



ITEM 7: STEEL TRADE AND TRADE POLICY DEVELOPMENTS

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Structure of the report: what's new?

1. **Global trade developments (new)**
 - Broad view on global trade
 - Recent global policy developments
2. **Steel trade developments**
 - Longer perspective (new)
 - Topical discussions: semis and trade diversion (new)
 - Bilateral trade data (new)
3. **Steel trade actions**
 - Policy responses to the Russian aggression (new)
 - Tariffs and trade remedy actions



Key takeaways

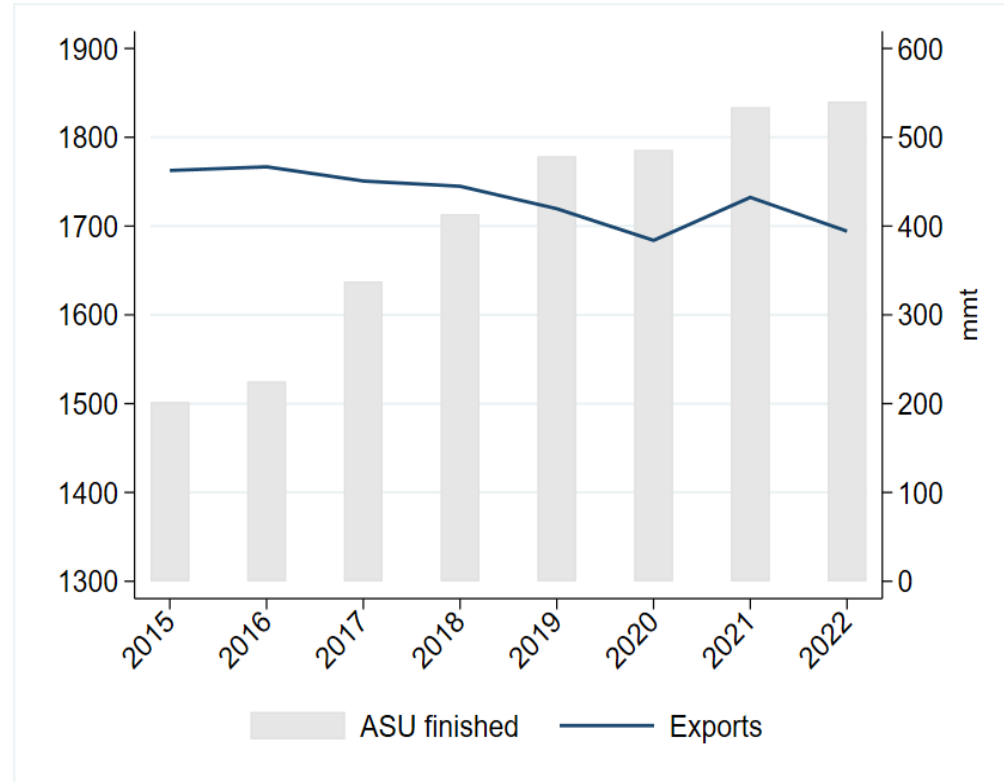
1. **Steel trade is expected to decrease in 2022** amid low demand prospects (COVID-19 containment measures) and supply chain disturbances.
2. **Significant slowdown in Chinese imports** (and exports). Steel shipments from EU, India and Turkey also expected to contract significantly in 2022.
3. **Sanctions against Russia are affecting Russian steel producers, which are expected to decrease their production by 15% in 2022. Preliminary evidence suggests that Russia is diverting** steel products towards Eastern and Western-Asian countries.
4. **Patterns of trade are changing:** steel trade becomes less specialised and more regionalised.
5. Some economies are leveraging **trade policy tools to secure their supply chains** (e.g. higher export restrictions, lower import tariffs and revocation of antidumping duties).



