ITEM 8:
POLICY INTERVENTIONS, STEELMAKING CAPACITY, AND TRADE

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Outline

1. Capacity, demand and exports
2. Evidence at economy level
3. Net imports and capacity
4. A look at export prices at economy level
5. Some results from the econometric analysis
1. Capacity, demand and exports

- Capacity, production and utilisation rates (2000-18)
1. Capacity, demand and exports

- Global trends (2000-18)
2. Evidence at economy level

• Breakdown by economy (2000-18) : China
2. Evidence at economy level

- Breakdown by economy: EU28, Japan, United States, Russia
3. Net imports and capacity

- Net imports and steelmaking capacity: China
3. Net imports and capacity

Net imports and steelmaking capacity: E.U., Japan, India and U.S.
4. A look at export prices

- Average export prices: China
3. A look at export prices

- Average export prices: E.U. and Japan
4. A look at export prices

• Average export prices: U.S.A. and India
Performing an econometric analysis of steel trade:

- Shed light on the statistical relationship between changes in steelmaking capacity and trade flows (bilateral and total export).
- Consider a number of time lags to account for the possible long-term effects of capacity on trade.
- Control for traditional barriers to trade that have been proven to have a significant role in explaining trade flows (contiguity, distance, regional trade agreements, etc).
- Consider exporter/importer characteristics as well as the cycle.
- Include exporter’s gross output and importer’s expenditures to control for, respectively, the size of the exporter and importer’s demand.
5. Results from the econometric analysis

<table>
<thead>
<tr>
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<th>Exports</th>
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<tbody>
<tr>
<td>Capacity (t)</td>
<td>-</td>
</tr>
<tr>
<td>Capacity (t-1)</td>
<td>+</td>
</tr>
<tr>
<td>Capacity (t-2)</td>
<td>0</td>
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<tr>
<td>Capacity (t-3)</td>
<td>+</td>
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<tr>
<td>GDP (exporter)</td>
<td>+</td>
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<tr>
<td>Expenditure (importer)</td>
<td>+</td>
</tr>
<tr>
<td>Distance</td>
<td>-</td>
</tr>
<tr>
<td>Common language</td>
<td>+</td>
</tr>
<tr>
<td>Contiguity</td>
<td>+</td>
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<tr>
<td>Colonial roots</td>
<td>+</td>
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<tr>
<td>RTA</td>
<td>+</td>
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</tbody>
</table>
5. Results from the econometric analysis

- Positive effect between capacity and exports taking place after one year and peaking after two years from the capacity addition/reduction event.