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WORKSHOP ON STEEL TRADE ISSUES

PERSPECTIVES ON STEEL MARKETS AND TRADE
STATEMENT BY MR. PAUL TSONG-YING HUANG

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PERSPECTIVES ON STEEL MARKET AND TRADE
STATEMENT BY MR. PAUL TSONG-YING HUANG
CHINA STEEL CORPORATION, CHINESE TAIPEI
PARIS, 27-28 MAY 1998**

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Asia-Pacific Area: The impact of regional steel production, consumption and steel trade under the Asian financial crisis

ASEAN: The stemming point of recent financial crisis

Fast Growing Market

Steel production, consumption and trade of ASEAN 5 countries

(Unit: 1,000 MT)

Item	1990	1991	1992	1993	1994	1995	1996	CAGR
Production of Crude Steel	5 766	6 045	6 416	7 706	7 730	10 158	10 919	11.23%
Steel Import (Semi & Finished)	13 494	15 266	17 171	19 572	23 232	27 677	27 756	12.77%
Steel Export (Semi & Finished)	1 345	2 212	2 331	2 983	3 432	3 556	3 338	16.36%
Apparent Consumption (Crude Steel)	20 180	21 437	23 617	26 705	29 161	37 212	38 115	11.18%

Source: IISI Statistical YearBook

1. 5 countries include Thailand, Indonesia, Malaysia, Singapore, and Philippine
2. CAGR stands for Compound Annual Growth Rate

1. In the 1990s, the Southeast Asia steel market started to grow at a very high speed. The apparent crude steel consumption of ASEAN 5 countries reached 38.12 million MT in 1996, and the compound annual growth rate (CAGR) was 11.18 per cent since 1990. Although the apparent crude steel production of ASEAN 5 in 1996 was 11 million MT, with an 11.23 per cent CAGR close to that of apparent consumption, the quantity gap between the two was very wide. Therefore, the ASEAN 5 together imported over 27.8 million MT of steel products in 1996, which enabled Southeast Asia to become the largest steel importing area in the world.

The forecast of economic dilemma and demand decrease after the Asia financial crisis

2. Since July 1997, the Asian financial crisis blew out first in Thailand and quickly spread over Malaysia, Indonesia, and other countries in this area. The regional steel business soon encountered their severe difficulties as follows:

- Dramatic depreciation and unforeseeable fluctuation of foreign exchanges made the costs of importing goods sharply increase and not predictable.
- Insufficient bank capitals and shortage of foreign exchanges caused a quick shrinkage of customers' credit, along with domestic interest rate rise, so the operating cost and financial flexibility of steel business are getting more and more difficult.
- Under IMF surveillance, government expenditures are requested to reduce and most of the infrastructure constructions stopped either which caused domestic demand sharply shrunk. Exports though can still keep its competitiveness due to depreciation, but its prices are much lower than before. The turnover moved slowly and inventories quickly piled up. In addition,

bad debt ratio went higher and became the most headache and nightmare to all the top management. Steel import plummeted to the bottom.

3. Under above-mentioned circumstances, the regional steel industry which used to import huge steel to satisfy domestic demand, had to take “wait and see” approach. Based on local makers’ estimate, steel imports have reduced at least 50 per cent off since financial crisis starting July 1997. It is anticipated that the apparent consumption of crude steel of whole ASEAN 5 countries in 1998 continued the slope of decrease. According to the JISEA statistic figures, the decrease of ASEAN estimated demand would be in the following table:

Apparent Crude Steel Consumption in ASEAN 5 Countries

(Unit: 1,000 MT)

Country	1996	1997	1998e	98/97	98/97(%)	98/96	98/96(%)
Thailand	11 993	9 387	7 584	1 803	-19.2%	4 409	-36.8%
Singapore	4 872	5 200	4 000	1 200	-23.1%	872	-17.9%
Malaysia	9 011	10 538	8 807	1 731	-16.4%	204	-2.3%
Philippine	5 060	4 500	4 300	200	-4.4%	760	-15%
Indonesia	7 179	6 400	4 160	2 240	-35%	3 019	-42.1%
Total	38 115	36 205	28 851	7 174	-19.8%	9.264	-24.3%

Source: JISEA, Monthly Report; 1996 Figure from IISI Statistical Yearbook.

