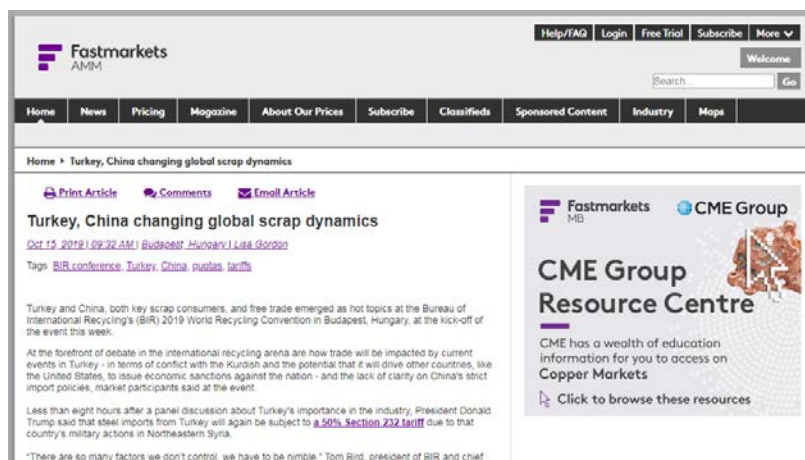


Turkey, China changing global scrap dynamics

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Turkey and China, both key scrap consumers, and free trade emerged as hot topics at the Bureau of International Recycling's (BIR) 2019 World Recycling Convention in Budapest, Hungary, at the kick-off of the event this week.

At the forefront of debate in the international recycling arena are how trade will be impacted by current events in Turkey - in terms of conflict with the Kurdish and the potential that it will drive other countries, like the United States, to issue economic sanctions against the nation - and the lack of clarity on China's strict import policies, market participants said at the event.

Less than eight hours after a panel discussion about Turkey's importance in the industry, President Donald Trump said that steel imports from Turkey will again be subject to a 50% Section 232 tariff due to that country's military actions in Northeastern Syria.

"There are so many factors we don't control, we have to be nimble," Tom Bird, president of BIR and chief operating officer of Hong Kong-based Chiho Environmental Group Ltd, said on Monday October 14.

"It is tariffs and quotas that hinder our industry and hurt our partners in Turkey and Asia. In this day and age, it is hard to see a world that is not a free market," according to Greg Schnitzer, BIR ferrous division president and vice president of ferrous sales at Portland, Oregon-based Schnitzer Steel Industries Inc.

The quotas in place should serve as a reminder to companies to strive for excellence. This can be seen with China's implementation of the "National Sword" and "Green Fence" initiatives due to quality concerns, which caused export opportunities to plummet.

National Sword and Green Fence have made it increasingly harder on exporters. National Sword, announced in 2017, increased scrutiny of imports to stop scrap and waste material from entering the country. Operation Green Fence, which took effect in 2013, worked to stop the inflow of hazardous waste.

"Most important to all of us, this is our heart and our conscience. In China, we have experienced National Sword and Green Fence. It is a lesson to all of us that we must watch our quality. One of our customers told me the most important investment is in the processing of the last 2% of the contaminants. We must do the best we can to upgrade our quality," David Chiao, BIR non-ferrous division president and vice president of Atlanta-based Uni-All Group Ltd (USA), said at the event.

"China may be out of the market but not out of the equation," he said, noting that China is still a very healthy economy. The Chinese quotas have opened new opportunities for countries to enter the non-ferrous export market, with new manufacturing zones being established in Southeast Asia and Africa.

Schnitzer agreed. "In the positive aspects of today, China has provided new opportunities in new countries like Bangladesh to step forward [and fill the void left by China]. It has led to the opening up of more trade partners and enriching other countries," he noted.

Many of the uncertainties today over steel tariffs and quotas, as well as Brexit, are politically driven. This is different from the 2008 meltdown, which was financially driven. But there is no reason to be pessimistic because there is still demand for scrap metal, non-ferrous BIR representative Murat Bayram said.

"Just be a realist and do your homework," according to Bayram, who is also a director of Warrington, England-based European Metal Recycling Ltd.

Economist Philippe Chalmin, professor of economic history at Paris-Dauphine University, pointed out that oil and scrap prices usually mirror each other when charted together. He expects oil to continue selling below \$60 per barrel over the next few months due to a surplus, while most metals will have reached a bottom.

The non-ferrous scrap market is suffering from weak demand and a bearish outlook despite supply deficits in many markets, such as nickel, he added.

Chalmin predicted that the United States' dollar will remain strong, recessionary fears will not pan out and the US and China will reach some kind of peace in their trade war, with the two countries expected to begin trading again without protectionary safeguard measures in place.

While Chalmin sees underlying strength in the US economy, the weak spot is the European Union, where Germany is moving into a recession that is linked to automotive headwinds and the United Kingdom is in chaos due to Brexit.

Such uncertainty in the market has led US scrap export prices to places like Turkey to fluctuate sharply.

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