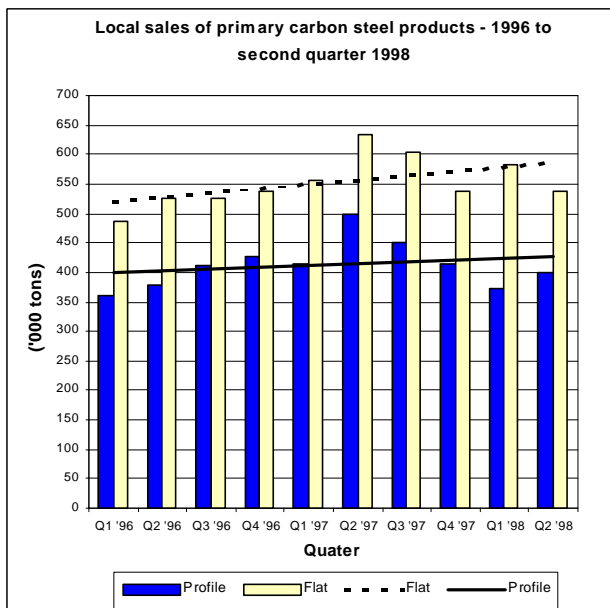




LOCAL SALES DOWN IN THE FIRST SIX MONTHS OF 1998

Although the local sales of primary carbon steel products showed an increasing trend from first quarter 1997, a



Domestic sales during first quarter 1998 were at the same level as in the previous quarter, but 1,4 % down when compared with the same period in 1997. Local sales were down 11,1% in the first six months of 1998 when compared with the same period in 1997.

Domestic sales in the first two quarters of 1998 totalled 1 893 000 tons, compared with 2 102 400 tons in the same period in 1997. When compared with the first six months of 1997, domestic sales of profile products decreased by 15,6 % while the sales of flat products decreased by only 5,6 % during the first six months of 1998.

Due to the decline in the value of the rand since May 1998 and the subsequent increase in interest rates, coupled with the slow progress of the Government's GEAR programme, a further decline in steel demand is expected for the rest of 1998. However, a marginal recovery of sales to the local market could be experienced during the second half of the year when imports could slow down because of the decline in the value of the rand.

According to Mr Dirk Maree, Senior Economist at Iscor, the demand for flat products related to durable spending is expected to start improving during the first quarter of 1999 while the demand for flat products related to the building and construction sectors is only expected to improve during the latter half of 1999. An improvement in the demand for long products is only expected during the second half of 1999.

Steelnews is the official newsletter of the South African Iron and Steel Institute.

Comments on the contents and contributions for future editions are welcomed and should be sent to the Editor.

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PRETORIA

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Total local sales of primary carbon steel products - 1997 to second quarter 1998 ('000)

MONTH	1997			1998		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	129.2	205.7	334.9	118.2	208.9	327.1
FEB	144.0	178.9	322.9	123.9	192.7	316.6
MAR	140.9	170.9	311.8	130.0	182.4	312.4
Q1	414.1	555.5	969.6	372.1	584.0	956.1
APRIL	161.4	211.5	372.9	131.0	180.9	311.9
MAY	166.1	204.9	371.0	135.6	177.0	312.6
JUNE	171.6	217.3	388.9	132.4	180.0	312.4
Q2	499.1	633.6	1132.8	399.0	537.9	936.9
JULY	146.7	217.6	364.3			
AUG	144.4	185.5	329.9			
SEP	158.8	200.0	358.7			
Q3	449.9	603.0	1053.0			
OCT	162.8	205.8	368.6			
NOV	160.9	181.5	342.4			
DEC	92.3	151.0	243.3			
Q4	416.0	538.3	954.3			
TOTAL	1 779.2	2 330.5	4 109.7	771.1	1 121.9	1 893.0

MAJOR INCREASE IN IMPORTS IN THE FIRST SIX MONTHS OF 1998

Statistics from Customs and Excise showed a major increase in the overall imports of primary carbon steel products of 72,5 % when the imports during the first six months of 1998 are compared with those of the same period in 1997. Imports increased by 123,5 % from the last quarter of 1997 to the first quarter of 1998. Imports reached a record high level in the first six months of 1998.

