



Australian Government

**Australian Customs and
Border Protection Service**

**INVESTIGATIONS INTO THE ALLEGED DUMPING OF
GALVANISED STEEL AND ALUMINIUM ZINC COATED STEEL
EXPORTED FROM THE PEOPLES REPUBLIC OF CHINA
(CHINA), REPUBLIC OF KOREA (KOREA) AND TAIWAN**

RECORD OF MEETING

***CUSTOMS AND BORDER PROTECTION AND CHINA IRON AND STEEL
ASSOCIATION***

1. Meeting Details

ADDRESS OF MEETING:	5 Constitution Avenue, Customs House, Canberra
DATE:	Wednesday 30 January 2013
ATTENDEES:	
Ms Hou Ying	China Iron and Steel Association (CISA)
Ms Jiang Xuanfang	China Iron and Steel Association (CISA)
Ms Kuang Min	Baoshan Iron and Steel Co Ltd
Mr Shi Wenyuan	BaoSteel Group Corporation
Mr Jerry (Haofeng) Zhou	Bao Australia Pty Ltd Bureau of Fair Trade, Ministry of Commerce of China (GOC)
Ms Wu Dan	
Ms Tan Guangyu	Angang Group International Trade Corporation
Mr Sun Zhichao	Wugang Group, International Economic & Trade Corporation
ATTENDEES: Consultants	
Mr Ross Becroft	Gross & Becroft (Lawyer – Gross & Becroft)
Mr Rudi Leleu	Salans LLP (Lawyer – Salans LLP)
Mr Xiaoyi Tang	Salans LLP (Lawyer - Salans LLP)
ATTENDEES: Customs and Border Protection	
Ms Joanne Reid	Director, Operations 2
Ms Christie Sawczuk	Manager, Operations 2
Mr Sanjay Sharma	Manager, Operations 2
Mr Mick Kenna	Manager, Operations 1

2. Meeting Background

China Iron and Steel Association (CISA) requested to meet Customs and Border Protection to discuss the following issues relating to the zinc coated (galvanised) steel (INV190A) and aluminium zinc coated steel (INV190B) investigations.

- Introduction of the main views of CISA and its members in the current investigations.
- Discuss the issues in relation to the request for “product exclusion”.
- Discuss injury, causation and public interest in relation to the Australian market in the current investigations.
- Answer questions raised by the Australian Customs in relation to the Chinese steel market

CISA was represented by:

- China Iron and Steel Association (CISA);
- Chinese Exporters: *BaoShan Iron and Steel Ltd, BaoSteel Group Corporation, Angang Group International Trade Corporation, Wugang Group*;
- Related Australian Importer: *BAO Australia*;
- Bureau of Fair Trade, Ministry of Commerce of China (GOC); and
- Consultants: *Gross & Becroft (Australia) and Salans LLP(Belgium)*

3. Issues Discussed

Review Officer’s Decision - HSS reinvestigation

CISA enquired about the possible implications for the coated steel investigations of the TMRO’s recent recommendation that market situation claims in the HSS investigation (INV177) should be reinvestigated. .

Customs and Border Protection stated that the HSS reinvestigation findings will have direct implications on the current galvanised steel and aluminium zinc coated steel investigations, but as the reinvestigation is in the early stages it is too early to provide further comment.

Product Exclusions (Exemptions)

CISA raised issues with certain products not produced (including automotive products) by the applicant, BlueScope.

CISA also claimed that zinc coatings applied on galvanised steel by the Australian industry are thicker than those supplied by Chinese manufacturers and that the thinner zinc coatings makes prices of galvanised steel cheaper exports from China.

Customs and Border Protection advised that an importer or exporter can apply for exemptions from dumping and/or countervailing duty if it believes particular goods cannot be produced (including a viable substitute) by BlueScope.

Customs and Border Protection asked CISA to provide evidence and details of the specific goods, its usage and substitutability.

Customs and Border Protection also advised CISA that in terms of calculating a dumping margin appropriate adjustments are made to the 'like goods' sold on the domestic market to cater for issues such as thickness, widths and zinc coatings.

CISA advised customs that it will put forward a submission in relation to the exemption of certain goods not produced by BlueScope.

Material Injury

CISA was concerned with Customs and Border Protection's assessment of material injury caused to the Australian industry by factors other than dumping.

