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Es gilt das gesprochene Wort

Ansprache vor dem
Art. 133 Committee Steel
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in Düsseldorf

Ladies and Gentlemen,

Thank you very much for giving me the pleasure of
addressing you tonight as a representative of the
steel and metal processing companies in Germany.

I understand from the programme, that you had an
exciting day on the river Rhine and that you visited a
modern steel mill in Duisburg.

You visited a production plant of an important international player in the steel market. You must be very tired by now and I will not exhaust you by speaking very long.

But I am grateful, that Dr. Dirk Grabowski from the German Federal Ministry of Economics and Technology is giving us the opportunity to provide you in about 10 quick minutes with some information on the situation of steel processing companies in Germany and Europe.

During my speech I will give you three key messages for international trade policy in the steel sector:

- „Think Small first“
- „Think Supply Chain“ and
- „Think Competition“

But to begin with, let me explain to you my personal background.

My company, the „Künne – Steelwireworks“, is not an international steel mill. We are not listed in the stock markets. We are not known to a wide general public. On the contrary, my Company is a medium sized, family owned, rather a modest company in terms of the news media. But we are known in our market.

Since more than 250 years my company produces steel wire and iron wire for springs, ropes and special applications with highly developed technologies. I am running the Company in the 4th generation. My father died only 10 days ago. All of us, throughout the company, felt in such an emotional moment the historical bond that ties us to all our ancestors.

But life must go on. We are here to win the Future. For our company, for our staff, for our economy. Every day we have to work hard in order to ensure that my company wins and successfully safeguards market shares in international and highly competitive markets and that we thus guarantee employment for our people.

We produce in Germany for a world-wide market. With some 250 workers we produce about 60.000 tons of wire per year and an annual turnover in our group of about 70 Mio €

The structure of my company is representative for most of the companies in the steel and metal processing sector. We are the down-stream clients of the steel industry.

I would like to give you some very impressive data on the steel and metal processing companies in Europe, that - apart from the steel industry - every one of you is politically responsible for in your home country and in Europe.

With some 369.000 companies the metal articles industry in Europe is a heterogeneous sector which includes a wide variety of products, ranging from semi-finished products and goods sold to industry, to end products sold directly to the consumer.

Germany accounts for about one third of the EU industry's production of this sector. With a turnover in the EU 27 of 430 billion Euro according to our in-

dustry's estimates, the metalworking sector is a major manufacturing branch in its own right; it is a major employer providing some 3.6 million jobs in the EU 27 and, with some 93 billion euro of intra and extra-trade, it is also a major exporter.

From this data, from the importance of our sector in Europe, from the structure of our markets and from the size of our companies I would like to derive the following three key messages.

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My first key message to you tonight is related to the size and the structure of our companies:

„Think Small first“

More than 90% of our sectors companies are small and medium sized companies. Although these small entities stand for 3.6 million jobs - *in comparison to the steel industry, which stands only for some 250 thousand jobs across Europe* - our companies' small size gives us some disadvantages in comparison to large companies. Especially bureaucratic burdens,

for example in accounting standards, hit smaller companies harder than bigger companies.

But also company size and market structure are concerned. For example, although our sector in total stands for almost two thirds (2/3) of the steel consumption in Europe, in comparison to our main suppliers, the steel industry, every single company buys only relatively small quantities of steel. As a consequence, the market power of the individual company is very limited.

At the same time we find it difficult to cooperate with our direct competitors in buying steel, because buying steel is a strategic matter, accounting for up to 70% of our production costs.

On our Customers' side we also face very large companies, especially in the automotive industry. Again, our companies have hardly any market power to transfer increasing costs of raw materials to their clients. We generally speak of a "Sandwich-Position".



Most of us have learned to live with this situation. But we absolutely rely on competitive structures in steel markets and fair steel prices in Europe. As steel prices in Europe are the highest in the world - at least for the moment and for many steel qualities available -, we have to buy steel all across the world, and that in Europe as well as outside Europe. Just as the steel industry buys their raw materials in Brazil, Australia or Asia. Otherwise, we would very quickly lose our international customers. Hence, in the context of international trade the “Think small first”-principle means, that small Companies need open steel markets in the EU and outside Europe.

