

## **BIR: US-Turkey scrap trade – the needle knows where its thread goes**

Worsening of relations between Turkey and the US, which resulted in the doubling of import duty for Turkish mills, created a lot of speculations regarding the future of scrap trade between the two countries. Although this issue was not included in the official programme of the World Recycling Convention of the Bureau of International Recycling (BIR) held in London on October 5-7, market players actively discussed it on the sidelines of the conference, pointing out that the US and Turkey continue their cooperation in scrap segment as it is vital for both.

The political stance of Washington and Ankara somewhat complicated scrap business between two countries due to the unstable situation in the currency market in Turkey as well as numerous economic challenges, Metal Expert learnt. "An increasing number of Turkish mills are facing serious problems in opening letters of credit and sellers in getting those LCs confirmed by their banks," Frank Heukeshoven, Board Member of the BIR Ferrous Division mentioned in the quarterly report. "The Turkish lira has been under particular pressure, creating significant risk for the country's mills," Tom Bird, Interim President of the BIR Ferrous Division, added.

Despite such developments, Turkey is in need to handle business with American scrap suppliers. Turkish mills increased purchases of scrap from the US by 25.8% to 2.5 million t year-on-year in January-August 2018, as Metal Expert reported earlier. The shipments from the Atlantic accounted for 17% of Turkey's total imports. "Cooperation in scrap segment is vital for both countries," a market source commented. "Turkey will not limit imports of US scrap under no circumstances and even does not evaluate this possibility. It's about time someone blew the whistle on these discussions as such initiative has no sense for the steel industry and will be harmful to it," a Turkish steelmaker said.

At the same time, US scrap collectors are also interested in preserving trade ties with Turkey, which is the largest importer of American scrap and the main scrap buyer globally. According to US Geological Survey, despite strong demand for raw materials in the USA after the imposition of import tariffs under the Sections 232, the country increased exports of scrap by 25.3% to 10 million t y-o-y in January-July, with Turkey accounted for 20% of the volumes. "It's not easy to replace your largest buyer. And for what? If demand is there, if people are ready to pay it is silly to refrain from doing business," a market insider explained Metal Expert.

In the situation of strong mutual dependence between US and Turkish scrap markets and willingness of both countries to cooperate the market mechanisms will dot all the i's and cross all the t's. Challenging conditions in Turkey's steel market will limit volumes of needed scrap in naturally, as local mills will not be able to avoid production cuts. The possibility of a slowing down in scrap demand in the country will potentially have a negative impact on scrap prices. On the other hand, scrap demand in the US is rather strong after the imposition on trade measures against foreign steel; so the prices, which weakened in September, is likely to rebound in October. The winners and losers in this tug-of-war will be defined by time.

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