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## Vietnamese steel industry caught in a chaos - Report

*Tuesday, 07 Sep, 2010*

Thanh Nien reported that Vietnam has a surplus production of about 3 million tonnes of steel every year, and yet, every year, it also imports 4 million tonnes.

The mystery is easily solved, but the problem is not. The surplus production is of construction steel and imports are of steel billets needed for industrial production.

Mr Dinh Huy Tam general secretary of the Vietnam Steel Association told Thanh Nien Weekly that "The rampant development of construction steel mills has created a surplus. Their combined capacity is some 8 million tonnes per annum, far exceeding the demand of 5 million tonnes."

Meanwhile, investment in turning out steel for industrial sectors like ship building and mechanical production is still limited, so Vietnam has to import most of the products. Each year, the country imports some 4 million tonnes of hot rolled steel to serve these sectors.

According to a recent report by the Ministry of Industry and Trade, the country has 74 steel projects with a combined investment of nearly USD 22.2 billion in 30 cities and provinces.

However, Mr Tam said that none of these are plants that can turn out steel for industrial sectors. He added that "Construction of some projects has been delayed."

Mr Le Manh Hoan vice director of steel producer Dinh Vu said that investors are not keen on producing steel billets because of the large investments and high technological requirements involved.

The investment capital for a plant producing this kind of steel need at least USD 500 to USD 600 million, much higher than the USD 100 million or so needed for a construction steel factory. The investment exceeds a local firm's capacity, so they need to cooperate with other firms to get involved in the business. However, such cooperation has not been looked into seriously.

Mr Tam said that it was only after 2000 that some firms began producing steel billets, but their output only meets 60% of the local demand. The mills produce some three million tons of steel billets each year, much lower than their designed capacity of 4.5 million tonnes. Some small scale mills lack the ability to run at maximum capacity, while others are learning still about the technology that they have just begun applying.

Mr Tam said that firms often import steel scrap to produce steel billet instead of getting the raw material from mines. As of now, the Thai Nguyen Steel Mill is the sole producer of billet from mines, with an output of some 250,000 tonnes each year.

(Sourced from [www.thanhniennews.com](http://www.thanhniennews.com))

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