
**RESPONSE TO STATEMENT OF ESSENTIAL FACTS NUMBER 193 – ALLEGED
SUBSIDIZATION OF ZINC COATED (GALVANIZED) STEEL AND ALUMINIUM
ZINC COATED STEEL EXPORTED FROM THE PEOPLE’S REPUBLIC OF CHINA**

ON BEHALF OF

THE CHINA IRON AND STEEL ASSOCIATION (CISA) AND ITS MEMBERS

Angang Steel Company Limited

Handan Iron and Steel Group Co. Ltd

Baoshan Iron & Steel Co. Ltd.

Wuhan Iron and Steel Company Limited



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1. This submission is provided on behalf of CISA and is in response to the Statement of Essential Facts Number 193 concerning allegations of unlawful subsidies of zinc coated (Galvanized) Steel and Aluminium Zinc Coated Steel exported from the People's Republic of China.
2. This submission addresses principally product exemptions and subsidy calculations. The absence of a response on other matters does not mean that CISA agrees with the other matters contained in the SEF.

PRODUCT EXEMPTIONS FROM ANY MEASURES

3. CISA is encouraged by and endorses the statement by Customs in section 3.6.3 of the SEF that if the Minister exempts certain goods from any dumping measures then there should be a corresponding exemption of such goods from any countervailing measures.
4. It is unfortunate that the Final Report in trade remedies matter number 190 will not be released until 4 June 2013 and therefore CISA is not in a position to address those findings in relation to product exclusions in this submission. CISA reiterates that it would be more just and equitable for products not produced by Bluescope Steel to be excluded from any measures to be imposed, rather than exporters or importers being required to subsequently apply for product exemptions.

ALLEGED SUBSIDY CALCULATIONS

5. CISA opposes the fundamental proposition that there are countervailable subsidies being received by Chinese producers of the Products under consideration.
6. CISA welcomes Customs' methodology of calculating a zero amount of subsidy under program 1 for Ansteel and TAGAL. As CISA has previously submitted, Chinese vertically integrated steel mills produce the up-stream products (Hot Rolled Coils) and therefore cannot possibly have received subsidies when using these products for the production of downstream products (such as the products under investigation). CISA agrees with Customs that program 1 is not applicable to Chinese integrated steel mills.
7. However, when calculating the overall subsidy margins for non-cooperating exporters, Customs seems to accumulate the subsidy margins of program 1, 2 and 3, all of which refer to Government's provision of raw materials at less than adequate remuneration. CISA is strongly against the Customs' methodology of adding these three subsidy margins together. This gives rise to a serious double (or triple) counting issue. This would mean that non-cooperating exporters, whether they are "integrated" or "non-integrated", are said to have received three different subsidies through their purchases of: (1) HRC, (2) coking coal and (3) coke. As Customs correctly found, Chinese producers and exporters of zinc coated steel and aluminium zinc coated steel are either "integrated" or "non-integrated". The integrated producers manufacture HRC using either coking coal or coke as one of the raw materials. The integrated producers would not generally purchase both coking coal and coke for their production process. By contrast, the non-integrated producers only

purchase HRC to produce the Products Under Consideration. There is no single Chinese producer or exporter who could possibly purchase all these three materials, and therefore receive all three alleged subsidies at the same time.

8. Furthermore, no cooperating Chinese exporter has been found to benefit from more than 1 of these three programs. Indeed, Customs has found that Ansteel and TAGAL, as integrated manufacturers purchasing coking coal to produce HRC, are subject to program 2; Wuhan Iron and Steel, as an integrated producer purchasing coke to produce HRC, are subject to program 3; and the other 3 exporters (Union Steel China, Yieh Phui China and Jiangyin Zong Cheng) who are non-integrated producers and purchase HRC to produce the goods under investigation, are subject to program 1. This again confirms that a Chinese producer or exporter can only receive benefits from a maximum of one of these three programs, if any. To add subsidy margins together will obviously overstate the real subsidy margins for the non-cooperating producers. Assuming that there is a legal right to levy countervailing duties, CISA submits that the most equitable way to calculate the overall subsidy margins applicable to non-cooperating exporters for programs 1, 2 and 3 is to take the highest margin among them, instead of accumulating each of them.
9. CISA also submits that non-cooperating Chinese exporters are not subject to programs 32, 34 or 36. As an example, Customs mentions clearly on page 82 that "it is likely that certain non-cooperating exporters that are located in Dalian Development zone meet the eligibility criteria for this program [34]". CISA submits that TAGAL is the only Chinese producer that is located in that area. The same can be found in program 32 and 36, where Customs refer specifically to the Jinzhou District, a place where TAGAL is located nearby. There is no other Chinese producer of the goods concerned located in or near this area.
10. Accordingly, at the very least, Customs should vary its findings to take into account the matters raised above concerning the calculation of alleged subsidies.

HSS REINVESTIGATION

11. CISA Rejects the findings of Customs in its reinvestigation in trade remedies investigation number 177 concerning HSS. The Customs Act prohibits Customs from relying upon any new evidence in a reinvestigation (see s269ZZL(2)). However, Customs has revisited its original investigation and arrived at the same decision despite the finding of the TMRO that there was insufficient evidence to support a finding that a particular market situation existed. We now have two branches of the Australian executive with two different decisions, which is extremely unsatisfactory.
12. CISA remains of the view that the TMRO's findings in the HSS decision should apply in this case and market values should be the basis for examining any alleged dumping or subsidisation.