



## **OECD/South Africa Workshop on Steelmaking Raw Materials**

### **AGENDA**

**11 December 2014**

Lagoon Beach Hotel  
Cape Town, South Africa

#### **Background**

Steel is one of the most widely produced industrial products in the world, and the sector depends heavily on a range of raw materials for its production. Developments in steelmaking raw material markets and policies are receiving increasing attention by governments and industry alike. Strong steel production growth over the past decade has resulted in sharp increases in demand for raw materials. Considerable new investment in specific types of steelmaking production processes will have important implications for the future supply-demand balances of steelmaking raw materials. At the same time, governments appear to be increasingly prone to using export restrictions on raw materials in an attempt to increase the domestic value added obtained from the mineral sector or to counter the presence of negative spillovers from mineral extraction such as illegal exports or environmental degradation. It is important for the steel industry to keep track of the evolution of raw material markets and related trade policy changes, given that these developments can have important implications for global steel markets through the supply chain. As a result, governments participating in the OECD Steel Committee are organising a workshop jointly with South Africa's Department of Trade and Industry on 11 December 2014, to examine emerging market and policy issues in the field of steelmaking raw materials.

#### **Purpose of the workshop**

This workshop will bring together government and industry representatives from raw material importing and exporting economies to assess emerging market trends and policy developments affecting trade in steelmaking raw materials. The aim of the workshop is to better understand the impacts of trade-restrictive raw material policies on the global steel industry and to explore policy approaches that would improve the longer-term efficiency and functioning of these markets.

Information on the workshop is being made available to the public on the Internet, at: [www.oecd.org/sti/steel](http://www.oecd.org/sti/steel).



## OECD/SOUTH AFRICA WORKSHOP ON STEELMAKING RAW MATERIALS

### Agenda

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**08:30-09:00**      **Registration and coffee**

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**09:00-09:30**      **Opening session and welcoming remarks**

Mr. Mzwandile Masina, Deputy Minister for the Department of Trade and Industry

Mr. Risaburo Nezu, Chairman of the OECD Steel Committee

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**09:30-10.45**      **Session 1. Global steel market and capacity developments**

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The first session of the workshop provides an overview of the medium-term global steel demand outlook and explores how capacity developments will affect the future supply-demand balances for steelmaking raw materials (*i.e.*, the metallics balance). Participants will be encouraged to provide their views on the changing structure of the industry and future prospects.

*Moderator:* Henk Langenhoven, Chief Economist, Steel and Engineering Industries Federation of South Africa (SEIFSA)

#### **I. Global steel market situation and outlook**

While short-term prospects for steel demand are relatively weak, global steel demand is expected to continue to increase moderately in the long run, with significant changes occurring in the regional distribution of global steel demand.

##### **An overview of the global market situation and outlook**

- Edwin Basson, Director General, World Steel Association

##### **Brief interventions from steel associations**

- Paul O’Flaherty, CEO, Arcelor Mittal South Africa
- Johann Nel, Secretary General, South African Iron and Steel Institute (SAISI)
- Mikhail Makarov, Strategy Development Director, EVRAZ and Chairman of the Managing Committee, Russian Steel Consortium
- Mr. Yang Zunqing, Deputy Secretary General of China Iron & Steel Association (CISA)
- Karl Tachelet, EUROFER

**The discussion will then address** the following questions:

- What are the prospects for the steel industry in the medium term?
- What factors will drive steel demand in the future?

#### **II. Capacity developments and implications for future metallics balance**

World steelmaking capacity continues to expand at a rapid pace. Where and how



investment is taking place will determine the raw material requirements of the global steel industry in the future. Although the blast furnace/basic oxygen furnace (BF/BOF) is likely to remain the major technology for iron/steelmaking, many direct reduced iron (DRI) based mini-mill projects have been announced in recent years. Numerous factors will affect the balance between BOF and electric arc furnace (EAF) technologies. Examples are *i*) new investment projects that are iron ore/coking coal intensive, *ii*) the development of energy resources used in EAF processes, *iii*) changes in environmental regulations and *iv*) changing input mixes, namely increasing scrap availability in some emerging economies.

#### **An overview of the future metallics balance**

- Anthony de Carvalho, Secretariat, OECD Steel Committee
- Stuart Horner, Secretary-General, International Iron Metallics Association (IIMA)

**The discussion will then address** the following questions:

- What are the implications of recent and envisaged investment projects on the future metallics balance?
- How might steel-related policies affect the raw material requirements of the industry?