Steel exports and demand in opposite directions

- Steel exports are expected to **decline in 2022** after the recovery observed in 2021.
- Overall, **steel exports appear being in countertrend when compared to demand growth** (ASU finished)
 - ASU growth **+22.5%** (2015-22)
 - Export growth **-13.1%**
- **Low demand prospects for 2022** in particular in CHN and slowdown in EU27 and IND exports are driving down global steel trade figures.

Global steel trade and demand





COVID-19 containment measures and supply chain disturbances are affecting steel trade

Export/import volumes (mmt)

Export

	2019	2020	2021	2022 (Jan. May.)	2022 (ann.)	Change (%)
CHN	63.8	53.2	66.3	26.2	62.8	-5.3%
EU27	33.2	25.4	25.8	9.6	23.0	-10.8%
IND	13.1	17.1	20.0	6.8	16.4	-18.2%
JPN	33.1	31.0	33.7	13.6	32.7	-3.2%
USA	7.2	6.6	8.1	3.6	8.6	6.4%
KOR	29.9	28.5	26.7	10.9	26.3	-1.6%
TUR	19.5	18.5	21.9	7.9	18.9	-14.0%
BRA	12.7	10.7	11.5	5.6	13.5	17.3%

Import

	2019	2020	2021	2022 (Jan. May.)	2022 (ann.)	Change (%)
CHN	15.4	38.6	27.7	8.2	19.8	-28.8%
EU27	41.6	34.6	45.8	20.7	49.8	8.7%
IND	8.9	5.3	5.9	2.3	5.4	-7.2%
JPN	6.4	5.2	5.4	2.1	5.1	-7.0%
USA	27.1	20.1	29.5	13.0	31.1	5.4%
KOR	16.3	11.9	14.0	6.0	14.5	3.1%
TUR	12.3	12.9	16.1	6.8	16.4	1.8%
BRA	2.3	2.0	4.9	1.3	3.2	-35.6%

