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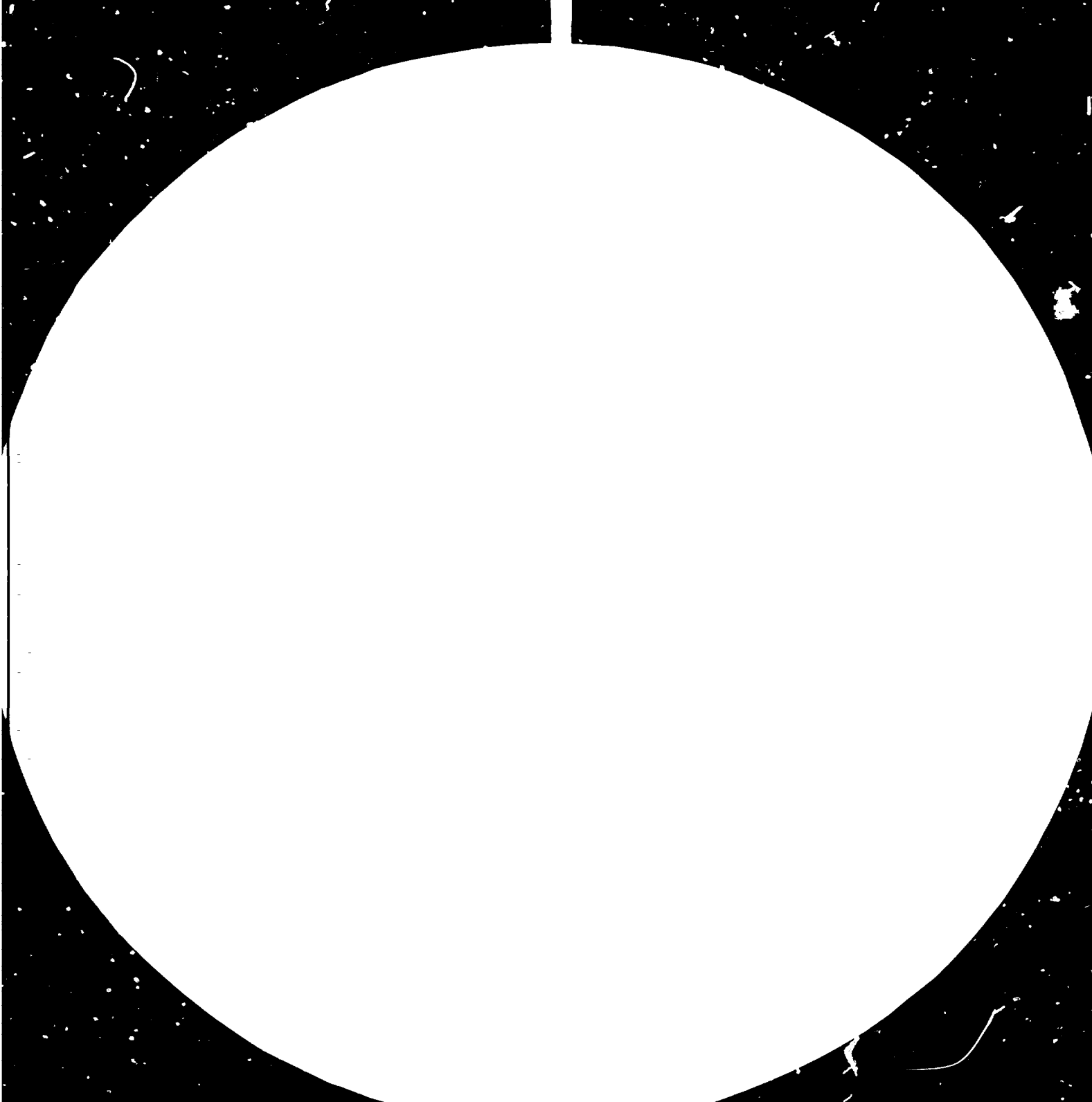
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THIRD MEETING OF THE SMALL GROUP OF EXPERTS ON SCENARIOS  
OF THE IRON AND STEEL INDUSTRY'S DEVELOPMENT