Customs and Border Protection advised CISA that all factors are taken into account when assessing material injury experienced by the Australian industry. Further Customs and Border Protection advised CISA that where it is found that goods are dumped, a clear link has to be established that the material injury caused to the Australian industry is directly related to dumping.

Role of China Iron and Steel Association

Prior to the meeting, Customs and Border Protection sent CISA a list of questions relating to the role of CISA. CISA's detailed response is at **Public Record Attachment A**. CISA also explained its relation with Government of China (GOC), steel manufacturers, associations and societies. A non-confidential version of CISA's role is at **Public Record Attachment B**.

Government of China

The GOC representative outlined the GOC's concerns regarding 'particular market situation' allegations in the galvanised steel and aluminium zinc coated steel investigations.

Customs and Border Protection noted the GOC's comments.

ATTACHMENT B**Introduction to the China Iron and Steel Association**

The China Iron and Steel Association (CISA) is a nation-wide association of China's iron and steel industry. CISA is dedicated to providing services to steel manufacturers, associations, government bodies and societies. Being a member-oriented and market-oriented association, it actively provides services to its members, reflects members' requests, assists members' operations, coordinates within the industry and establishes a self-disciplined mechanism, represents the interest of the industry and each member. CISA's functioning role is to act as a bridge and link between its members and the government, to increase the industry's worldwide competence, and to facilitate the healthy development of the Chinese steel industry.

Business scope of CISA:

- 1, According to national laws and regulations, lay down industrial rule and agreements. Establish a self-disciplined mechanism and improve the industry's operations. Act as an industry association in the context of fulfilling "the national steel development policy", assisting the steel industry's restructure, promoting technology development, energy saving, environment protection, market development and enterprises' fair competition, facilitating the industry's healthy development and improving the quality of the industry's operation.
- 2, Carry out the steel industrial research work. Participate in and contribute to drafting the industry's development plans and industrial rules. Provide consultation services for the government. Forward members' requests to the government and help members to get the government support.
- 3, Organize to collect, compile and publish information on the domestic and international steel market in terms of business management and economic & technologies. Monitor the industry development and conduct market researches. Provide consulting service based on the analysis and assessment for members' business management, strategic development, and economic & technology index. Summarize, advertise and promote advanced experience.
- 4, Participate in formulating and amending technological, economic and managing standards in the steel industry. Help its members to fulfill the standards. Carry out industrial inspection and assessment work. Cooperate with the government to monitor and to help those members to improve the products which are not in line with the national and industrial standards.
- 5, Participate in early stage feasibility studies of important investments, innovations, and projects within the industry. Promote the realization of technology and management innovations, product and technology development. Carry out appraisals for scientific and technological awarding, product development awarding, environment-friendly company awarding, modern management awarding, etc.
- 6, Organize business trainings, formulate appraisal criteria, improve staff professional and technological capability.
- 7, Represent the Chinese iron and steel industry in participating in relevant communication and cooperation with international organizations and companies, maintain communication and carry consultation and dialogues with international steel organizations, and promote international economic and technology cooperation.

8, Authorized by government bodies, carry out steel industrial statistics, examinations, analysis and working reports; Represent or coordinate with members on the issues of anti-dumping, anti-subsidy, and safeguard measures; Coordinate with members on the issue of importation of iron ore products; Coordinate with members on the issues of imports and exports of steel products; Introduce talents from abroad; Organize international and domestic exhibitions.

9, Manage the daily business and development work; Upon authorization, coordinate with other association, organizations and companies.

10, Upon authorization of government bodies, members or other companies, provide specific consultation services.

CISA currently has 256 company members and 67 individual members, 154 executive members, 60 standing executive members.

Note: The above non-official English translation is based on the original Chinese version on CISA's website (www.chinaisa.org.cn)

PUBLIC RECORD VERSION**Questions / issues for discussion at the meeting between the Australian Customs and Border Protection Service and the Chinese Iron and Steel Association (CISA) – scheduled for 30 January 2013**

Investigations into the alleged dumping of zinc coated (galvanised) steel and aluminium zinc coated steel exported from the People's Republic of China (China), the Republic of Korea and Taiwan and the alleged subsidisation of galvanised steel and aluminium zinc coated steel exported from China

The CISA to discuss:

- The role of the CISA (its governance, objectives, membership and functions).
 - Relationship / interaction with the Government of China (GOC) and the exporters of the goods subject to the investigations.

Answer:

CISA is independent from the GOC. A detailed introduction of CISA's role can be found in CISA's website. The original language is in Chinese. We hereby provide an English translation.