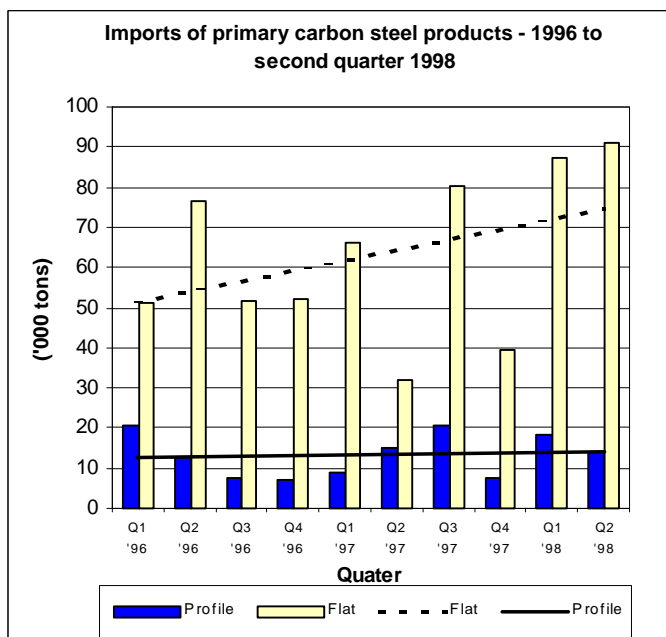
Of the 210 800 tons of primary carbon steel products imported during the first six months of 1998, flat products contributed 178 500 tons or 84,7%. This is 80 300 tons or 81,8 % more than during the same period in 1997. During the first six months of 1998, approximately 131 000 tons or 73,4 % of all flat products imported, came from France, Germany, Japan, Korea, Russia and the Ukraine.

The surge in the imports of hot-rolled products from Russia and the Ukraine during the last half of 1997 and the first few months of 1998 subsequently led to the dumping complaint filed against these countries by the South African steel industry (see article on page 4).

Imports of primary carbon steel long products contributed only 32 300 tons or 15,3 % to total primary carbon steel products imported during the first six months of 1998. This is 8 200 tons or 34,0 % more than during the same period in 1997.

The level of import penetration (imports expressed as a percentage of the local demand) reached an alarming level of 10,0 % during the first six months of 1998. The levels of import penetration were 6,2% during 1994, 4,8% during 1995, 7,1% during 1996 and 6,2% during 1997.

During 1995, South Africa exported 12,7 times more steel than was imported. During 1996 and 1997 this figure was 10,2 and 9,6



Imports of primary carbon steel products - 1997 to second quarter 1998 ('000 tons)

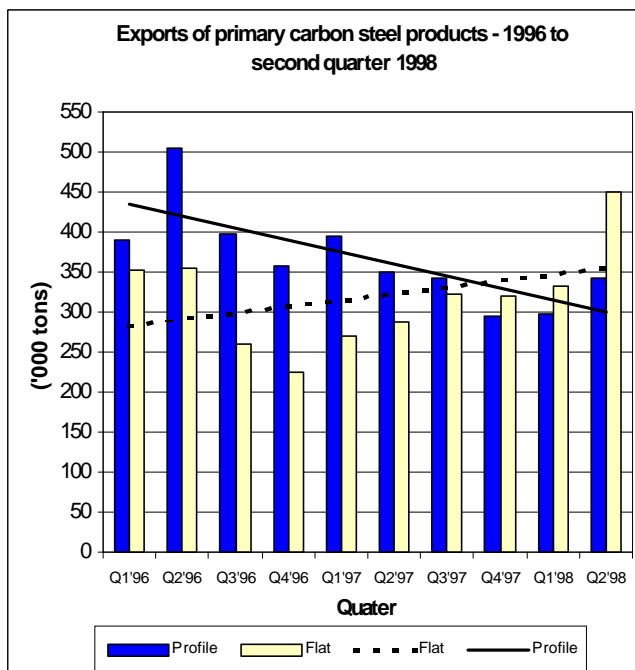
MONTH	1997			1998		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	4.9	22.6	27.5	12.6	27.8	40.4
FEB	2.4	16.8	19.2	3.0	47.1	50.1
MAR	1.7	26.8	28.5	2.5	12.5	15.0
Q1	9.1	66.1	75.2	18.1	87.4	105.5
APRIL	3.2	8.2	11.5	5.6	54.7	60.3
MAY	2.6	12.3	14.8	5.6	10.1	15.7
JUNE	9.2	11.6	20.7	3.1	26.3	29.4
Q2	15.0	32.1	47.0	14.2	91.1	105.3
JULY	5.2	28.3	33.5			
AUG	9.2	19.1	28.3			
SEP	6.2	33.0	39.2			
Q3	20.6	80.4	101.0			
OCT	3.1	17.8	21.0			
NOV	2.2	10.9	13.1			
DEC	2.2	10.9	13.1			
Q4	7.5	39.7	47.2			
TOTAL	52.1	218.3	270.4	32.3	178.5	210.8