Vienna, Austria, 3 - 4 December 1981

REPORT\*

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## I. INTRODUCTION

1. The Working Group on Scenarios was proposed by the Second Consultation on the Iron and Steel Industry (New Delhi, 15-19 January 1979 - Report ID/WG.286/7) and met in Algiers from 3-5 December 1979.
2. The Working Group recommended that a Small Group of Experts should be set up to provide guidance and to review, correct and recommend the work of the Secretariat in connection with the scenarios.
3. The Small Group of Experts met twice (3-5 September 1980 and 12-13 March 1981) and provided guidance to the work of the secretariat. The Third Meeting of the Small Group of Experts was held in Vienna, 3-4 December 1981, to finalize the work on scenarios before the Second Meeting of the Working Group prior to the Third Consultation.
4. The Third Meeting of the Small Group of Experts was attended by members of the Group (see annex II) with the exception of Mr.W.B.Cramer and by other invited experts.

## II. AGREED CONCLUSIONS AND RECOMMENDATIONS

5. After the revision of the work done by the secretariat, the meeting adopted the proposed dates (3-5 February 1982, Estoril, Portugal) for the meeting of the Working Group.
6. The Small Group of Experts recommended that further work to be done by the secretariat should be carried out in two phases:
  - (i) Before the Second Meeting of the Working Group
  - (ii) Between the above-mentioned meeting and the Third Consultation

### A. Work to be carried out by the secretariat before the Second Working Group Meeting.

7. (a) Due to time constraints, the documents as presented to this meeting (see annex III) should be distributed to the members of the Working Group after translation but without further revisions. In the Working Group

Meeting a kind of simulation of the consultation should be made.

Therefore, the agenda and the presentation of the secretariat should be prepared similar to the Third Consultation to be convened in Caracas, Venezuela from 13-17 September 1982.

8. (b) An explanatory presentation (oral or written) should be prepared to outline the ways in which the work has been performed.

This presentation, referring to the mandate of the Working Group, should indicate adopted methods for solutions reached, limitations met and further problems identified.

9. (c) Prepare a preliminary document to describe the possible effects of the normative scenario. It was agreed that final version of this work should be prepared for the Third Consultation.

10. (d) Open a file utilizing informal documents, interviews, etc. on the trends of restructuring of iron and steel industry.

B. Work to be carried out by the secretariat between the Second Working Group Meeting and the Third Consultation.

11. (a) The Working Group on Scenarios will recapitulate on all the work of the Secretariat. These recommendations will be implemented by the Secretariat.

12. (b) The final form of the documents should be prepared taking into account the new themes added to the Dossier.

13. (c) Several scenarios implying different features should be presented with implications and effects on several partners. The documents should include a list of measures to be taken in order to ensure the success of the normative scenario.

14. (d) In order to optimize the work performed, an explanatory note should be prepared indicating:

- how the work has been performed
- problems identified and methods adopted for solutions
- the limitations met
- the proposed solutions showing the stand of the secretariat.



C. Other recommendations

15. (a) In order to ensure the best possible participation in the Third Consultation, it is recommended that iron and steel industries in developed and developing countries as also equipment-makers in developed countries should be contacted before the Consultation.
16. (b) A short session of the Bureau of the Small Group of Experts be held in Vienna, between the Working Group Meeting and the Third Consultation.

III. ORGANIZATION OF THE MEETING

17. Opening of the Third Meeting of the Small Group of Experts was made by the Chairman of the UNIDO Task Force on Basic Industries. The Chairman of the Group Mr. R. Hocine (Algeria) and Co-Chairman Mr. B. Rollinger (Federal Republic of Germany) took over the meeting.
18. The agenda proposed by the UNIDO Secretariat (see annex I) was adopted.

IV. REPORT OF THE MEETING

19. In introducing the progress accomplished in the preparation of the 1990 scenarios for the iron and steel industry, in line with the recommendations of the Second Meeting of the Small Group of Experts on 12-13 March 1981 and the meeting of the Bureau of the Small Group of Experts on 6-7 August 1981, the secretariat reported that the following studies have been undertaken<sup>1/</sup>:-

- a) Investment projects have been catalogued and analysed anew.
- b) A special dossier has been formed for the analysis of the costs and financing of the iron and steel projects.
- c) The impact of the new energy sources on iron and steel markets has been presented as a "special dossier" and the findings have led to a change in dossier No.3.
- d) An examination of the problems of manpower training has been started.

