commented upon whether the selected pricing is reasonable for the purposes of substituting into the manufacturer's production costs. Simcoa reserves the right to further address this issue as may be required.

The Commission received completed questionnaire responses from the following Chinese entities:

- Xiamen K Metal Co., Ltd ("K Metal");
- Hua'an Linan Silicon Industry Co., Ltd ("Hua'an Linan"); and
- Guizhou Liping Linan Silicon Industry Co., Ltd ("Guizhou Linan").

The three parties are related and are referred to by the Commission as "the Linan Group".

The Commission determined normal values for the Linan Group using the quarterly weighted average cost to make and sell (including the electricity cost uplift based upon the benchmark), by model, with an amount included for profit. Adjustments were made for inland freight, export fees and charges, trader S,G&A (for sales made through K Metal) and the non-refundable VAT.

The Commission established a dumping margin for the Linan Group of companies of 14.1 per cent.

---

[6] Refer GOC WTO Accession Protocol of 2001.

For all other Chinese exporters (deemed to be non-cooperative) the Commission determined dumping margins at 22.5 per cent.

Simcoa submits that the Commission's positive determination of a market situation for silicon metal sold domestically in China is consistent with the CBSA's determination of 5 November 2013 that *domestic prices are substantially determined by the GOC, and there is sufficient reason to believe that the domestic prices for silicon metal are not substantially the same as they would be in a competitive market*. The Commission's finding is in accordance with the provisions contained in sub-section 269TAC(2)(a)(ii) of the Customs Act and Regulation 180(2) and aligns with the outcomes in other jurisdictions (e.g. Canada).

5.0 Countervailing

Simcoa detailed in its applications that Chinese producers/exporters of silicon metal were in receipt of benefits from the GOC that were actionable under Australia's subsidies provisions. The CBSA investigation determined 91 subsidy programs that could be identified as having afforded a benefit to Chinese exporters of silicon metal. The key categories of the subsidy benefits include:

(i) Special Economic Zones (SEZ) incentives;
(ii) Grants;
(iii) Preferential Loan Programs and Loan Guarantees;
(iv) Preferential Tax Programs;
(v) Relief from Duties and Taxes on Inputs and Capital Equipment;
(vi) Goods/Services provided by GOC at less than adequate remuneration;
(vii) Reduction in Land Use Fees; and
(viii) Other Programs.

The Commission identified 38 of a possible 44 countervailable subsidy programs in its investigations. The programs are identified at Section 7.3 of SEF and PAD No. 237. The Commission has indicated that the following Programs are not countervailable in relation to the goods:

Program No	**Program Name**	**Program Type**
2	Preferential Tax policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones	Income Tax
3	Preferential Tax policies for Foreign Invested Enterprises – Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years	Income Tax
4	Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)	Income Tax
5	Preferential Tax policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai	Income Tax
14	Patent Award of Guangdong Province	Grant
32	VAT Refund on Domestic Sales by Local Tax Authority	Tariff & VAT

It is understood by Simcoa that the above programs were identified as not providing a benefit to producers/exporters as the GOC has notified (whether in Inquiry No. 237 or earlier inquiries) that the programs have allegedly expired. Respectfully, Simcoa questions whether the identified programs have in fact expired or are no longer applicable.

The website for investment in Yunnan province[7] (along with other provinces, including Guizhou) provides background information on the province, the local economy, projects wanting foreign investment, and 'favourite policies for foreign investment'. The document indicates that Yunnan province encourages foreign investment in certain areas, including in the "Non-Ferrous metal industry" (i.e. silicon metal) and in 'High-Technology Zones' including for:

> 1. Expansion and industrialization of high technology.
> 2. Upgrading of traditional industries using high technology focusing on electronics and machinery, biological pharmacy, food processing, *metallurgical* and chemical industries" (emphasis added).

