

China to introduce new export taxes on metals, stainless steel on January 1

SINGAPORE & SHANGHAI — China will introduce export taxes on certain metals and their products including tungsten, molybdenum, indium, chromium and stainless steel, but cancel export taxes on some copper fabricated products effective from January 1, the Ministry of Finance said in a statement on Wednesday.

Exports of unwrought tungsten, tungsten powder, tungsten oxide, tungsten carbide and ammonium paratungstate (APT) will be subject to export taxes of 5 percent. The products are presently duty free.

Unwrought molybdenum, molybdenum scrap, molybdenum powder, unwrought indium, indium scrap, indium powder, unwrought chromium, chromium scrap and chromium powder exports will also be liable for taxes of 15 percent and exports of stainless steel ingots and semi-finished stainless products — previously duty free — also face export taxes of 10 percent in 2007.

While the taxes had been expected as rumours of fresh export duties on minor metals had circulated in recent weeks, market participants predicted the move will lead to an increase in prices across the board.

The export duties will be introduced on products that are energy intensive and potentially harmful to the environment to produce, the ministry said.

Export taxes on certain copper fabricated products, including copper and brass bar, rod, profile; copper and brass wire; copper, brass and copper-nickel, copper-nickel-zinc plate, sheet, strip, as well as brass, bronze and copper alloys, will be cancelled after being raised to 10 percent in April this year. No reason was given for the reversal.

A 5-percent export tax will also be added for unwrought zinc of purity at, or more than, 99.99 percent, but less than 99.995 percent. The impact of this tax is unlikely to be huge given that zinc of such purity is mainly sold within China due to stronger domestic prices, said an official at a zinc smelter in central Hunan province.

As the market digested the news, tungsten exporters were relieved that the export tax imposed was lower than expected.

"It has turned out to be better, as we had expected a 10-percent tax on the tungsten products other than ferro-tungsten," said a major exporter in south China. Ferro-tungsten was slapped with an export tax of 10 percent tax on November 1.

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ThyssenKrupp faces uphill battle over Dofasco

LONDON — ThyssenKrupp AG will find it difficult to wrest control of Dofasco from Arcelor Mittal in the looming court battle between the two companies, analysts have said.

The German steelmaker — which initiated court proceedings against Mittal Steel in Holland yesterday — will have to show that its rival could have done more to force the special foundation that controls Dofasco's shares to permit their sale.

This is not expected to be straightforward to prove and Mittal Steel can legitimately claim to have done as much as it could have, said analysts. "Mittal seems to be on reasonably strong legal ground," said one analyst.

CVRD settles on 9.5-percent fines price rise with Posco

RIO DE JANEIRO — Brazil's CVRD has concluded its iron ore price negotiations for 2007 with Pohang Steel Corporation (Posco), the largest South Korean steelmaker. As an outcome of these negotiations, iron ore prices for Carajás (SFCJ) and Southern System (SSF) fines will increase by 9.5 percent over 2006, CVRD said.

The settlement with Posco follows an agreement at the same level struck on December 21 with China's Baosteel following what CVRD said were negotiations completed in record time.



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Alcoa reaches tentative Cleveland agreement

NEW YORK — Pittsburgh-based Alcoa has reached a tentative agreement on a new contract with 830 striking members of United Auto Workers Local 1050 at its Cleveland plant, potentially ending a seven-week strike, it said on Sunday.

If workers agree to the new four-year deal, then they could return to their jobs on January 2, the company said. Terms of the deal were not disclosed.

The ratification vote was scheduled for Wednesday. The deal, which was presented to workers on Tuesday and Wednesday, has been endorsed by the union's negotiating committee.

Last week, the union reached a back-to-work agreement with Alcoa that was based on the previous contract and had called in workers on Tuesday and Wednesday to vote on returning to work. "We had bargaining sessions in the interim and reached a tentative agreement," an Alcoa spokesman said.

Workers went on strike on November 6 when their previous contract expired. Paying for health-care costs was the main sticking point in negotiations for a new accord, sources said.

