



Latin American Steel Market

Latin American
Iron and Steel Institute
Paris, June 2009

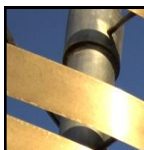


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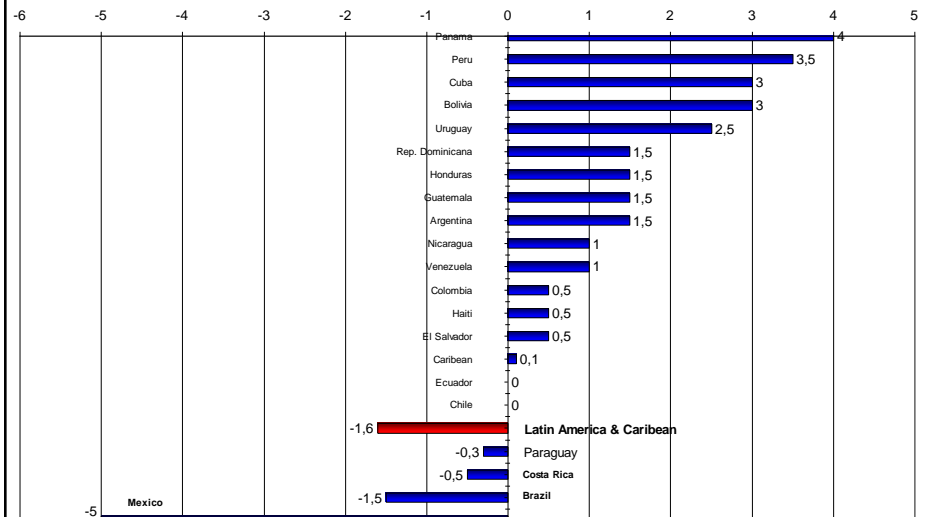
Facing the world crisis



GDP Estimations for 2009



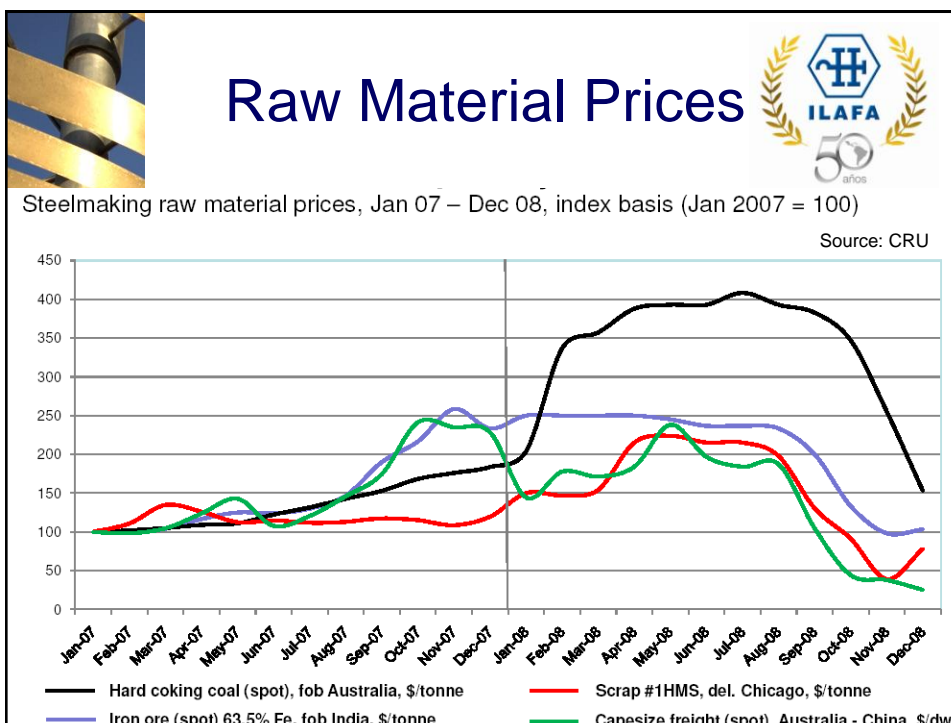
latin American GDP estimations for 2009





Policy Measures

- Until now stimulus packages have been insufficient to revive the economy of the region.
- Regional situation is aggravated by the fact that 50% of Latin American exports are commodities with lower prices and demand.
- Background of measures by country in the last slide