4. As the table shows, the 1998 steel consumption of ASEAN in comparison with 1997 is estimated to be down 7.17 million tons, 20 per cent shrinkage. The 98/96 comparison showed that the decrease would be 9.26 million tons, a more 24.3 per cent down.

The cool down of regional investment

5. In the past few years, the ASEAN steel industry has prompted a hot investment of going upstream, of which the most aggressive country to attract foreign partner to build steel-making and rolling mills is Thailand, Malaysia the second. After the financial difficulty occurred, the completed or near to complete mini-mills or re-rollers faced at once a chilling atmosphere:

- The construction cost of facilities get sharply high due to dramatic foreign exchange depreciation.
- Insufficient operating funds put steel mills have to raise capitals or look for foreign partnership and investment.
- Purchasing cost for raw material and semi-finished products rose higher and higher, even unable to make payment due to lack of foreign exchange.
- Upon starting-up, the makers immediately have to face the shrinking demand in domestic market, and intensified foreign competition of low-priced steel import. On the other hand, cut-throat price seems needed to open foreign market so as to keep their mills operating.

The negative factors include quick change of steel market, foreign exchange fluctuation, and severe difficulty of raising money in domestic or overseas capital market. All have pushed several projects of new

erection, facilities modernisation, and expansion plan in ASEAN which are forced to stop or postpone for years until a favourable opportunities in the unknown future.

East Asia

The fast growing 1990s

6. Four countries in East Asia, including P. R. China, Japan, R.O. Korea and Chinese Taipei, play a very important role in Asia steel industry. Each has its own series of iron-making, steel-making and rolling facilities, Entering into the 90s, the East Asia area has greatly expanded its steel-making and rolling capacities except Japan, and became main steel exporting countries in Asia. Below showed the recent status of its production, apparent consumption of crude steel and steel trade from 1990 on.

Crude Steel Production in East Asia (1990 to 1997)

(Unit: 1,000 MT)

	1990	1991	1992	1993	1994	1995	1996	1997	97/96 (%)	97/90 CAGR
China	66 349	71 000	80 935	89 539	92 613	95 360	101 236	107 567	6.3	7.15
Japan	110 339	109 649	98 132	99 623	98 295	101 640	98 801	104 545	5.8	-0.77
Korea	23 125	26 001	28 055	33 026	33 745	36 772	38 903	42 554	9.4	9.1
Chinese Taipei	9 748	10 973	10 705	11 970	11 594	11 605	12 350	15 994	29.5	7.33
Total	200 761	307 446	217 827	234 158	236 247	245 377	251 290	270 660	7.7	4.36

Source: IISI, Statistical Yearbook.

CAGR stands for Compound Annual Growth Rate

Apparent Crude Steel Consumption in East Asia (1990 to 1997)

(Unit: 1,000 MT)

	1990	1991	1992	1993	1994	1995	1996	1997*	97/96 (%)	97/90 CAGR
China	68 634	70 863	85 856	129 420	118 515	99 944	110 415	114 030	3.3	7.52
Japan	99 032	99 151	84 040	80 589	79 333	84 340	83 595	87 260	4.4	-1.79
Korea	21 478	26 068	23 238	26 710	32 188	37 306	39 387	40 000	1.6	9.29
Chinese Taipei	15 350	18 920	21 300	25 110	22 980	24 090	21 610	22 600	4.6	5.68
Total	204 494	215 002	214 434	261 829	253 016	245 680	255 007	263 890	3.5	3.71

Source: IISI Statistical Yearbook; 1997 Figures from JISEA Monthly Report

CAGR stands for Compound Annual Growth Rate

Steel Imports in East Asia countries (1990 to 1997)
(Semi & Finished)

(Unit: 1,000 MT)

