

Trade Allies Throw Lifeline to Iran's Steel Sector

By [The Moscow Times](#)

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LONDON — China, Russia and Kazakhstan are among the few trade allies still providing a lifeline to Iran's vital steel and iron ore sector after most Western suppliers and buyers have cut ties due to growing sanctions pressure.

While industry data shows steel imports have more than halved in the last year, Tehran has kept an inflow from some partners and slightly boosted domestic production of the material, used in construction and vehicle production but also potentially for nuclear use and munitions.

Iran has also doubled exports of the steelmaking raw ingredient iron ore, worth about \$3 billion a year at current prices. The country does not have enough capacity to use much more of its ore to produce steel, but exporting it provides much-needed income now that its oil revenues are down by about 50 percent due to sanctions over its disputed nuclear program.

"This only allows Iran to ease the pain or offset some of the effects of what is happening because of sanctions. It does not enable them to overcome the sanctions," said Scott Lucas, founder of the EA WorldView news site.

"The Iranians are having to go to a shrinking number of customers to try and look for this increase in exports like iron ore to compensate for sharp drops in its main product, which is oil," said Lucas, whose site provides analysis on Iran.

While EU and U.S. bans on specific ferrous products have pushed most Western players away, fearing repercussions on their international trade, Chinese interest in Iranian iron ore has increased, and China has increased steel supplies to Iran.

Top steel producer China is now buying about 2 million tons of Iranian iron ore a month, double the amount it was buying in early 2012, data from consultancy the International Steel Statistics Bureau shows.

"The growth in exports is absolutely true ... [The business] is growing from an infant to a small child," said a spokesman for the Iran Iron Ore association.

It is not yet a "key form of income at this point", he said, adding that cash was the primary payment choice.

Market participants, however, say much of the trade now involves barter and funds deposited in bank accounts in China, South Korea and other countries that can be exchanged for goods.

Tehran has ambitious plans to expand domestic steel output and hopes it can in the short term become self-sufficient.

"Iran is in a position to produce more steel domestically; they have the technology, energy, iron ore to do that," said Edwin Basson, director general of industry body WorldSteel.

Nevertheless, industry experts say it will take the country many years to become independent from foreign producers, especially for semi-finished products such as billet.

"We have enough factories, and they can make anything they want, but the raw product is often coming from abroad," an Iranian property developer said by phone.

While some of the finished products he needs such as steel beams come directly from China and Russia, others are manufactured by Iranian companies from billets coming from abroad, he said.

Iran still has to contend with the dragnet of sanctions, which is cutting supplies of steel. New U.S. regulations coming into effect on July 1 are set to tighten metals trade with Iran.

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