LME Stocks (tonnes)

Copper	rose	650 to	178,775
Tin	rose	120 to	12,975
Lead	fell	675 to	40,850
Zinc	fell	775 to	87,575
Aluminium	rose	5,925 to	701,475
Aluminium Alloy	fell	120 to	99,200
Nickel	fell	510 to	6,582
NASAAC	fell	100 to	133,740

Comex Gold Feb	\$629.70 per oz
Comex Silver Mar	\$12.86 per oz
Nymex Platinum Apr	\$1,136 per oz
Nymex Palladium Mar	\$326 per oz

London Precious Metals

Gold am	\$628.30 per oz
Spot Silver midday	\$12.86 per oz
Platinum am	\$1,122 per oz
Palladium am	\$326 per oz

Barclays Bank

\$/£	1.9607 - 1.9609
\$/£ 3 months	1.9612 - 1.9615
\$/€	1.3157 - 1.3159
£/Yen	232.50 - 232.55

Indonesia to introduce export controls on tin

SINGAPORE — Indonesia is expected to introduce measures to control the export of tin next year, according to market participants.

The Indonesian government is considering an export licences system and only allowing the export of minimum London Metal Exchange-grade, or 99.85 percent refined tin, market participants said citing local press reports.

"I think the new measures could be out around the same time as recommendations for private smelters are made," said an industry source on Bangka island, Indonesia's main tin production base. "Unchecked tin exports have damaged Indonesia's tin quality. We have finished the draft and we will issue the export regulation in 2007," Diah Maulida, director general of foreign trade from Indonesia's Ministry of Trade, was quoted as saying in a *Reuters* report.

Freeport gets OK for Phelps Dodge bid

NEW YORK — US anti-trust authorities have approved Freeport-McMoRan Copper & Gold's takeover bid for fellow copper producer Phelps Dodge Corp.

An investigation into the proposed \$25.9-billion deal has been conducted and no further action will take place, a spokesman for the Federal Trade Commission said.

New Orleans-based Freeport, which owns the giant Grasberg copper and gold mine in Indonesia, launched its bid for the Phoenix-based copper producer in November. Under the proposed deal, Freeport will pay \$88 in cash plus 0.67 of a common share for each Phelps Dodge share, a 33-percent premium to Phelps Dodge's closing price on November 17.

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Alcoa eyes new sites for Trinidad smelter

NEW YORK — Alcoa will consider alternative sites in Trinidad for its planned \$1.5-billion, 341,000 tpy smelter project after Cap-de-Ville, the site initially proposed, was eliminated by the government of Trinidad & Tobago for environmental reasons.

"The government approached us a few days ago about different sites for the smelter," a spokesman for the Pittsburgh-based aluminium producer said. "As the project is still in the feasibility stage, we are happy to look at other sites."

Tin breaks higher at LME on Indonesian supply fears

LONDON — Tin continued to set new multi-year highs in the official trading session at the London Metal Exchange on Wednesday, with supply fears compounded by low volumes after the Christmas break that heightened volatility at the exchange.

The metal recorded a price of \$11,400/25 per tonne, basis three months, in the official session, having risen to \$11,450 in spot trade immediately beforehand.

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Metaleurop restarts Nordenham after three-week closure

LONDON — Metaleurop SA restarted operations at its primary lead smelter in Nordenham, Germany, last week, ending a three-week partial closure after carrying out repairs to damaged equipment, according to a report.

The company declared *force majeure* on shipments from the plant on November 4 after a "minor accident" at the smelting furnace on November 30.

The company is set to resume shipments of lead to customers either on Wednesday or Thursday, *Reuters* said in a report.

Gold climbs as Middle East tensions rise

LONDON — Gold rose 1.5 percent in London in early trading on Wednesday, boosted by concerns over Iran's nuclear programme.

The yellow metal, which is a haven for investors at times of geopolitical tension, fixed at \$628.30 per oz in London on Wednesday morning.

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OneSteel grants A\$300m mining contract to Leighton

SINGAPORE — OneSteel Limited has announced the award of a five-year mining contract, worth in excess of A\$300 million (\$235 million), to HWE mining, which is now part of Leighton Contractors.

The agreement covers contract mining operations and other related services at its iron ore mines in the South Middleback Ranges in South Australia, the country's biggest long product steelmaker said in a statement.

The mine produces roughly 4.6 million tpy of magnetite ore and 5 million tpy of hematite ore, a spokeswoman said, adding that a small part of the hematite production will be supplied to OneSteel's nearby Whyalla Steelworks while most of it will be sold externally.