	1990	1991	1992	1993	1994	1995	1996	1997	97/96 (%)	97/90 CAGR
China	4 100	3 604	8 052	36 640	25 462	14 618	16 195	13 230	-18.3	18.22
Japan	7 127	9 035	6 202	6 111	5 686	7 030	5 956	5 664	-4.9	-2.23
Korea	5 630	8 583	6 142	5 354	8 440	10 771	11 126	14 644	31.6	14.63
Chinese Taipei	5 683	8 651	10 841	14 775	12 820	13 539	10 596	11 563	9.1	10.68
Total	22 540	29 873	31 237	62 880	52 408	45 958	43 873	45 101	2.8	10.42

Source: IISI Statistical Yearbook; 1997 Figures from JISEA Monthly Report except Chinese Taipei. CAGR stands for Compound Annual Growth Rate

Steel Exports in East Asia countries (1990 to 1997)
(Semi & Finished)

(Unit: 1,000 MT)

	1990	1991	1992	1993	1994	1995	1996	1997*	97/96 (%)	97/90 CAGR
China	2 090	3 725	3 701	1 256	2 442	10 536	6 930	4 620	-33.3	12.00
Japan	16 631	17 916	18 564	23 506	22 129	22 129	19 262	23 501	22	5.06
Korea	7 572	8 062	10 921	11 444	10 029	9 795	10 438	11 622	11.3	6.31
Chinese Taipei	1 754	1 610	2 090	2 705	2 817	3 027	3 765	4 465	18.6	14.28
Total	28 047	31 313	35 076	38 911	37 695	45 487	40 395	44 208	9.4	6.72

Source: IISI Statistical Yearbook; 1997 Figures from JISEA Monthly Report except Chinese Taipei. CAGR stands for Compound Annual Growth Rate

The delineation of statistics

7. The crude steel production of East Asia in 1997, compared with the year of 1990, the compound annual growth rate (CAGR) grew up by 4.36 per cent, of which China, Korea, and Chinese Taipei sharply rose by 7.15 per cent, 9.1 per cent, and 7.33 per cent respectively. On the other hand, Japan's CAGR reduced 0.77 per cent in the same period.

8. The same trend showed on the steel consumption. The compound annual growth rate of crude steel consumption in 97/90 was 3.71 per cent, and the 97/96 growth rate is 3.5 per cent. It is evident, the steel production and consumption of East Asia in 1990s had enjoyed rapid growth in the steel industry. Hence, large amounts of capitals were invested in steel industry at this period of time.

9. If we look at the data of crude steel consumption, there is a very interesting thing happened in Mainland China. The Chinese currency RMB was drastically depreciated by 38 per cent in 1992, which caused a 50.7 per cent growth in steel consumption in the year of 1993. But the production-wise there was only a 10.6 per cent growth of steel production in the same year. So, that is the reason why steel imports of Mainland China touched the highest ceiling of 36.64 million MT in 1993, representing a 355 per cent incredible high record. Then the "Macro-controlled policy" had been adopted in 1994, mainly to decrease

the over-heated economy of China. The steel imports gradually reduced to a normal level of 16.20 & 13.23 million MT in 1996 and 1997 respectively

10. As to steel trade pattern, Mainland China is the main net importing country in the East Asia, with four times grew up from 1990 to 1997. Except for extraordinary volumes of 36.64 and 25.46 million tons imported in 1993 and 1994, total steel import are at 16.2 and 13.23 million MT in 1996 & 1997 as we mentioned before. Japan has kept a stable import of steels about 5 or 6 million tons per year, however, Korea and Chinese Taipei had steel imports growth in spite of some yearly up and down, as table shows. The steel imports for Korea and Chinese Taipei are 14,644 MT, 11,563 MT respectively in 1997.

11. Japan is the main country of steel exports, yearly about 17 to 23 million MT and is No. 1 net steel exporter in the world. With continuous expansion of steel-making and rolling capacities, Korea increased its steel exports from 7.6 million tons in 1990 to 11.6 million tons in 1997, and become a net export country from 1992. China and Chinese Taipei from 1990 on stayed at the No. 2 or 3 countries of net importer of steel products except the US. In 1997, the net import volume of steels reached 8.61 and 7.10 million tons in China and Chinese Taipei respectively.

