

3 March 2005



Mr David Holly
Head
China FTA Study Taskforce
R.G. Casey Building
John McEwen Crescent
BARTON ACT 0221

Dear Mr Holly,

Please find attached Australian Steel Institute's submission to the China Free Trade Agreement Study Taskforce. Australian Steel Institute is submitting on behalf of its member companies. These members include the full spectrum of companies and individuals involved in the manufacture, distribution, fabrication, design, detailing, education, surface protection and construction of steel, as well as suppliers of goods and services to the steel industry.

I look forward to the inclusion of Australian Steel Institute's submission to the Taskforce.

Yours sincerely

Don McDonald

Don McDonald
Chief Executive

Australian Steel Institute Submission



AUSTRALIAN STEEL INSTITUTE

Australia – China Free Trade Agreement – Joint Feasibility Study

Australian Steel Institute (ASI) is the peak industry body for the Australian steel industry. Australian Steel Institute's mission is to increase the awareness of the benefits of steel and promote Australian made steel as the material of choice. Increasing the competitiveness of the Australian steel industry and its member companies is central to this mission.

ASI provides representation, technical and marketing leadership and an independent forum to facilitate steel promotion and industry competitiveness. The steel industry equates to over \$21 billion in turnover and employs over 75 thousand people. ASI members represent the full spectrum of companies and individuals involved in the manufacture, distribution, fabrication, design, detailing, education, surface protection and construction of steel, as well as suppliers to the steel industry.

Steel is an important segment of Australia's economy. Our members and the Australian steel industry as a whole will be directly and indirectly affected by the outcome of the Free Trade Agreement discussions. Considering this, it would be beneficial to our members and Department of Foreign Affairs and Trade to have a meaningful and sustained dialogue.

This submission is in addition to the feedback provided by ASI at the Steel Industry Briefing (25 November 2004) provided by Department of Foreign Affairs and Trade. This meeting was attended by representatives from OneSteel, BlueScope Steel, and Smorgon Steel.

Summary of ASI's Position

ASI has concerns in relation to the proposed Australia – China Free Trade Agreement (FTA). ASI's primary concern is the concessions granted by Australia as

a part of the Trade and Economic Framework (TEF) to grant China Market Economy Status as a precursor to FTA negotiations.

ASI believes that the granting of Market Economy Status to China will negatively impact on the ability of Australian industry to have measures imposed in legitimate anti-dumping investigations involving China. Specifically, this will occur in circumstances where the Chinese companies involved operate under significant government influence and cooperate during Australian Customs investigation. This concern is supported by the legal opinion obtained by Australian Industry Group (AiG) from Stephen Gageler, SC, and Bret Walker, SC.

In an environment of low-tariff barriers it is essential that protections remain in place to support Australian industry in circumstances of unfair trade. In the absence of strengthening the legislation and/or administration of the existing anti-dumping provisions, ASI's support of the Free Trade Agreement is conditional on (though not limited to) consistent and considered safeguards for the Australian steel industry.

Economies in Transition and Anti Dumping legislation

Acknowledgement of China as having Market Economy Status undermines current provisions under Economies in Transition legislation. The steel industry has worked closely with government to develop amendments to the 1999 provisions for Economies in Transitions which were passed in November 2003.

The steel industry is concerned that these important amendments will become ineffective if Australia in the FTA process agrees with China's request to disregard application of Bilateral Section 15 of the Protocol on the Accession of the People's Republic of China to the WTO, Extract 15.

Australian Steel Institute considers that this will mean that Australian Customs, when applying anti-dumping application against exporters from China, will no longer acknowledge that non market conditions prevail in a particular industry, and will no longer request the exporter to prove that they operate in a market economy.

This dilution of the anti-dumping legislation has the potential to compromise the outcome of future anti-dumping investigations, ultimately weakening Australian

industry's defensive position when faced with unfair competition from dumped Chinese commodities.

In a low tariff environment it is important that Australia's anti-dumping legislation remain vigorous and provide Australian manufacturers with avenues to address unfair exports.

Industry safeguards

In the event that the Australian government overlooks industry concerns and grants China market economy status, at a minimum an agreement must include effective safeguards for industry. These could include appropriate product specific safeguards allowing the Australian government to address import surges that threaten to cause market disruption. Australian Steel Institute encourages the Government to consult directly with the steel industry through the Australian Steel Taskforce to discuss the nature of potential safeguard measures, trigger points and their likely impact if imposed. Further, the Government should consider the option of gradual integration of market economy status for China.

Tariff reduction

Negotiations regarding the reduction of existing tariffs should first focus on an accelerated plan to reduce Chinese tariff values so that they are equal to those of Australia for each category of goods. Only when this is achieved should corresponding rate reductions for each country be applied.

Conclusion

Australian Steel Institute recognises the potential opportunities a Free Trade Agreement with China offers Australian business. However we are very aware of the negative impact conceding China as a Market Economy will have on anti-dumping legislation.

ASI subsequently opposes any measure that may jeopardise the health and success of the Australian steel industry and its members and companies.