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China to impose tax on steel imported for re-export

China will impose a protective tariff on imports of finished steel materials which are re-exported after domestic processing, the country's Ministry of Finance (MoF) announced via its website on Friday July 11.

The tariff will be applied, with effect from July 31, to 78 varieties of imported steel that can be produced domestically to a similar quality.

These products include hot rolled coil, cold rolled coil, silicon steel, bars, sections and wire rod, among others, the MoF said. It did not, however, specify the rate of the tariff.

Exemptions to the tariff will be granted to import orders signed before July 31 for material arriving before the end of this year which will be processed for re-export, according to the MoF statement.

The move was part of an attempt to carry out the fair taxation policy set out by China's State Council in October 2013, with the aim of resolving serious overcapacity problems, the MoF said.

Mini-stimulus

"I think this is good news for Chinese [steel] mills, although it's just a kind of mini-stimulus," a representative of a northern Chinese mill told Steel First.

"Collection of the import tariff could make steel imports unattractive, and thus lead some importers to turn to domestic purchases instead, which would help to boost domestic demand," he explained.

A source with a Hebei-based mill shared the same opinion, although he believed that the influence on the domestic market could be limited, as the volume of steel imported for re-export after processing is insignificant compared with the country's total steel output.

Some 5.72 million tonnes of finished steel, including special steel, was imported in 2013 with the intention of

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processing for re-export, according to Chinese customs data. In the same year, China's finished steel output totalled 1.068 billion tonnes.

"I think it's more of a gesture that shows Beijing's attitude toward protecting the domestic steel industry, amid increasing numbers of trade cases against Chinese steel products on the international market," the second mill source said.

Domestic boost

"There have been appeals for years that Beijing should impose a protective tariff on steel imported for re-export after processing, given the country's capacity expansion in high-end steel products such as automotive sheet," a Shanghai-based market participant said.

A material purchaser with a large state-owned machinery manufacturer in the eastern Chinese city also told Steel First that its purchase policy could be adjusted after the tariff takes effect.

"We import steel products both for general trade and for the processing trade, so we may consider using more domestic steel in the future, as some products produced by major Chinese mills, including Baosteel, can also meet our quality requirements," the purchaser said.

A source with a Guangdong-based home appliance producer said that it has reduced its reliance on imported steel in recent years, as it can purchase similar products more cheaply on the domestic market.

Actually, the percentage of China's overall steel imports made up by steel imported for re-export after processing is going down. The percentage was 40.7% in 2013, down from 43% in 2012 and from 46% in 2011.

From January to May of this year, China imported 6.11 million tonnes of finished steel. Among this volume, nearly 2.34 million tonnes was imported for processing for re-export, accounting for about 38% of the total imports, Chinese customs data shows.

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