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WORKSHOP ON STEEL TRADE ISSUES

THE SITUATION IN STEEL TRADE: COUNTRY REPORTS STATEMENT BY MR. SANTI CHARNKOLRAWEE AND MR. SUNTISUK PLOOKSAWASDI

The Workshop will be held in Paris on 27-28 May 1998.

Contact: Mr. Wolfgang Hübner, Head of DoT and the Steel Unit, STI; tel.: (33 1) 45 24 91 32;
fax: (33 1) 45 24 88 65; Internet: Wolfgang.Hubner@oecd.org

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WORKSHOP ON STEEL TRADE ISSUES STEEL
THE SITUATION IN STEEL TRADE: COUNTRY REPORT
TRADE AND DEVELOPMENT IN THAILAND
STATEMENT BY MR. SANTI CHARNKOLRAWEE
MANAGING DIRECTOR OF THE SIAM IRON AND STEEL CO., LTD.
AND MR. SUNTISUK PLOOKSAWASDI
MANAGING DIRECTOR OF BURAPA STEEL INDUSTRIES CO., LTD.
PARIS, 27-28 MAY 1998

Overview of Thai Steel Industry

1. In 1996, steel demand in Thailand was 8.9 million tons. It was expected that the demand would grow by 12 per cent in 1997. Unfortunately, the crisis hit Thailand last July after the Thai Baht was floated. The demand in 1997 was only 9.1 million tons, a growth of 2 per cent from 1996. About 4.7 million tons were long products, of which two - third were construction steel bar and wire rod. In 1997, Thailand consumed 4.4 million tons of flat products and, again, two - third of which were hot rolled flat products.

2. Consumption per capita in 1997 was about 150 kilograms. When compared with those of the developed countries, consumption in Thailand was only about one half of them.

3. Last year, Thai steel makers produced 2 million tons by electric arc furnaces by which they were operating at an average utilization rate of 60 per cent. Main products produced from this crude steel were construction and structural steel.

4. To satisfy 1997 demand, last year Thailand imported 8.3 million tons of steel products of which 4.8 million tons were finished steel products. Even though the country had less steel produced than consumed, we exported of 680 000 tons of steel products.

5. For 1998, although it is believed that the crisis would reach its trough, the economy still rides on the 'Roller Coaster'. It is expected that steel demand may not grow this year. The demand might shrink by 20 per cent to 7.3 million tons as a result of sluggish demand in steel using industries. The hardest hit sectors were construction and automotive industries.

6. For construction industry, there are only a few new private construction projects. Several contractors have ceased their operations. If you were in Bangkok, you would find several unfinished high-rise buildings. However, it is expected that by next year those construction would roll on again.

7. For automotive and automotive related industries, this crisis is worse than a nightmare. Car sales in Thailand were as many as 600 000 units in 1996. In 1997, the sales shrank by 40 per cent to 360 000 units. This year, car demand would shrink further. Car sales estimate has been revised down to only 180 000 unit this year. It might take at least 3 to 4 years for car sales to rebound back to the 1996

level. You can see from these sales figures how severely the automotive and automotive related industries are hit. Several car assemblers have shut down their operations while many cut production. It affects hundreds of part producers. Inevitably, the wave hits steel producers and it is a big wave.

8. Despite a tough time in 1998, we are optimistic for 1999. We expect that next year steel demand would increase by 10 per cent from this year. Approximately 8 million tons of steel would be consumed in Thailand. By the turn of the century, we expect the demand to rebound to the 1996 level.

Thailand Steel Trade

9. Thailand imported 8.3 million tons of steel in 1997. Flat steel product import was 3.5 million tons or 42 per cent of the total. The second largest category was semi-finished steel which accounted for 39 per cent of the total.

10. During the past couple of years, development of industry in Thailand was centered on electrical and automotive industries. Therefore, it is not surprised that tonnage of flat steel import accounts for almost one half of total steel import. In million baht, flat steel import was about 55 per cent. Among the semi-finished steel products import, 1.1 million tons were slab for hot rolled coil production.

11. Europe was Thailand's largest source of supply, about 38 per cent of total tonnage imported. Last year, import from Europe was 3.1 million tons out of which 1.8 million tons were semi-finished steel products.

12. The second largest source of supply for Thailand was Asia. In 1997, Thailand imported 2.3 million tons from Asian countries excluding Japan. Japan was the largest single country where 2.1 million tons of steel were imported.

13. Turn to export, out of 682 000 tons exported last year, 275 000 tons or 40 per cent were long steel products. The major export market was Asia. Last year, about 600 000 tons of steel products were exported to Asian countries including Japan. While Europe was the largest source for steel products, only 2.6 per cent came over here.

14. For 1998, export is inevitable for Thai steel mills. They are aiming at export for making their way out of the financial crisis. Since domestic demand is not expected to recover very quick, we forecast that export of finished steel products in 1998 would reach 800 000 tons. On the contrary, import is forecast to decline to 4.3 million tons, 14 per cent less than that in 1997.