Exports of the goods subject to the investigations are simply driven by the market. CISA has no relationship with the exporters in terms of sales activities.

- Differences in the galvanised steel and aluminium zinc coated steel sold domestically in China and exported to Australia.

Answer:

Galvanised steel and aluminium zinc coated steel products sold domestically in China and exported to Australia are of the same kind. There is no big difference. However, it is understandable that packing or other factors (such as size) of the goods may be customized in accordance with the specific request of each customer.

- State of play in the Chinese markets for galvanised steel and aluminium zinc coated steel (including, market forces, market segmentation, determinant of prices, government regulation and influence and impacts from external environmental factors and profitability etc.).

Answer:

Chinese Government has no influence on the production, sales or cost of the galvanised steel and aluminium zinc coated steel. In essence, the manufactures arrange the production and sales of the goods based on their assessment of the market demand (including domestic and overseas markets) and the orders for goods.

In 2011, the total production of galvanised steel and aluminium zinc coated steel in China was [redacted] [quantity] tons, among which approximately 10% ([redacted] [quantity] tons) of the goods were supplied to automotive industry, approximately 17% ([redacted] [quantity] tons) of the goods were supplied to light industry and home appliance industry. The majority of the goods were supplied to the construction industry.

Approximately 17% ([redacted] [quantity] tons) of the goods were exported. Specifically, galvanised steel were mainly exported to [redacted] [redacted] [identification of markets], which accounted for 53% of the total exports of galvanised steel. Aluminium zinc coated steel, on the other hand, were

mainly exported to [redacted] [identification of markets], which accounted for 57% of the total exports of aluminium zinc coated steel.

The prices of the goods are determined by the manufacturers by taking into consideration of various factors including the local market condition, the cost and the customers. The manufacturers will not sell the goods below the cost and in general, the overseas sale price is higher than the domestic sale price.

- Differences in the production methods for the goods under investigation.

Answer:

Production methods for the goods under investigation are similar to those in Australia. Custom can find the same difference in the production methods based on the analysis into the Australian producers.

- In relation to the production process in converting hot rolled coil / cold rolled coil into coated steel, conversion rates of China compared to Australia.

Answer:

CISA is not aware of the conversion rate in Australia.

To CISA's best knowledge, the conversion rate in China is [redacted] [conversion rate expressed as percentage].

- Clarification of the major sources of supply of iron ore, coke and coking coal used by integrated manufacturers of the goods? Are these imported or produced domestically? What proportion of local suppliers are State Invested Enterprises?

Answer:

Most of the Iron ore are imported, in fact, mainly from Australia. Coke and coking coal are mainly supplied from the Chinese domestic market.

Due to the time constraint, before the meeting CISA does not have the information of the proportion of State Invested Enterprises.

- Does the CISA collect and analyse statistics regarding production and import volumes and prices / costs for these raw materials.
 - If yes, can we obtain this data etc?
 - Is there any data / statistics we can obtain that would assist with cost / price (for these goods in the domestic market in China) benchmarking?

Answer:

CISA confirms that to collect and analyse data is one of its roles. CISA refer to the English version of CISA's role which is submitted after the meeting.

CISA hereby provides certain data/statistics relevant to this topic:

In 2011, the total volume of pig iron produced in China was [redacted] [quantity] tons. The imported volume of iron ore in 2011 was [redacted] [quantity] tons. If we use an average conversion rate of 61.5% (from iron ore to pig iron), we reach approximately [redacted] [quantity] tons of pig iron, which accounts for 65% of the total pig iron production in China. (This means 65% of the total production of pig iron in China is originally from imported iron ore).

Almost all of cokes were supplied from domestic market. In 2011, the total volume of production of coke in China was [redacted] [quantity] tons.

CISA would like to provide more information of the Chinese steel industry in the year 2012, in relation to the bilateral trade between China and Australia.

a.) Overview of the Chinese steel industry in 2012

In 2012, the total volume of crude steel produced in China was [redacted] [quantity] tons. The export volume of steel products in 2012 was [redacted] [quantity] tons, which accounted for approximately 8% of the total production. This shows that even when China's domestic demand was slightly decreasing, overseas markets are not the main target. Chinese Manufacturers are adjusting their products to match the change in the domestic market, which is always the major market. Export is considered by the manufacturers as a way to have their products examined in international markets, through which their production technology and service could be improved. Moreover, although Chinese manufacturers are capable of producing nearly all types of steel, in 2012 there were still [redacted] [quantity] tons of steel products imported from abroad. It signals that Chinese manufacturers are willing to learn from international market.

