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WORKSHOP ON THE SITUATION IN THE STEEL INDUSTRY IN THE NIS

Presentation by Gruppo MARCEGAGLIA, Italy

The Workshop was held on 2-3 November 1999.

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GRUPPO MARCEGAGLIA

Dear Sirs,

First of all let me most sincerely thank the organizers for the chance that we have been given to attend this important meeting.

Let me introduce myself: my name is Steno Marcegaglia, Chairman and Managing Director of the Marcegaglia Group, representing the main European independent steel transformer.

The Group works over 2 million tons of steel per year, reaching 3 million tons within a couple of years, in about 50 units with a total aggregate turnover of 3 thousand billion lira (1,7 billion \$) with a force of about 4 thousand employees.

Our huge need of steel has brought us into close commercial relationship with all the main steel producers worldwide.

In particular, starting from early nineties, we have built good and highly interesting commercial contacts with the greatest steel makers in Russia, Ukraine and Kazakhstan.

Such contacts have, during the years, consolidated and have become strong relationships, thanks to the high reliability of such groups, always shown in the strict respect of commercial and financial terms of the contracts, often defined through verbal agreements only.

We strongly believe it is of strategic importance for all developed Countries, mostly for Europe, to support in any possible way a balanced and long-lasting development of the Republic of the former Soviet Union (now Federation of Russian Countries).

It has to do, in fact, with countries close to us, with terrific potentiality of growth, with good industrial traditions, that are now trying - with strong efforts - to come out from a deep economical and social crisis.

The process of growth can be remarkably helped with cooperation programs, international financing, but also with a larger open view in commercial exchanges between them and EU countries.

In **1997** a bilateral agreement was signed between the European Community and Russia strongly limiting imports of steel products to Europe by means of the strict mechanism of quotas.

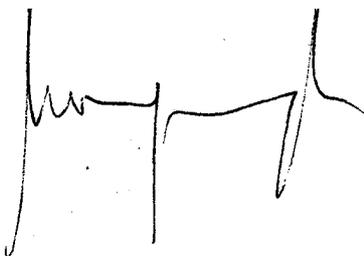
We believe that such quotas, particularly that relating to re-rolling, must be increased starting from year 2000, either to support the developing policies for Russia and to give a correct response to the European steel market.

In fact, southern European countries, traditionally direct importers of steel, are often obliged to purchase from extra-European countries since they have no chance to purchase from close countries belonging to the former Soviet Union.

The request of increasing quotas is furtherly strengthened by the verticalization policy adopted by the main European producers.

The obvious consequence of this is that the quantities of hot-rolled coils available on the Common market become smaller and smaller and are not enough to satisfy the needs of the European transformers as well as of the European manufacturing industry.

Thanking all of you for your kind attention, we hope for the success of our request

A handwritten signature in black ink, consisting of several vertical and horizontal strokes, appearing to be a stylized name or set of initials.