During the first six months of 1998, South African imports of primary steel originated (in order of magnitude) in the following countries:

- Russian Federation, Germany, Japan, Korea, France, United Kingdom, Ukraine, Belgium, Brazil and Swe-

MODERATE INCREASE IN EXPORTS FROM 1997 TO THE FIRST SIX MONTHS OF 1998

The exports of primary carbon steel products reported by the members of the Council showed an increase of 9,4 % when the exports during the first six months of 1998 are compared with those of the same period in 1997, as depicted in the graph below. Of the 1 423 700 tons of primary carbon steel



Steelnews

products exported during the first six months of 1998, flat products contributed 783 000 tons or 55,0%, an increase of 225 800 tons or 40,5 % when compared with the same period in 1997.

Total exports of primary carbon steel products were down 5,3 % when the first quarter 1998 exports are compared with the same quarter in 1997, but increased by 24,7 % when second quarter 1998 exports are compared with those of the same quarter in 1997. Exports increased by 26,0 % from first quarter 1998 to second quarter 1998.

Exports of primary carbon steel long products represented 640 600 tons or 45,0 % of total primary carbon steel products exported during the first six months of 1998. This represents a decrease of 103 900 tons or 14,0% when compared with the first six months of 1997.

During the first six months of 1998, South Africa exported primary carbon steel products to 106 countries, of which the following (in order of magnitude) were our most important trading partners:

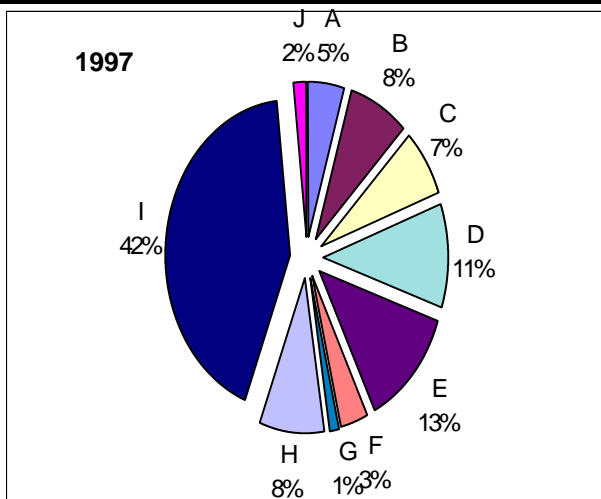
Exports of primary carbon steel products re-reported by the primary steel producers - 1997 to second quarter 1998 ('000 tons)