The available investment incentives include as follows:

> 1. Foreign-funded enterprises concerned with energy, communication, water conservancy, environmental protection, agriculture, forestry, animal husbandry and other related industries with terms of operation longer than 10 years will be exempt from corporate tax for 2 years starting from the first profit-making year. These enterprises will receive a full tax rebate from local financial departments for the third, fourth and fifth years of operation.
>
> 2. Foreign-funded enterprises approved as high-tech enterprises with terms of operation longer than 10 years will be exempt from corporate tax from the first to second profit-making year. They will receive a full corporate tax rebate from local financial departments from the third to seventh year of operation. For the first three years of operation, the proportion of VAT designated to the local financial departments will be rebated by these departments. Upon expiry of the above-mentioned preferential terms, favorable tax rates may still be obtained for enterprises which fulfill requirements of provincial tax departments.
>
> 3. Foreign-funded enterprises involved in energy, communication, environmental protection and urban public utilities whose actual investment exceeds US$10 million will have the proportion of their VAT designated for the local financial departments rebated for the first 3 years of operation upon approval.
>
> 4. For foreign-funded enterprises reinvesting their profits in the province and their term of operation longer than 5 years, local financial departments will rebate corporate tax according to the amount reinvested.
>
> 5. Foreign funded enterprises engaged in agricultural projects by using non-cultivated land will be exempt from agriculture tax for the first three years. In the 4th and 5th years, the above taxes paid will be rebated by local financial departments.
>
> 6. Foreign-funded enterprises will be given priority in the allocation of land-use rights. Allocation of these rights will be at the same price level for all enterprises (domestic or foreign). Arrangements can be made to pay by installments if necessary. When foreign-funded enterprises invest in residential houses, they may sell 30 percent of the floor area at commercial housing price.

[7] Refer www.china.org.cn/e-xibu/2JI/3JI/yunnan/yunnan-ban.htm - available also at Non-Confidential Attachment 1.

Simcoa notes that the Programs 2, 3 and 32 that the Commission has identified as no longer operating do in fact continue to be promoted by the GOC (and its provinces) to attract FIE investment in key strategic industries. The Non-Ferrous Metal industry (that includes silicon metal) is a strategic industry for investment in China and, particularly, in Yunnan and Guizhou provinces. For FIEs investing in Guizhou the incentives extend beyond those for Yunnan including for assistance with loans.

Whereas the GOC may have indicated the expiration of certain income tax exemption/reduction programs, the provinces in which the FIEs are investing continue to provide financial incentives to attract these investments. FIEs investing in SEZ's or Hi-Tech zones also qualify for the exemptions.

Simcoa requests the Commission to include the benefits received under Programs 2,3 and 32 in the subsidy calculations for Chinese exporters of silicon metal in recommending the final subsidy margins applicable on the exported goods from China.

6.0 Material injury

The Commission is satisfied that the Australian industry producing silicon metal has experienced material injury in the following forms:

- loss of sales volumes;
- reduction in market share;
- reduced revenue;
- price suppression;
- price depression; and
- reduced profits and profitability.

Simcoa experienced increased production costs during the investigation period that it was unable to pass on through an increase in domestic selling prices. This was due to the availability of dumped exports from China in substantial volumes that undercut Simcoa's selling prices. The margins of dumping ranged from 14.1 per cent to 22.5 per cent, and are well above negligible levels. The level of price undercutting as calculated by the Commission during the investigation period was approximately 6.5 per cent. In the context of the final selling prices for silicon metal on the Australian market, a 6.5 per cent undercutting margin is substantial.

Simcoa concurs with the Commission's findings on material injury and submits that the available evidence supports a finding that the injury from the dumped and subsidized Chinese exports of silicon metal was material in nature.