At the same time, in our own down-stream sectors, we face very hard competition, especially from outside Europe. Our relatively small size does not allow us to escape from this competition by organizing international mergers, as the steel industry has done in recent years. And we would not want to merge in the same way, because then we would lose our specific family-based business culture.

And if we cannot be competitive on our home markets, then we are opening the door for replacing our



metalworking products with imported products. And this will not only be the case in Germany, but throughout the EU since much of the metalworking industry is in the new Member States.

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Let me now turn to my second key message:

„Think Supply Chain“

The metal articles sector is a network-industry. We are the turning platform for the European industry as a whole. The automotive industry, the building and construction industry, the mechanical engineering industry, the electronics industry and many many other sectors rely on the high quality products which we produce.

Our supply-chain starts with the steel industry and, please, don't get me wrong:

In Europe we need a Steel industry which is strong enough to compete successfully in international markets. With great concern we look at the ongoing



debate on energy policy. We, the steel and metal processing companies, cannot afford, that the European steel industry withdraws from Europe because energy prices are too high here. In this respect, we are political partners.

Another example for partnership along the supply chain is the innovation process. We rely on strong, knowledgeable partners. Not anywhere in the world, but in our local, European surroundings. All partners, the steel industry, our customers, universities, scientific laboratories and our own skilled engineers form a network in Europe that allows all of us to remain one step ahead in today's globalized markets.

I am absolutely convinced: if Europe wants to make the jobs and growth and the Lisbon Agendas a success and become the most competitive market in the world, then Supply Chains and Supply Networks have to be looked at with much greater care in the coming years. Any harmful effects on our industry may subsequently badly damage any other sector of industry in Europe.



This has also to be thought of, when dealing with complex questions in international trade policy.

May I ask you a somewhat cheeky question: in this Art.-133-Committee, have you ever discussed the competitive challenges for the down-stream steel and metal processing industries and for our down-stream industrial networks in the same way as you discuss the competitive constraints of international steel markets?

I am not saying that you have neglected possible effects on down-stream industries. But have you ever taken the interests of the down-stream Supply-Chain-industries as a starting point of your discussions? Together, we should exchange examples – facts and measures.

Our European Sector Association, ORGALIME, together with our partner associations in the EU-memberstates, is currently collecting data in order to draw your attention to the structures and challenges of competition in this sector. I would be very grateful if you would be so kind as to welcome this effort and take notice of the results.

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This leads me to my third and final key message:

“Think Competition”

Competition is the decisive factor for development, economic success and prosperity. Competition Policy, of which international trade policy is the foreign policy, wants to provide for a level playing field in which companies can fight for the best prices, the best quality and the best services.

The steel industry – after 50 years of tight regulation – has seen its best success when competition was introduced. That was only a few years ago. But the freedom of the steel industry was also used for the biggest concentration process which we have ever seen in Europe so far.

Today we are in a situation, where we have reached a dangerous level of concentration in European steel markets, strongly influenced by largest international companies from third countries. It is obvious that the



concentration process in the recent years on the one hand was important to strengthen this industry. On the other hand European politicians have to be aware of the fact, that today market dominance is a danger for downstream companies and for the supply chain as a whole.

If one takes a closer look, there is no such thing as one single international steel market. The steel market is a highly differentiated market with many different products and many different price scales.

I would like to ask you to allow fair competition in all of these sub-sectors even more than you have done in the past. You may not be responsible for the level of concentration in our customers markets, where we face the same market dominance as from our suppliers.

But you do influence the steel market structure in Europe.



For example, neither in Europe nor anywhere else in the world should any state aid be allowed for the artificial reduction of apparent over-capacities. We

should rather start to release Europe from any remaining competitive and political restraints. In a word: Let fair Competition play.

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I would now like to come to an end.

Let me combine my three key messages by giving you one overall idea: I have no doubt, that Europe will be the winner of globalization. If we all think small first, that is, if we think of the innovative skills of small companies in free, fair and open markets, if we combine these skills in effectively cooperating supply chains with strong partners, and if we trust in the fact, that competition has been and will be the basis for the European success story, then we will form the most competitive market in the world.

Thank you very much for your attention !