



International Steel Trading In The Light Of Global Politics & Economic Facts

Ho Chi Minh, April 2019

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AGENDA

- Trade war & Protectionism
- China
- Turkey
- Vietnam

GLOBAL GDP Timeline & Forecast



Reality

- 1 Countries effected by devaluation in the World GDP: %3
- 2 USA %24 of current GDP in the world
- 3 China %15 of World's GDP
- 4 Economical growth of developing nations %4,7

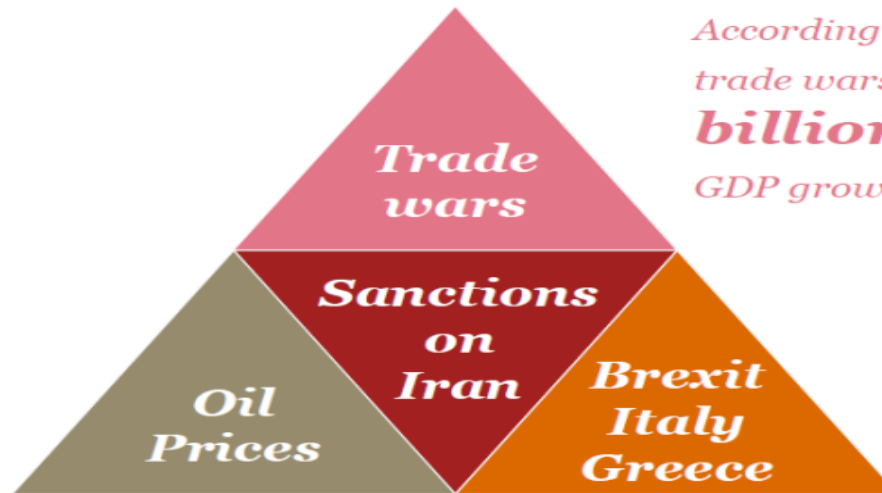
Conclusion

Economic growth is close to 30 year average.

Trade war & Protectionism

Protectionism & Trade War

Does it really work?



*According to IMF, the cost of global trade wars may reach **\$430 billion**, which is to lower global GDP growth by **0.5%***

- Global trade flow declines by %9. Similar to the drop seen during the global financial crisis in 2008.
- In 2019 IMF estimates 0.9% drop in GDP for USA due to trade wars.
- GDP of China will get 0.4% hit

At a glance : Trade between China and U.S.

- Trade deficit 375.5 billion USD in favour of China
- Total value of U.S exports to China : 195 billion USD
- Total value of imports from China to U.S:
570.5 Billion USD.

ABOUT THE TRADE AGREEMENT

- U.S. wants China to buy agricultural products & energy
- U.S. wants China to protect intellectual properties (such as copyrights, patents, trademarks etc)
- Lowering import tax of many American made products such as cars, motorbikes.
- *By failing this agreement, China must pay penalty*
- *Since China has accepted to WTO in 2001, did not fulfil its commitments for letting foreing companies invest completely in China without major restrictions. This needs to be done as a part of the upcoming trade agreement.*

CHINA



Beijing's Tough Agenda

- BELT & ROAD INITIATIVE (Project of the century)
- Excess capacity (!)
- Profitability of the state mills (big progress has been made)
- Pollution & Environmental issues (Good results were achieved already)
- How to fight with trade wars?
- Maintaining social stability (Vat lowered from 17% to 13%, tax exemption increased from 5000 Rmb to 10 000 Rmb)
- Save the state mills first! (Now Beijing wants to save all)

Steel Production vs Air Pollution



40 USD/MTON is the average cost of meeting environmental obligations for mid size mills in China. 8 billion Rmb was paid as a penalty by the mill in the Picture.





Yangtze River close to Shanghai. Water pollution due to steel factory waste.