MONTH	1997			1998		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	130.0	90.3	220.3	76.2	110.7	186.9
FEB	139.1	88.3	227.4	133.8	106.3	240.1
MAR	126.5	90.8	217.3	87.7	115.2	202.9
Q1	395.7	269.4	665.0	297.7	332.2	629.9
APRIL	105.2	100.0	205.3	103.4	137.5	240.9
MAY	119.8	96.2	216.0	102.5	156.4	258.9
JUNE	123.8	91.5	215.4	137.0	156.9	294.0
Q2	348.8	287.8	636.6	342.9	450.8	793.8
JULY	89.8	96.5	186.4			
AUG	145.3	117.5	262.8			
SEP	107.2	109.4	216.6			
Q3	342.3	323.4	665.7			
OCT	89.2	110.8	200.0			
NOV	112.1	92.5	204.6			
DEC	94.1	117.9	212.0			
Q4	295.4	321.2	616.5			
TOTAL	1 382.2	1 201.8	2 583.9	640.6	783.0	1 423.7

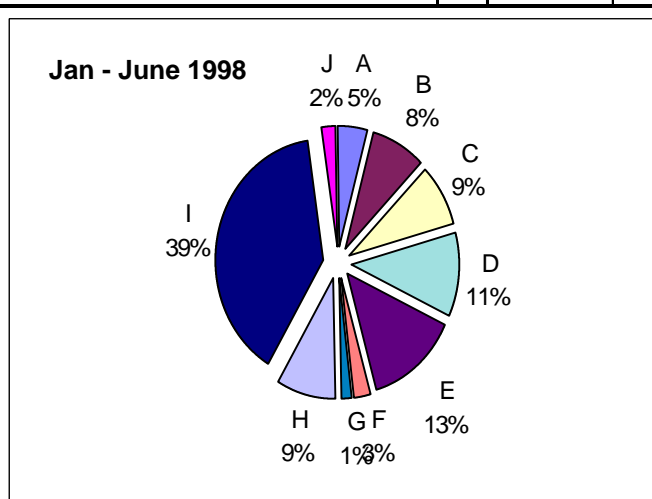
SALES TO INDUSTRIAL GROUPS - SLIGHT CHANGE FROM 1997

As in 1997, merchants were the biggest local trading partner of the primary steel industry during the first six months of in 1998, buying 39,7% of total local sales (42,5% during 1997), followed by cables, wire products and gates with 12,9% (12,5% during 1997) as depicted in the tables and graphs below.

INDUSTRIAL GROUP: 1997		TONS	%
Basic Industries	A	196 367	4.8
Metal pipes, tubes and fittings	B	322 694	7.8
Tin cans and tinware	C	280 863	6.8
Plate and sheet metal works except tinware	D	451 479	10.9
Cables, wire products & gates	E	517 264	12.5
Other metal products except machinery and transport equipment	F	134 467	3.3
Transport equipment	G	60 091	1.5
Construction	H	338 246	8.2
Merchants	I	1756 413	42.5
Other	J	70 397	1.7
TOTAL		4 128 281	100.0



INDUSTRIAL GROUP: Jan - June 1998		TONS	%
Basic Industries	A	88 421	4.7
Metal pipes, tubes and fittings	B	151 330	8.0
Tin cans and tinware	C	161 120	8.5
Plate and sheet metal works except tinware	D	208 357	11.0
Cables, wire products & gates	E	244 234	12.9
Other metal products except machinery and transport equipment	F	51 781	2.7
Transport equipment	G	27 583	1.5
Construction	H	165 742	8.8
Merchants	I	751 253	39.7
Other	J	40 596	2.1
TOTAL		1 890 417	100.0



PROGRESS WITH THE DUMPING COMPLAINT FILED AGAINST RUSSIA, THE UKRAINE AND BRAZIL

Following the dumping complaint filed against Russia, the Ukraine and Brazil by the South African Iron and Steel Institute on behalf of two of its members against low-priced imports of plates and hot-rolled sheet originating in these countries, the notice of initiation of the investigation was published in the Government Gazette of 17 July 1998.