Another hurricane of Asia financial crisis-South Korea

The strong competitive edge after currency depreciation

12. In the past seven years, the steel industry of South Korea has kept on expanding with new rolling mills and mini-mills one after another. Before the Asia financial crisis hitting the Peninsular Korea after sweeping Southeast Asia, there was an integrated steel mill project of Hyundai on the sketch board, which might be suspended permanently. The reasons behind the financial crisis of Korea and Southeast Asia were almost the same-too-fast expansion relying on foreign debts. Southeast Asia expanded too quickly at finance, service, and real estate, but Korea expanded too fast at manufacturing.

13. From the perspective of global steel industry, Southeast Asia is a relative large steel consumption market, but Korea is a country with huge steel capacity and part of steel products export-oriented. As Korean Won has depreciated about 50-60 per cent in the aftermath of Asia financial crisis, the steel industry in Korea become more competitive than before. As the import steel market of Southeast Asia has contracted in large scale since the second half of 1997, the price and quantity of Korean export steel became very competitive for Asia, Europe, America, as well as in the other part of the world. As a result, the import steel prices have declined sharply in most area. Steel mills in Asia are facing severe challenge from the Korean steel industries and shrinking profits at least for next 1 or 2 years.

The regional demand will contract sharply in 1998

14. Shortly after being hit by the Asia financial crisis, Korea accepted the preconditions of IMF and accepted IMF rescue loan for US\$ 55 billion. However, huge foreign debt, plummeting foreign exchange rate, and rocketing interest rate are hindering Korean industries from importing necessary raw materials for production. On the other hand, the domestic demand of Korea has decreased in line with inflated price, high unemployment rate, decreasing salary income, and strict IMF regulations requiring cutting government expenditures. Investments from private sector and government infrastructures have declined by 17 per cent and 6.1 per cent respectively. According to a KISA & POSRI report in April, in 1998, the domestic steel demand will decrease by 22 per cent, steel export will increase by 15 per cent, import decrease by 73.5 per cent, and aggregate demand will decrease by 14.1 per cent.

Unit: 1 000MT

		1997	1998 KISA	98/97	1998 POSRI	98/97
Demand	Domestic Demand	38 144	30 610	-19.8%	29 752	-22%
	Export	10 364	12 420	19.8%	11 918	15%
Total	Demand	48 509	43 030	-11.3%	41 670	-14.1%
Supply	Production	44 733	42 030	-6%		
	Import	3 776	1 000	-73.5%		

Source: KISA & POSRI (April '98 Revision)

D* and S** stand for Demand and Supply;

15. According to the estimate of POSRI (in December 1997), the domestic steel demand of South Korea would decrease by 6 per cent only. However, in a revised edition issued in April this year, the domestic demand is forecasted to decline sharply to 22 per cent. Meanwhile, the export was revised slightly up from 12.9 per cent to 15 per cent. There was no revised report in April for production and import figures. But we can still refer to the Kisa's figure, learned that import steel will drop sharply by 73.5 per cent in 1998, which surely will be replaced by domestic steel. That is why, the production will decrease only 6 per cent in the same year.

A stagnant economy ahead of Japan

The influence of Asia financial crisis

16. The Asia financial crisis (Southeast Asia, South Korea) has impacted heavily on Japan's economy. After Japanese yen started to appreciate sharply in 1985, the home appliance and automobile industries of Japan began to invest overseas in large scale to mitigate the negative effects coming from yen appreciation. The overseas investment in Southeast Asia is the extension of Japanese export expansion policy. In addition, the prosperous wealth, accumulated since 1980s, started to flow from Japanese banks and security investing companies and pour into Southeast Asia markets. About 40 per cent of the Japanese stake were invested on real estate, and the stock market ranked in the second place in absorbing Japanese investment.