Simcoa notes that the Commission has stated (Section 9.6) that it does not consider it likely that in the absence of dumping (and subsidization) Simcoa would be able to secure 100 per cent of the largest importer's volumes (i.e. the volumes of Pacific Aluminium). The Commission followed this statement by calculating the injury sustained by Simcoa in the investigation period based upon the volumes supplied by Simcoa to Pacific Aluminium in 2010. The Commission determined that the loss of profit to Simcoa "*still represents around 10% of Simcoa's actual profit in 2013*". Simcoa understands the Commission's approach in seeking to quantify the injury sustained from the dumped and subsidized exports in 2013. It is Simcoa's view, however, that it should not have to compete with dumped and subsidized (or unfairly priced) exports to Australia at any time. In the absence of dumping and subsidsation, Simcoa would seek to supply up to 100 per cent of Pacific Aluminium's local requirements, however, Simcoa has been prevented from doing so due to the dumping and subsidization that prevailed.

The Commission's finding on the materiality of injury experienced by the Australian industry has been carefully assessed and determined. The size of the dumping (and subsidy) calculated margins, and the level of price undercutting have caused a material deterioration in Simcoa's profits and profitability during the investigation period.

7.0 Future threat of material injury

7.1 – Inquiry findings

Simcoa agrees with the Commission's assessment that based upon the size of the dumping margins determined (between 14.1 and 22.5 per cent) and due to Pacific Aluminium continuing to be the largest importer of silicon metal from China at the dumped and subsidized prices, that the dumping and material injury will continue in the absence of anti-dumping measures.

It is also considered that the benefits received by producers/exporters of silicon metal, including the significant benefit afforded in respect of electricity at less than adequate remuneration which accounts for up to 60 per cent of the production cost of silicon metal in China, are likely to continue into the foreseeable future.

In light of the adverse impact of the dumping and subsidization on Simcoa's profits and profitability, it is likely that in the absence of anti-dumping and subsidy measures, material injury will continue to be caused to the Australian industry manufacturing like goods. Anti-dumping and subsidy measures are therefore required to remove the prospect of further material injury from the dumping and subsidization.

7.2 – Measures in other jurisdictions

The Commission has referenced the recent findings of CBSA in respect of the application of dumping and subsidy measures on exports of silicon metal to Canada by the Canadian authorities (as per Statement of Reasons dated 5 November 2013).

The Commission would also be aware that anti-dumping measures apply to Chinese exports of silicon metal to the United States and to the European Union.

Simcoa submits that following from the Commission's investigations into exports of silicon metal from China, anti-dumping and subsidy measures are required in Australia to ensure that Chinese exporters do not channel exports into Australia as increased barriers apply in other export destinations.

It is noted by Simcoa that determined margins for Chinese exports of silicon metal into the jurisdictions where measures apply are substantially greater than those determined in SEF and PAD No. 237 (e.g. CBSA has determined dumping margins of 190.1 per cent and subsidy margins of 21.1 per cent).

8.0 Non-Injurious Price

Simcoa notes the Commission's comments concerning the application of the lesser duty rule. In particular, it is noted that as a market situation exists for silicon metal in China, normal values cannot be determined based upon market selling prices under subsection 269TAC(1). Further, the Commission has determined that the country in relation to which the subsidies were provided (i.e. China) had not complied with Article 25 of the SCM Agreement for the compliance period, being the investigation period and the twelve months immediately preceding the investigation period.

Ths Commission has therefore considered that it is not appropriate to have regard to the desirability of fixing a lesser rate of duty and that the full margin of the calculated dumping and subsidization should be applied in the collected interim dumping duty and interim countervailing duty.

Simcoa unequivocally concurs with the Commission's proposed intention not to have regard to the desirability of applying a lesser rate of duty (than the full margins of dumping and subsidization).

9.0 Proposed measures

The Commission has indicated that it proposes to recommend that the Parliamentary Secretary apply interim dumping and countervailing measures on an *ad valorem* basis. It is Simcoa's understanding that *ad valorem* measures are a preferred form of measure as it is considered *ad valorem* measures are "*suitable for goods with different product levels of varying unit prices*". However, the Commission when determining weighted average dumping margins for exporters calculates a single margin and applies the weighted-average margin across all product levels.

