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**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE**

RAW MATERIALS SUPPLY AND DEMAND

Note by China Steel Corporation

15-16 December 2008, Kuala Lumpur

This document will be presented under Session Three of the the Workshop on Steel and Related Raw Materials.

(Please note that this document is only available in pdf)

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Aspect of CSC's Raw Materials Supply and Demand

Presentation for OECD Steel Committee

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China Steel Corporation
(Chinese Taipei)**

December 15-16, 2008

Contents

- A. Chinese Taipei Economic Outlook and Steel Dynamics**
 - 1. Chinese Taipei Economic Outlook**
 - 2. Chinese Taipei Steel Dynamics**

- B. How does CSC Secure Steelmaking Raw Materials**
 - 1. Procurement Policy for Steelmaking Raw Materials**
 - 2. Investment in Steelmaking Raw Materials Resources**
 - 3. Raw Materials Shipping**

Chinese Taipei Economic Outlook and Steel Dynamics

1. Chinese Taipei Economic Outlook

1-1. GDP Growth Rate

- 2006 4.68%
- 2007 5.70%
- 2008(f) 1.87%

1-2. Consumer Price Index

- 2006 0.60%
- 2007 1.80%
- 2008(f) 3.64%

Chinese Taipei Economic Outlook and Steel Dynamics

1-3. Foreign Trade

	<u>Export</u>	<u>Import</u>	<u>Surplus</u>
● 2006	224.0 B.U\$	202.7 B.U\$	21.3 B.U\$
● 2007	246.7 B.U\$	219.3 B.U\$	27.4 B.U\$
● 2008(f)	surplus will decline to about 18.2 B.U\$		

Chinese Taipei Economic Outlook and Steel Dynamics

2. Chinese Taipei Steel Dynamics

2-1. Crude Steel Production and Consumption

(Fig 1, 1983~2007)

	<u>Production</u>	<u>Consumption</u>
● 2006	19.0 Mt (BF:10.7)	26.5 Mt
● 2007	20.9 Mt (BF:10.9)	25.6 Mt
● 2008(f)	19.5 Mt	

- Figure 1 shows the apparent crude steel consumption in Chinese Taipei has become constantly between 21~26 Mt since 1992.

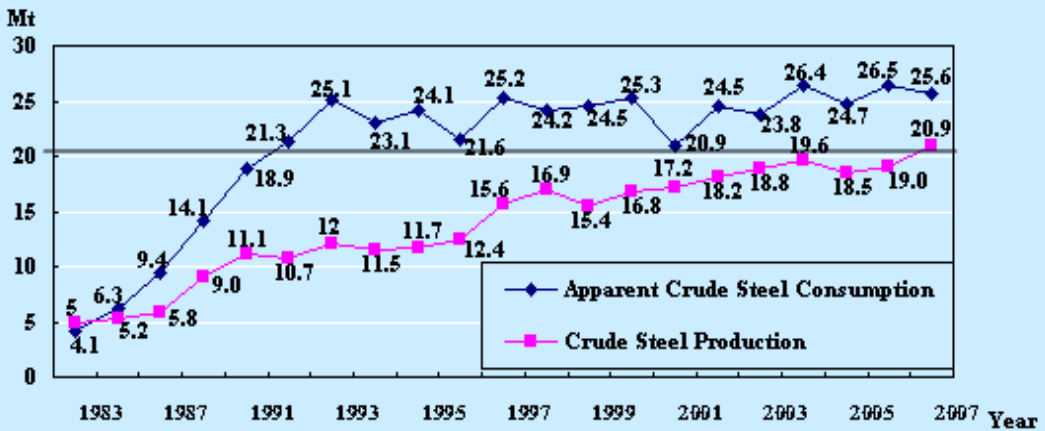


Fig.1: The Crude Steel Production and Consumption of Chinese Taipei (1983-2007)

Chinese Taipei Economic Outlook and Steel Dynamics

2-2. New Steel Mill Project in Chinese Taipei

- **Dragon Steel Corporation (DSC) is one of the 100% owned subsidiaries of CSC, its 1st stage expansion for No. 1 BF has been underway, which is to be completed by the end of 2009 with hot metal designed capacity up to 2.5 Mtpa. Whilst, the 2nd stage of expansion for No. 2 BF (same capacity as No. 1) has been approved by the government, which is planning to be completed by the end of 2011.**

How does CSC Secure Steelmaking Raw Materials

1. CSC's Procurement Policy for Steelmaking Raw Materials

- 1-1. **Signing long-term contracts with those reputable suppliers, with buyer's quantity options if possible.**
- 1-2. **Adjusting the term and annual quantity of the long-term contracts according to market dynamics.**
- 1-3. **Searching for new suppliers keenly to diversify the raw materials supply.**
- 1-4. **Performing contracts faithfully in order to maintain good, long-term relationships with suppliers.**

How does CSC Secure Steelmaking Raw Materials

2. Investment in Steelmaking Raw Materials Resources

2-1. Principles of Investment

- **Near-distance sources have high priority.**
- **Quality must conform to CSC's requirements.**
- **Co-operating with reputable miners, who are experienced in exploring and/or mining of the steelmaking raw materials.**

How does CSC Secure Steelmaking Raw Materials

2-2. Scale of Capital Investment

- **Depending on total capital investment of the project, CSC's initial capital investment in the interest of the project would be about 5% to 20%.**

How does CSC Secure Steelmaking Raw Materials

3. Raw Materials Shipping

- About 70% of raw materials been carried by CSC owned vessels --- to reduce the ocean freight

Summary

China Steel Corporation (CSC) has been purchasing from Australia for iron ore and coking coal since 1977, and from Brazil for iron ore since 1979. CSC has been always one of the most reliable customers of the steelmaking raw materials suppliers. CSC sincerely wishes to maintain such sustained, good relationships with suppliers forever.

Thank You!!