

Emergency Steel Scrap Coalition Calls for Immediate Action as Scrap Prices Reach New Highs

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Recent Surge Means \$14 Billion Impact on U.S. Economy

Washington, DC - After a \$100-per-ton increase that pushed steel scrap prices to record highs this month, the Emergency Steel Scrap Coalition called on the U.S. Government to take immediate action to open scrap markets abroad, particularly in Russia and Ukraine. The Coalition announced that it is preparing to file trade petitions in the event that scrap export barriers abroad are not removed.

The Coalition has identified barriers to steel scrap exports in more than 10 other countries, including outright bans on scrap exports, quotas, and export taxes. Other countries that imposed such barriers include South Korea, Egypt, Taiwan, Venezuela, Mongolia and Azerbaijan.

These barriers have led to sharp pricing disparities in global scrap markets. Most notably, Russian steel producers are currently enjoying scrap prices that are substantially below global market prices. Russian experts report 14 million of tons of scrap available for export, but the combination of barriers in Russia (an export tax, coupled with an outright ban on scrap exports through western ports) has discouraged export of this scrap.

Meanwhile, U.S. pricing of steel scrap, which reached \$300 per ton in March 2004, then declined for several months, has now soared to historic highs. According to American Metal Markets, prices for industrial scrap grades like No. 1 bundles and No. 1 busheling rose by \$100 per ton in Pittsburgh and Chicago, reaching \$355 per ton.

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Shredded scrap prices rose by as much as \$90 per ton, to between \$280 and \$290 per ton. AMM's story also included some reports of some industrial scrap selling for more than \$400 per ton, and material shipped throughout early July on a "price to be determined" basis.

The Emergency Steel Scrap Coalition has already prepared a petition to the Commerce Department Bureau of Industry and Security that would call for temporary restrictions on U.S. steel scrap exports. However, at the same time the Coalition has worked to encourage the Commerce Department and the U.S. Trade Representative to negotiate removal of foreign barriers to steel scrap exports.

"We have waited, in the hopes that market forces would bring scrap prices back to reasonable and historical levels," said Bob Stevens, president of the Coalition and CEO of Impact Forge, Columbus, Indiana. "But it is clear that because of these trade barriers, the global scrap market is not operating according to normal market forces. We can't wait any more - there are too many U.S. companies and U.S. jobs at risk."

The scrap trade distortions outside the United States have resulted in direct harm to U.S. consumers, since half of the steel manufactured in the United States is made from scrap. "This increase of over \$200 per ton on the 70 million tons of scrap used in the United States means an inflationary cost increase of at least \$14 billion," Stevens said. "In addition, U.S. scrap exports in 2004 are up another 10 percent year to date."

"Our trading partners have a choice," Stevens concluded. "We can all get rid of trade barriers, or we can all put them up. We hope they will make the right choice. And we hope the U.S. Government will encourage them to make it soon."

"We know the U.S. Government has pushed to remove these trade barriers, and we appreciate their efforts," said Alan Price, partner at Wiley Rein & Fielding and counsel to the Emergency Steel Scrap Coalition. "But now, it's time for results."

Because Russia and the Ukraine are not members of the World Trade Organization, Price said the United States has the ability to retaliate against their scrap export barriers very quickly under U.S. trade law.

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