
NDRC shelves 10 MPTA projects of Baosteel and WISCO

Sunday, 15 Nov, 2009

Time Weekly reported that National Development & Reform Commission officially noted to Shelve Baosteel's Zhanjiang Project and WISCO Fangchenggang Project days ago due to China's determination to abate unbearable steel overcapacity

As port cities in Guangdong and Guangxi, Zhanjiang and Fangchenggang were picked out respectively by Baosteel and WISCO, the two top steelmakers in China, to build new steel production bases, where can save a tempting amount of cost in transporting iron ore and products for the two mills.

In 2008, Baosteel and WISCO won approvals to start the preparation work for the two projects. However, they still needed NDRC official authorization to commence the construction.

Mr Xiong Bilin a spokesman from NDRC uncovered lately in a news release conference the truth that China suffered serious overcapacity in steel industry, pouring cold water on those mills, who wanted to launch new projects.

Under the situation, the media and industrial insiders thought NDRC put the two projects aside temporarily. The policy makers in steel sector might be in a dilemma. On the one hand, they should make efforts to promote steel industrial centralization ratio and encourage coastal steel projects; on the other hand, they must set up confines to restrain and sweep out obsolete capacities.

Analysts noted that the historical results after several years' neatening tell that overcapacity is not easy to be cleaned. Unbalance between supply and demand will last for long, as mills refuse to cut outputs and are eager to enlarge their capacity to catch market.

Experts thought that it's swelling construction steel capacity that mainly caused the heavy overcapacity in steel industry. If the state persisted to control small mills, which focus on the production of low tech construction steels, market demand might turn better. However, some insiders still worried about the redundant construction in high tech projects by large mills.

(Sourced from Time Weekly)

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