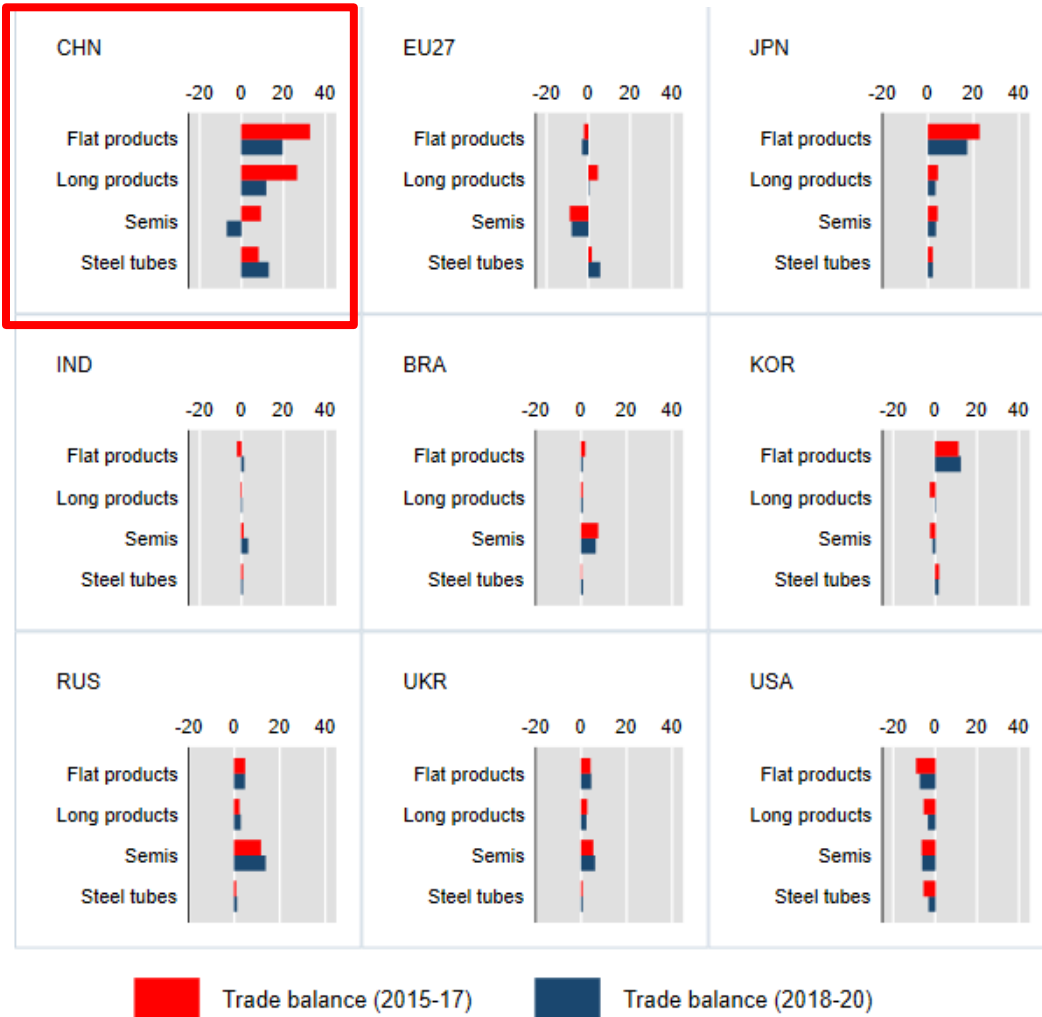
Key highlights

- COVID-19 containment measures result in low demand for steel → **declining imports for CHN.**
- Effects of the war are felt in particular in the **EU** on the export side. Intra-EU trade remains significant.
- **IND** significant export decline expected in 2022.
- Widened steel trade balance in **BRA**. Significant decrease in imports.



Patterns of trade are changing: lower trade balance positions

Trade balance by product, major economies (mmt)



