Effect of Entering WTO on the Trade and Development of Steel Industry in China
Direct Effects of Entering WTO on the Trade and Development of Steel Industry in China

• The average tariff of steel products will be reduced from 10.5% to 8.07% in 5 years, which means an average reduction of 0.5% each year.

• Appointed operation will be gradually eliminated in 5 years.

• The steel market will be opened up all round.
Indirect Effects of Entering WTO on the Trade and Development of Steel Industry in China

• The economic in China will meet the international economic and the economic system reform will be speed up. Therefore, the steel industry must reform accordingly to adjust to the change in economic system.

• In the opening up of steel market in China, the steel trade system and market price will change with the international market. The steel market in China, therefore, must fit in the future changes and take an active part in the international competition.

• In order to take part in the international competition, the management system in state-owned steel company must be reformed and the management must be improved.
Analysis of the Direct Effects

- Effect of adjustment of steel tariff
- Effect of Elimination of Appointed Operation
- Effect of Opening of Steel Market
Effect of Adjustment of Steel Tariff

• In order to meet the requirement of WTO, the average reduction of steel tariff is 1.27% per year during 1999 to 1998, higher than the level of WTO, which is 0.5%. The current preferential tariff on steel import is an average of 8.8%, close to the 8.07% level.

• In recent years, the real average tariff on steel import is only 2-3%, far below 8.07%. As a result, the reduction of average tariff won’t have too much influence.

• However, the tariff reduction of stainless steel, silicon steel strip and other high-grade steel product is relatively high, which will affect the structural adjustment of steel production.
Effect of Elimination of Appointed Operation

• The import and export of steel will be opened all round, so the trade company both at home and abroad can trade steel products. There will be a fast growth in the number of companies dealing with steel import and export.

• The current pattern and channel of steel import and export will change accordingly, in order to meet the international trade cycle.

• Many Chinese steel companies and circulation companies are not very familiar with the disciplines of WTO, and they also lack experience in international trade, therefore, it is hard to become adapted in short time.
Effect of Opening of Steel Market

• Due to the lack of a mature trade system and the trade mechanism already existing in developed counties, the steel market price will completely meet the international market price.

• Due to the lack of monitoring and warning system for import and export and the lack of directing and adjusting measures, the steel market may be shocked by over-import during a short time after entering WTO.

• After entering WTO, the information demand in companies trading and producing steel products will greatly increase. However, the international information exchange and its channel building in Chinese steel industry is by now far below the requirement.
Analysis of Positive Effects of Entering WTO on the Development of Steel Industry in China

- After entering WTO, the steel companies will enjoy national treatment as other WTO countries, which will promote the steel export and participation in the international trade.
- After the reform of these years, the equipment in steel industry is improved and the competence of product is enhanced:
  - Continuous casting ratio has reached 85%, meeting the world average level; continuous rolling ratio of bar has reached over 50%; high-speed wire rod ratio is 40%; all these newly built continuous casting mill has reached the advanced world level. Several CSP mill, hot rolling mill and cold rolling mill having been built and being built also have met the world level. By further improving quality, these steel products will enjoy a strong competence in the world.
- The companies will normalize their management by listing, so the labor productivity will be increased substantially, which together with the relatively low labor cost in China will contribute to a high cost competence.
Analysis of the Indirect Effects

• Effect on the Product Structural Change of Steel Industry in China
• Effect on Improvement of the Technology Equipment in Steel Industry in China.
• Effect on Organizational Structure Change of Steel Industry in China.
• Effect on Steel Trade of China
Effect on the Product Structural Change of Steel Industry in China

- China has the largest steel production and the largest potential steel market, so its entering into WTO will greatly influence the global production system of steel.

- The structure adjustment of steel products in China will redirect from meeting domestic demand to international division of labor and international cooperation.

- The future structural adjustment will be based on the following principles:
  - Emphasize on the development of high added value plate of great potential market increase; participate international cooperation in the development of certain high-tech products; take an active part in the international cooperation in the production of bar, wire rod, steel rail and medium plate. The product structure will change gradually from inferior product to superior product.
  - Promote the development of new product and pay special attention to future competition in high-tech product.
Effect on Improvement of the Technology Equipment in Steel Industry in China

• In order to fit in the international competition in steel market, the steel industry in China will speed up the development of technology and improvement of equipment.

• By now, 50% of the technology equipment is still backward and unable to meet the requirements as soon as China enter WTO. Therefore, those backward equipments should be eliminated or improved.

• Improve the technology level in the whole technic process. By using CSP, coke dry quenching, ERP and other technology, increase the secondary refining ratio.

• Increase investment in the R&D of steel technic to acquire a core technology system of our own intellectual property.
Effect on Organizational Structure Change of Steel Industry in China.

- The current organization structure in steel industry is still unable to meet the competition of entering WTO. The main problems are: there are too much companies and most of them are of small scale (number of companies having a production of over 350,000 tonnes per year are beyond 60) and of low level of specialization. These companies must be reorganized in order to meet the future development.

- Speed up the production specialization of steel industry by annexation and reconstruction between corporations.

- Increase the production capacity of high added value steel product by sharing property and joint venture.

- Increase the risk-resisting ability by strategy alliance in companies both at home and abroad.

- Normalize the operation of steel company and increase the labor productivity by listing and separation of companies.
Effect on Steel Trade of China

- After entering WTO, the customer group of the steel companies will change.
- Consumption of some sectors will rise while consumption of the others will drop; the number of foreign customer will increase.
- Due to the lack of information, experience and marketing net of international trade, the current marketing pattern must be changed, mainly in the following ways:
  - Building the information channel and marketing net;
  - Improving the ability of analyzing international market and the ability of trading in the whole world.
  - Building a customer management system and a sending center of steel products; tracing the change of customer structure; improving the quality of after-sales service.
  - Forming cooperation relation with the circulation companies to stabilize the market.
Conclusion

- The entering into WTO will greatly affect the trade and development of steel industry in China.
- The steel industry should speed up the reforms to meet the requirements of international trade cycle.
- The steel companies will acquire strong viability by improving competence and participating international cooperation.