17. In the aftermath of Southeast Asia financial crisis, vacant high rise buildings, melting down stock market are common phenomenon in the region. Japanese automobile and home appliance transplants in the region were also seriously affected and had to cut down production. As Japanese banks and financial system have accumulated overseas bad debt for over US\$100 billion, many financial institutions went to bankruptcy one after another. Following the Korean financial crisis, Japanese financial system becomes deteriorated. Japanese Prime Minister Hashimoto can not help suspending financial system restructure, which was announced at his second term inauguration ceremony. However, the consumption-tax increase project executed in April 1996 has triggered the decline of Japanese private consumption and caused the present stagnant economy.

The statistics of Japanese steel production, consumption, and trade

Unit: 1,000MT

	1997	1998(e)	98/97
Crude Steel Production	104 545	96 000	-8.2%
Steel Export	23 501	17 000	-27.7%
Steel Import	5 664	6 100	7.7%
Apparent Crude Steel Consumption	86 003	83 300	-3.1%
Apparent Finished Steel Consumption	81 063	79 600	-1.8%

Source: IISI, Short Range Outlook

18. In 1998, as Japanese economy seems to be influenced by domestic recession and Asia financial crisis, the estimated crude steel production and apparent crude steel consumption will drop by 8.2 per cent and 3.1 per cent respectively. The steel import in 1998 will increase by 7.7 per cent; the total export will sharply drop by 27.7 per cent due to the loss of steel sheet market to Southeast Asia and Korea by 20 per cent. However, Japanese steel industry has endeavored to export to North America market and been rather successful. If the export promotion continues to be successful in the latter part of 1998, the present decrease in steel export might not enlarge further. If we look into Japan's steel export to South Korea and Southeast Asia in 1996 and 1997, it is easy to find the importance of the two regions to Japan's steel export. South Korea imported over 3 million MT steel products annually in the last two years, and ranked first place in Japan's steel export markets.

Unit: 1,000 MT

	1996	1997	97/96(QTY)	97/96%
Korea	3 344	3 533	189	5.7%
Thailand	2 236	2 194	-42	-1.9%
Malaysia	1 509	1 661	152	10.1%
Indonesia	827	1 183	356	43%
Singapore	961	1 181	220	22.9%
Philippine	316	365	50	15.7%
Asean 5 Total	5 849	6 584	735	12.7%
Sub Total*	9 183	10 117	934	10.2%
Japan Total**	20 615	23 501	2 886	14%
% of */**	44.5%	43%		

Source: JISEA, Monthly Report

The option of the Asian steel trade giant

19. The Asian steel trade environment has been changed greatly after the Asia financial crisis. The steel giant of Japan has to cope with economy recession and the depreciation of Yen, which is unfavourable against the import steel to Japan. It is of concerned to see the outcome of a developed country and huge steel trade volume like Japan. The following will be our observing points:

- Hit by the Asia financial crisis, Japan's export steel markets in Asia region can not recover completely in the short term. How will Japan find a breakthrough in the present difficulty and transfer to a new export market?
- How can Japan compete with developing countries, especially with those having sharp depreciation in foreign exchange rate?
- The Japanese government has raised an economy stimulus package of 16 trillion Yen and a personal tax cut project of 4 trillion Yen, but the effect of the efforts is hardly been seen in 1998.
- Will it be sufficient for Japanese steel industry to cut steel production by 6.6 per cent? As the Yen depreciation has disadvantageous impact the steel import in Japan, is there any other measure adopted by Japan to show her support for developing country.

Chinese Taipei-Stay away from the Asia financial crisis

20. From 1995 to 1996, the military manoeuvre of Mainland China such as missile tests on Chinese Taipei Strait had severely stricken the Chinese Taipei economy, which had not recovered until the 4th quarter of 1996. After the painful adjustment, the survival companies and financial institutes in Chinese Taipei have become more strong and flexible. As a result, Chinese Taipei incurred fewer damages in the Asia financial crisis. Chinese Taipei has a strong will to help neighbouring countries to overcome the difficulties. In addition to offering Chinese Taipei's experiences, Chinese Taipei also suggests to initiate the establishment of a regional financial stabilisation mechanism, by which countries in the region can support each other in the financial crisis.

