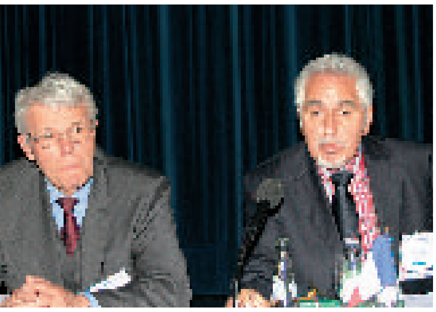
United under the ‘fre

A formal denunciation of all scrap export controls was among the highlights of the latest BIR Non-Ferrous Metal Division meeting in Berlin. Another was a guest presentation which addressed calls by European non-ferrous scrap consumers to safeguard their raw material supplies in the face of competition from Chinese buyers.

By Ian Martin

The ‘Molecule Men’, rising out of the water at the Oberbaum Bridge in Berlin are an extravagant eye-catcher.



General Delegate Hans Münster of the German metal traders organisation VDM (left) and Non-Ferrous Division President Marc Natan of France.

Thierry Cochet of France (left) and Michael Oppenheimer of the U.S.

In Berlin, the board of BIR’s Non-Ferrous Metal Division unanimously agreed a common position supporting ‘free and uninhibited movement of scrap material throughout the world, unencumbered by export controls’.

Read out at the divisional meeting later that same day, the position statement continued: ‘In recognition of the social, economic and environmental benefits of recycling, we denounce all attempts by governments, special interest groups or trade organisations to implement export controls for scrap materials. Furthermore, we call on importing nations to end import taxes, duties or subsidies that are detrimental to the free and fair trade of our material.’

On the same theme, Björn Grufman’s report on the activities of Eurometrec underlined the organisation’s opposition to ‘any unilateral initiative intending to impose arbitrary export controls on non-ferrous metal scrap’. Eurometrec was calling on the EU and the World Trade Organization (WTO) to take an urgent look at ‘the various unfair trade, fiscal and environmental measures which distort the world non-ferrous metals market’.

Customs duties in Russia

The review of the world non-ferrous metal markets by General Delegate Hans-Peter Münster made note of efforts by EU representatives to negotiate with Russia’s state authorities regarding the possibility of eliminating the latter’s customs duties. However, no significant progress had been made to date, not least because of fears among Russia’s metallurgical enterprises that any such move would deprive them of non-ferrous scrap.

Ildar Neverov of Teplovtorresource in Russia said that these scrap export barriers stood in the way of Russia entering the World Trade Organization. Russia’ s non-ferrous scrap industry was a ‘rapidly developing area of the economy’ and yet ‘significant improvements are needed in the current legislation regulating the industry’. Noting by way of example the ‘very complicated and, in my opinion, inappropriate procedure of licensing non-ferrous scrap activity’, he called for a ‘thorough legislative analysis’ to remove ‘discrepancies and contradictions’. And he added: ‘We have no effective dialogue with the state authorities in order to provide practical legislative amendments to improve the efficiency of the industry. There is no effective information exchange between the companies acting on the market because the market is not transparent.’

Another problem identified by Mr Neverov was the ‘extremely high’ cost of transporting non-ferrous scrap from the yards to the metallurgical plants.

Overwhelming majority

During his own market overview, Non-Ferrous Metal Division President Marc Natan of France asked for a show of hands on the question of whether there should be a ban on exports to China and India. Noting ‘an overwhelming majority in favour of free and fair trade’, he went on to suggest that examples of ‘disguised subsidies’ had arisen in most parts of the world, including the U.S., Europe and Japan.

Mr Natan pointed to the ‘long-forgotten peaks’ achieved by ferrous and non-ferrous metal prices in the six months to March this year and claimed cycles within the non-ferrous market were becoming ‘more rapid and inconsistent’. He expected the following three questions to dominate the non-ferrous metals trade during the remainder of 2004: Would the U.S. experience a lasting pick-up in employment levels? Would there be an end to the appreciation of the Euro? And would China manage to avoid a ‘boom and bust’ scenario?

