

The trading arms of Russian and Ukrainian producers

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The second group of steel traders in Lugano consists of the marketing companies of producers from the former Soviet Union. These companies buy steel from their parent mills and resell it to customers in Europe, the Middle East and elsewhere, earning a margin that remains in Switzerland and is taxed there. Before 2022 they were among the largest firms of the cluster. Swissinfo named MMK Steel Trading, established in Ticino since 2002 and belonging to the group of Viktor Rashnikov. It also named NLMK Trading, established since 2007 and belonging to the group of Vladimir Lisin, which according to the report exported more than 30 per cent of Russian steel, and Severstal Export with its seat in Manno, belonging to the group of Alexey Mordashov.¹ The same report noted that the Ukrainian group Interpipe, owned by Viktor Pinchuk, controlled two companies in Paradiso.² Swiss Italian television added the Ukrainian producers DSS International, Dneprospetsstal and Energomashspetsstal among the firms with links to the Lugano market.³

The structure of these firms is typical of a producer's trading arm. They are subsidiaries or sister companies of a manufacturing group, they sell almost exclusively the group's own production and their profitability depends on the transfer prices agreed with the mill. Their presence in Switzerland raises questions of substance, transfer pricing and controlled foreign company rules in the producer's home country, which Chapter F.II discusses. Their presence also made Lugano dependent on the political relations between Europe and Russia. When Mordashov and Rashnikov were placed on the European Union's sanctions lists in March 2022 and Switzerland adopted these listings, the companies associated with them faced asset freezes, while the European import ban on Russian iron and steel products removed the market for the products of all Russian mills.⁴ A member of the association's executive committee in 2026 still works for NLMK Trading SA, which shows that at least part of these structures

remained active in a reduced and reorganized form.⁵ The sanctions are discussed later in this chapter and in detail in Chapter G.II.

1 Independent and Italian traders

The third group consists of independent traders, many of them founded or run by Italians. They buy from mills in several countries and sell to distributors and processors in Italy and elsewhere in Europe. Trasteel, based in Lugano, describes itself as a trading and industrial group in steel, with four trading desks and nine industrial facilities in Europe, the Middle East and Asia-Pacific. In 2022 it acquired the Italian tube producer Profilmec, with plants in Racconigi and Sesto al Reghena, more than 400 employees and a capacity of 350,000 tonnes a year. The press release gave Trasteel's annual turnover as more than USD 1.3 billion.⁶ Eusider Trading, Ivancore, Gamma Trade, DP Trade and UMP Trading in Mendrisio are other names that appear in the reporting of the years 2018 to 2023, with Ivancore's director having previously worked for Metinvest, the largest Ukrainian steel producer.⁷

The movement from trading to industry, as with Trasteel's acquisition of an Italian tube mill and Duferco's new rolling mill near Brescia, is a recurrent feature of the Lugano steel houses. It reflects the thin margins of pure trading and the wish to secure a captive outlet for traded steel. It also creates a legal structure that practitioners meet frequently: a Swiss trading company that buys raw materials and semi-finished products for an Italian processing subsidiary or affiliate, with transfer pricing, permanent establishment and controlled foreign company issues on the Italian side.

2 Notes

1. Franchini, Swissinfo, 1 April 2022 (above). ↩
2. Franchini, Swissinfo, 1 April 2022 (above). ↩
3. RSI, "Le materie prime e la piazza di Lugano", 1 March 2022 (above).
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4. Franchini, Swissinfo, 1 April 2022 (above) (Mordashov and Rashnikov sanctioned in March 2022; EU ban on Russian iron and steel of 15 March 2022 adopted by Switzerland); State Secretariat for Economic Affairs (SECO), "Massnahmen im Zusammenhang mit der Situation in der Ukraine", <https://www.seco.admin.ch/de/massnahmen-im-zusammenhang-situation-ukraine> (import ban on iron and steel products under the Ordinance of 4 March 2022, SR 946.231.176.72). ↩

5. LCTA, "Comitato esecutivo" (above) (Yan Blitshteyn, Head of Middle and Back Office, NLMK Trading SA). ↩
6. Tio.ch, "Acciaio: acquisizione di Profilmec per Trasteel" (2022), <https://www.tio.ch/rubriche/aziende-ticinesi-informano/1614069/acciaio-acquisizione-di-profilmec-per-trasteel>. The article appears in a section for corporate communications. ↩
7. Franchini, Swissinfo, 1 April 2022 (above) (Eusider Trading, Ivancore); RSI, "L'acciaio che pesa in Ticino", 10 March 2018, <https://www.rsi.ch/info/ticino-grigioni-e-insubria/Lacciaio-che-pesa-in-Ticino--1069837.html> (Gamma Trade); RSI, "Materie prime, utili record per le società", 11 March 2023, <https://www.rsi.ch/info/ticino-grigioni-e-insubria/Materie-prime-utili-record-per-le-societ%C3%A0--1812476.html> (DP Trade); RSI, 1 March 2022 (above) (UMP Trading, Mendrisio). ↩

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