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WORKSHOP ON STEEL TRADE ISSUES

**PERSPECTIVES ON STEEL MARKETS AND TRADE:
STATEMENT BY MR. NICHOLAS C. TOLERICO**

The Workshop will be held in Paris on 27-28 May 1998.

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**WORKSHOP ON STEEL TRADE ISSUES
PERSPECTIVES ON STEEL MARKETS AND TRADE
STATEMENT BY MR. NICHOLAS C. TOLERICO
EXECUTIVE VICE PRESIDENT, THYSSEN INC., N.A.**

1. Good day! I have been asked to speak about how steel producers, consumers and intermediaries (such as trading companies and service centers) influence steel trade flows between C.I.S. and Chinese steel producers and the OECD countries. We all know about the large increases in exports between these countries and the OECD countries. We are also familiar with antidumping complaints actually filed or threatened on products such as plate and hot rolled steel in many countries.
2. So what did these exporting areas and countries do right in so dramatically increasing their exports and what could they have done differently to have avoided trade problems?
3. Before I start, let me provide a little background about Thyssen Inc., N.A. And its position in the NAFTA region.
4. Thyssen inc., N.A. is the **second** largest distribution/service center trading company in the NAFTA region. In 1998, our sales will be close to \$3.0 billion and we will sell and distribute **over 2.0 million metric tons** of steel. We are one of the largest steel importers and exporters in the NAFTA region.
5. What are the secrets of avoiding trade problems in the world market in general, or in any particular OECD country? For the steel producers in Russia, the Ukraine and China, the key to selling steel at high volume and high margins (along with their eventual successful transfer to a market economy) is found in the following words--**know your customer's customer**.
6. If you are selling to a trading company, you should, as a producer, know who that trading company is going to sell your steel to and how they are going to sell it. You can not simply sell it and walk away.
7. Simply put, you are responsible and you must learn to direct your sales to customers, geographic areas or product niches with the least competition from the domestic industry. Your exports must be complimentary, not confrontational.
8. This type of selling will have two effects: the first being to lessen the trade problems and the second to increase sales revenues and margins.
9. After improving your marketing channels, the next step for any foreign producer should be to understand and study the products produced by the domestic industry. For example, if there is a limit on thick plate production, sell that product. If there is a shortage of normalised plate, sell that product. I have to tell you that in a global steel market there are many opportunities to sell with the market, make higher profits and lessen trade tensions.
10. **It can be done.** Does it take a little more work? **Yes, it does.** Do you sometimes have to pass on low profit orders, not sell to certain customers or not sell in certain regional markets? **Yes you do!**

But I promise, if each foreign producer who exports steel to the world market adopts a disciplined approach, your trade problems will be dramatically reduced.

11. Two years ago at the ILAFA conference which was held in Monterey, Mexico Mr. Robert Grow, COO of Geneva Steel, blamed all the problems of the US. domestic industry on international traders who do not care about their market impact and simply go from source to source doing whatever they want in order to make a buck.

12. I'm here to tell you he has a point. **However**, there are many people and firms selling steel into the world market who import steel from Russia, the Ukraine and China **and not all** of these firms approach the market in the same manner. Not all of these firms have processing facilities. Not all of these firms carry inventories and certainly, not all of these firms have the financial strength to carry steel and sell it at above average profit margins instead of the first \$5.00 offer above cost that comes along.

13. After discussing the preceding views with Thyssen Inc.'s current steel suppliers, I am immediately told by steel producers in C.I.S. countries and china that US. antidumping laws are unfair and can I please give them some advice on how to induce end users or the US. Government to not initiate antidumping cases by the Department of Commerce against them.

14. I have to admit, I sometimes wish I could be more articulate when explaining my views on why adopting an intelligent, sophisticated sales plan would maximise profits and minimise trade problems, but let me say it in simple English. **Ultimately each steel producer who exports steel has to control their own destiny. No one can stop antidumping action but (you), the steel producer, and marketing** is the only solution to this problem.

15. Before ending, I would like to briefly touch on how the prefinancing of production influences steel trade flows. Unfortunately, the need to pay for raw materials, energy inputs and workers' wages has allowed certain traders to assume another role with many of the steel mills i.e. banker. In many cases, the mill sells steel back to the trader to repay the prefinancing. I have observed cases where such relationships lead to results that would not occur if there was a functioning financial market for these mills to turn to. We all have to consider strengthening these producing steel companies with guarantees of credits from more normal channels.

16. We need to consider what effect the recapitalisation of these producers would have. Would production not be rationalised? Would sales policies not be more realistic? Would the pressure on these mills not be reduced thus reducing pressure on consuming markets? Should we not offer to help these countries just as the Marshall plan helped European mills.

17. As I have said, there are many things the producers can do to help themselves. However, the financing and restructuring of these mills by OECD entities is one concrete example of what OECD countries could do that would further help to stabilise the market.

18. Thank you for this opportunity to share my views on "our" steel future.