Simcoa does not consider that the *ad valorem* form of measure is the best-suited methodology in a market of falling export prices (as is currently the case). The anti-dumping and countervailing measures are required to be effective at a time when market selling prices are retreating – this is a time when material injury from dumping and subsidization is most acute. Where the measures are not significant (in quantum), it is relatively easy for the exporter to further reduce export prices by the amount of the determined dumping margin. For this reason, Simcoa contends that the combination method of anti-dumping measures (employing fixed and variable components) is the most effective measures in discouraging ongoing injury from dumping.

Simcoa requests the Commission to recommend to the Parliamentary Secretary that the form of measures to be applied is that based upon the combination method for future exports of silicon metal from China.

10.0 Conclusions and recommendations

Simcoa supports and welcomes the Commission's findings in SEF and PAD No. 237 in respect of the export to Australia of silicon metal from China.

Simcoa also concurs with the Commission's assessment that a market situation applies in China in respect of domestic sales for silicon metal and normal values for silicon metal in China cannot be determined under s.269TAC(1). The information supplied by Simcoa and relied upon by the Commission is supportive of a finding that market selling prices for silicon metal in China are significantly influenced by the GOC (through a range of policies and regulations that impact the day to day operation of the Chinese silicon metal industry).

Simcoa further agrees with the Commission's determination of normal values for silicon in China to be determined based upon the cost to make and sell the goods in China, adjusted for the adversely affected input price for electricity.

In respect of the identified subsidies examined by the Commission, Simcoa would highlight the continued availability of the income tax exemptions/benefits available to FIEs investing in key silicon metal producing provinces of Yunnan and Guizhou (specifically under programs 2,3,4,5, and 32). The available evidence indicates these concessions continue to be available to entities investing in the silicon metal industry in the respective provinces.

Simcoa further endorses the Commission's recommendation to the Parliamentary Secretary to not take account of the lesser duty rule in this investigation. The reasons for not considering this option are well-founded by the Commission.

It is understood that the Commission has applied securities on the basis of *ad valorem* measures and is proposing to recommend to the Parliamentary Secretary that interim dumping and countervailing measures also be applied based upon the *ad valorem* methodology. As indicated, Simcoa does not consider that *ad valorem* measures are effective in removing the threat of injury from dumping in a declining market (as is currently the case). It is Simcoa's recommendation that the interim dumping and countervailing measures be applied on the basis of the combination methodology, whereby a fixed and variable component of measure can be applied. It is Simcoa's view that measures based upon the combination method work effectively to discourage future injury from dumping, particularly in a declining market where relief from the injurious effects of dumping and subsidization are most required.

云南 Yunnan

Chongqing | Qinghai | Sichuan

Inner Mongolia|Shaanxi|Tibet|Guizhou|Guangxi|Yunnan|Xinjiang|Gansu|Ningxia

Yunnan Province **Governor:** Xu Rongkai
Capital: Kunming
Government office address: Wuhuashan, Kunming
Telephone: 0871-3621773
Website: www.yn.gov.cn

Geographical location

Yunnan is known as Yun or Dian for short. It is the most southwestern province in China, with the Tropic of Cancer running through its southern part. The province has an area of 394,000 square km, or 4.1 percent of the nation's total. The province borders the Guangxi Zhuang Autonomous Region and Guizhou Province in the east, Sichuan Province in the north, and Tibet Autonomous Region in the northwest. It shares a border of 4,060 km with Myanmar in the west, Laos in the south, and Vietnam in the southeast.

I. Geography and natural conditions

Elevation

The highest point in the north is the Kagebo Peak in Deqin County on the Deqin Plateau, which is about 6,740 meters high; and the lowest is in the Honghe River Valley in Hekou County, with an elevation of 76.4 meters.

Natural resources

Yunnan abounds in natural resources. It is known as the kingdom of plants, animals and home of non-ferrous metals and medicinal herbs.