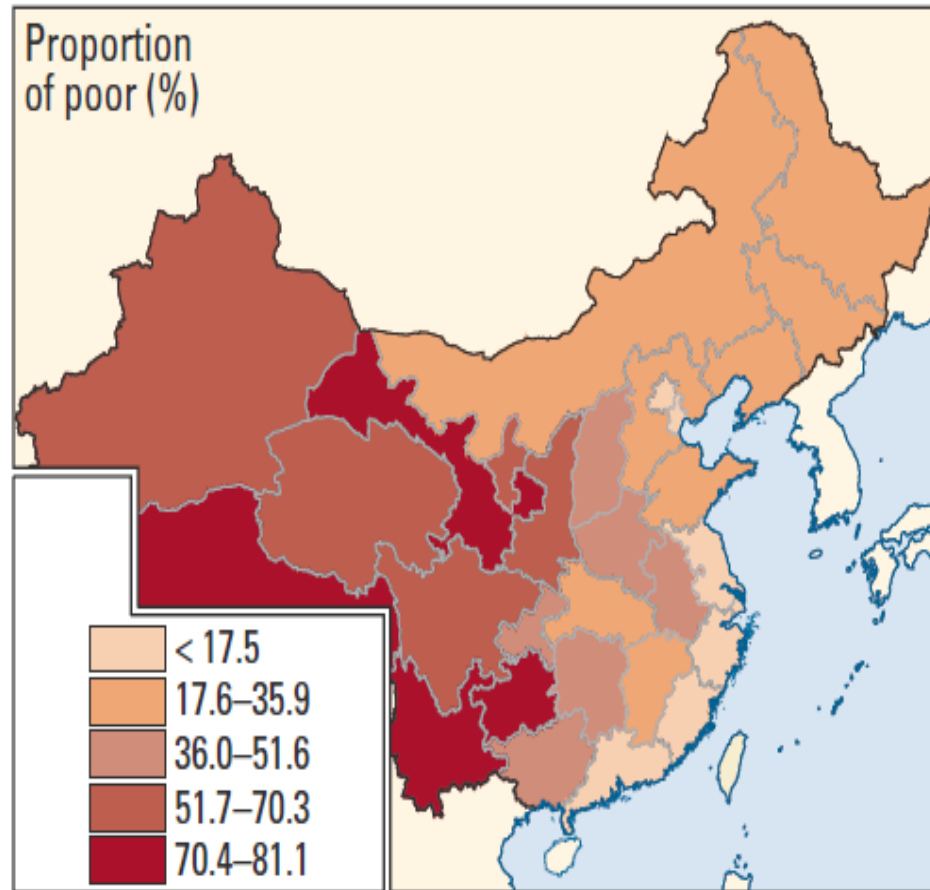
Chinese regional distribution of the income

Population ;