The divisional President also expressed his regret that, despite scrap consumers being given a regular

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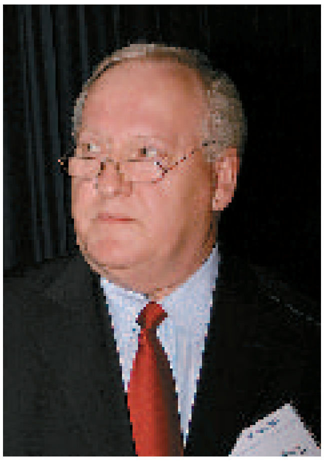

Guest speaker Lothar Krumbügel of Diehl Metall Stiftung in Germany

opportunity to speak at BIR conventions, the scrap industry's customers had yet to return the compliment to a large extent.

Massive distortions

Guest speaker at the Non-Ferrous Metal Division meeting in Berlin was Lothar Krumbügel of Diehl Metall Stiftung & Co. KG in Germany, who provided a somewhat controversial assessment of the shortage of scrap and of current conditions within the European brass industry. He spoke of 'massive market distortions' created by exports of non-ferrous scrap to China at prices 'with which no-one in the Western hemisphere has been able to compete'. These 'exorbitant' prices had been made possible by a VAT system which, he claimed, was still giving a repayment of 13-17.5% on imported copper concentrates, blister copper and scrap. It was not an option for his sector to pass on higher scrap prices to its customers since they themselves were 'confronted with cheap imports of Chinese end products'.

The European metal industries had called on their authorities to take action to safeguard their raw material supply. And Mr Krumbügel warned: 'If these measures are not taken, the metal industry will have to find its own way of securing its supply, and bigger companies are perfectly well placed to directly contact the scrap-generating industry in order to hold the material under the control of the industry, even if one has to invest in containers, lorries and man-power.'

Mr Krumbügel concluded his comments on China with the following open-ended question: How much scrap will be left to be collected in the market if all final products are imported from China and no more scrap-generating industry exists in our hemisphere?

From left: Björn Grufman of Sweden, Salam Sharif of the United Arab Emirates and Ashwani Kumar Singhal of India.

Andy Wahl of the U.S. (left) and Marc Sellier of South Africa

Media & Metal Separation

Difficult to second-guess the market

The outlook for the media and metals separation sector was summed up by Randy Goodman of the U.S. 'Your guess is as good as mine,' he said at the conclusion of his report to the BIR Media & Metal Separation Committee meeting in Berlin.

The roller-coaster ride of the past two and a half years had reached the top and now 'the real fun has begun', he told delegates. 'Over the past one and half months, we have given back everything we had gained over the previous six months.' Chinese demand - or the lack thereof - had been 'in control of the volatility of the markets for some time', he added.

Taking an example from the U.S. domestic market, he noted that the price of Zorba had gone up from 48 cents per pound to 60 cents before falling to a value of around 45 cents - 'a swing of 25% in six months'.

Other reports to the committee meeting reflected a slow-down in Chinese buying activity. Arturo Ferrari of Italy said this development had made more material available for sale into the European and other Far Eastern markets, while outgoing Co-Chairman Thibault Maillard of France believed India might also look to take advantage of this increased availability.

Latest developments in China itself were covered in a report from David Chiao of the U.S.-based Uni-All Group. He suggested that stock levels in China were currently equivalent to four to six months of consumption and that 'the worst is not yet over'. More thorough inspections in the country's southern provinces were now leading to a slow-down in both material and cash flows.

It was also noted at the meeting that the U.S. Institute of Scrap Recycling Industries had officially approved the aluminium-based Tweak and Twire specifications, and that these would appear in ISRI's next official publication.

Randy Goodman, Director of Non-Ferrous Marketing of U.S. based Hugo Neu Schnitzer.