Plants

The province not only has more plant species of tropical, subtropical, temperate, and frigid zones than any other province in the country, but also has many ancient, derivative plants, as well as species introduced from foreign countries. Among the 30,000 species of plants in China, 18,000 can be found in Yunnan.

Minerals

More than 150 kinds of minerals have been discovered in the province. The potential value of the proven deposits in Yunnan is 3 trillion yuan, 40 percent of which comes from fuel minerals, 7.3 percent from metallic minerals, and 52.7 percent from nonmetallic minerals.

Yunnan has proved deposits of 86 kinds of minerals in 2,700 places. Some 13 percent of the proved deposits of minerals are the largest of their kinds in China, and two-thirds of the deposits are among the largest of their kinds in the Yangtze River valley and in south China. Yunnan ranks first in the country in the deposits of zinc, lead, tin, cadmium, indium, thallium, and crocidolite.

Hydro-energy

Yunnan has sufficient rainfall and many rivers and lakes. The annual water flow originating in the province is 200 billion cubic meters, three times that of the Yellow River. The rivers flowing into the province from outside add 160 billion cubic meters, which means there are more than 10,000 cubic meters of water for each person in the province. This is four times the average in the country. The rich water resources offer abundant hydro-energy.

Tourism resources

Yunnan is attractive with its rich tourism resources, including beautiful landscape, colorful ethnic customs, and a pleasant climate.

Environment and current issues
Because of its high elevation, Yunnan is full of sunshine and has clear air.

II. Population

Total population: 41.44 million (1998)

Population growth rate: 1.21 percent (1998)

Life expectancy (average): 65.1 years (male) and 67.7 years (female).

Ethnicity
Yunnan has the highest number of ethnic groups among all provinces and autonomous regions in China. Among the country's 56 ethnic groups, 25 are found in Yunnan. Some 38.07 percent of the province's population are members of minorities including the Yi, Bai, Hani, Zhuang, Dai, Miao, Lisu, Hui, Lahu, Va, Naxi, Yao, Tibetan, Jingpo, Blang, Pumi, Nu, Achang, Jino, Mongolian, Drung, Manchu, Shui, and Bouyei. Each minority has at least 8,000 people.

Ethnic groups are widely distributed in the province. Some 25 minorities live in compact communities, each of which has a population of more than 5,000. Ten ethnic minorities living in border areas and river valleys include the Hui, Manchu, Bai, Naxi, Mongolian, Zhuang, Dai, Achang, Bouyi and Shui, with a combined population of 4.5 million; those in low mountainous areas are the Hani, Yao, Lahu, Va, Jingpo, Blang and Jino, with a combined population of 5 million; and those in high mountainous areas are Miao, Lisu, Tibetan, Pumi and Drung, with a total population of 4 million.

Literacy
By the end of 1998, among the province's population, 419800 had received colleage education or above, 2.11 million, senior middle school education, 8.3 million, junior middle school education, 18.25 million, primary school education, and 8.25 million aged15 or above, illiterate or semi-literate.

III. Economy

GDP: 179.39 billion yuan (1998)

GDP growth rate:

Average GDP per capita: 4,355 yuan 1998

GDP ratio (1st, 2nd and tertiary industries): 22.8, 46.2 and 31.1 percent respectively.

Poverty alleviation plan
Yunnan is one of China's undeveloped provinces with more poverty-stricken counties than other provinces. In 1994, about 7 million people lived below the poverty line of less than an annual average income of 300 yuan per capita, accounting for 9.7 percent of the country's total poor people. They were distributed in the province's 73 counties mainly financially supported by the central government.

The poverty alleviation plan includes five large projects aimed at improving infrastructure facilities. They involve soil improvement and water conservancy, electric power, roads and "green belt" building. Upon the completion of the projects, the province will solve the problem of the shortage of grain, water, electric power and roads and improve ecological conditions.

