



ITEM 4.
DEVELOPMENTS IN MARKETS FOR
STEELMAKING RAW MATERIALS:
ASSESSING THE
GAINS FROM MORE OPEN EXPORT
POLICIES

81st Steel Committee Meeting
Paris, 8 September 2016



Context

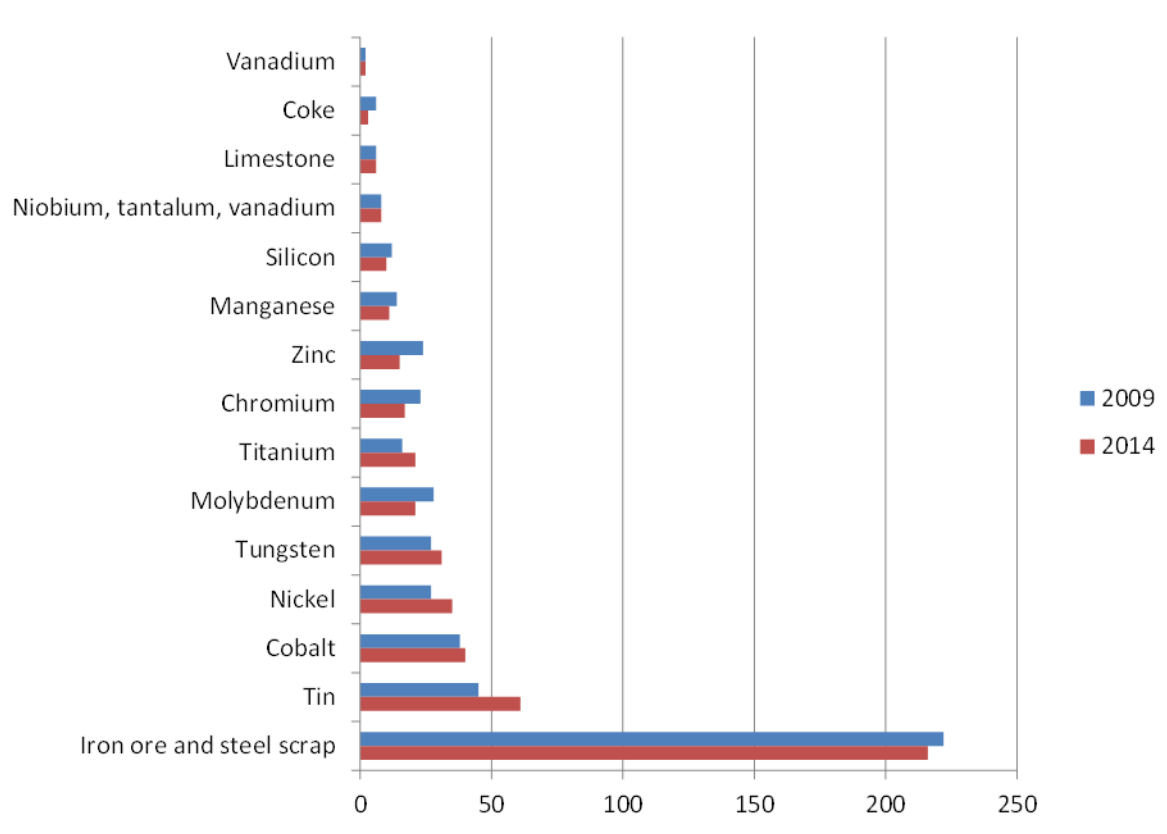
- Availability of steelmaking raw materials is crucial for the steel industry
- High degree of dependency on trade in raw materials

However:

- Raw materials trade is hampered by a number of export restrictive measures (export taxes, export quota, export prohibition, export licensing...)
- Which lead to reduction of global raw materials supply and market disruptions
- Negative effects on the longer-term viability of the mining and steel industries



Number of export restrictions on steelmaking raw materials in 2009 and 2014



Type of raw material	2009	2014
Iron ore	7	7
Ferrous waste and scrap	215	209

Source: OECD Inventory of Restrictions on Exports of Raw Materials



Benefits from moving towards more open export policies

...and if the export restrictions on steelmaking materials were removed...?





Economic effects of elimination of export taxes: the insights from the OECD METRO Model

- **To consider:**
 - Focus on removing the **export taxes** on **main steelmaking raw materials** (ferrous scrap, iron ore and coke)
 - **Other types of export restrictions were not considered** during the simulation given the difficulties in quantifying them
 - Aggregated nature of the analysed sectors in the model