All magnetite production will be processed on site at a newly commissioned plant to be used at Whyalla, which is converting to magnetite feed.

OneSteel said that total iron ore production at South Middleback Ranges is scheduled to increase to nine million tpy by the middle of next year, but declined to give any timeline for the mining of first ore or the start of production at the magnetite plant.

"The awarding of this contract represents another significant milestone for Project Magnet. In converting the Whyalla Steelworks to magnetite feed, the project extends the longevity of the Steelworks, brings significant environmental benefits to the community and underpins the competitive advantage of OneSteel's iron ore resources. The project also releases our hematite ore deposit for external sale, generating a further source of revenue and profit for the company," said md and ceo Geoff Plummer.

Gas shortage sees Iranian steel prices stabilise

TEHRAN — Curbs in production, triggered by a shortage of natural gas supplies, have seen Iranian domestic steel prices stabilise, and in some cases increase, traders in Tehran told MB.

Iran's National Gas Company has restricted supply to government-controlled steelmakers, including the Mobarakeh Steel Complex and Esfahan Steel Company, in deference to supplies to urban areas, according to reports.

"[Long products output] has fallen because producers are doing maintenance during the gas shortage," one trader said. "This has stopped the fall in the price of constructional steel in the domestic market, and in some cases has caused a slight increase in price."

According to the latest market reports, debar prices now stand at \$685-695 per tonne delivered to domestic customer, up from \$680-85 the previous week, while billet prices have stabilised at \$535-545 per tonne delivered to domestic customer.

Yusco raises January export prices by \$100-120 per tonne

SINGAPORE — Taiwan's largest steelmaker, Yieh United Steel Corp (Yusco), will increase January export prices of its stainless hot rolled and cold rolled coils by \$100-120 per tonne to reflect strong demand and high raw material costs, the company said on Tuesday.

It also raised January domestic prices of 300 series hot rolled and cold rolled sheets and coils by NT\$3,000 (\$92) per tonne on the same grounds.

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Beijing Shougang takes stake in Beijing-based automaker

SINGAPORE — Beijing Shougang Co, the Shenzhen-listed arm of Shougang Group, has moved to secure its auto sheet market by taking over the 23.6 percent ownership of Beijing Automobile Investment Holdings from its parent company.

Beijing Automobile Investment Holdings holds a 50 percent stake in Beijing Hyundai Motor Company, a 300,000 unit per year auto manufacturer in the Shunyi County, Beijing, only 6km away from the site of Beijing Shougang's 1.5 million tpy cold rolling mill, which is due to be commissioned in 2007 (MB, Jul 5 2005).

Mt Gibson starts compulsory purchase of Aztec shares

SINGAPORE — Mount Gibson Iron, which now owns 91.3 percent of its takeover target Aztec Resources, announced it had started the compulsory acquisition of the remaining shares Wednesday.

Its scrip takeover offer, which offered one Mt Gibson share for every three Aztec shares, ended on December 22.

The takeover saw the two Australian iron ore juniors embroiled in months of hostility.

Over the course of the bid Mt Gibson's projects have progressed, with operations at Talling Peak achieving record production of 411,000 wet tonnes of lump and 308,000 wet tonnes of fines in the third quarter.

Posco buys stake in coal mine to secure supply

LONDON — South Korea's Posco will buy a 10 percent stake in the Newpac No 1 Colliery in New South Wales, Australia from Resource Pacific, the company said in a filing to the Securities and Exchange Commission (SEC) on Wednesday.

The investment, which has been valued at A\$30 million (\$23.5 million), is designed to give Posco a stable supply of metallurgical coking coal and is likely to yield a long-term procurement contract, subject to bank approval.

"Posco is one of the world's premium buyers of metallurgical coal and this agreement demonstrates its confidence in the quality of Newpac's coal and the mine," Resource Pacific md Paul Jury said in a statement to the Australian Stock Exchange.

Posco has agreed to buy 400,000 tonnes of coal from the Newpac mine in the first year of the contract, beginning April 1, and 500,000 tpy for the following four years, Resource Pacific said in the statement.

Following this point, the agreement will continue to operate unless 6 months notice of termination is given, or Posco sells its stake in the mine.

Resource Pacific is currently undertaking bord and pillar mining operations in the northern parts of its leases that will produce almost 1.1 million tonnes in 2006, it said on its website.