The influence on Chinese Taipei's steel and steel related industries when Chinese Taipei becomes a member of WTO

21. Ranking the world 14th trade country, Chinese Taipei has actively promoted liberalisation and globalisation with a view to been more qualified for accessioning WTO. After years of efforts, it is most likely that soon Chinese Taipei will become a member of WTO. The impact on steel and steel related industries from WTO entry has attracted much attention. From the perspective of tariff reduction and non-tariff-barrier elimination, the affected steel related industries were automobile, home appliance, steel structure, and steel pipe in sequence. On the other hand, high competitive industries, such as electronic information, bicycle, fastener, hand tool, can utilise the regulations of WTO to reinforce stronghold in foreign trade negotiation and reduce the risk of being accused of antidumping. As for steel industry, ever since the complete liberalisation of Chinese Taipei's steel market in 1987, Chinese Taipei has become a non-tariff-barrier free country and imported over 10 million metric tons of import steel since 1992, which help Chinese Taipei to maintain an apparent steel consumption level of over 20 million metric tons. For the purpose of adjusting in line with joining WTO, some of the automobile and electrical appliance industries have aggressively modified operation policy to seek for technology upgrade, industry overseas transplant, accelerating globalisation movement, and reinforcing competitiveness. The up-stream steel material supplier will meet with the overseas transplant of down-stream steel-related industries. Chinese Taipei will become one of the Asia steel supply center, one of the striving goal, when Chinese Taipei carry through steel capacity expansion and accession to WTO.

The impact on Chinese Taipei steel industry from Kyoto Agreement's regulation on CO2 emission.

22. On December 11th, 1997, UN has reached agreement on greenhouse effect gases emission at Kyoto, Japan. Chinese Taipei, though not a member of UN, has decided to review domestic industry structure and energy policy and move to technology-intensive industries. It is expected that technology intensive industries, electronic information industry is the core, will comprise 40 per cent of manufacturing industry. To control the CO2 emission in infrastructure industries, petrochemical industry will grow slightly and metal industry, steel as the main item, will stabilise. Of the traditional industries, higher CO2 emission ones such as pulp and cement also will grow slightly.

23. To build Chinese Taipei as a technology island has become a by-partisan consensus, which has led an investment spree on high-tech industries and withholding investment on traditional investment a severe exclusion effect will impact the development of Chinese Taipei's steel industry. Nowadays, the global consensus on greenhouse gases emission may bring far-reaching effects on Chinese Taipei's steel industry.

The future of Chinese Taipei's steel industry

24. Though the Asia financial crisis has not brought Chinese Taipei's economy into chaos, the NT dollar has depreciated to some extent. The huge trade surplus situation has gradually turned into varnishing as on April 1998. It is unavoidable for Chinese Taipei to adjust industry structure. The accession to WTO and greenhouse gases emission agreement will have long-term and structural effect on the steel industry of Chinese Taipei. However, the immediate impact on Chinese Taipei from the Asian financial crisis has caused the export market to Asia contracted sharply as the currencies of regional countries depreciated in large scale and deterred the import steel. The Asia-wide import steel processing industries has been heavily stricken. The domestic steel market of Chinese Taipei has been blown by cheap import

25. Steel and profits of local steel mills has been chopped off. In general, steel industry will work at cost down and business rationalisation to raise competitiveness. In addition, steel industry could treat overseas Chinese Taipeiese customers as major customer and supply with their needs. The others may set up overseas production basement to co-operate closely with overseas customers and expand territory. The only road to cross the Asia financial crisis and contribute to global steel development for Chinese Taipei's steel industry may construct a sustainable and pro environment base to unite domestic and overseas markets.