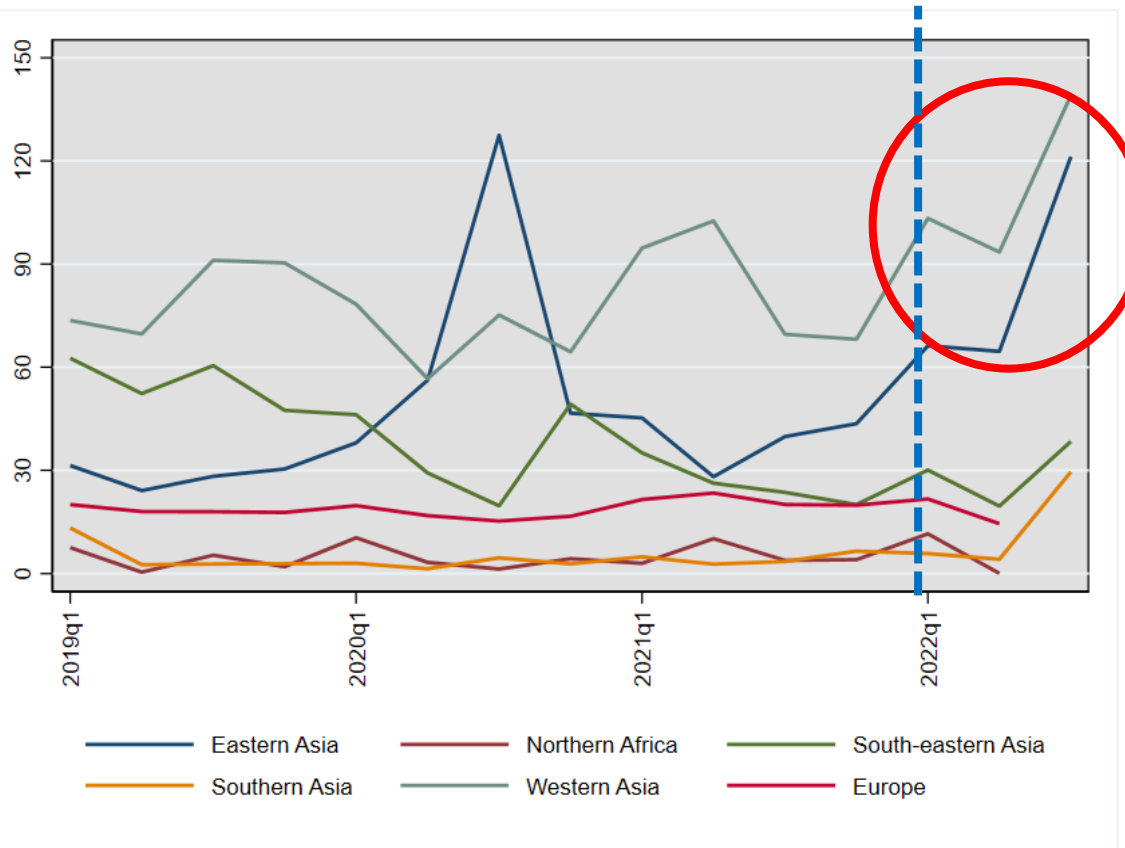
Closer look at steel products

- CHN trade balance on flat and long products remains high but trade balance positions are decreasing. CHN recently became net importer of semis.
- JPN and KOR also significant exporters of flat products (JPN lowered its figures in 2018-20).
- RUS is a significant exporter of semis. Large net importers of semis (EU and USA) need to find alternative sources.
- BRA likely to become a global suppliers of semis if import restrictions on RUS will remain in place.



Trade diversion from Russia: higher exports towards Eastern and Western Asian countries

RUS exports to certain regions, quarterly data (mmt)



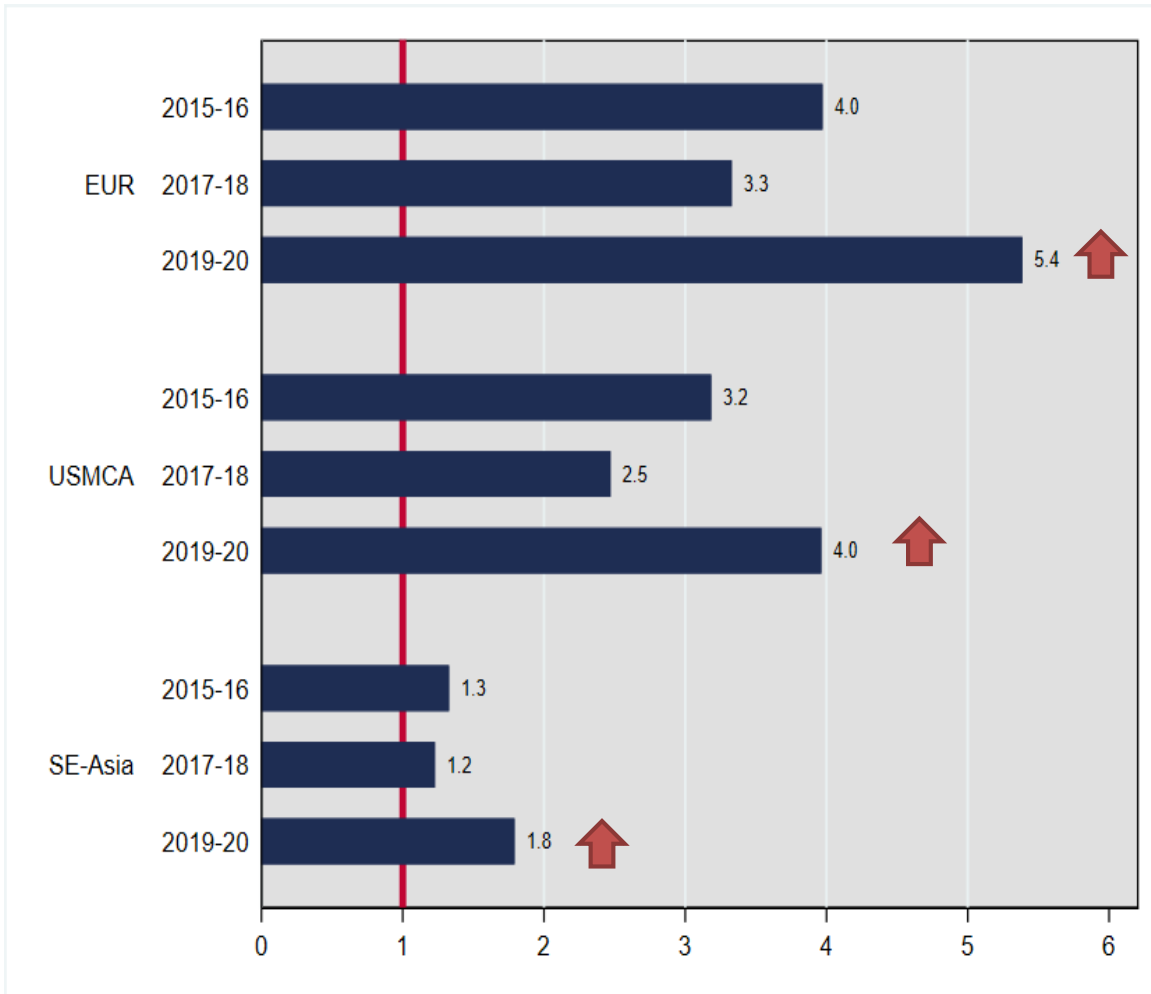
The Russia's war and implications for steel trade

