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## Chinese tax increase rumor swaying steel market in Vietnam

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According to the Vietnam Steel Association, the information that China may raise the export ingot steel tax to 25% from the current rate of 15% in early December 2007, has heated up the regional steel market. If the government of China raises the export tax rate on ingot steel as the websites are reporting, the regional steel market will be strongly shaken.

Vietnamese enterprises have calculated that if the billet export tax is increased by another 10% and the import duty remains at 2%, the ingot steel price will exceed the USD 650 per tonne threshold and domestic steel prices will be higher than VND 13 million per tonne.

Nevertheless, some analysts said that it is just a rumor that China will raise the ingot steel export tax. Mr Le Ngoc Son deputy director general of VIS said that “Chinese billet exports are now limited with the export tax rate of 15% and the exports would be more limited if the tax rate was raised to 25%. Therefore, a tax increase should not be seen as a wise move.”

Vietnamese enterprises are trying to import more finished steel products as well as sources said that China is also considering raising the export tax on finished steel exports from 10% to 15% together with the ingot steel tax increase.

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