Inflation rate:

Unemployment rate:

Revenues: 16.82 billion yuan (1998)

Industrial output value: 150.32 billion yuan (1998)

Agricultural output value: 38.13 billion yuan (1998)

Foreign trade
Yunnan has trade contacts with more than 70 countries and regions in the world. It mainly exports tobacco, machinery and electrical equipment, chemical and agricultural products and non-ferrous metals. In 1998 its total imports and exports reached US$1.65 billion.

Foreign investment
In 1998, the province obtained direct foreign investment valued at US$146 million and had 1,575 enterprises with foreign investment.

Pillar industries
Four pillar industries involve tobacco, biology, mining and tourism.

IV. Telecommunications

Telephones: 1.88 million subscribers (1998)

Radio and TV stations: Yunnan People's Broadcasting Station and Yunnan TV station.

V. Transportation

Railways
The 886 km-long first-level national railway from Nanning to Kunming links Yunnan with Guizhou Province and Guangxi Zhuang Autonomous Region. Second-level railways include those from Guangtong to Dali, and from Kunyang to Yuxinan.

Highways
Second-level national highways stretch 958 km, third-level highways, 7,571 km and fourth-level highways, 52,248 km. The province has formed a network of communication lines radiating from Kunming to Sichuan and Guizhou provinces and Guangxi and Tibet autonomous regions, and further on to Myanmar, Laos, Vietnam and Thailand.

Waterways
In 1995, the province put an investment of 171 million yuan to add another 807 km of navigation lines. It

built 2 wharfs with an annual handling capacity of 300,000-400,000 tons each and 4 wharfs with an annual handling capacity of 100,000 tons each. The annual volume of goods transported was 2 million tons and that of passengers transported, 2 million.

Airports
The province has 19 domestic air routes from Kunming to Beijing, Shanghai, Guangzhou, Chengdu, Haikou, Chongqing, Shenyang, Harbin, Wuhan, Xian, Lanzhou, Hangzhou, Xiamen, Nanning, Shenzhen, Guiyang, Changsha and Guilin; three provincial air routes from Kunming to Jinghong, Mangshi and Simao; and four international air routess from Kunming to Bangkok, Yangon, Vientiane and Hong Kong.

The Wujiaba Airport in Kunming is a national first-class airport and Xishuangbanna, Mangshi and Simao airports are second-class terminals.

VI. Projects wanting foreign investment

Yunnan Province welcomes foreigners, overseas Chinese and compatriots from Taiwan, Hong Kong and Macao to invest in all the economic activities allowed and encouraged by the central government's industrial policy. According to the Provisional Regulations on the Guidance of Foreign

Investment and the Guiding Catalogue of Industries for Foreign Investment promulgated by the State Council, together with the actual needs for development, Yunnan Province especially encourages foreign investment in the following sectors:

A. Infrastructure

1. Construction and operation of local railways and connecting bridges and tunnels (solely foreign-funded is not allowed).

2. Construction and operation of highways, independent bridges and tunnels, and port facilities (in public ports, government capital must hold a dominant share);

3. Construction and operation of civil aviation airports (the Chinese part must have a majority share or take a dominant position).

4. Construction and operation of hydropower stations.

5. Construction and operation of thermal power stations with a capacity of 300000 kw or over for each generating unit.

B. Development of agricultural and biological resources

1. Tissue culturing, cultivation, preservation and processing of particular flowers and plants species.

2. Cultivation and processing of tropical cash crops.

3. Introduction of improved varieties of commercially valuable plants and fruit trees from tropical, subtropical and temperate zones. Establishing nursery, plantation, processing and developing technology for transporting perishable produce.

4. Cultivation and processing of natural perfumes.

5. Cultivation and processing of edible mushrooms.

6. Development of animal by-products (breeding, raising, slaughtering and processing of meat animals; processing of dairy products; processing of animal offal and blood products for use in pharmaceuticals; leather and fur production.)

7. Development of selected commercially valuable crops and their application (functional enzymes, functional proteins, pharmaceuticals from medicinal herbs, comprehensive development of castor and palm products, etc).