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<sup>1/</sup> Report: ID/WG.356/3

- e) Dossier No.4, Technology and Research, has been revised and a preliminary analysis of the mass production of quality steel has been included in it.
- f) A note has been prepared on the supply of iron ore.
- g) A special study on mini steel plants has been started and dossier No.3 has already been modified to place greater emphasis on the analysis of the mini steelmaking.

20. It was also indicated that the secretariat has taken the following initiatives to improve the quality of the work:-

- a) A complementary paper on the structure of international trade in iron and steel products has been prepared to examine the possible consequences of an import substitution policy on exports.
- b) Recent trends in the steel production sector of the developing countries and restructuring of the industry in Western developed countries suggest that further analysis of the material contained in Part Two "Proposals for the Scenarios" (UNIDO/IS.213/Add.1), Chapter C, "Transitional economy? Structural crisis?" is required.
- c) The up-dating of the projects has led to corrections being introduced in the resultant situations for the developing regions.
- d) A variant to the normative scenario (variant N<sub>2</sub>) has been envisaged.

21. The secretariat also stressed the problems faced, such as the correction of data related to the projects, which being a continuing process, and, therefore, it is necessary to stabilize now the information available; the analysis of financing lead to revise the estimated new capacities of production; the breaking down of the projected production capacity by major product categories which improves the quality of the analysis, etc.

22. Commenting on the secretariat's presentation, one participant suggested that the discussion should be centred on two points:

- (i) Information part, i.e. descriptive documents prepared for the Third Consultation.
- (ii) Negotiable items which should also indicate how far and how fast the negotiations can take place.

23. Other participants stressed the point that the analysis of the changing data should be left to UNIDO and the meeting should concentrate on the negotiable items.

24. One participant drew attention to the fact that the recent developments would have an impact on negotiable items. For example, the trend in European steel industry is cost reduction in low quality steel and gearing production for high quality steel; all without any capacity expansion. This new trend is affecting the projects and production in developing countries.

25. One participant expressed the view that although the world market is a single market, the effect of crisis is felt less in developing countries and even lesser in centrally planned countries. Therefore, the solution lies in better investment, better capacity utilization and higher productivity. However, these improvements would only be possible when there is an infrastructure. For the countries having nothing the selection at the start is very important.

26. One participant indicated that the non-commercial approach to the iron and steel industry, particularly, plant size and location selections would result in an inefficient industry. He also stressed that mini-plants would be the rational solution for many developing countries.

27. One participant suggested that the results of the preparatory work prior to consultation should be discussed with the developing countries. He added that it would not only require for the substantive preparations but also would give an opportunity to explain the mechanics of consultation. Furthermore, through this activity common denominators could be found.

28. The chairman suggested that negotiable items should be discussed one by one and the first one could be "cost and financing".

29. In this regard, one participant stressed that there is a financing problem and some countries with their resources would find it very

difficult to erect an iron and steel complex. Therefore, for the newcomers new industrial arrangement has to be found.

30. Several participants stressed that cost and financing is the most important item when viewed from the developing countries point.

31. Some participants stressed that the contents of the dossier are to create negotiable items. Therefore, necessity of iron and steel projects should be established first and then financial requirements could be discussed.

32. One participant drew attention to the fact that the parties, generally, are the state from the developing countries and private enterprises from the developed countries. It might be very difficult to formulate the common interest between the parties.

33. One participant stressed that further work is required to establish a link between different dossiers and the impact of scenarios on both developed and developing countries. Another participant requested that the secretariat of UNIDO should establish a follow-up system through which up-dating is possible.

34. Contributing to the discussion on human resources, one participant expressed the view that there should be a collection point where the experiences are stored and exchanged. He also stressed the point that training was usually overlooked and, therefore, governments should be warned at the Consultation.

35. One participant stressed the point that the problem of maintenance should also be given importance since it was linked to training.

36. One participant said that the training problem would require more effort to solve in countries where there is no industrial base. These countries should start with foundation training before on-the-job and technical training.