The Board on Tariffs and Trade (BTT) reported that *"the petitioner alleges that it cannot compete with the low prices charged by the importers and that the allegedly dumped products are causing material injury and a threat of material injury. The petitioner submitted sufficient evidence and established a prima facie case to enable the Board to arrive at a reasonable conclusion that an investigation should be initiated on the basis of dumping, material injury (or threat of material injury), and causality."*

The BTT further reported that *"with regard to Brazil, the allegations are based on the exports from Brazil to the European Union and the exports to the Southern African Customs Union. On this basis the Board found that there was prima facie proof of dumping,"*

"Because Russia and the Ukraine are considered to be countries that do not have market economies, Brazil was used as a surrogate as it was alleged that Brazil has an industry at a similar level of development as those of Russia and the Ukraine. The normal value for both countries was determined on the basis of Brazil's exports to the EU and the export price was determined on the basis of the exports to the SACU area from Russia and the Ukraine. On this basis the Board found that there was prima facie proof of dumping."

"The period of investigation for purposes of determining the dumping margins in the respective exporting countries or countries of origin will be from June 1997 to May 1998. The period of investigation for purposes of determining injury will be from January 1995 to May 1998. The Board may request information subsequent to May 1998 if it so requires".

The BTT has sent out questionnaires to all known importers and exporters involved, as well as to all known representative associations. The questionnaire and any other representations must be returned to the BTT within 30 days following the date of publication of the notice of initiation of the investigation. In the case of parties known to be interested, responses must reach the BTT 30 days following the date on which the letter accompanying the said questionnaire was received. Seven days allowing for delivery by mail could be added to the given 30 days.

On 24 July 1998 the BTT published a correction notice in the Government Gazette because three tariff sub-headings had been omitted from the notice published on 17 July 1998, namely subheadings 720836, 720851 and 720852.

The BTT is currently in the process of verification of the information obtained in the returned questionnaires and a final ruling

EXPORT INCENTIVE SCHEME (COSM FUND) ADMINISTERED BY THE SOUTH AFRICAN IRON AND STEEL INSTITUTE

Article by Johann Nel

The COSM (Committee for Secondary Manufacture) scheme was originally introduced as a Government-driven scheme for promoting exports of secondary manufactured steel products. The main objectives of the COSM scheme were to enhance South Africa's foreign currency earnings and to assist in job creation in South Africa.

Due to pressures from our trading partners overseas, the Government at a later stage withdrew from the COSM scheme for various reasons and because South African exporters were facing serious problems with inter alia antidumping prohibitions by GATT, countervailing regulations according to GATT and other GATT commitments.

Due to Government's withdrawal, the steel industry decided to continue with the scheme as a private sector scheme to promote the development of the secondary steel processing industry in South Africa and to create an expanding market for locally produced primary steel products.

The COSM scheme currently complies with the rules and regulations of the WTO and is as such not countervailable by our trading partners due to it being a private scheme for the promotion of exports.

COSM guidelines

Exporters who qualify

The Fund provides financial assistance to exporters of fabricated steel products under the following conditions :

- A minimum of 25% added value should be attained.
- The products exported should be manufactured from South African produced rolled or drawn primary steel.
- Exporters must be situated in the South African Customs Union.

Exporting territories

Any geographical area outside the Southern African Customs Union qualifies as an export territory, excluding the following countries : Mozambique, Malawi, Zimbabwe, Zambia, Zaire and Angola.

Products

All products with a steel content qualify for assistance, except castings and forgings, reinforcing steel, stainless steel, tinplate and primary steel items.

Assistance

The assistance is currently 10% of the FOB value to a maximum of R 90 per ton of the net steel content of an exported product, and is reviewed every six months. Prior notice will be given be-

fore a decrease or an increase in the assistance amount.

Submission period

The exporter will only claim after the export has taken place. This is in contrast to claiming a concession from the steel producers. The exporter has six months after the date of export to submit his claim to COSM. The exporter has to prove that it was an export by submitting the relevant export documentation. The products must have left the country and foreign currency must have been earned.

BENEFITS TO EXPORTERS OF SECONDARY STEEL PRODUCTS

The assistance granted by the COSM Fund enables exporters to compete in the international market, expand their operations through expanding markets, increase profits due to expanded operations and offers tax-free assistance (Art 10 (1) zA of the Income Tax Act) in the hands of the exporters, again increasing their profits.