15. When discussing about import, it is essential to also mention about import duty in Thailand which is the next subject.

Anti-dumping and Import Duty issues

16. Dumping of steel products into Thailand is induced by too low import duty for some steel products. The anti-dumping surcharge is one of the measures that the country uses for adjusting the import duty so that the locally produced products could be able to compete with the imports on the same basis.

17. Besides the dumping problem, Thailand also has an imbalance import duty problem. This imbalance impedes development of steel industry in Thailand. Currently, import duty of hot rolled steel is

10 per cent of CFR value while that of cold rolled steel is 400 baht per metric ton or about 2.5 per cent of CFR value. This duty structure was working well in the past when Thailand wanted to promote downstream industry. In its infancy, Thai steel industry started with forming or processing plant where cold rolled steel was a major raw material. To establish these downstream plants, a small amount of investment and a relatively unsophisticated technology were required. Therefore, a low import duty was needed in order to promote those producers. That was a couple of decades ago. Now, Thai steel producers have moved up from downstream products to intermediate products, such as hot rolled and cold rolled steel. If the import duty of cold rolled steel is at the current level, Thai cold rolled producers have to fight a fierce competition with imported products. Who would want to invest a huge amount of money in a cold rolled plant when others can easily import the product? For the time being, Thailand Iron and Steel industry Club of the Federation of Thai Industries is working very hard with the government in crafting out a new import duty structure which conforms with the steel industry structure. The cabinet just approved a new import duty structure in early May, 1998. We believe that the new duty structure would strengthen development of steel industry in Thailand.

18. In an effort to develop Thai steel industry, both private and public sectors are joining hand. Next are some issues that Thai government is addressing and carrying out.

Government Policy

19. For the time being, the Thai government is focusing on restoring confidence in financial sectors. The government realises that competitiveness in the real sector is also needed be restored and strengthen. It is realised that the emergence of China and Vietnam has put Thailand in disadvantage in term of manufacturing capability. Recently, the government just finished its Master Plan for Industry Restructuring. Steel industry is definitely included in the plan. All critical issues, such as infrastructure, technology development, human resource development and duty structure, have been addressed.

20. In addition, currently the government is co-operating with Thai steel producers in an effort to establish an Iron and Steel Institute of Thailand as a centered body for steel industry development. This organisation will compose representatives from both public and private sectors.

21. As mentioned earlier that steel consumption per capita in Thailand is still about one half of the developed countries. Hence, Thailand is still one of the most interesting places for you to invest in steel business despite the low return which is natural for steel industry. It is forecast that within the next decade, Thailand would consume about 20 million tons of steel per year. By that time, the country would need an integrated steel complex. Thai economy will be on track again. This would create an opportunity for International steel producers and their Thai counterparts in co-operating in steel business in Thailand.

Table 1: Thailand's Economy

Year	GDP		Agricultural Growth (%)	Manufacturing Growth (%)
	(%)	(billion US$)		
1991	8.6	98	7.3	11.7
1992	8.2	111	6.0	11.3
1993	8.5	125	-1.9	11.1
1994	8.9	144	5.2	9.1
1995	8.8	168	2.2	11.3
1996	5.5	182	3.6	7.2
1997	-0.4	153	N/A	N/A
1998[e]	-3 to -3.5	113	N/A	N/A
1999[e]	1.5	140	N/A	N/A

Remark *1) Source: National Economic and Social Development Board, Thailand*
2) N/A = Not Available

Table 2: Finished Steel Products Statistics 1991 - 1998 (unit : '000 tons)

Year	Production	Import	Export	Consumption	Consumption Per Capita, kg.
1991	1 412	5 005	181	6 236	110
1992	1 921	5 830	175	7 576	132
1993	2 386	5 627	255	7 757	134
1994	2 114	6 172	301	7 985	137
1995	3 487	6 205	635	9 057	154
1996	3 845	5 899	801	8 944	150
1997[p]	4 985	4 766	669	9 082	152
1998[e]	4 300	3 800	800	7 300	120

Remark *1) 1991-1996: Steel Statistical Yearbook 1996 of South East Asia Iron & Steel Institute*
2) 1997: preliminary
3) 1998: estimate

Table 3: Import of Steel Products in 1997 by Source

Source	Quantity (tons)	% of Total	Value (MB)	% of Total
USA	31 478	0.4%	869	0.8%
Europe	3 155 207	37.9%	29 349	27.0%
Asia (excl. Japan)	2 274 467	27.3%	26 531	24.4%
Japan	2 129 961	25.6%	44 165	40.6%
Others	737 710	8.8%	7 817	7.2%
Total	8 328 823	100.0%	108 731	100.0%