C. Development of mineral resources

1. High-density phosphorous compound fertilizers, food and feed additives, fire retardant, phosphate and phosphoric chemicals.

2. Iron and steel industry.

(1) mining and dressing of iron ores;

(2) mining, dressing, smelting and intensive processing of manganese ores;

(3) smelting of stainless steel;

(4) cold-rolled silicon steel sheets, galvanized sheets and tin-plated sheets, cold-rolled sheets and hot-rolled sheets;

(5) production of iron by direct reduction and molten reduction methods.

3. Non-ferrous metal industry.

(1) mono-crystalline silicon and polycrystalline silicon;

(2) hard alloys, tin compounds, antimony compounds;

(3) nonferrous composites, new alloys;

(4) mining of copper, lead and zinc ores (solely foreign-funded is not allowed);

(5) mining of aluminum ore (solely foreign-funded is not allowed), production of over 300,000 tons of aluminum annually.

4. Risk exploration for mineral resources.

5. Manufacture of building materials and nonmetal products.

(1) new types of building materials;

(2) technology for intensive plate glass processing;

(3) inorganic nonmetallic materials and related products (quartz glass, artificial crystal);

(4) mining and processing of natural stone outside the government protected areas;

(5) production of cement by the dry revolving kiln process (over 4000 tons daily).

D. Development of tourism resources

1. Development of national and provincial tourist destinations and scenic spots, including the construction of related facilities.

2. Construction of recreational facilities in vacation zones.

E. Hi-technology industry

1. Expansion and industrialization of high technology.

2. Upgrading of traditional industries using high technology focusing on electronics and machinery, biological pharmacy, food processing, metallurgical and chemical industries. Main items involved include: digitally controlled machine tools for export, electrical products, electronic devices for banding and commerce systems, electronic components. Upgrading of processing in sugar refineries and sugar produces, paper products, optical products, tire and rubber products, improved building materials, glassware, down stream timber processing.

F. Environmental protection

1. Recycling industrial wastes such as gases, water processing residues.

2. Manufacturing of equipment to improve urban sanitation.

3. Improvement of the ecological environment and any related construction projects.

4. Engineering and technology for pollution treatment and the introduction of pollution control measures.

VII. Favorite polices for foreign investment

1. Foreign-funded enterprises concerned with energy, communication, water conservancy, environmental protection, agriculture, forestry, animal husbandry and other related industries with terms of operation longer than 10 years will be exempt from corporate tax for 2 years starting from the first profit-making year. These enterprises will receive a full tax rebate from local financial departments for the third, fourth and fifth years of operation.

2. Foreign-funded enterprises approved as high-tech enterprises with terms of operation longer than 10 years will be exempt from corporate tax from the first to second profit-making year. They will receive a full corporate tax rebate from local financial departments from the third to seventh year of operation. For the first three years of operation, the proportion of VAT designated to the local financial departments will be rebated by these departments. Upon expiry of the above-mentioned preferential terms, favorable tax rates may still be obtained for enterprises which fulfill requirements of provincial tax departments.

3. Foreign-funded enterprises involved in energy, communication, environmental protection and urban public utilities whose actual investment exceeds US$10 million will have the proportion of their VAT designated for the local financial departments rebated for the first 3 years of operation upon approval.

4. For foreign-funded enterprises reinvesting their profits in the province and their term of operation longer than 5 years, local financial departments will rebate corporate tax according to the amount reinvested.

5. Foreign funded enterprises engaged in agricultural projects by using non-cultivated land will be exempt from agriculture tax for the first three years. In the 4th and 5th years, the above taxes paid will be rebated by local financial departments.

6. Foreign-funded enterprises will be given priority in the allocation of land-use rights. Allocation of these rights will be at the same price level for all enterprises (domestic or foreign). Arrangements can be made to pay by installments if necessary. When foreign-funded enterprises invest in residential houses, they may sell 30 percent of the floor area at commercial housing price.