CIS Area

Steel Production, Demand and Trade of Former Soviet Union

26. Before its collapse in 1991, former Soviet Union (FSU) was in the first or second place in the world steel production, consumption and trade. In 1980s' when it was dominated by planned economy system, FSU remained a stable growth of steel production. According to the statistic data during 1980 and 1991, crude steel production of FSU grew from 147,000,000 MT in the early 1980s to the highest record of 163 000 000MT in 1988. Since then, it had begun to decline. In 1991 when the Union broke, steel production was down to 132 000 000MT (-18.5 per cent). In the first decade of this period that was between 1980 and 1989 FSU 's steel trade was in a net import status, the most unfavourable balance in terms of quantity reached to about 3 980 000-4 040 000MT in year of 1983-1984. After this period of time, the gap gradually narrowed down.

27. In 1990/1991 when FSU collapsed, the balance of steel trade adversely became favourable. In this period, its major trading countries were such as East Germany, Mainland China and those from East Europe. Most of them were economy-planned countries. To trade with western countries were rare.

FSU Steel Consumption, Production, Trade in 1980-1991

(Unit: 1,000MT)

	Apparent Consumption (Crude Steel)	Apparent Consumption (Finished Steel)	Production (Crude Steel)	Export (Semi & Finished)	Import (Semi & Finished)
1980	150 300	117 813	147 931	7 184	9 064
1981	150 849	118 512	148 517	7 089	8 921
1982	150 463	118 206	147 153	7 575	10 083
1983	157 768	119 503	152 511	5 320	9 302
1984	159 562	120 918	154 238	5 473	9 514
1985	157 255	119 329	154.653	8 738	10 713
1986	161 595	122 890	160 550	9 305	10 100
1987	163 045	124 216	161 887	9 118	10 000
1988	164 679	125 557	163 037	9 208	10 500
1989	161 511	123 266	160 096	9 120	10 200
1990	152 577	116 568	154 436	8 480	7 060
1991	131 865	100 703	132 839	5 354	4 610

Source: IISI Statistical YearBook

28. Based on the figures shown above, it indicates steel import and export ever reached to 10 000 000MT and down to 5 000 000 as the situation was bad. It is relatively low as compared to those of western countries such as USA and Japan. However, during this period, the apparent steel consumption was able to maintain about 110 000 000 - 120 000 000 MT. This implies that steel demand in this area was strong and vigorous at that moment.

CIS Steel Production, Demand and Trade

29. Following the collapse of former Soviet Union, all of the member countries declared to become independent and developed an entity called Commonwealth Independent States (CIS). Steel mills in this region are located somewhere around those five Republic countries. This caused a drastic change of steel market structure in this area. In 1992-1996, Russia took 61.92 per cent of the averaged crude steel production. And Ukraine took 32.31 per cent in the second place. As the major producers, both took 95 per cent as a whole.

CIS Crude Steel Production by Country

(Unit: 1000 MT)

	Belorussia	Kazakstan	Russia	Ukraine	Uzbekstan	Total
1992	1 105	5 675	67 029	41 759	630	116 198
1993	946	4 279	58 346	32 609	573	96 754
1994	880	2 969	48 812	24 081	364	77 106
1995	744	3 028	51 589	22 309	352	78 022
1996	886	3 216	49 253	22 332	444	76 131
Avg.	912	3833	55 006	28 618	473	88 842
per cent	1.03	4.31	61.92	32.21	0.53	100

Source: IISI Statistical Yearbook

30. In 1992, Russia rapidly changed its planned economy system to a free market one. It derived a drastic economy slump. The domestic steel consumption therefore shrank swiftly to 1/4 only as compared to this before its collapse. Steel production was reluctantly decreased accordingly to a half. In order to survive Russia and Ukraine steel mills had moved their products to export market since 1992. CIS countries increased their export to 253 per cent in this year as compared to a year before. It then grew yearly at a rate of 51.9 per cent, 23.8 per cent, 3.8 per cent and 10.4 per cent, in 1993, 1994, 1995, and 1996 respectively. During the same period, steel import was remained at a steady level about more than 5 million MT.