Table 4: Export of Steel Products in 1997 by Destination

Destination	Quantity (tons)	% of Total	Value (MB)	% of Total
USA	47 004	6.9%	752	6.1%
Europe	17 963	2.6%	353	2.9%
Asia (excl. Japan)	581 140	85.1%	9 862	80.3%
Japan	21 326	3.1%	925	7.5%
Others	15 216	2.3%	398	3.2%
Total	682 650	100.0%	12 289	100.0%

Table 5: Import of Steel Products in 1997 by Product

Product	Quantity (tons)	% of Total	Value (MB)	% of Total
Raw materials	273 268	3.3%	2 293	2.1%
Semi-finished products	3 250 465	39.0%	24 349	22.4%
Long products	1 095 571	13.2%	16 388	15.1%
Flat products	3 483 550	41.8%	59 239	54.5%
Others	225 967	2.7%	6 463	5.9%
Total	8 328 823	100.0%	108 731	100.0%

Table 6: Export of Steel Products in 1997 by Product

Product	Quantity (tons)	% of Total	Value (MB)	% of Total
Raw materials	7 551	1.1%	126	1.0%
Semi-finished products	6 586	0.9%	72	0.6%
Long products	276 993	40.6%	3 571	29.1%
Flat products	184 085	27.0%	4 830	39.3%
Others	207 436	30.4%	3 691	30.0%
Total	682 650	100.0%	12 289	100.0%

Table 7: Import of Steel Products (unit : '000 tons)

Year	Raw Material	Semi-finished Products	Long Products	Flat Products	Others	Total
1991	97 2%	892 15%	1 363 22%	3 339 55%	351 6%	**6 042** 100%
1992	182 3%	1 224 17%	1 895 26%	3 659 50%	320 4%	**7 280** 100%
1993	123 2%	988 14%	1 570 23%	3 792 56%	323 5%	**6 796** 100%
1994	249 3%	3 209 33%	1 851 19%	3 849 40%	534 5%	**9 692** 100%
1995	348 4%	3 428 34%	1 640 16%	4 071 40%	588 6%	**10 075** 100%
1996	292 3%	3 995 39%	1 318 13%	4 048 39%	601 6%	**10 254** 100%
1997	273 3%	3 250 39%	1 096 13%	3 484 42%	226 3%	**8 329** 100%

Remark *1) 1991-1996: Steel Statistical Yearbook 1996 of South East Asia Iron & Steel Institute*
2) 1997: Customs Department, Ministry of Commerce, Thailand

Table 8: Import Duty and Surcharge for Steel Products

Product	Imported Duty (%)	Surcharge (%)	New Duty (%)*
Raw Materials (pig iron, scrap, sponge iron)	1	-	1
Primary Steel Products (ingot, billet, slab and bloom)	5	-	5
Heavy Plate	0.4 baht/kg.	16	10
CR/HR flat products	10% (0.4 baht/kg for Plate)	-	10 for HR 12 for CR
Bars	10	-	10
Sections	0.4 baht/kg	6	10
Stainless Steel Sheet	1	9	12
Wire Rod (drawing)	17	3	10
Wire Rod (mesh)	10	10	10

The new duty will be implemented within 1998.

Table 9: Steel Imports in 1997 by Selected Source and Type of Steel (unit: '000 tons)

Source	Type of Steel			
	Semi-finished Products	Long Products	Flat Products	Pipes and Tubes
North America	5	7	19	5
South America	304	2	82	8
Western Europe	235	166	133	24
of which : EU-15	41	162	124	23
Central and Eastern Europe	291	51	99	1
New independent states of the former Soviet Union	1495	107	774	0
Asia and Pacific area	809	687	2354	186
Africa and Middle East	111	75	23	1
Total	3250	1096	3484	225

Table 10: Steel Exports in 1997 by Selected Destination and Type of Steel (unit : '000 tons)

Destination	Type of Steel			
	Semi-finished Products	Long Products	Flat Products	Pipes and Tubes
North America	-	1	0	46
South America	-	0	-	0
Western Europe	0	1	6	9
of which : EU-15	0	0	6	9
Central and Eastern Europe	-	-	-	2
New independent states of the former Soviet Union	-	-	0	-
Asia and Pacific area	7	274	172	132
Africa and Middle East	0	1	6	19
Total	7	277	184	207

Table 11: New Import Tariffs (to be announced soon by MOC)

Product	Harmonised Code	Applied Rates
Carbon, flat-rolled steel -- hot-rolled	7208	10%
Carbon, flat-rolled steel -- cold-rolled	7209	12%
Coated or plated carbon steel	7210	15%
Carbon steel bars and rods	7213,7214,7215	10%
Carbon steel shapes	7216	10%
Carbon steel wire	7217	10%
Flat-rolled stainless steel	7219	10%, 12%
Stainless steel bars, rods and shapes	7221,7222	10%
Stainless steel wire	7223	10%
Saemless steel pipes and tubes	7304	15%
Welded steel pipes and tubes	7305,7306	15%