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Editorial Desk

Dear Readers,

Over the last few years, China has emerged as a big economic power and the manufacturing hub of the whole world. If one enters any store in any country, the maximum items would be 'made in China'. Indeed, China has flooded the world markets with its enormous low cost manufacturing capacity. What is true for toys is also true for industrial goods. It produces and sells components, equipments at such a low price that the counterparts in other countries have no option but to close down their manufacturing activity and trade the goods made in China.

The 'steel story' is similar. China imports most of its iron ore requirement but still produces steel at a very competitive price. All iron & steel professionals would agree that the last decade belonged to China. It escalated its steel making capacity and also the production touching 700 million tonnes (MT) per annum mark. Thus almost half of the world steel production is done in a single country, China. During this period the country has made huge progress in infrastructure building, bridges, dams, airports, super express ways, bullet trains and what not! But since last two or three years, the things have started changing gradually. The speed of infrastructure building has reduced and consequently its steel appetite has somewhat calmed down. Also there seems to be a thinking at the policy making level to reduce 'over heating' of the economy. But what to do with the huge steelmaking capacity created in last decade? Chinese steel exports started increasing and in the year 2015 it crossed 100 MT mark, much more than the production in any single country except the US. This has really posed a big threat to the iron & steel sector in other countries. Cheap imports not only eat away the demand but also dilute the price. Many steel companies across the world have started bleeding trying to match the price and compete with cheap imports.

The Indian story is not different. For the last few years, Indian mills have been struggling for the survival mainly due to demand stagnation and non availability & high price of raw materials. The threat of cheap imports has added to their problems. At the governmental level also, it is not easy to comply with the WTO norms and still protect the domestic industry. Also there will always be a pressure from the steel user industry to allow these imports as it helps them to reduce their manufacturing cost. In spite of all this government of India has taken a bold decision to introduce Minimum Import Price (MIP) for steel and steel products. This may bit annoy the steel user industry but will surely help the steel companies to keep their bottomline intact !!!

D. A. Chandekar