Received:
17 December 2015

Consultation Points under Article 13.1 of SCM concerning the Application for Countervailing Duty Investigation about Steel Reinforcing Bar from the People's Republic of China

The Government of the People's Republic of China ("GOC") has been informed that Australia Anti-dumping Commission ("AADC") recently received an application lodged by OneSteel Manufacturing Pty Ltd ("Applicant"), requesting AADC to publication of a countervailing duty notice on Steel Reinforcing Bar exported to Australia from China ("Subject Products"). Upon Invitation by the Australia government, the GOC is submitting this position paper for the purpose of consultation under Article 13.1 of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement). The following aspects are not exhaustive, and nothing will prevent us from presenting other issues to the follow-up consultation.

Section I General Comments

The Government of China noticed that, since 2014, the applicant began to file anti-dumping applications on Steel Reinforcing Bar from Republic of Korea (Korea), Malaysia, Singapore, Spain, Taiwan, the Kingdom of Thailand (Thailand), the Republic of Turkey and China. This time it filed this countervailing duty application on Chinese products. The Chinese side doubts if the applicant targets on unfair trade, on simply import products, and we strongly oppose any abuse of trade remedy measures. Moreover, since the applicant is the largest producer of steel products, if all the imports are restrained, the applicant will enjoy unfair competitive advantage, and the

downstream industries in Australia will lose their interests. We hope the Australian side takes a cautious attitude in this regard.

Section II Specific Subsidy Allegations

1. Government Provision of Inputs for Less Than Adequate Remuneration

It is our long-standing position that we strongly disagree with the foreign investigating authorities in the findings and determinations that the Chinese State-owned input suppliers are public bodies under SCM Agreement. Again, in the case of DS379, the Appellate Body found that DOC has acted inconsistently with Article 1.1(a)(1) and with the US's obligations under Articles 10 and 32.1 of the SCM Agreement, in four investigations under disputes, in determining that SOE input suppliers constituted public bodies. According to the interpretation of the Appellate Body, the majority ownership of the government shares in an entity alone cannot suffice a finding that the entity is a public body, which needs to be vested with government authority and/or performs a governmental function.

In the application, the applicant alleged that the inputs were provided for less than adequate remuneration. These inputs, which include steel billet, coking coal, coke and etc., are produced by a large number of SOEs. However, the applicant failed to provide any evidence to demonstrate that the provision of these inputs to the producers of Subject Merchandise by those state-owned suppliers is authorized or directed by the GOC, and failed to analyzing supplier's functions respectively. In other word, the applicant failed to prove

that those state-owned input suppliers are public bodies. In our view, the ownership of these inputs manufacturer does not itself constitute a complete and creditable evidence to support the “public body” allegation. With regard to electricity, it is well recognized as a public product in all the countries, and there is no specificity in this allegation. The provision of electricity should not be considered as a subsidy. As a result, the Commission should not investigate these alleged programs.

We hope the Commission takes a serious look at these allegations and critique them in light of established disciplines under the SCM Agreement. In particular, we do not believe there is a basis to initiate any of the LTAR allegations.

2、 Preferential Loans and Interest Rates

Based on the abovementioned analysis, the GOC firmly opposed to identifying the state-owned commercial bank as public body. In China, the bank’s loan is operated commercialized and the financial contribution by the government does not exist. In addition, the Petition failed to provide any evidence to prove that Chinese state-owned commercial banks provided policy lending to the relevant producers or preferential loans to make that relevant enterprises receive subsidies during the period of investigation. Therefore, in the absence of sufficient evidence, the investigation of this alleged program should not be initiated.

3. Grants and Tax related programs

GOC noticed that in the application, many alleged Grants and Tax related programs are local programs, including Huzhou, Wuxi and etc.. We believe that, without direct evident to prove the relevant companies are benefited, the alleged programs should not be covered by the investigation.