10:45-11:00

Coffee break

11:00-12:30

**Session 2. Raw materials market developments: current situation and megatrends**

The main purpose of Session 2 is to understand the current situation in steelmaking raw material markets and major trends that are expected to affect the longer-term evolution of these markets. Recently, steelmaking raw material markets have been affected by sluggish world demand and oversupply. This session will touch upon long-term issues such as which countries will emerge as important suppliers of raw materials, the financialization of steelmaking raw material markets and what it means for the steel industry, and how mining companies are adjusting their investments in response to market developments. Steelmaking companies have also been investing in the mining sector to ensure security of raw material supply, to minimize the negative effects of price volatility, and to boost profitability. This session will also shed some light on the implications of vertical integration strategies adopted by steelmaking companies over the past few years.

*Moderator:* Edwin Basson, Director General, World Steel Association

#### **An overview of market developments and megatrends in steel-making raw materials**

- Laura Brooks, Senior Consultant, CRU Strategies

#### **Mining company perspectives on their investment projects and market concerns**

- Eric Harris, Associate Counsel and Director of Government and International Affairs, Institute of Scrap Recycling Industries (ISRI)
- Marius Kritzinger, Head Business Development, Kumba Iron Ore
- Ben Bosung Kim, General Manager, Corporate Planning, POSCO



### **An overview of vertical integration strategies adopted by steelmaking companies**

- Michel van Hoey, Partner, McKinsey & Company

**The discussion will then address** the following questions:

- What are the prospects for raw material markets in the short and long term?
- Who might be the key players in raw material markets in the future?
- Have recent vertical integration strategies adopted by some steelmaking companies been successful?

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12:30-14:30      Lunch

14:30-16:00      **Session 3. Challenges of raw material export restrictions for consumers, suppliers and governments**

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This session aims at understanding the challenges of trade in steelmaking raw materials and in particular of export restrictions from the view of all those impacted – the producers, the importing downstream industries and governments that impose them – before examining ways to address these challenges in Session 4. OECD research shows that export restrictions on steelmaking raw materials create important distortions and barriers to fully realising the growth potential of the steel and steel-related raw materials sectors. Moreover, export restrictions can have significant spillover effects within and across countries. Generally, export restrictions harm domestic raw material producers and exporters, and can have significant repercussions on the competitiveness of downstream steel manufacturers in many countries. Export restrictions also pose risks for retaliatory measures in countries that produce the same raw material and have downstream steel processing industries. On the other hand, some governments rely on export taxes to meet economic, environmental or other objectives.

*Moderator:* Ugo Miretti, Policy Officer, DG Enterprise, EU

#### **An overview of raw material policy developments**

- Olle Östensson, Senior Advisor, SNL Metals and Mining

#### **I. What do export restrictions mean for the competitiveness of raw material producers?**

Producers of steelmaking raw materials facing restrictions on exports will be invited to discuss the impacts these measures have, for example on their competitiveness vis à vis competitors in other countries, their foreign investment activity, and the economic development of their sectors.

#### **Brief interventions from raw material producers**

- Marius Kritzinger, Head Business Development, Kumba Iron Ore
- Eric Harris, Associate Counsel and Director of Government and International Affairs, Institute of Scrap Recycling Industries (ISRI)



## II. Meeting supply challenges: how do steel companies manage export restrictions?

Steel producers that depend on imported raw materials are usually harmed by export restrictions that raise, and create volatility in, global prices for raw materials. Steel companies that rely on imported raw materials will be invited to discuss their reactions to these policies, which may include finding alternative sources of supply, using financial market instruments to hedge against supply and price uncertainties, integrating upstream into raw materials, and seeking ways to substitute away from traditional raw materials towards new and innovative inputs in steel production.

### Brief interventions from selected steel company representatives

- Tsai-wei Chao, Director, Trade Policy, ArcelorMittal
- Joongbaek Jung, Steel Business Strategy Department, International Trade Affairs Group, POSCO

## III. Government policies towards steelmaking raw materials

Government representatives of selected exporting and importing economies will be invited to inform the workshop of their policies towards raw materials exports and imports and any possible change to their policy stance in the future. Issues to be raised include the rationale for export restrictions and if they have served their intended purposes. The experiences of countries with open raw material export policies will also be sought, with a view to assess how market openness can be linked with thriving and competitive upstream sectors.