THE ROLE OF PRIMARY STEEL PRODUCERS

The primary steel producers are giving money to exporters to

Assistance paid to claimants				
Financial year	Assistance paid (VAT inclusive)		Rand/ton paid	
	Rand (Million)	Change %	Rand	Change %
1992/93	49,647	-17,9	146,31	5,7
1993/94	74,347	49,8	150,91	3,1
1994/95	82,883	11,5	157,79	4,6
1995/96	83,023	0,2	159,16	0,9
1996/97	71,223	-14,2	157,27	-0,1
1997/98	53,599	-24,7	100,04	-36,4

Through this assistance exporters were able to export and South Africa received foreign currency as a net result from exports of steel-related products, from 1993 to 1998 for the financial years ending 30 June, as set out below:

Foreign Exchange Earned by Exporters

Financial year	Total foreign currency earned		Average per ton		Per Rand Assistance paid	
	Rand (Million)	Change %	Rand	Change %	Rand	Change %
1992/93	2 341, 647	54,4	6 901	98,1	47,17	88,1
1993/94	2 774, 451	18,5	5 631	18,4	37,32	-20,9
1994/95	3 190, 411	15,0	6 074	7,9	38,49	3,1
1995/96	2 675, 539	-16,1	5 129	-15,6	32,23	-16,3
1996/97	3 283, 813	22,7	7 251	41,4	46,11	43,1
1997/98	4 326, 319	31,7	8 078	11,4	80,72	75,1

Finally, the steel producers are helping the South African exporters of secondary steel products to become big players in the international export market. Their efforts include concessions to exporters of secondary steel manufactured products, tax-free assistance to exporters of secondary steel manufactured products, representation on trade fairs in conjunction with the DTI, assistance in the training of draughtsmen and engineers, assistance with welding training and establishing welding standards and assistance in

EXPRODEV (EXPORT PROJECT DEVELOPMENT)

Article by Johan de Wet

Exprodev was born out of the Export Promotion Division of SAI SI, which created an export orientated culture amongst domestic manufacturers of value-added steel products by business development and by identifying export opportunities and assisting domestic secondary steel product manufacturers in utilising these opportunities.

This activity increased drastically since the new Government came into power. The nature of the activities changed to a more businesslike approach and the SAI SI organisation became less suitable to accommodate the new requirements placed on the Export Promotion Division. The SAI SI Council therefore decided to create a new entity, namely Exprodev, to drive the export activities.

Exprodev was formed as a privately owned company registered in February 1997, the shareholders being the members of the South African Iron and Steel Institute. Although Exprodev is a taxable company, aiming to earn income from its export activities, its mission was determined by its board of Directors as:

To promote the exports of South African produced secondary manufactured steel products and associated equipment with the objective of assisting South African manufacturers to earn foreign currency.

Although Exprodev will be functioning within the parameters of its mission, it will recover a small commission on all successful export contracts developed by Exprodev. It is not the intention to maintain the commission indefinitely on all future exports that might evolve from a first contract, but the commissions will be payable as long as the particular project and South African exporter need Exprodev's involvement.

PRESENT ACTIVITIES OF EXPRODEV

The successes achieved with the creation of new exports of value-added downstream steel products and the capabilities of SAI SI members to achieve goals are proven history. The projects that Exprodev is handling could be described as new export projects of national interest, which incorporate the supply of products of a wide

variety of individual companies across the spectrum of the South African industry. It goes without saying that projects developed by Exprodev require the input of big, medium and small suppliers. Exprodev therefore acts as a true industrial business development organisation.

NETWORKING AND INFORMATION SHARING

Exprodev considers the building of relevant networks as one of its primary tasks. Every project developed by the then SAI SI's Export Promotion section was successfully completed through effective networks.

It is becoming more and more important to enter into strategic international alliances in order to gain access to international transferable technologies and market information.

An effective system to distribute enquiries to possible South African suppliers already exists in Exprodev. A continuous series of enquiries are also received by Exprodev from sources such as Department of Trade and Industry Missions, the Department of Foreign Affairs, the Afrikaanse Handelsinstituut, the South African Chamber of Business and personal contacts.