31. Besides the growth of export, countries of destination were expanding to a world-wide. They became major steel export countries in the world. The surge of export from CIS had caused a lot problems as the import countries were concerned. The steel trade fraction among countries was then becoming popular and severe. To file anti-dumping cases and quota restrains were most of the case.

CIS Steel Consumption, Production and Trade

(Unit: 1000MT)

	Apparent Steel Consumption (Crude Steel)	Apparent Steel Consumption (Finished Steel)	Crude Steel Production	Export (Semi & Finished)	Import (Semi & Finished)
1992	98 149	76 627	116 198	18 932	5 136
1993	65 732	51 580	96 754	28 749	5 053
1994	37 893	29 413	77 106	35 601	5 330
1995	37 656	29 382	78 022	36 945	5 522
1996	31 642	24 916	76 131	40 786	5 999
1997	27 200(E)	22 200(E)	58 734(*)		
1998	28 300(E)	23 200(E)			

Source: IISI Statistical Yearbook

*Actual Production up to Sept.1997

The issue of CIS steel export after the Asia financial crisis

32. Before the Asia financial crisis, if we take Russia as an example, as its domestic and East Europe export market demand contracted sharply, half of the steel production has exported to Asia, West Europe,

and North America. In the upper half of 1996, East Asia comprised 47.5 per cent of Russia's total steel export, with West Europe 27.6 per cent, and North America 16.2 per cent. Classified by product item, semi steel comprised 36.8 per cent, with HR 24 per cent, Bar & Section 11 per cent, pig iron 9.6 per cent and rod 7.7 per cent.

33. The Asia financial crisis has caused the steep decline of steel demand and import in some Asian countries. As the major export steel of Russia and the other CIS countries are commercial grade, the competitive advantage was the low price factor. However, due to the sharp currency depreciation of Asian countries, both the export steel price and domestic steel price dropped to a level even lower than those of CIS did. Therefore, steel from CIS lost its previous attraction in Asia markets.

34. Asia has been one the world's major steel importing region in the past few years, and which absorbed one half of world export steel. The fast growing need has induced Asian steel makers to invest heavily on steel making facilities. The semi-steel from CIS did contributed significantly to Asia region. Along with diminishing demand, vanishing low cost advantage, being sued for antidumping by Thailand, Indonesia, and India, CIS export steel to Asia has decreased in large quantity. The best solution for CIS will be to increase their domestic demand other than develop new export markets which they might meet the same trade friction as usual.

World Steel Trade Issues

MSA agreement should be reached and in effect

35. At present, each country exercises anti-dumping lawsuit against steel import without prior notice and negotiation. If AD regulation can be put in the clauses of MSA, the MSA can certainly play a greasing mechanism via straight dialogue between the parties concerned before legal action. The trade confrontations or conflicts can be of course sharply reduced. It is foreseeable that USA and EU would likely to file the AD or CVD lawsuit against Asian steel export in the future, so MSA mechanism become an urgent need to the global steel industry.

The suggestions on the anti-dumping laws of each countries

36. Import steel own inherent disadvantages than steel produced by local mills, such as:

- Ocean freight is higher than local inland transportation fees
- Import steel must bear commission or extra handling charges
- It is difficult for the punctual delivery of import steel
- Before ship-loading, import steel must have larger inventory backlog
- The ocean transportation time for import steel is longer and the quality-risk is higher

37. Therefore, it is unfair to compare the ex-work price of local mill with the FOB price of import steel. It is necessary for revision on trade law of each country to compensate for the negative factors of import steel, treating them as average weighting adjustment.

Expansion project should be carried out under the equilibrium of global supply of demand

38. Steel industry, being an infrastructure industry of a country, is encouraged to invest by the government, which is particularly true in the developing one. Global steel industries have kept a certain percentage of steel export, which was from the concern on dispersing the risks. As a result, the global steel over supply come from the reluctant developed countries to cut down steel capacity and aggressive developing ones to expand steel capacity. On the other hand, steel industry is a domestic oriented and energy consuming industry with high CO₂ emission. Therefore, whether there should be an international mechanism to supervise net steel exporting countries not to expand when their export exceeding import to certain extent.