b.) Trade between China and Australian in term of steel and related products

In 2012, the total volume of iron ore imported from Australia to China was [redacted] [quantity] tons, which accounted for an increase of 18.47% (nearly [redacted] [quantity] tons) compared to that of year 2011. It also accounted for 47% of the total volume of iron ore imported by China, 4% higher than that of year 2011 (43%). The total amount of the iron ore imported from Australia to China was [redacted] [value in dollars], [redacted] [value in dollars] less than that of year 2011. This is due to the decrease of iron ore price.

In 2012, the total volume of manganese ore imported from Australia to China was [redacted] [quantity] tons with a value of [redacted] [dollars], which accounted for 34% of the total volume of manganese ore imported by China. The total volume of chrome ore imported from Australia to China was [redacted] [quantity] tons with a value of [redacted] [dollars]. The total volume of coking coal exported from Australia to China was [redacted] [quantity] tons with a value of [redacted] [dollars], which accounted for 26% of the total volume of coking coal imported by China. The total volume of steel scrap exported from Australia to China was [redacted] [quantity] tons with a value of [redacted] [dollars].

For the 5 items listed above, the total amount of imports from Australia to China was [redacted] [value in dollars]. Meanwhile, China only exported to Australia [redacted] [value in dollars] of steel products. There exists a substantial trade deficit.

- Value added tax (VAT) applicable to raw materials used to manufacture galvanised steel and aluminium zinc coated steel.

Answer:

The VAT rate applicable to raw materials is 17%.

- VAT refunds applicable to exports of galvanised steel and aluminium zinc coated steel.

Answer:

As of 2009, The VAT refunds applicable to exports of galvanised steel and aluminium zinc coated steel are 13%.

- How (if) does the GOC intervene in the domestic Chinese markets for galvanised steel and aluminium zinc coated steel and in the markets for the raw materials for galvanised steel and aluminium zinc coated steel.

Answer:

The GOC does not exercise any intervention

- Comment on the objectives / implications of the National Steel Policy on its members.

Answer:

The National Steel Policy is for guiding purpose only. The National Steel Policy does not impose mandatory obligation on production or sales of CISA members.

- Impact (short term and long term) of the cessation in January 2013 of the export tariffs on coke and other industrial materials.

Answer:

The export tariff on coke and other industrial materials has been abolished as of January 2013. As a result, raw material producers will be more interested in selling those products to the international market than to the domestic market. Lower levels of supply with an equal demand may result in a price increase of raw materials in the Chinese domestic market. In terms of steel products (such as the products under the investigations), this inevitably means that prices will go up both on the domestic and export markets as a result of an increased cost of production. In terms of the current proceeding, this should not have an influence on the dumping side, (since both domestic and export price will increase) but may have an influence on the injury side (because the landing price in Australia will be higher than before).

- The CISA's views on the recent European Commission's dumping and subsidisation findings regarding organic coated steel exported from China.
 - "Anti-dumping proceeding regarding imports of certain organic coated steel products originating in the People's Republic of China AD 584 - Proposal to impose definitive measures" refers.

Answer:

CISA confirms that it has received the disclosure documents in the EU anti-dumping and anti-subsidy investigations concerning organic coated steel products.

First of all, CISA would like to mention that the European Commission has not made a final determination yet. CISA has submitted its comments in January 2013 expressing its strong opposition to some of the findings in the disclosure document.

Secondly, there are important differences between the EU case and the current Australian proceedings. Not only because the products under investigation are different, but also because the only two companies selected in the sample in the EU proceedings are not fully vertically integrated steel mills. The high subsidy margins, which mainly come from the alleged subsidies provided for up-stream products (HRC), were to a large extent based on the complaint. However, in the current Australian proceedings, there are several vertically integrated steel mills who produce the up-stream products and therefore cannot possibly have received subsidies when using these products for the production of downstream products such as the product under investigation. All of these mills have cooperated and accepted the on-site verifications and CISA therefore believes that the Australian Customs will be in a better position to

determine the magnitude of the alleged subsidies provided to the up-stream industries, if any.

Thirdly, CISA would like to mention that in 2007 the European Commission initiated an anti-dumping investigation on Chinese galvanized steel products. Such case was terminated in early 2009 without the imposition of measures.