% 48 Urban

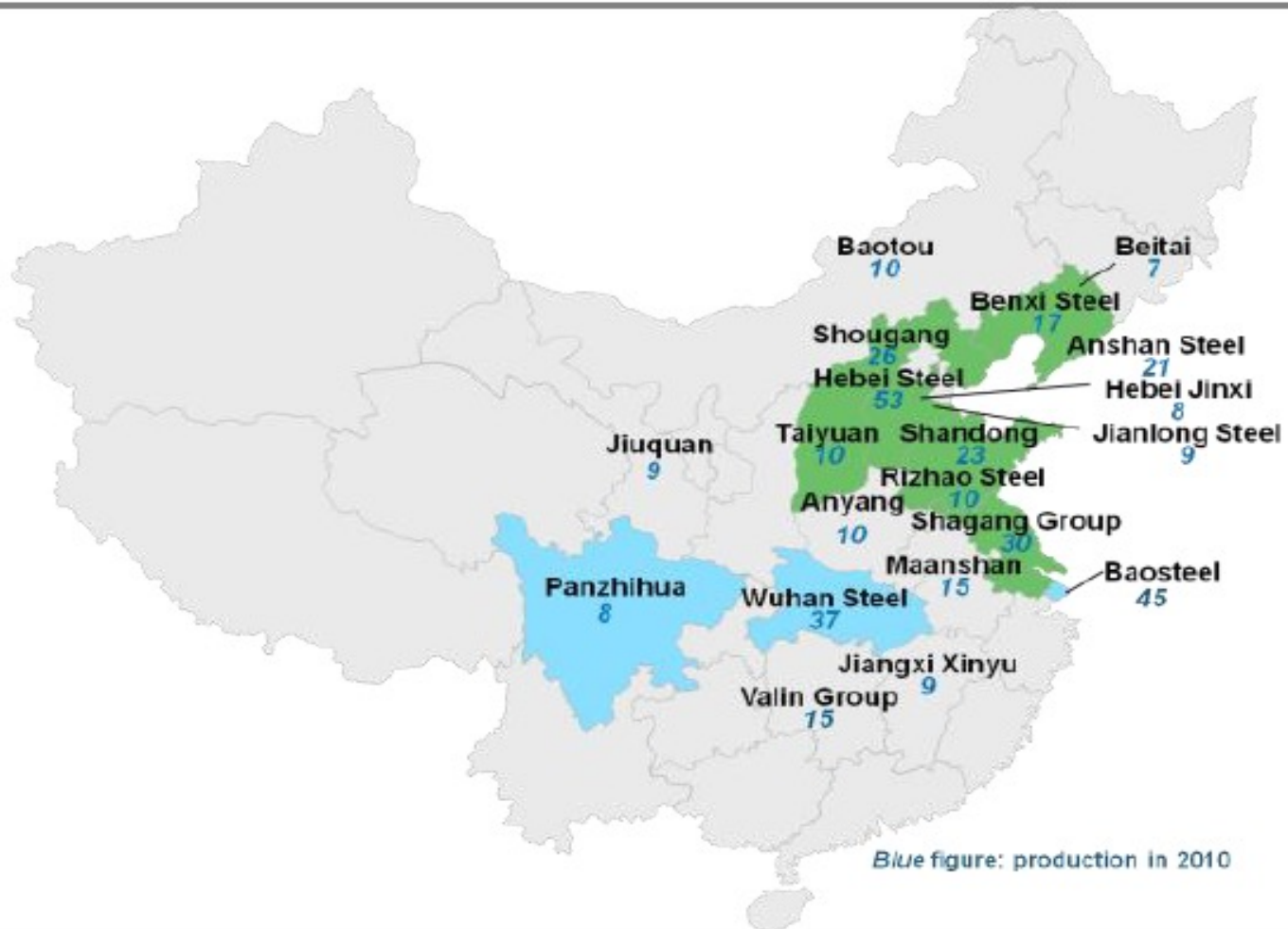
% 52 Rural

Hukou (registration) system has just changed 2 days ago.



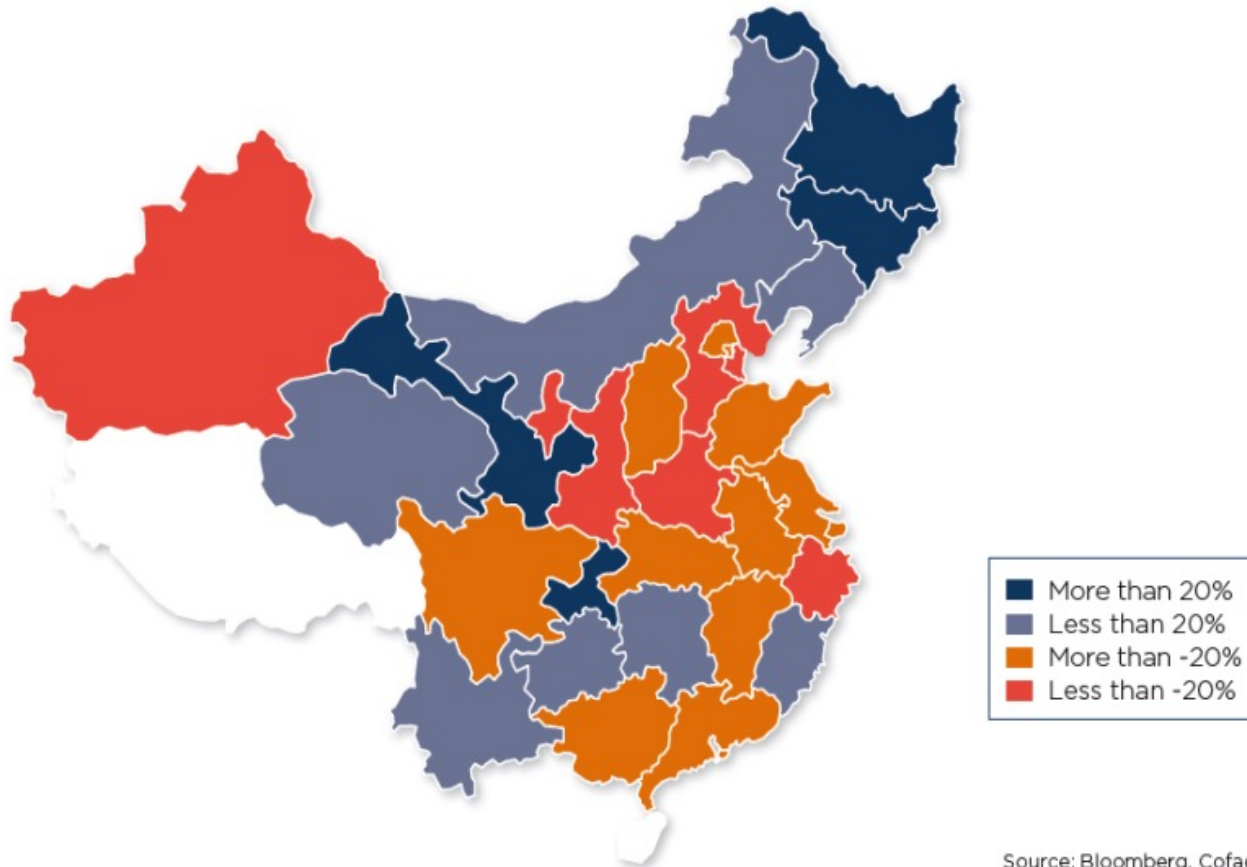
Source: World Bank Report

China



Changes in Steel Production Structure

Change in steel production by province (Sep 2016 vs. Feb 2018)