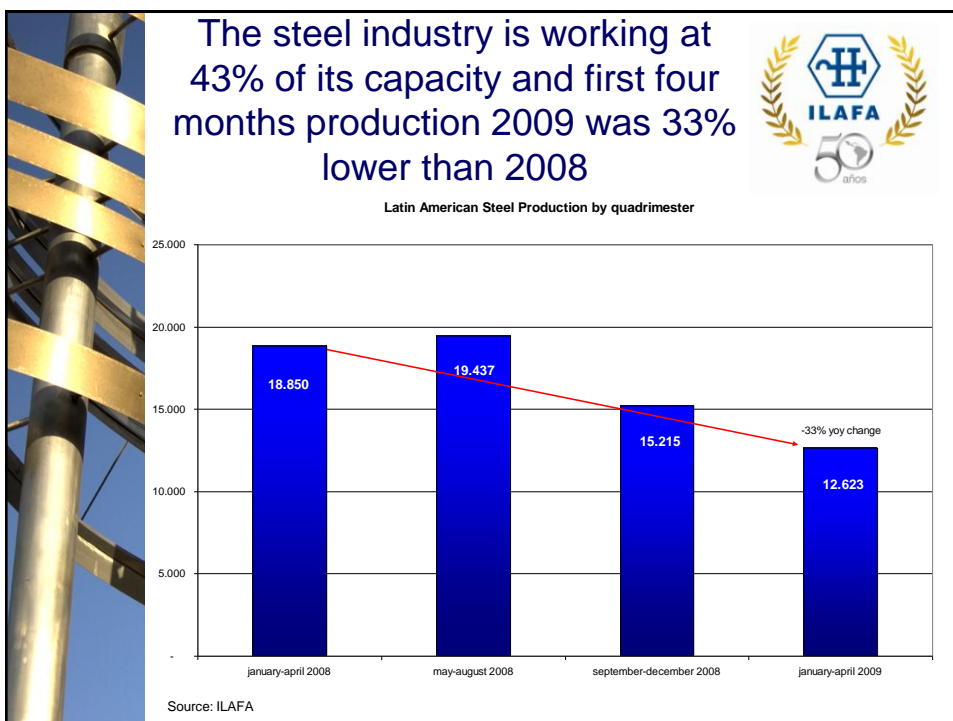
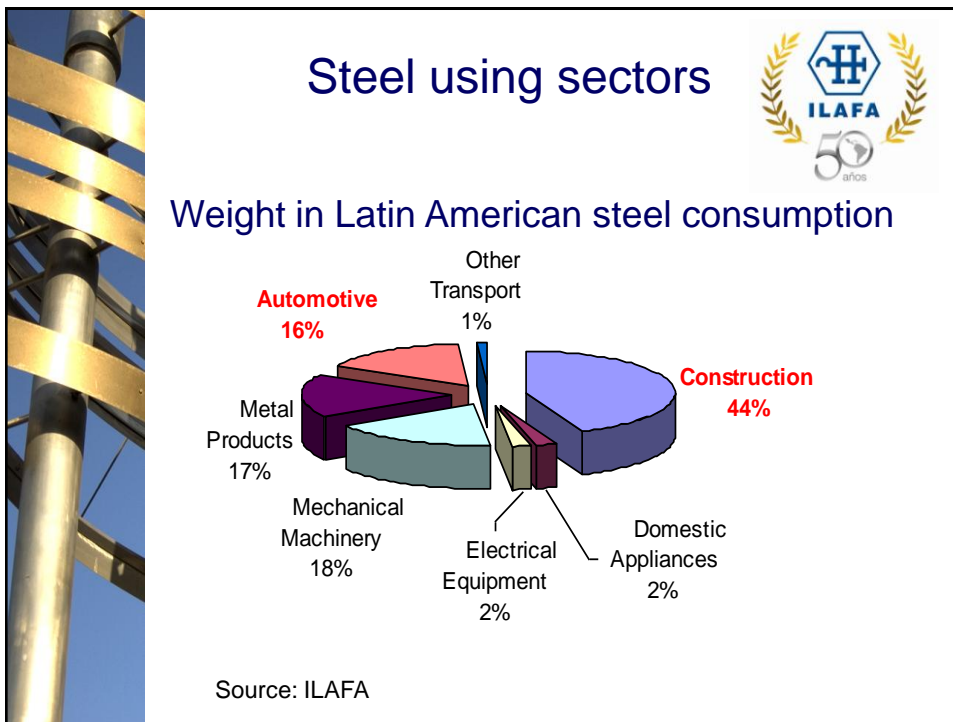
Effects on steel industry