- Lower shipments from RUS to European economies.
- Significant increase in shipments towards Eastern (CHN, JPN, KOR, TWN, HNK) and Western-Asian economies (TUR, SAU, BHR)



Steel trade is increasingly regionalised?

Intra-region trade on extra-region trade (ratio)



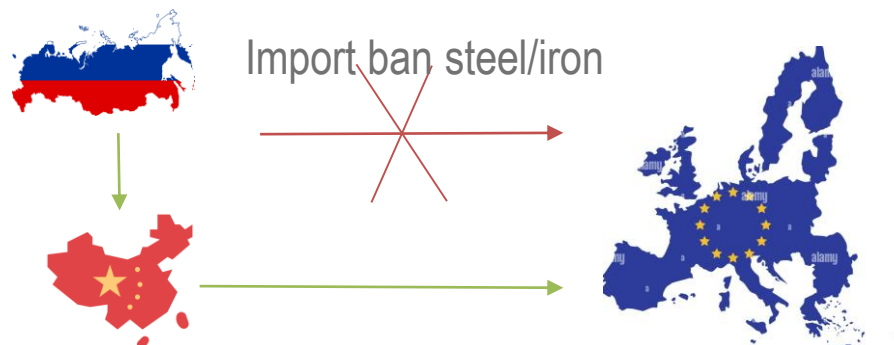
Intra-region trade is overtaking extra-region trade

- COVID-19 and the related supply disruptions, as well as increasing protectionist measures are **fostering more regional** integration among geographically closer partners.
- All major steelmaking regions have seen an **increase in intra-region trade** on extra-region trade over the recent years (2018-20).



Several OECD countries and companies enacted sanctions against Russia

- Sanctions are **manifold**
- Sanctions **affect** Russian exports and domestic steel demand
- How does Russia **respond**?
 - Export subsidies and/or increase domestic demand?
 - Evade sanctions? If so, which lessons to draw?