Source: Bloomberg, Coface

Chinese steel mill profits moderating

China steel margins moderating

Focus moved to input costs

Increasing demand for lower Fe products



One Belt Road Initiative (BRI)



BRI is a development strategy adopted by Chinese government involving infrastructure development and investments in 152 countries.

s Belt and Road Initiative: 5 Years Later

CHINA'S INVESTMENT IN BRI COUNTRIES

Top 5 receivers (USD bln, 2014-2018)



Bloomberg

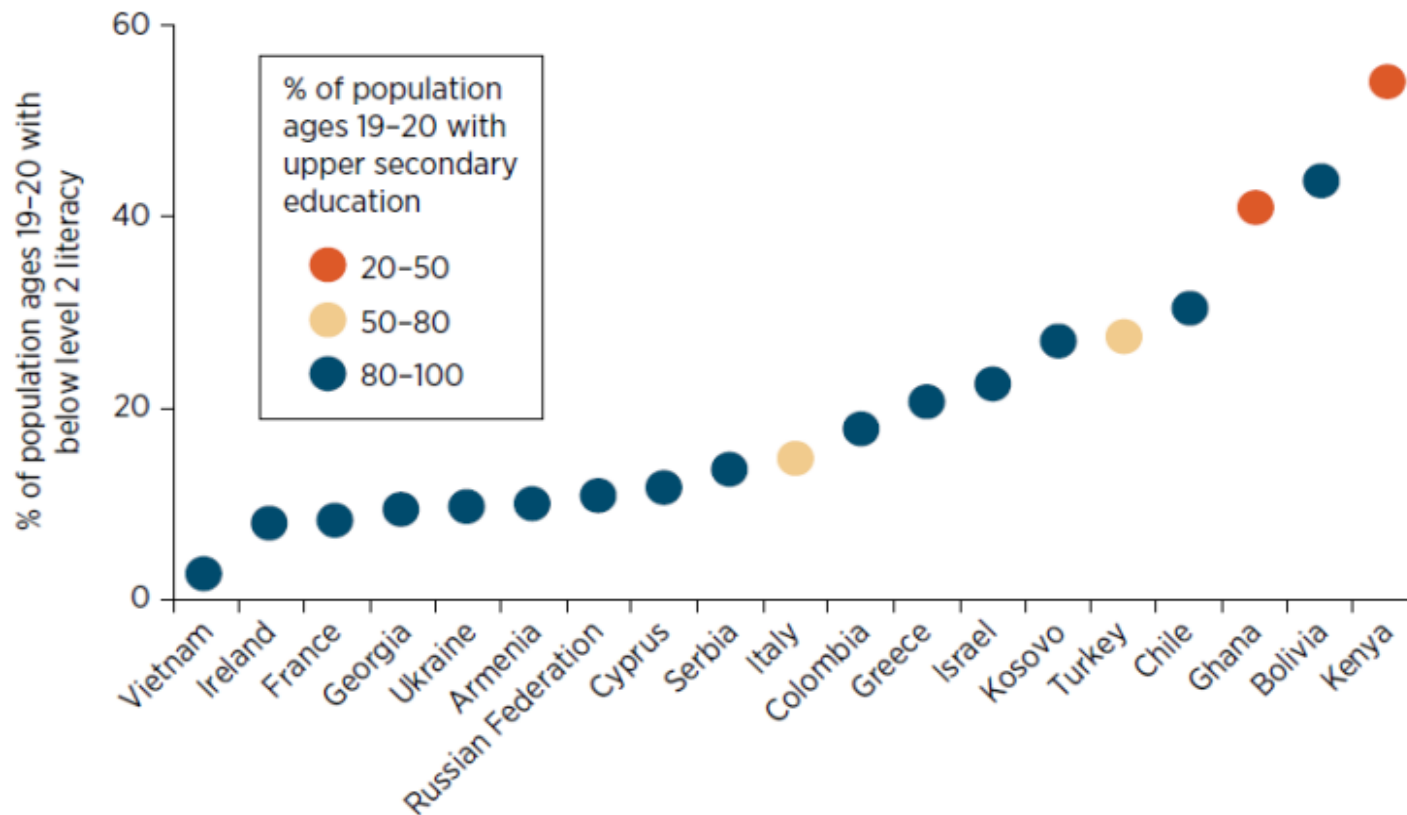
Sources: China investment tracker, AI

TOTAL : 142 Billion USD

TURKEY

Low Literacy Skills despite of secondary education

Adults with skills below Level 2 may not have the skills to spot fake news or bias in the media.