MULTISOURCING AND COLLECTIVE MARKETING

Exprodev seeks and develops business opportunities using the principle of a collective marketing approach for industry sectors. Once final business agreements are reached for a project, products and services are supplied to the overseas buyer by individual South African companies on a basis of multi-sourcing of products. In cases of big projects of a capital nature, where the tender conditions require pre-qualification of South African vendors, Exprodev will arrange such actions on behalf of the relevant companies or in a consortium structure.

MARKETING APPROACH

It is important to recognise that the South African manufacturing sector is constantly exposed to international competition - both on the domestic market and internationally. As a result, the competitive environment is determined not only by policies and economic structures which are in operation within South Africa, but also by the policies and economic structures in operation in other countries. Whilst the direct impact of foreign environments is negligible, they are a crucial determinant of South African industry's ability to compete in the export market.

Ultimately, the competitiveness of South African manufacturers will be determined by the degree to which they are able to operate in the environments within which their competitors are required to operate. Individual companies are exposed to the whole spectrum of business environments, varying from the internal environment of the business, through the industrial and national environments.

Exprodev positions itself to facilitate business opportunities for South African companies through these layers of business environments. This is done by an in-depth knowledge supported by research studies of issues such as cultural preferences, the acceptability of financial issues such as supporting financial programmes and schemes, as well as identification of viable market opportunities in general or in growing or diminishing economies of other countries.

It should be noted that a number of countries, particularly Japan, France and Australia, already have industrial policies and market promotion structures for their industry, which cater for the specific needs and problems facing the industry in those countries.

It is intended to build Exprodev into a practical industry business facilitator for the South African downstream steel industry.

The Directors of Exprodev are:

CONSUMPTION OF FERROUS SCRAP AND OTHER FE UNITS EXPECTED TO BE SLIGHTLY DOWN IN 1998

The consumption of ferrous scrap and other Fe units is expected to reach 10 217 031 tons in 1998. This will be only 0,6% down on the 10 279 611 tons that were consumed in 1997.

The recent mothballing of the Iscor Corex plant in Pretoria, however, could affect the estimated consumption of liquid iron

Consumption of ferrous scrap and other Fe units in South Africa

Fe unit	1997*	Estimate 1998	Expected percentage increase / (decrease) from 1997 to 1998.
Consumption of Fe scrap	1 473 369	1 418 860	-3.7
Consumption of other Fe units:			
Liquid iron - Corex	153 000	203 800	33.2
Liquid iron - Arc Furnace	1 215 341	1 090 571	-10.3
Liquid iron - Blast Furnace	4 424 911	4 624 020	4.5
Pig / pool iron	440 652	383 654	-12.9
DRI / Sponge iron	928 218	1 044 425	12.5
Other salvaged in works	175 118	153 063	-12.6
Process scrap	1 469 002	1 298 638	-11.6
Total consumption of other Fe units	8 806 242	8 798 171	-0.1
Total consumption - all Fe units	10 279 611	10 217 031	-0.6

* Amended since published in March 1998

PRODUCERS OF PRIMARY STEEL PRODUCTS IN SOUTH AFRICA:

- **Iscor Ltd** with steelworks in Vanderbijlpark, Vereeniging and Newcastle, producing semi-finished, flat and profile products. Iscor is the largest producer on the continent and was ranked the 30th largest steel producer (crude steel output) in the world by the IISI in 1997.
- **Highveld Steel and Vanadium Corporation Limited**, producing semi-finished, flat and profile products. Highveld is also the world's largest producer of vanadium.
- **Davsteel, a Division of Cape Gate (Pty) Limited**, producing profile products.
- **Scaw Metals Limited**, producing semi-finished and profile products.
- **Cape Town Iron and Steel Works (Pty) Limited**, producing mainly semi-finished products and some light bars.
- **Columbus Stainless**, producing semi-finished and flat stainless steel products. After the recent mothballing of the Iscor Pretoria Stainless Steel Works and Microsteel in Durban, Columbus Stainless is the only primary stainless steel producer in Africa.
- **Saldanha Steel**, a joint venture between Iscor and the IDC,