Different policy responses across the world

- Tariffs are **decreasing** in one part of the world...
 - E.g. US-Japan TRQ
 - E.g. US-UK TRQ
- ...yet **increasing** in another
 - E.g. Indian export duty on certain steel and raw materials
 - E.g. Russian export duty on steel scrap



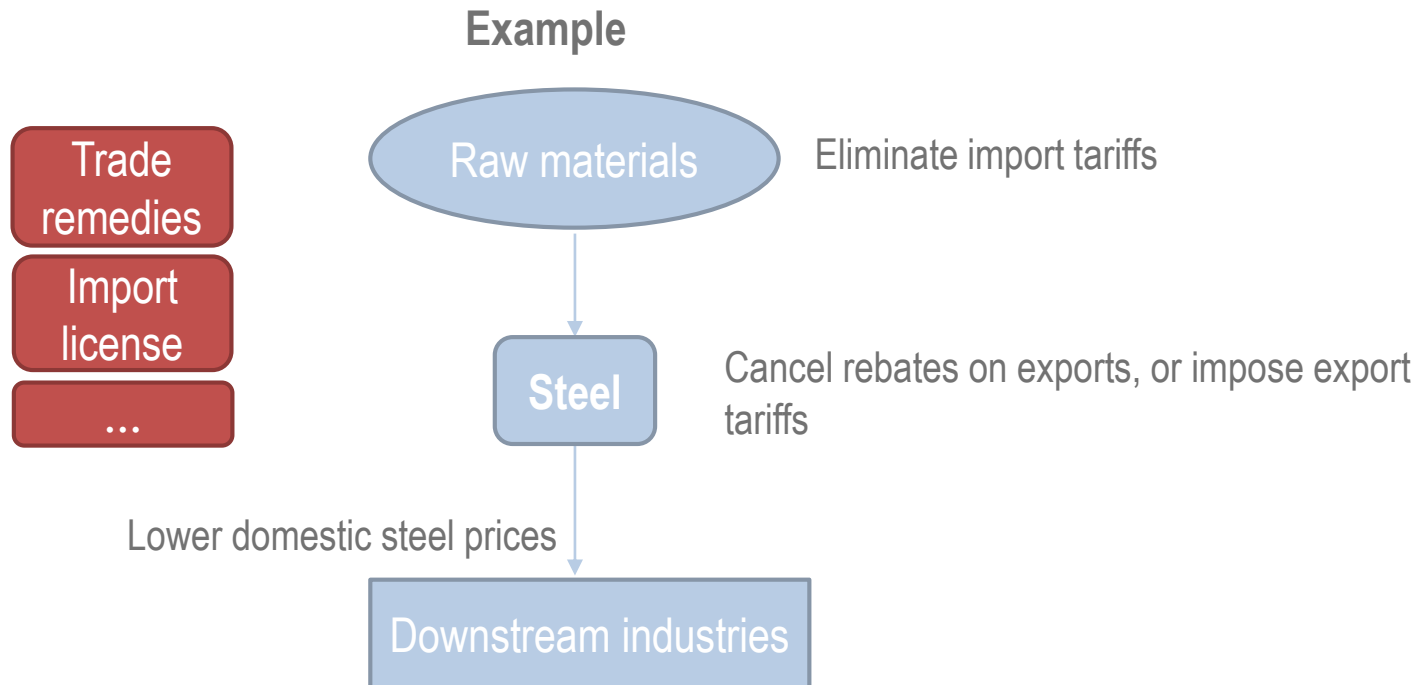
AD/CVD measures take a hit

- Trade remedies in first semester of 2022
 - Safeguard measures remain stable
 - AD/CVD measures show **significant decline**
 - 58 measures in second semester 2021
 - 32 measures in first semester of 2022



To assess impact, look at the combined effect of policies across the steel value chain

- Approach
 - Greater emphasis on supply chain effects of the measures collected
 - Only measures that are likely to affect international trade have been considered





Actions required

- This document is submitted to delegates for discussion with a view to declassification.
- Delegates are invited to provide written comments by 14 October 2022 , through the dedicated Steel Committee O.N.E. Community website.



Thank you!

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