Source: World Bank

TABLE 3.2 The human capital index (HCI), 2018

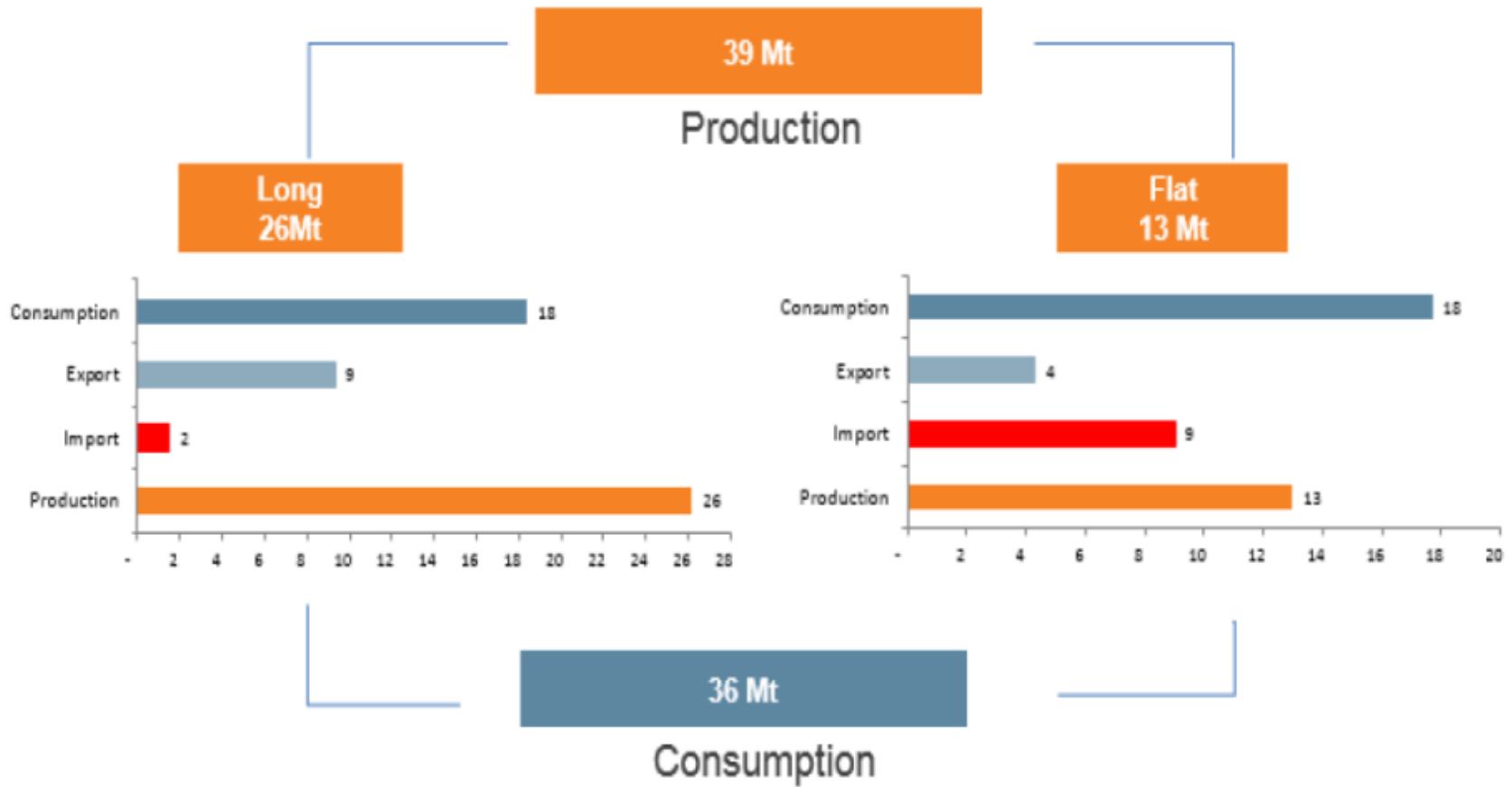
Rank	Economy	HCI score	Rank	Economy	HCI score	Rank	Economy	HCI score
157	Chad	0.29	104	Egypt, Arab Rep.	0.49	51	Mongolia	0.63
156	South Sudan	0.30	103	Honduras	0.49	50	Ukraine	0.65
155	Niger	0.32	102	Nepal	0.49	49	United Arab Emirates	0.66
154	Mali	0.32	101	Dominican Republic	0.49	48	Vietnam	0.67
153	Liberia	0.32	100	Cambodia	0.49	47	Bahrain	0.67
152	Nigeria	0.34	99	Guyana	0.49	46	China	0.67
151	Sierra Leone	0.35	98	Morocco	0.50	45	Chile	0.67
150	Mauritania	0.35	97	El Salvador	0.50	44	Bulgaria	0.68
149	Côte d'Ivoire	0.35	96	Tunisia	0.51	43	Seychelles	0.68
148	Mozambique	0.36	95	Tonga	0.51	42	Greece	0.68
147	Angola	0.36	94	Kenya	0.52	41	Luxembourg	0.69
146	Congo, Dem. Rep.	0.37	93	Algeria	0.52	40	Slovak Republic	0.69
145	Yemen, Rep.	0.37	92	Nicaragua	0.53	39	Malta	0.70
144	Burkina Faso	0.37	91	Panama	0.53	38	Hungary	0.70
143	Lesotho	0.37	90	Paraguay	0.53	37	Lithuania	0.71
142	Rwanda	0.37	89	Tajikistan	0.53	36	Croatia	0.72
141	Guinea	0.37	88	Macedonia, FYR	0.53	35	Latvia	0.72
140	Madagascar	0.37	87	Indonesia	0.53	34	Russian Federation	0.73
139	Sudan	0.38	86	Lebanon	0.54	33	Iceland	0.74
138	Burundi	0.38	85	Jamaica	0.54	32	Spain	0.74
137	Uganda	0.38	84	Philippines	0.55	31	Kazakhstan	0.75
136	Papua New Guinea	0.38	83	Tuvalu	0.55	30	Poland	0.75
135	Ethiopia	0.38	82	West Bank and Gaza	0.55	29	Estonia	0.75
134	Pakistan	0.39	81	Brazil	0.56	28	Cyprus	0.75
133	Afghanistan	0.39	80	Kosovo	0.56	27	Serbia	0.76
