

**STEEL:
WILL CHINA BECOME THE LARGEST PRODUCER IN THE WORLD ?**

With the Beijing Olympic Games, now less than 2 years away, with the Shanghai World Exposition, now less than 4 years away, with the People's Republic of China (PRC), having embarked on huge infrastructural projects, and with the PRC's factories, producing more than 10 million washing machines, annually, making the PRC, the largest producer of washing machines in the world, it should hardly be a surprise when somebody mentions that the price of steel is likely to rise to record highs in the next few years.

Further, Shanghai Baosteel Group Corporation (), now the world's sixth biggest steel maker, faced with what is an insatiable demand for different types of steel in the PRC, is likely to find itself propelled into one of the top 3 steel makers of the world, prior to the opening of the Beijing Olympic Games.

At this time, Shanghai Baosteel is producing some 24 million tonnes of crude steel, annually.

This entity, which is only 8 years old, was a PRC, State-owned enterprise until 1998 when the PRC Government's reform kicked in and entities, such as this one, were told to sink or swim.

Shanghai Baosteel became, in just 8 years, a virtual steel-producing powerhouse.

It had to metamorphose from its fairly primitive state as a PRC, State-run entity into a high-technology producer of steel products in order to manufacture various kinds of steel to meet the demands of the PRC State and the country's private enterprise concerns.

The PRC Government is engaged in historic-setting, massive infrastructural projects, from the building of dams, to the construction of hydro-electric plants, to the construction of high-speed trains and the tracks on which to allow the trains to operate, to the construction of highways, and to giving its ship-building industry a boost so that it will be able to compete on the world stage.

At the same time, private enterprises, domiciled in the PRC, became, in a period of less than 2 decades, the world's Number One producer of washing machines, and one of the 4 largest producers of microwave ovens in the world.

The PRC has become a manufacturing powerhouse, not just the world's tailor shop.

Demand for different kinds of steel continues unabated in the PRC and, according to usually reliable industry sources, the demand for steel in the Middle Kingdom will grow by about 8 percent per annum for the next 2 decades, at least.

By 2015, it is estimated that the world's production of steel will be not less than 2 billion tonnes.

That figure compares with the production of crude steel in 2004 of about 1.10 billion tonnes.

That growth figure of 8 percent per annum for the PRC compares with the growth between 1994 and 2004 of about 4 percent per annum.

For Asia, over the past decade, crude steel output has increased by about 7 percent per annum.

While the PRC continues to expand its steel-production facilities, in the US and Canada, one sees that, over the past decade, growth has only been about 1.50 percent and, in the European Union (EU), growth of its

crude steel output has been about one percent.

The PRC had to fire up its steel-producing furnaces in order to feed the PRC's existing industries and to meet their future aspirations.

One of the reasons that North America and the EU did not pay very much attention to expanding its steel-producing facilities was due to emphasis, being placed on the services industry, which was to the detriment of steel-intensive sectors of the economy.

In addition, there was a concentration of substitutions of plastics, aluminium and ceramics for steel products due to the properties of these materials, which, for some jobs, are superior to the properties of steel.

The growth of the **Gross Domestic Product** (GDP) of both North America and many parts of Europe outstripped the growth of steel consumption.

Also, the manufacture of steel in Asia, which is a low-cost area, relative to the US and Canada, is cheaper than the production of similar qualities steel, produced in North America.

Extrapolating from the above, it is clear that, in due course, the PRC will be a net exporter of steel to North America and the EU and this will, most likely, result in the governments of these regions of the world, trying to impose import restrictions on PRC-produced steel and steel products.

Allegations of dumping are bound to follow and it is possible that such allegations may be founded in many cases as the PRC Government determines to look after its own.

In 1994, Asia's global steel output was about 37 percent; it rose to about 47 percent by the close of 2004.

It will, without question, continue to rise because of the massive infrastructural projects, which are taking place in this region of the world where economic growth is faster than in most other parts of the world.

-- **E N D** --

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do*

subject to the laws of libel.