

Mexico's Steel Industry

Recent Developments

OECD Steel Committee Meeting
Paris, France / march 25-26, 2019



CANACERO



Cámara Nacional de la
Industria del Hierro y del Acero

Mexico's economic background

- **GDP:** Average growth (2013-2017) of 2.5%, 2018: 2%. 2019: Estimated 1.5%.
- **Construction sector:** marginal growth of +0.6% in 2018.
- **Steel consumption:** 2018: - 3.9%
- **Capacity Utilization:** 65% in 2018e (prod: 20 million tons vs capacity: 29.5 million).
- **Steel Trade:** Finished imports represented 39% of the Mexican market in 2018.

Mexico's steel sector is highly integrated in the North American Region

- **Mexico's steel sector is highly integrated with the US and Canada:**
 - Export participation of each NAFTA country in the region is very high:: **US: 88 % / MX: 70% / CAN: 97%**

Export US-MX-CAN to NAFTA region
(% share)

		Destiny			
		United States	Mexico	Canada	NAFTA
Origin	United States		39%	49%	88%
	Mexico	65%		5%	70%
	Canada	90%	7%		97%

Trade development: 232 is the most relevant issue. Despite we are not a threat

- **Mexico has a trade deficit with US and Canada**

- Steel Trade Balance deficit with US (1.4 billion USD) and Canada (242 million USD)
- Mexico represents only 10% of US Imports.

- **Mexico has developed rules to avoid foreign steel circumvention / transshipment to the NAFTA region:**

- Applies 15 % tariffs on non-NAFTA steel since 4Q15.
- Seeks joint solutions to regional problems such as: customs enforcement cooperation, steel trade facilitation processes for NAFTA partners, etc.

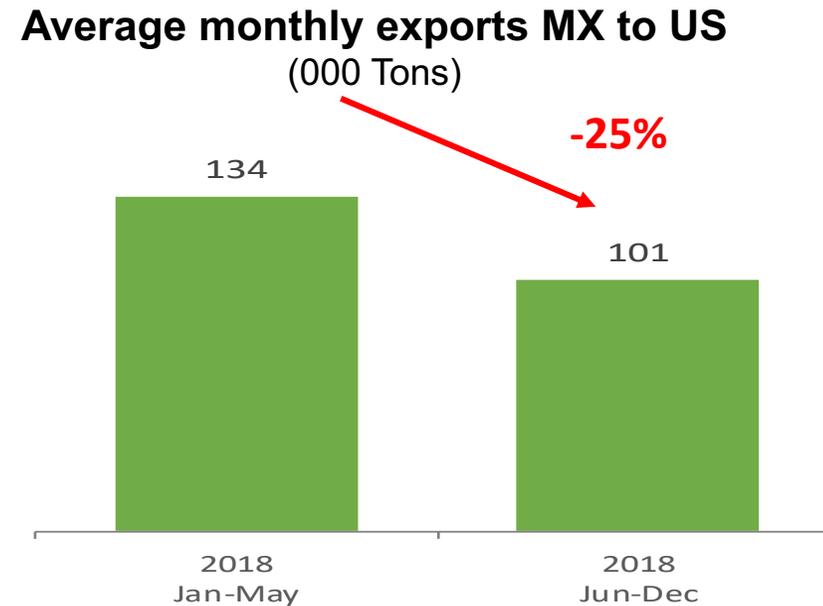
- **Nevertheless Mexico was included in 232. Difficult to understand.**

- It was said: Mexico will be exempted from 232 if a successful NAFTA negotiation occurs.
- Mexican steel sector became a hostage of overall NAFTA negotiations.
- Despite a successful negotiation, 232 is still in place harming Mexican steel industry

Trade development: 232 is harming Mexican steel market

- **Exports paying 25 %**

- For example: the exports of flat and long steel to the US from Mexico has fallen by **~25%**.



- **Mexican steel industry urgently requires 232 to be solved.**

Trade development: 232 effects (continued)

- **Other effects**

- Furthermore 232 has created other reactions: **EU and Canadian safeguards**. In both cases Mexican steel sector was included.
- **USMCA**: Mexican steel industry strongly supports new NAFTA (USMCA) which fosters higher integration of the steel market within the region.
 - Section 232 will hinder the successful NAFTA model of integrated manufacturing chains.

- **Mexico's government**

- Supports that Mexico's steel sector do not represent a threat.
- Is committed towards Mexico's elimination of Section 232.
- Proceed with a WTO submission. (Eight governments have proceed in the same way).

Canacero's final remarks

- **Excess Capacity**

- Excess capacity is a global problem that must be promptly addressed to **mitigate damages and effects** caused by distorted imports.
- GFEC has obtained relevant results in almost three years; but the **sense of urgency** needs to remain a priority.

- **Market principles and market distortions**

- Now an important proportion of Mexico's steel exports are "**under controlled trade**" and our imports are not (this creates big distortions).
- We strongly believe in **fair trade always based in market principles**.