132	Cameroon	0.39	79	Jordan	0.56	26	Belgium	0.76
131	Zambia	0.40	78	Armenia	0.57	25	Macao SAR, China	0.76
130	Gambia, The	0.40	77	Kuwait	0.58	24	United States	0.76
129	Iraq	0.40	76	Kyrgyz Republic	0.58	23	Israel	0.76
128	Tanzania	0.40	75	Moldova	0.58	22	France	0.76
127	Benin	0.41	74	Sri Lanka	0.58	21	New Zealand	0.77
126	South Africa	0.41	73	Saudi Arabia	0.58	20	Switzerland	0.77
125	Malawi	0.41	72	Peru	0.59	19	Italy	0.77
124	eSwatini	0.41	71	Iran, Islamic Rep.	0.59	18	Norway	0.77
123	Comoros	0.41	70	Colombia	0.59	17	Denmark	0.77
122	Togo	0.41	69	Azerbaijan	0.60	16	Portugal	0.78
121	Senegal	0.42	68	Uruguay	0.60	15	United Kingdom	0.78
120	Congo, Rep.	0.42	67	Romania	0.60	14	Czech Republic	0.78
119	Botswana	0.42	66	Ecuador	0.60	13	Slovenia	0.79
118	Timor-Leste	0.43	65	Thailand	0.60	12	Austria	0.79
117	Namibia	0.43	64	Mexico	0.61	11	Germany	0.79
116	Ghana	0.44	63	Argentina	0.61	10	Canada	0.80
115	India	0.44	62	Trinidad and Tobago	0.61	9	Netherlands	0.80
114	Zimbabwe	0.44	61	Georgia	0.61	8	Sweden	0.80
113	Solomon Islands	0.44	60	Qatar	0.61	7	Australia	0.80
112	Haiti	0.45	59	Montenegro	0.62	6	Ireland	0.81
111	Lao PDR	0.45	58	Bosnia and Herzegovina	0.62	5	Finland	0.81
110	Gabon	0.45	57	Costa Rica	0.62	4	Hong Kong SAR, China	0.82
109	Guatemala	0.46	56	Albania	0.62	3	Japan	0.84
108	Vanuatu	0.47	55	Malaysia	0.62	2	Korea, Rep.	0.84
107	Myanmar	0.47	54	Oman	0.62	1	Singapore	0.88
106	Bangladesh	0.48	53	Turkey	0.63			
105	Kiribati	0.48	52	Mauritius	0.63			

Source: WDR 2019 team.

