The U.S. position on the net import list was one of the factors that attracted GFG Alliance to move into the market with the acquisition of the idled mill in Georgetown, S.C. (Source: GFG Alliance)

Top Net Steel Imports by Country 2017 (In Metric Tons)

Rank	Country	Exports	Imports	Net Imports
1	United States	10.2	35.3	25.2
2	Thailand	1.9	14.5	12.6
3	Vietnam	3.9	16.2	12.3
4	EU	31.1	41.2	10.1
5	Indonesia	2.3	11.0	8.7
6	Mexico	4.9	13.5	8.6
7	Philippines	1.8	9.1	7.3
8	Malaysia	1.7	7.7	6.0
9	Algeria	1.4	6.0	4.6
10	Poland	6.2	10.7	4.5

Source: World Steel Association

for global steelmakers has been driven by a rebalancing of the Chinese steel industry, with all highly polluting furnaces closed as of July 1, with other shutdowns planned to curtail air quality issues in the winter. Still, a retrenchment in steel production should not be interpreted as a countrywide push to increase its global economic presence.

"There's a critical new strategy in China to create an international financial colonial empire that will rival the importance of the British, French, Spanish, Dutch and Portuguese colonial empires. Many developing world countries will be benefiting from China's financial support for their non-financeable infrastructure projects. China has created the Asian Infrastructure Investment Bank, whose influence is rising extraordinarily and usurping the power of the USA-promoted World Bank," Marcus said.

On 232, Marcus believes that rather than any particular interest in the steel industry, President Trump is using the tariffs as a "jawboning tool whereby he wants better trade pacts with other countries." And though exemptions have been slow moving and difficult to process given the more than 20,000 that have already been filed, he believes that ultimately more exemptions will be granted, in part to encourage steelmaking investments by companies that plan to import slabs.

The U.S. tariffs are just a more extreme version of a global push toward protectionism, one that's been taking place since 2016 with no signs of abating. The result,

How to Manage Growth for the Peak of Cycle

The metals industry has been enjoying the fruits of 2018, with higher prices and stronger demand resulting in a profitable year. But tactical measures must still be taken to get the best push from these tailwinds.

At the Steel Success Strategies event, Headwall Partners' Peter Scott counted down 10 steps for managing growth for the peak of cycle. They are:

10 Don't count on China bearing gifts – Chinese steel production is down, Chinese steel exports are down and Chinese exports to the U.S. are down. "Don't assume these changes are permanent, or that China will stand down and let the rest of the world capture a greater percentage of the global steel trade.

9 Don't count on Trump bearing gifts – "I've noticed a recent giddiness about the Trump administration's support of the U.S. steel industry. We should all recognize that it is not a key objective to selectively support the U.S. industry over other American industries. The steel industry represents about $20 billion of our annual trade deficit of $560 billion. I'm sure the administration is much more focused on the $560 billion than the $20 billion," he said.

8 Beware the talk of a new paradigm – Promises of a new paradigm and super cycles are frequent at the top of the market but don't pan out. He pointed to an IMF prediction of a new 10-year steel pricing super cycle that was delivered in August 2008 as an example of the risks of assuming the industry's traditional cyclicality was being upended.

7 Know the value of your business – Scott said knowing the value of your enterprise allows you to make the proper financial decisions.

(continued on next page)

he said, has been many more countries being able to get higher prices in their home markets due to lower levels of foreign competition.

Word from the New Guys

The annual gathering of steel industry leaders in New York regularly attracts the biggest newsmakers, and the 2018 event was no exception. Three of the most recent entrants to the North American market had prominent places on the agenda.

Included in the scheduled speakers was Sanjeev Gupta, whose London-based company GFG Alliance restarted the Georgetown, S.C., mill just one day before he delivered the keynote address. GFG had acquired the idled facility from ArcelorMittal in late 2017.

Gupta made it clear that the relaunch of steelmaking in Georgetown, which has two 500,000-ton EAFs and a 750,000-ton rod mill, was just the beginning for the company's plans in North America. The company followed that up with the acquisition of Liberty's first recycling plant in Tampa, Fla., the first step "in our plan to build an extensive network of scrap operations in the U.S."

Beyond that, the company envisions developing steelmaking assets capable of producing 5 million tons within two to three years. Additionally, the company is looking not just vertically into mining upstream and engineering downstream, but also into energy, infrastructure and even aluminum.

GFG's push into the U.S. was driven by a lot of factors, including the size of the economy, the ease of doing business, raw material availability and a highly educated workforce. "However, the economy is now skewed toward services," he said.

With China pulling back on steel production, the long-anticipated growth of India into a steelmaking power may finally be starting to become a reality. And while JSW Steel Ltd. is heavily invested in being a leader in that growth at home, the company is also making a strong push into the U.S. market as well.

The company followed up its arrival in Baytown, Texas, with the recent acquisition of the idled steelmaking operation in Mingo Junction. Significant investments are taking place at both locations.

After Executive Vice President Sanjay Jayram delivered the company's analysis of the home market, he tapped JSW Steel USA President John Hritz to summarize the company's efforts here.

JSW is already in the middle of a $500 million project at Baytown, developing the "plate mill of the future." The investments there include the addition of a hot end to become "totally melt to manufacture," he claimed.

An additional half-billion dollars will be invested at Acero Junction, getting the hot end back up while adding another electric arc furnace. The company anticipates being able to produce 4 million tons in short order.

Manage Growth for Peak of Cycle *(continued)*

6 M&A creates shareholder value – Headwall Partners is a corporate finance and strategic advisory firm serving the steel industry, so Scott has a professional stake in this particular idea. But analysis of past history indicates that "M&A is highly correlated with shareholder value," he said.

5 Capital structure matters – At the peak of the cycle, the ability to compound equity returns with leverage is enticing. But leverage carries with it significant risk. In fact, at various points in the business cycle, a dollar of debt reduction can be worth up to $1.20 of equity value. "Said differently, institutional investors in the steel sector have a strong preference for low leverage, and they're willing to pay a premium for it."

4 Now is the time for M&A – Every transaction requires buyers and sellers. This point in the cycle is one of the few times when there are strong incentives for both buyers and sellers to engage, he said.

3 Capital is available – At some points in the past, capital has been a scarce resource for industrial companies. That isn't the case today, as debt is available at favorable rates. And private equity is flush with almost $1 trillion of capital to invest.

2 Hire the right advisors – Only 20 percent of companies have internal professionals dedicated to M&A. If getting involved in transactions is a legitimate part of a company's strategy, it is too important to leave that subject to the CEO or CFO for just a few days a month. "Hire an internal team or hire an established banking firm," he recommended.

1 Consider unconventional transactions – Metals companies will often only look at other enterprises within the same field as a target for acquisition. But these aren't the only, or even the best, options. "Sometimes the less obvious transaction makes sense. They're often easier to accomplish at the peak of cycle," he said. Upstream, downstream, adjacent markets, mergers of equals, international ventures or JVs should all be evaluated for their potential to grow the core business.