Newsroom

# Message from Secretary General_June 2015

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**Full Story**

On 20 March 2015, the Ministry of Industry and Information Technology (MIIT) of China released a draft of the Policy for the Restructuring of the Steel Industry. This is an update of the initial version of the Steel Industry Development Policy issued in 2005.

The objectives of the updated policy are to rein in overcapacity, restructure the industry and help Chinese steel companies to be more resource conserving, environmentally friendly, innovative and internationally competitive by 2025.

The main points of the revised policy are as follows:

- Establishment of world-class steel companies - Raise the combined crude steel output of the top 10 steel companies to over 60% of total output and establish three to five ultra-large steel conglomerates by 2025.
- Support those competent steel companies to pursue mergers and acquisitions of steel businesses across nations in the world. Support steel companies to consolidate with upstream and downstream players.
- Support the product development of new alloy material and high quality special steel. Promote applications of high grade steel products, including high strength rebar, shipbuilding and ocean engineering steel, and steel for bridge, energy, automotive and rail transit.
- Remove restrictions on foreign investment in the Chinese steel industry.
- Reduction of excess production capacity – Alleviate the degree of overcapacity and increase capacity utilization ratio to 80% by 2017.

Following the release of China's revised steel industry adjustment policy, a group of eight steel industry associations of North America, Latin America, and Europe issued a joint statement dated 20 April 2015 voicing their concern on the approach of the Chinese government in achieving its policy objectives.

While acknowledging and supporting the policy's stated goals of reducing overcapacity, allowing the market to play a decisive role in the allocation of resources, and building a fair and competitive market environment for China's steel sector, the Group criticizes the continuation of extensive government control and direction over the Chinese steel industry. The Group also pointed out that while the policy recognizes the need to reduce China's steel capacity substantially; it does not create effective mechanisms or offer effective incentives to do so. It accordingly urged the Chinese government to eliminate government interference in the industry and allow basic market forces to dictate industry outcomes.

The same Group kept up its pressure on the issue by releasing another joint statement dated 16 June 2015. With the addition of two more members i.e. the Turkish Steel Producers Association and Brazilian Steel Institute, the Group this time urged their respective governments to take action against the new Chinese steel policies. It also appealed to their governments not to prematurely recognize China as a market economy.

The ongoing spate of campaign in many regions of the world against the Chinese steel industry reflects the seriousness of the problem of the surge in China's steel exports and their disruptive impact on the global steel market.

In 2014, China's finished steel exports to the world recorded an all-time high of 93.78 million tonnes. The momentum has not eased so far this year. For the first five months of 2015, China's finished steel exports totaled 43.52 million tonnes, up 28.2% year-on-year. At this rate, China's total steel exports for this year could potentially touch 100 million tonnes.

ASEAN continues to bear the brunt of China's massive steel exports. In the first four months of this year, the ASEAN market was swamped with a total of 9.35 million tonnes of steel products from China, a huge surge of 50% year-on-year.

It looks like steelmakers in ASEAN will not be getting any respite from the disruptive influx of steel exports from China any time soon.

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