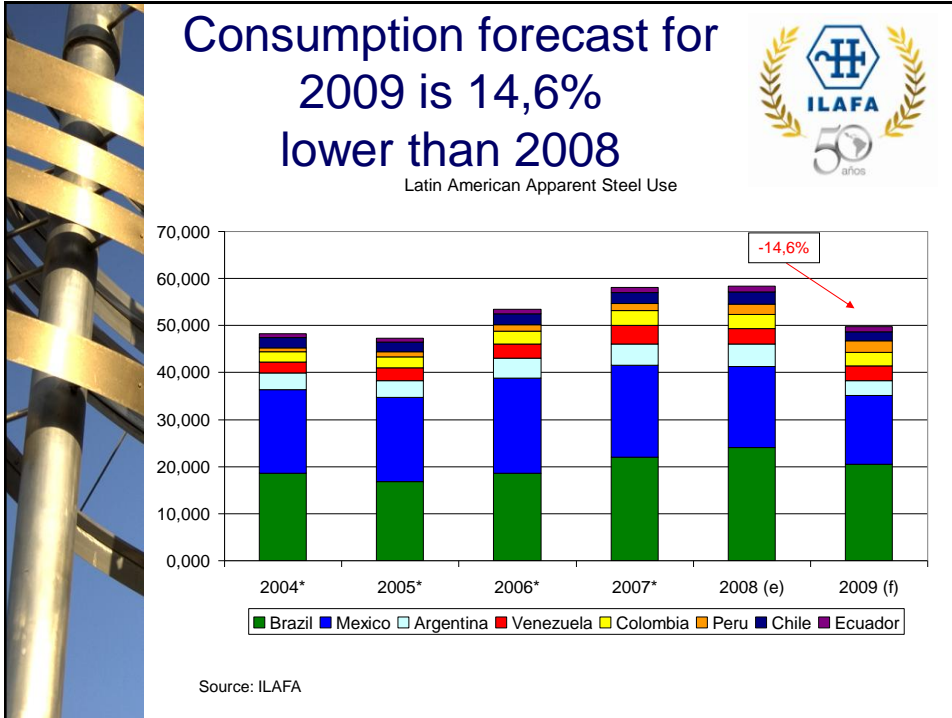


- Steel consumption could recover in some countries led mainly by infrastructure spending as a consequence of the stimulus packages
- Latin America steel industry has no subsidies or “buy national” requirements.

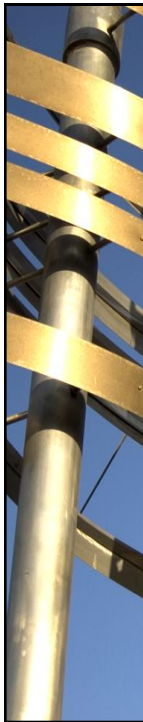


Steel Market





Trade Issues



Trade issues



- Shrinking market and trade mainly in
 - European Union
 - USA
- Excess capacity, overproduction and export promotion policies
- Increasing trade barriers. Wave of trade actions against China: effects?



Trade issues



- Trade deviation
 - Where will go this volume?
 - >Latin America.
- Until third quarter 2008 Chinese steel exports to Latin America were 3% of the total. **Now, it's 6%.**
- Chinese exports affects even more value added steel products and steel containing goods.



Impacts in the region



1. Economic crisis will shrink global market size and recovery may not restore recent years levels in the near future
2. The world steel industry is reducing production to adjust to lower demand, except China
3. Increasing distortions and frictions in steel trade
4. Latin American industry subject to jobs loss, lower profitability and capacity utilization (43%), increasing unfair imports and growing restriction to our exports



Climate Change issues



ILAFA statement




- ILAFA supports worldsteel's concepts on Sectoral Approach taking into account its approval on a worldwide basis
- Sectoral Approach should consider different treatment for developing countries while ensuring a level playing field for international steel trade
- All main international companies in the region have reported their emissions under the worldsteel Data Reporting Scheme
- ILAFA is providing a channel for submitting data from member companies not directly associated with worldsteel
- Environmental issues shouldn't be used as a trade barrier



ILAFA Conclusions



1. A difficult economic outlook for the region:
 - 50 % of exports are commodities with low prices and weak demand.
 - Situation worsened by automakers and construction sectors
2. New steel market conditions requires new Latin American government policies or measures
3. Steel sector reality: excess capacity, growing trade frictions and threat of trade deviation
4. Steel sector risks: Subsidies, protectionism, new trade barriers (environmental for example)



Measures background

	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Venezuela
Monetary and financial policy								
Reduction or relaxation of reserve requirements	X	X	X	X			X	
Provision of liquidity in national currency	X	X	X	X		X	X	X
Fiscal policy								
Tax cuts or increased subsidies		X	X	X	X	X		
Spending increased or brought forward (infrastructure)		X	X	X		X	X	X
Exchange-rate and external policy								
Provision of liquidity in foreign currency	X	X	X	X			X	X
Increased tariffs or import restrictions	X				X			X
Tariff cuts		X			X	X	X	
Financing of exporters		X	X	X	X		X	
Obtaining credit from international financial bodies				X	X	X	X	
Sectoral policies								
Housing	X	X	X	X		X	X	X
Small and medium-sized enterprises			X	X		X	X	X
Agriculture		X	X			X	X	X
Tourism						X		X
Manufacturing		X	X			X	X	
Employment and social policies								
Promoting job creation		X	X	X		X	X	X
Social programmes	X	X	X	X		X	X	X