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**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE**

**WORKSHOP ON STEEL IN THE NEW INDEPENDANT STATES (NIS) OF
THE FORMER SOVIET UNION -- PROBLEMS AND PROSPECTS**

The attached document is for discussion and approval by the Steel Committee at its next meeting on 4-5 November 1998.

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SUMMARY

This document contains a proposal related to the Workshop that the Steel Committee may organise on the situation in steel in the New Independent States (NIS) of the Former Soviet Union. As proposed, the Workshop would be held back-to-back with the second meeting of the Committee in 1999 and organised under the Organisation's Programme on Co-operation with non-Members for 1999. Up to 7 non-Member economies could be invited to participate in this event.

ACTION

This document is for discussion and approval at the Committee's meeting on 4-5 November 1998. Delegates wishing to make comments and/or additional proposals prior to the November meeting are invited to submit these comments to the Secretariat. Please note that the final structure of the Workshop should be determined in the light of outcome of the Committee's discussion on the steel market in the NIS [DSTI/SU/SC(98)27].

RELATED DOCUMENTS

DSTI/SU/SC/M(98)1, paragraph 12

DSTI/SU/SC(98)5 REV1

DSTI//SU/SC(98)27

WORKSHOP ON STEEL IN THE NIS -- PROBLEMS AND PROSPECTS

Introduction

1. A workshop on steel in the NIS is part of the proposed programme of work for 1999 and 2000 [DSTI/SU/SC(98)5 REV1]. In the context of the Organisation's non-Member activities, the workshop, to be held in 1999, shall review the situation in steel in the NIS in light of the current economic problems the area is facing. More specifically, the progress that has been made in industry restructuring, recent market developments, and trade and trade-related issues shall be examined. The Committee will be asked to consider and agree on this proposal or any other proposals that Delegations wish to make. However, it would not be possible to conduct more than one workshop in the same year.

2. The Center for Co-operation with Non-members (CCNM) is the focus for the development and pursuit of policy dialogue between the OECD and non-Member economies. In the CCNM programme, industrial policy, including maritime transport, shipbuilding and steel have been identified as one of fifteen areas in which constructive policy dialogue can be carried out with non-Members and in which the OECD can have a real impact. Work on sectoral policies such as steel is critical for many non-Member countries in which heavy industries represent a considerable share of manufacturing GDP and employment. It is therefore important for major players to be drawn in a policy dialogue with OECD Member countries, so that they can be encouraged to pursue market-oriented policies and, where appropriate, to adopt prevailing OECD standards.

3. At the 53rd meeting of the Steel Committee, the steel market in the NIS will be the principal item on the agenda. Up to a full day is scheduled for discussion of this item. Due to the observership of Russia and Ukraine in the Committee, the discussion will focus on the situation in these countries and the impact of domestic developments on world markets. Three sessions will address i) the examination of supply and demand in steel world-wide, ii) industry developments in the NIS and iii) the question of priority areas for future co-operation [DSTI/SU/SC(98)27]. Building on the conclusions reached at this meeting, the Workshop on steel in the NIS will follow-up on the Committee's deliberations providing a different forum which includes participation from other NIS and other non-Members and which will involve participation from industry, financial experts and experts from research institutes and governmental and non governmental organisations.

Objective of the Workshop

4. Forecasts point to a difficult situation on steel markets in 1999. A weakening demand for steel products, but continued growth in world steel production will heighten the pressure on market prices. Increasing and highly volatile trade flows are most likely to add to such pressure. The ramifications of the Asian and Russian crises, and the financial turmoil in Latin America may spill over into other regions, and have a direct and indirect bearing on world-wide steel demand and international steel trade in the years 1999 and beyond, which makes earlier forecasts for such years obsolete. Russia and Ukraine and, to a

lesser extent, Kazakhstan are major players in international steel trade, and actual information on the situation of steel in these countries is key to assessing current and emerging issues in a more comprehensive and factual way. Thus, increasing transparency is one of the principal objectives of the Workshop.

5. Improving mutual understanding of the situation in steel in the NIS, and establishing dialogue between the NIS and OECD Member countries could contribute to the prevention of conflicts between and among Member and non-Member countries.

Structure of the Workshop

6. A draft agenda is contained in Annex 1 of this document.

Timing

7. The Workshop could be held over two days, at the time of the second meeting of the Steel Committee in 1999.

Participation

8. In addition to the countries participating in the Committee (excluding observers), consideration could be given to inviting the following countries:

- Belarus, Kazakhstan, Russia and Ukraine from the NIS;
- Romania and the Slovak Republic, in their capacity as observers to the Steel Committee;
- China, due to its tight steel-trade relations with the NIS.

9. BIAC and TUAC are normally invited to participate in Workshops. Participation from the International Iron and Steel Institute (IISI), the European Bank for Reconstruction and Development (EBRD), the World Bank, and the United Nations-Economic Commission for Europe could also be envisaged.

10. The Workshop would include representatives from government, business and trade unions.

ANNEX 1
WORKSHOP ON STEEL IN THE NIS -- PROBLEMS AND PROSPECTS

1. Opening statements

2. Session 1: The current situation in steel in the NIS and the short-term outlook (production, consumption, trade, prices, stock-building, capacity)

- a) Belarus;
- b) Kazakhstan;
- c) Russia;
- d) Ukraine
- e) Discussion

3. Session 2: Specific problems hampering the industry's development in the NIS

- a) Industrial restructuring (national restructuring and privatisation programmes and the state of their implementation; regional and social impacts of such programmes; quantitative and qualitative changes in the national production mix; the application of new technologies in the steel industry)

Discussion

- b) Marketing strategies for domestic and foreign markets (the role of companies, government and steel traders; payment facilities and currency fluctuations)

Discussion

- c) Financing issues (the attraction of foreign direct investment; domestic institutional investors and institutional investors from abroad; national capital markets as a source of financing; the role of government in financing the steel industry; the self-financing potential of steel companies)

Discussion

4. Areas for future co-operation between the NIS and the OECD Steel Committee

- a) Views from NIS Governments
- b) Views from non-NIS Governments
- c) Views from the corporate perspective
- d) Views from international financial institutions

5. Conclusions