



## Global Steelmakers Labor Under A Flood of Chinese Steel



As the world's second-largest economy loses steam, industries around the world are feeling out of puff. The latest victim is the steel business, as China desperately tries to compensate for slack domestic demand by exporting its excess production at fire-sale prices. Steel mills around the world are feeling the pinch.

Posters with the slogan "Save our Steel" are plastered on the walls of pubs and shops around the seaside town of Redcar in northeast England.

Wounded by an influx of cheap Chinese steel, Thailand's largest steelmaker, Sahaviriya Steel Industries (SSI), will mothball a slab plant in Redcar that it acquired just four years ago. Local subsidiary SSI UK will go into liquidation and nearly 2,000 workers will lose their jobs.

The news rocked Redcar, where steelmaking has long been the main industry, although it has shrunk drastically over the past decade or so as British steel became less competitive.

"We used to say steel work is a lifetime job, but now it's all different," said a 55-year-old man puffing on a cigarette outside a pub near High Street. His 29-year-old son was among those laid off by SSI. The son has a nine-month-old baby. "Now I'm going to have to pay for all of our Christmas expenses," groused the father.

Meanwhile, roughly 350km to the south, the queen's staff was busy preparing rooms at Buckingham Palace for a guest from the East, specifically, Chinese President Xi Jinping. The British government was laying out the reddest of red carpets, including a ride in a royal horse-drawn carriage, an invitation to speak to both Houses of Parliament and a

trip to Manchester escorted by Prime Minister David Cameron. Cameron was scorned internationally for kowtowing to the communist state, but the prime minister was convinced that strengthening ties with the

Asian giant would bring enormous commercial opportunities. Yet, with China's economy ailing economic growth for the three months ending in September marked a six-year low Cameron may be looking at China through rose-colored glasses.

A ton of Chinese steel heavily subsidized by the government is cheaper than a ton of cabbage, to say nothing of U.K. production costs. Both the yuan and the Russian ruble have depreciated, adding further pressure to the industry.

The British government decided not to bail out SSI UK, given that the company has never been able to make a profit since it bought the Redcar plant from India's Tata Steel for \$469 million in 2011. Parent SSI has had four straight years in the red through 2014, although its core flat steel operations have been profitable.

### AK Steel Plans to Idle a Kentucky Blast Furnace in December

AK Steel Holding Corp. plans to idle a Kentucky blast furnace in December in response to sharply lower steel prices amid a supply glut and higher imports.

The Ohio steelmaker didn't specify how many of the 940 workers at its Ashland Works facility would be affected, but said it doesn't intend to idle the hot-dip galvanizing line that largely services automotive customers.

"We are taking this necessary step due to the onslaught of what we believe are unfairly traded imports of carbon steel that have been flooding our shores," Chief Executive James L. Wainscott said, adding, "These imports have substantially reduced order intake rates, production rates, shipment volumes and selling prices."

The company said the facility could be idled for more than six months.

In June, six steelmakers including AK Steel filed a trade complaint seeking tariffs for alleged unfair pricing of imported steel



from China, India, Italy, South Korea and Taiwan. The petitioners are frustrated because prices have been sluggish despite strong demand. That has forced the companies to lay off thousands of workers and idle plants around the country.

They blame imports, particularly from China. Slowing demand in that country has led its steelmakers to export excess capacity, flooding global markets.

AK Steel is required to give 60-day notice of moves affecting large numbers of workers under the Worker Adjustment and Retraining Notification Act. Shares of AK Steel were down 2.1% in afternoon trading. They have lost about half of their value this year.