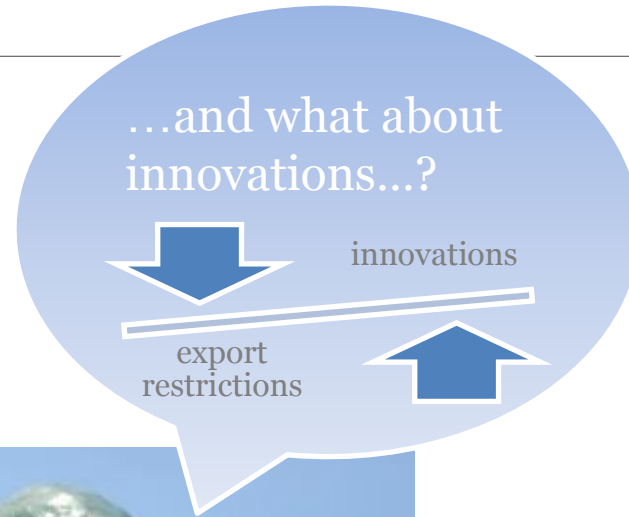
The effects of abolishing export taxes multilaterally

- **Production costs of steel industry decline** globally and steel production increases
- **Downstream industries relying on steel inputs benefit** from elimination of export taxes even in the countries that impose export restrictions
- **Remarkable effects on trade:**
 - increased returns to exporting relative to domestic supplies
 - importers benefit from lower prices
- Positive effects on **services** (e.g. land and water transport)

Open raw material export policies lead to positive effects throughout the steel supply chain



Benefits from moving towards more open export policies





Impact of export restrictions on innovation activities

Challenges:

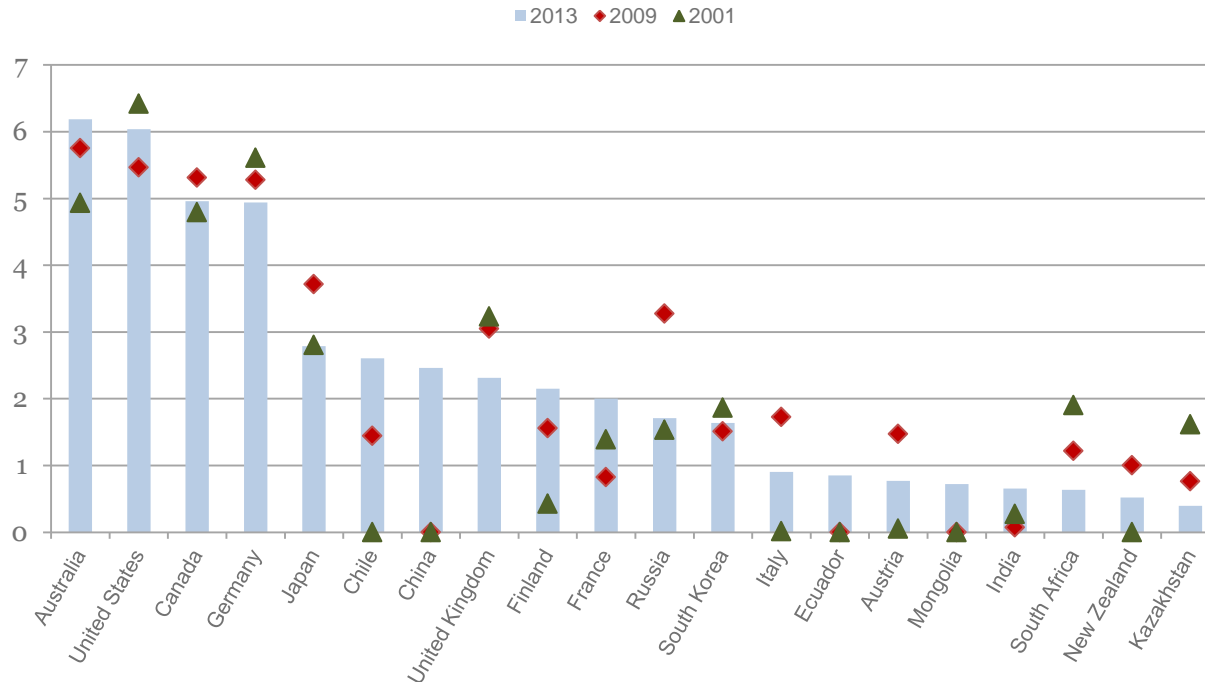
- Decline in quality of raw materials in many existing operations
- Increasing costs of mining
- Decrease of productivity in the mining sector
- New technologies and innovative approaches are required

Innovation is crucial for ensuring sufficient availability of steelmaking raw materials in the long term but export restrictions may impede raw material producers' incentive to innovate



Measuring innovation in the mining sector – Analysis of patent data

The stock of patents related to mining and processing of steelmaking raw materials by economy



Source: OECD calculations based on data from PATSTAT



Conclusions

- The incidence of export restrictions on steelmaking raw materials remains high
- Export licencing requirement has been the major type of restriction applied to three main steelmaking raw materials in recent years
- There is an interest in pursuing open raw material export policies given their positive effects throughout the steel supply chain both domestically and internationally
- The insights derived from the initial analysis of patent data give “food for thought” and provide a good basis for future analysis.



Thank you!

For more information please contact us at:

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