

Future of free trade under



Statue of Sonja Henie, the famous Norwegian movie star and figure skater who won three Olympic gold medals.

The over-arching presence of China on the world non-ferrous metals scene inevitably dominated presentations and discussions at the BIR Non-Ferrous Division meeting in Oslo. It was generally agreed that the country's buying strategy was having a destructive impact on traditional consumer/supplier relationships.

The achievements of close co-operation between merchants and refiners are now at risk due to unfair competition,' warned Hans-Gerhard Hoffmann, executive board spokesman for Germany's Huttenwerke Kayser AG, at the BIR's Non-Ferrous Division meeting in Oslo.

State subsidies were handing 'a major price advantage' to Chinese copper producers and represented a form of 'protectionism' that was damaging to copper recycling as a whole. 'I am worried about the future of free trade,' he said. 'Free trade cannot be a one-way street - us offering it and others abusing it. China is not offering a free and level trading field. We can't compete against market distortions.'

China suffered from an 'unbalanced structure' whereby per capita copper consumption was 'well below' the global average and copper production capacity had risen from 758 000 tonnes in 1991 to 1.85 million tonnes a decade later, with a further 800 000 tonnes of capacity scheduled to be introduced between 2002 and 2005. The country made 'inadequate use of resources' and was 'overdue in acquiring mining capacity' since the country 'cannot fill its long-term growth just with scrap'. Mr Hoffmann also suggested a need within Russia to re-assess its operating conditions since there was no solution in 'just locking its doors'.

Joint interest

Mr Hoffmann pointed out that buyers in the Far East, for example, might not want the Western World non-ferrous scrap industry's full range of serv-



A large crowd of BIR delegates attended the meeting of the Non-Ferrous Division.



Guest speaker Hans-Gerhard Hoffmann, executive board spokesman for Germany's Huttenwerke Kayser.

By Ian Martin



threat

ices. By contrast, 'European refiners in a fair and open market require the full service of traders and merchants - mechanical pre-treatment, dismantling, cutting, sorting,' he said. 'European refiners and traders have a joint interest.'

The Chinese 'have penetrated the market unlike anyone ever has', commented Non-Ferrous Division Senior Vice-President Bob Stein of the U.S. 'The smaller dealer in the U.S. has no doubt been solicited directly at some point or another by buyers from China willing to pay maximum value for small quantities of non-ferrous scrap - traditionally the role of the wholesale dealer.'

Mr Stein acknowledged that 'intense' buying from China was 'destroying the traditional relationships amongst dealers in the U.S. as well as with the consumers to whom we sell our products'. However, he refuted criticism from domestic consumers over scrap exports to countries such as China. 'The North American scrap processing industry is not to be blamed for the fact that economics dictate that we face significant challenges in processing our own scrap,' he said. 'In some cases, we can't afford to extend labour that costs as much in a day as it does in a month in China to prepare many of the products to the demanding specifications of the North American consumer.'

Free flow vital

Mr Stein also rejected calls - 'particularly from Europe' - for protectionist measures to be adopted. 'The free and unencumbered flow of scrap across national boundaries is vital,' he insisted. Lower grades of scrap requiring any form of hand-sorting would continue to be exported 'and at increasing rates', thereby having 'a ripple effect on total availability of non-ferrous scrap to North American consumers'.

Ultimately, Mr Stein believed, the Chinese market would mature and buyers would become 'more responsible', possibly as a result of 'legal actions brought by aggrieved consumers in various parts of the world'.

In his market introduction, Non-Ferrous Division President Marc Natan of France pointed to China as the economic 'star pupil' in the first quarter of this year with 9.9% growth. However, it remained to be seen, he said, whether the global slow-down and SARS epidemic would seriously affect the country's industrial output and therefore its import

requirements. The divisional president went on to criticise the quotas and export taxes imposed by Russia and the Ukraine. 'We strongly condemn these moves as a violation of free trade,' he said. 'We are against all forms of protectionism.'

In world terms, the recovery initially predicted for the middle of this year was likely to be delayed until the year end and would be 'limited in its scale', said Mr Natan. Geo-political tensions had weighed heavily on growth in the first part of the year, for example, through an increase in fuel prices. In Europe, both Germany and The Netherlands appeared to have entered recession and other countries 'were not far away from it', while there were suggestions that the Euro could reach a value of US\$ 1.25 to 1.30 in the foreseeable future.

Lack of confidence

Summarising the world markets, Bjorn Grufman of Sweden noted that the combination of SARS and the war in Iraq had created a 'severe lack of business confidence' in the Middle East. Non-ferrous activity in the Asia/Pacific Rim region had also been hit by the SARS outbreak, with travel restrictions and quarantine measures hampering labour and material movements within China, particularly in the south of the country.

Meanwhile, 'bland' non-ferrous activity in North America over recent months had mirrored the 'dull' outlook in Europe, where a shortage of scrap was affecting most countries. In Italy, for example, domestic scrap generation was estimated to be as much as 40% below average while a business trend survey among VDM members in Germany had revealed a substantial decline in overall confidence and major concern over the lack of scrap availability.

Fernando Duranti, President of Eurometrec, suggested difficult market conditions had been accompanied by growing administrative problems resulting from ever-stricter environmental legislation. Annual membership dues that might seem expensive to some members were clearly 'extremely reasonable' if one considered the work performed by the Brussels secretariat to 'monitor the legislation, react to the draft directives or regulations, inform our national federations' secretariats, write position papers and meet decision-makers', he argued. 'It will continue to be more difficult to be a profitable scrap merchant in the future unless we organise ourselves to overcome our problems.' □



Non-Ferrous Division Senior Vice-President Bob Stein of the U.S.



Non-Ferrous Division President Marc Natan of France.



Kumar Radhakrishnan, General Manager of the International Division of SimsMetals Ltd., Australia.