



State ownership in the steel industry: issues for consideration

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Why interest in state ownership in the steel industry?

- State ownership in the steel industry declined rapidly until 2000.
 - The process of privatisation began in Europe in the mid-1980s
 - It accelerated in the 1990s as the newly independent states of the former Soviet Union embarked on a restructuring and privatisation process
- In the 2000s, rising share of emerging economies in global steel industry and associated growth in size of some domestic steel SOEs.
- How level is the playing field?



Extent of state ownership in steel among the 50 largest steel makers

- 17 are SOEs (state ownership >50%)
 - 15 Chinese companies
 - 1 Indian company
 - 1 Iranian company
- Steel production of these 17 SOEs was 262 mmt in 2010 (accounting for 17% of the world's steel output)



FDI in steelmaking raw materials: SOEs and private companies

- 70 investments made by steel companies in the area of steelmaking raw materials between 2007 and 2010:
 - 17 were made by SOEs.
- The amounts invested are known for 44 of these 70 FDI flows. These 44 FDI flows amounted to a total of USD 17.1 billion,
 - USD 3.5 billion (or 20% of the total) invested by SOEs.
 - SOEs are significant investors in raw materials abroad, but so are many private firms



Sources: OECD, *Export restrictions and domestic policies on steel related raw materials*, Steel Business Briefing, Metal Bulletin, PWC, Factset, Metal Bulletin Company Databases.

Steelmaking capacity developments of SOEs

- Combined announcements of crude steelmaking capacity increases for SOEs *included in the list of the largest 50 steelmakers in the world* (excluding IMIDRO for which capacity announcements were not found).
 - 30 mmt in 2011
 - 21 mmt in 2012.



Concluding remarks

- State-owned enterprises play an important role in the steel industry, notably in several emerging economies, and in China.
- Unresolved issues:
 - Do the state ownership shares accurately reflect the extent of state influence on steel companies?
 - How are SOEs investing in steelmaking assets abroad? Is there “crowding out” of private investment?
 - Is there an issue of competitive advantage as regards steel SOEs?

