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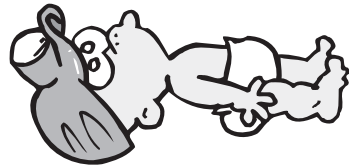
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JANUARY 2007 NEWSLETTER

The China Factor

By Jim Stavis

Last month we provided a forecast of the steel industry in anticipation of the New Year. This prognostication was based on a variety of factors, one of which was the Chinese impact on the world's steel supply. Despite a recent price slippage, prices worldwide have remained at historically elevated levels. This is due to steelmakers achieving much greater pricing power since the price spike began in early 2004. Since that time, there has been a consolidation of the global steel industry and increased consumption in part due to what has been going on in China. Production rose 5 percent in 2006 to 1.08 billion metric tons and will increase 7 percent in 2007. The question is what will the demand be like in 2007?

China has become the world's largest steelmaker and steel consumer. Over a year ago, China became a net exporter of steel. This is because it had finally overproduced

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The China Factor

(Continued from Front)

for its own demand requirements. What impact will this have on the world's supply?

We got somewhat of an example last year. United States buyers of steel sourced 4.96 million tons of steel from China in 2006 compared to 2.3 million tons for 2005: this is a net increase of 116 percent. Also, instead of other countries sending their steel into China, they have now

diverted shipments into the United States, which further injures our market. Many of these countries have dumped steel into the United States with subsidized import pricing that serves to harm our domestic steel industry.

United States legislators have tried through trade restraints and tariffs to reduce China's steel production and exportation into our country. House Resolution 3283 has passed which requires the Commerce Department to consider petitions to establish duties against subsidized imports

from China. This is a good first step, but more must be done including forcing China to revalue its currency or face additional tariffs.

The rapid growth of steel production and demand in China has been the reason for the increased prices worldwide. It is only a matter of time before China's steel industry begins to consolidate. China wants to reorganize its steel industry into

fewer, larger players. Currently China is responsible for a third of their own steel supply. By 2010 it is estimated that China will account for 50 percent and by 2020, more than 70 percent. How long will it take for China to become a major factor in the world's steel supply? The following chart reflects how much China (in relation to other countries) has grown as a supplier to the United States.

Top 10 steel suppliers to the U.S.

(annual million net tons)

	2006	2005	% Change
Canada	5.74	5.33	7.6%
Europe	5.36	5.00	7.2%
China	4.96	2.30	115.9%
S. Korea	2.88	1.81	59.4%
Turkey	2.78	1.32	109%
Taiwán	1.89	0.61	210.7%
Japan	1.81	1.38	30.8%
Mexico	1.70	1.95	-12.9%
Russia	1.70	0.73	133.8%
Brazil	1.45	1.04	39.3%

A Life Saving Resolution

Ah New Year... The time for change... The time to conjure up your New Year's resolutions. As many now know, I am a benefactor of the organ donor system as I have received three transplanted organs (kidney, heart and pancreas) over the course of the past year. Through this newsletter I have tried to promote the whole organ donor process as I know it saves lives. Last year the Department of Motor Vehicles, DMV, teamed up with Donate Life California to sign up prospective donors.

With 20,000 people in need of life-saving transplants in California alone, the sign-up process needed help. Since July of 2006, anyone who checks 'Yes' when applying or renewing their drivers license is automatically added to the donations registry. This has the potential to save eight lives with organ donors and enhance the lives of up to 50 others with tissue donations. Approximately 300,000 Californians had signed up prior to the April 2005 launch of the registry website and since July with the DMV partnership, there has been an additional 500,000 sign-ups. According to the DMV, approximately 5,000 people a day are signing up with Donate Life California as compared to 3,500 before the partnership. In some states, including Utah, Virginia, Indiana and Colorado, there is a more than a 60 percent volunteer rate of their licensed drivers. If we could have that in California, we would have no waiting lists for transplants.

So open your heart—open your mind and sign-up today www.donatelifecalifornia.org