The HCI quantifies the contribution of health and education to the productivity of the next generation of workers.



Turkish Steel Exports 2017



Source: TUIK

Turkish Steel Export By Region

(2018 – First 9 Months)

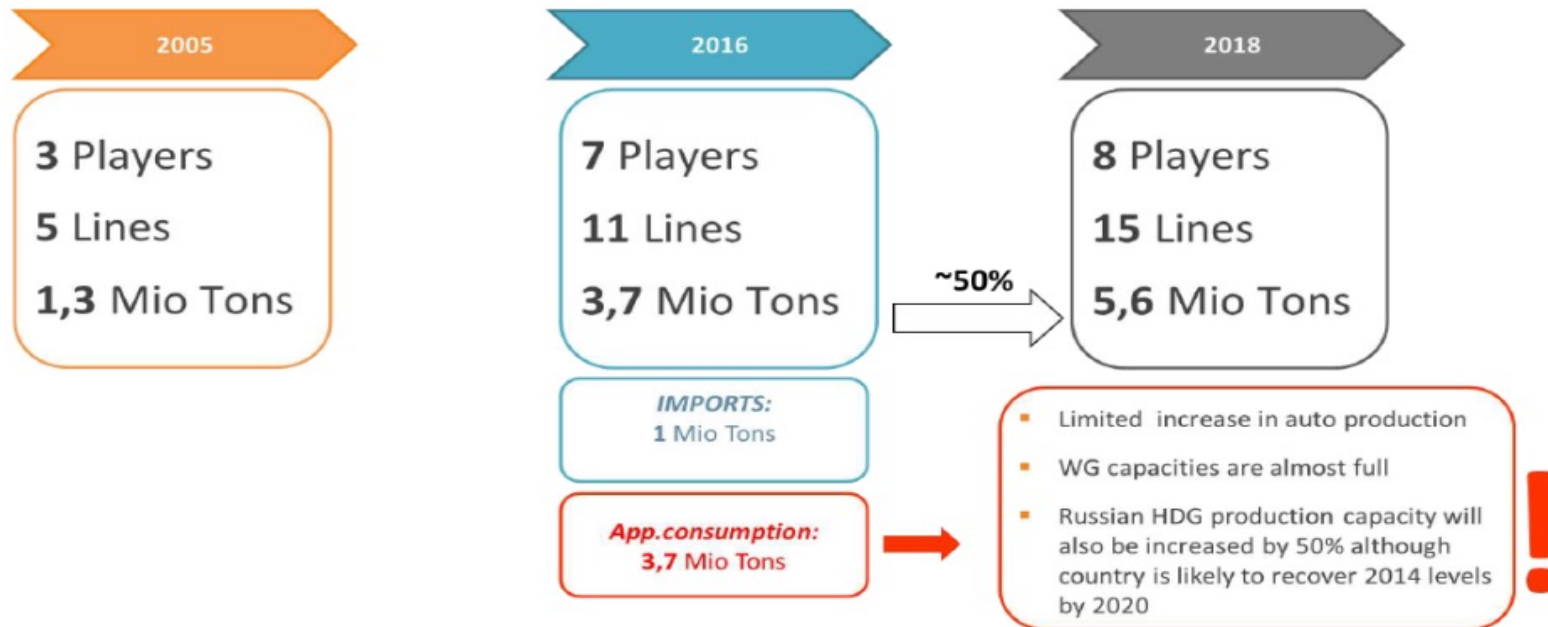


14.7 Million tons of Export

Source: Turkish Steel Exporters Association

New HDG Capacities

Turkish Flat Steel Market – HDG Investments



Source: Borcelik

GALV & PAINTED SNAPSHOT OF TURKEY

2017-2020 Galvanised Capacities	
Borçelik	900
MMK	800
Tezcan	1000
Erdemir	650
Yıldız	700
Tosyalı	350
Atakaş	300
Tat Metal	600
Total	5300
Production	
Import est.	min 500
Export	
Consumption est.	3500
Balance !!	2200



2017-2020 Painting Capacities	
MMK	400
Tezcan	470
Yıldız	300
Atakaş	200
Tat Metal	150
Coat Coil	250
Assan	100
Toyo	100
Tata	50
Color Metal	30
Total	2050
Production	
Import	min 75
Export	
Consumption	1025
Balance !!	1100

Capacity Utilisation 50%



HRC CAPACITY OF TURKEY (BOF & EAF)

PRODUCERS	CAPACITY MT/ANNUAL
EREGLI DEMIR CELIK	3 500 000
ISKENDERUN DEMIR CELIK	5 300 000
TOSYALI	2 000 000
MMK TURKEY	2 500 000
COLAKOGLU	3 000 000
HABAS	2 500 000
TOTAL	18 800 000

