Press Release

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Stainless steel industry/ZEW study on raw material trade barriers

Export restrictions for Europe is not an alternative

- **Europe must rely on the development of international trade agreements for the security of raw materials**
- **China has the most extensive trade restrictions worldwide**

As net importer of the main components of stainless steel, open markets are in Europe's interest. Cutting off its own market through trade barriers with the objective of an increased supply security is not an alternative. This conclusion was drawn by the Centre for European Economic Research (ZEW) and the University of Heidelberg in a study about strategic trade policy and its effects on the stainless steel industry. By order of the German-Dutch raw material trading group Oryx Stainless, Prof. Timo Goeschl, Prof. Andreas Löschel and Frank Pothen have examined the reasons, effects and scope of trade restrictions for the main components of stainless steel: nickel, chromium, molybdenum and stainless steel scrap from the economic point of view. Furthermore the ZEW experts derived policy recommendations for the EU.

In order to secure the raw material supply of the stainless steel industry, the EU should waive its own import duties and make the international trade restrictions and their effects on the markets transparent. Among others however, it would be essential to open the markets for the trade with nickel, chromium, molybdenum and stainless steel scrap further through the WTO as well as within the scope of bilateral trade agreements.

By far most trade barriers, export restrictions in more than 30 countries, exists for stainless steel scrap, which counts for approximately 60 per cent of the raw material requirement for the stainless steel production in Europe. However, these

export restrictions mostly do not affect Europe's supply with this raw material. With the exception of China, India and Russia, these are in force almost exclusively in countries without internationally significant scrap production.

The recently introduced export barriers for stainless steel scrap in South Africa indicate that the trend could continue towards more protectionism in scrap markets. Already since 2002, an increase in export restrictions was to be observed for many raw materials parallel to considerably increased raw material prices. Export restrictions for scrap were also discussed in the past at the European level.

Among the countries that restrict the export of the main components of stainless steel, China is at the top. The People's Republic of China restricts the export of all four raw materials that are studied. Besides China, Indonesia and Russia are the key markets for the primary raw material nickel. India and Zimbabwe restrict the export of chromium. According to a study of TU Berlin from 2012, chromium surprisingly has the most critical supply security among all the main components of stainless steel.

"Through export restrictions, individual countries or interest groups can gain economic advantages within these countries. The costs are borne by third parties. Export restrictions are thus generally harmful in most of the cases." says Prof. Timo Goeschl, Ph.D. from the University of Heidelberg. "Instead of discussing possible export restrictions, Germany and Europe should focus on trade agreements as well as on more efficient use of raw materials. Especially the latter contributes to sustainable handling of scarce resources." says Frank Pothen from the Centre for European Economic Research (ZEW).

Europe, which cannot cover its own requirement with its scrap production, depends on imports from all over the world. "The ZEW study again shows how important free trade is especially for the stainless steel scrap market. The discussion about possible export restrictions in the EU is rather counterproductive for the demand for open markets and the supply security of the European stainless steel industry. The ZEW study also underlines the importance of high recycling rates and efficient use of raw materials. More open scrap markets as well as an even higher use of scrap in the production of new stainless steel contribute to this. This would not only reduce the consumption of primary raw materials, but also have positive effects on the environmental balance as shown by Fraunhofer UMSICHT in a study", says Roland Mauss, member of the executive board, Oryx Stainless.

Notes for the editorial staff:

The **Oryx Stainless Group**, founded in 1990, is one of the world's leading trading organisations for raw materials used in the production of high-quality stainless steels. With locations in Mülheim an der Ruhr, in Dordrecht/Netherlands and in Thailand, the company focuses its activities on the handling and processing of stainless steel scrap into Oryx Stainless Blends. These secondary raw material blends – individually adapted for the respective stainless steel producers – replace above all primary raw materials such as ferronickel, ferrochromium and ferromolybdenum.

Since 2009, Oryx Stainless supports the extensive scientific research of issues that are relevant for the stainless-steel industry.
Oryx Stainless studies, which have been published so far:

2010:	Stainless-steel industry: CO_2 reduction through intelligent recycling of stainless steel scrap A study by the Fraunhofer Institute UMSICHT
2011:	Nickel market – Playing field of speculators or fundamentally driven? A study by JProf. Dr. Peter N. Posch, University of Ulm/Institute of Finance
2012:	Key raw materials nickel, chromium and iron: Limited availability in spite of sufficient reserves? Critical factors other than the geological availability A study by Prof. Dr. Matthias Finkbeiner, Head of the Department of Sustainable Engineering, Technical University of Berlin

The findings from the studies and further information are available at:
http://www.oryxstainless.com/

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