37. One participant expressed the view that further co-operation between the developed countries i.e. between newcomers and more developed developing countries should be promoted. For this purpose, UNIDO might publish a quarterly report on "co-operation in training".
38. One participant said that his experience showed that the training programmes are usually not started early enough. He stressed that broad training programmes have to be prepared in time.
39. A view was expressed that the training should be related and should be made an integral part to the technical assistance. He also asked to what extent UNIDO could play a role to promote South-South co-operation in this field.
40. Expressing views on the new industrial arrangement, one participant said that investment decisions or planning should be framed such that it would attract attention. In such preparations South-South dialogue was missing.
41. Another participant stressed that the planning of downstream activities such as capital goods industries should be made in connection with the iron and steel industry.
42. One participant stressed that the criteria that would apply to newcomers to the iron and steel industry should be different from that applicable to countries having the industry.
43. One participant defended the view that although the character of the project would defer from country to country the nature of projects are global and, therefore, new arrangements should be found to enable parties to reach agreement.
44. In the subsequent general discussions, one participant stressed that in the forthcoming meeting of the working group, secretariat's presentation

should explain the utilization of scenarios and the results obtained.

45. Another participant requested that a new part to the study should be created dealing with the negotiable items with some background. He added that the working group meeting should concentrate on this document, i.e., negotiable items, only.

46. One participant proposed that the presentation should start with a number of factors helping to simulate the future, then come back to present situation and solutions. This approach would show to negotiating parties what has to be done in order to reach a certain future .

47. One participant stressed that the measures that would help to realise the normative scenario should be discussed. Through this discussion an optimum solution could be found.

48. After the general discussion the chairman made a summary which is already included in Part II "Agreed Conclusions and Recommendations" of this report.

Third Small Expert Group Meeting on Scenarios  
of the Iron and Steel Industry's Development  
Vienna, Austria, 3 - 4 December 1981.

AGENDA

1. Opening of the Meeting
2. Review of work done in accordance with recommendations of the Second Small Expert Group Meeting and of Ad-hoc Meeting of the Bureau of the Group and the UNIDO secretariat (6-7 August 1981)
3. Selection of the negotiable items and additional problems to be elaborated in order to finalize the work on the scenarios.

Third Small Expert Group Meeting on Scenarios  
of the Iron and Steel Industry's Development  
Vienna, Austria, 3 - 4 December 1981

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Vienna, Austria, 3 - 4 December 1981

LIST OF DOCUMENTS

1. Scenarios de l'industrie Siderurgique 1990 "Dossier Special"  
- Note complémentaire au Dossier III: "Etude des marchés  
pour le secteur sidérurgique créés par le développement et  
la diversification de la production énergétique" (ID/WG.356/1)
2. 1990 Scenarios for the iron and steel industry "Special  
Dossier" - Complementary paper to Dossier III: "Evolution  
of the structure of international trade from 1972 to 1977  
by main categories of iron and steel products" (ID/WG.356/2)
3. Report on the progress accomplished in the preparation of  
the "1990 Scenarios for the Iron and Steel Industry" (ID/WG.356/3)
4. 1990 Scenarios for the Iron and Steel Industry "Special  
Dossier" - Complementary paper to Dossier VII: "Iron and  
Steel projects versus indebtedness, savings, exports and  
credit-worthiness" (ID/WG.356/4)
5. Revised revision of Part II "Scenarios" - Paragraphs 114  
to 139 : "Revue des situations résultantes des scénarios  
pour les régions des pays en développement" Informal document
6. Aide-Memoire - Selection of the negotiable items in the  
iron and steel industry. Ad-hoc meeting of the Bureau  
of the Small Expert Group and the UNIDO Secretariat -  
Vienna, 6-7 August 1981 Informal document
7. Scenarios de l'industrie Siderurgique 1990 "Dossier  
Special" - Note complémentaire au Dossier II:  
"Perspectives et problèmes de l'approvisionnement en  
minerais de fer" Informal document
8. Scenarios de l'industrie Siderurgique 1990 - Première  
partie - "Les Dossiers" UNIDO/IS.213/Rev.1
9. Complément aux Dossiers V et VI: "Les difficultés  
de la montée en production des usines sidérurgiques  
dans les pays en développement" Informal document