RAW MATERIAL ISSUE

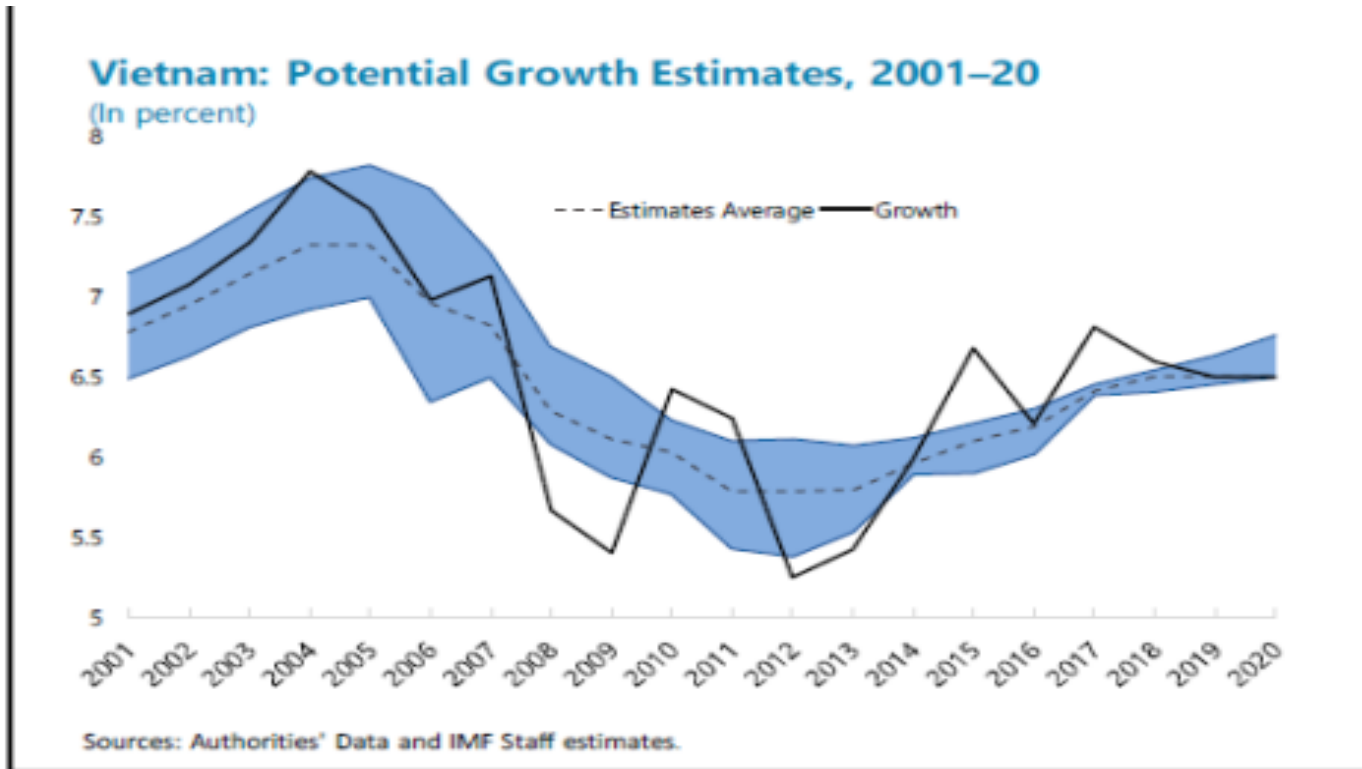
Producers rely on raw material import to maintain production

	Local Production %	Import %	Imported Volume (million tons)
Iron Ore	46	54	7,0
Coking Coal	13	87	4,5
Scrap	30	70	22,5

Turkish Steel Making Cost Comparison

- **Natural Gas cost**
25% higher than EU
5 times Higher than Russia
- **Electricity Cost**
14% higher than EU
170% higher than Russia
19 % higher than China
- **Scrap cost**
30 % higher than Russia

Vietnam Economy



Vietnam Economy -2

- FDI inflows reached 18 billion USD. %40 up compared to 2014.
- Booming FDI sector provides an excellent opportunity to improve the quality of capital & facilitate the transfer of technology.
- Reforms boosted private sector's participation in the economy that enhanced productivity.
- Well educated labor force

Galex Steel International

- *Multinational Steel Trading Company (offices in CHINA, TURKEY, and INDIA)*
- *Project and Regional basis exclusivity of State and Private mills in China, India and Turkey*
- *Extensive financing*

THANK YOU

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