### Brief interventions from selected government representatives from importing and exporting economies

- Wu Yan, Deputy Director General of The Bureau of Industry, Security, Import and Export Control (BISIEC), Ministry of Commerce Commerce, China
- Helmut Burghause, Deputy Head of Steel Unit, Federal Ministry of Economics and Energy, Germany
- Aisulu Sultanmuratova, Manager, National Export and Investment Agency “KAZNEX INVEST”, Kazakhstan
- Nimrod Zalk, Industrial Development Policy and Strategy Advisor, Department of Trade and Industry, South Africa

### Discussion

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| 16:00-16.30 | Coffee break   |
| 16:30-17:45 | <b>Session 4: Seeking multilateral options for easing trade frictions in raw materials</b> |

Trade restrictive measures, both import protection on steel products as well as export restrictions on raw materials, have increased in use over the past several years, leading to significant distortions and barriers to realising the full growth potential of these sectors. They have also led to important trade conflicts in steel and raw materials. Today, many countries apply restrictions on their exports of ferrous scrap, while some impose measures on iron ore and coke exports. Export restrictions by one country may seem attractive when other countries do not impose such measures, but are destructive



when many trading partners do the same. Problematic for a trade-intensive global industry such as steel is also the incentive for greater import protection on downstream steel products in some raw material importing countries, in reaction to higher global prices of raw materials due to restrictive export measures in supplier economies.

*Moderator:* Chris Gibbons, Editor, Acumen Magazine, Gordon Institute of Business Science (GIBS)

### **I. Setting the scene: The benefits of moving multilaterally towards open raw material markets**

Recent OECD research finds that multilateral action to reduce and eventually remove export taxes on raw materials can lead to improvements for both the upstream and the downstream industries, including in the countries that remove their export taxes. This finding runs counter to the traditional argument that export taxes, or other export restrictions, would necessarily benefit domestic downstream industries and enhance the value added created domestically. The implication of this research is that cooperative solutions between importers and exporters of steelmaking raw materials may be needed to avoid “beggar-thy-neighbour” policy responses that weaken the health and economic viability of the global steel industry.

- Frank van Tongeren, Head of Policies in Trade and Agriculture, Trade and Agricultural Directorate, OECD

### **II. Panel discussion: options for greater cooperation in the area of raw material export policies**

Thus far, there has been little success in disciplining export restrictions in a multilateral context. A panel discussion to explore options for greater co-operation in the area of raw material export policies and whether the OECD can play a role will conclude the workshop. Given the complexity of these issues, this discussion can only cover a very limited number of topics. However, it should be possible to achieve, inter alia, a better understanding of the different approaches and options that could alleviate disputes in the area of raw material export policies and thereby improve the economic viability of upstream and downstream manufacturing for all players.

#### **Panel**

- Alexandre Comin, Director, Department of Industrial Competitiveness, Ministry of Development, Industry and Foreign Trade, Brazil
- Petros Sourmelis, Head of Unit, Industrial Sectors and Market Access, DG Trade, EU
- Kagiso Menoe, Director, Beneficiation Economies, South Africa
- Roberta Piermartini, Senior Economist, Economic Research and Statistics Division, WTO

**The discussion will then address** the following questions :

- Why do existing trade rules under GATT/WTO lead to uncooperative trade outcomes that harm the global steel industry? How do regional and bilateral trade agreements address trade measures related to raw materials?



- Are there examples of co-operation in the area of export policies that have worked well for other sectors?
- Can a forum that would offer an alternative platform for suppliers and users of steelmaking raw materials be envisaged, and can the OECD play a role?
- How does the uncertainty of restrictive measures (subject to frequent changes) affect producers and importers of raw materials? The limited transparency of trade restrictions on exports makes the trade environment for raw materials producers and consumers increasingly more unpredictable. How could the platform for suppliers and users of steelmaking raw materials play a role in improving transparency?

**17:45**

**Closing remarks**

Mr. Nimrod Zalk, Industrial Development Policy and Strategy Advisor, Department of Trade and Industry, South Africa

Mr. Risaburo Nezu, Chairman of the OECD Steel Committee

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**18:00**

**Close of Workshop**

Followed by a cocktail hosted by the government of South Africa.