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Change - - Will We See New Results?

Recently, we were treated to the very happy story of Susan Boyle, the middle-aged Scottish maiden lady who conquered Britain's version of *American Idol*. Overcoming the obvious (and rude) skepticism of the judges and audience, Miss Boyle showed them her beautiful singing voice and instantly brought them to her side. The charm of this story was multiplied by its Cinderella-like elements – a woman evaluated solely on her looks by know-it-all “professionals.”

Miss Boyle wasn't the first. A pudgy cell-phone salesman, shy and nervous, had brought the self-same judges to their feet when he sang an operatic aria that was Pavarotti's theme song. Again, cocksure expectations were overturned in an instant. And, again, it made for very warm feelings for those who witnessed the video clips.

We saw some other pictures in the news that, to some, raised more questions and concerns. In one, our President was shown shaking hands with a broadly smiling Hugo Chavez. Some asked how that scene could have happened, recalling Chavez's juvenile and disgusting performance a few years ago at the UN. Others reflected that association with Barack Obama would only enhance Chavez's reputation at home and abroad.

The validity of these sentiments is undeniable, but, perhaps, they should not decide the final question. Who wins when the picture is seen around the world? The statesman who is willing to talk and discuss, even with adversaries? Or the man whose public persona is as a ranting blowhard given to over-the-top fusillades against others? Surely the winner was Obama.

Another arresting film clip was that of Raul Castro excoriating the U.S. for several minutes but concluding that his country was now willing to sit down with us to discuss any and all issues, including human rights, press freedom and other matters that Cuba has never before been willing to talk about.

What to make of this offer? Are we at the dawn of a new relationship? Or is this just a feeble attempt at a dying regime to continue its hold? We cannot be sure, but one thing is certain – unless we take up the offer to talk, we shall never know. Is there reason to fear those talks? It is hard to see why, since talking would not perceptibly change our overwhelming strength advantage against a small, economically deprived country.

Of course, there is another reason to take a stab at negotiations. We have tried the alternative for fifty years, and the Castros have now outlasted ten American presidents and working on the eleventh. Einstein once said that the definition of insanity is doing the same thing over and over again expecting different results. Maybe our Cuban policies were not insane at the beginning, but they are beginning to look that way as the decades pass. If we want some different results, maybe we should change what we are doing.

One more lesson from history: In 1954, an international conference was held in Geneva to seek an end to the insurgency against France in Vietnam. The result was the division of the colony into two independent countries, the North and the South. They later became the parties of conflict during our own Vietnam War. Our chief delegate at the Geneva conference, Secretary of State John Foster Dulles, publicly and pointedly refused to shake the hand of the chief of the insurgents' delegation, General Giap. Years later, when we sought to negotiate an end to our own battle with the Viet Cong, observers thought that that perceived slight, many years old, made progress slow and limited. No one can be sure, but the gratification of snubbing an opponent can sometimes be disproportionately costly.

What has this all to do with the domestic issues that we usually discuss in these letters? Well, we have our own battles going on internally in our country's political discourse. Sometimes, what is said is not far from the rantings of Hugo Chavez. Sometimes, the gap between the parties is as vast as the gulf between the Castros and ourselves. But, it is plainly better for people to keep on trying to meet in the middle, to have civil discourse, to show respect than to posture and denounce. If we ever needed common purpose, it surely is today.

Here are some of the data on input costs:

- Scrap and Pig Iron. Prices on just about everything continued to decline. Number 1 dealer bundles and #1 busheling (Chicago) declined to \$170 per mt. The spot price for Brazilian pig iron (cif New Orleans) also was down to \$150 per mt, \$125 below the price at which suppliers refused to sell only three months ago.

- Natural Gas. Since July last year, the price of natural gas has been in steady and steep decline, going from \$12.90 per mcf then to \$3.60 today. Unfortunately, these prices probably reflect the decline in demand caused by severe cutbacks in manufacturing activity.
- Ocean Freight. The Baltic Capesize Index declined 20% this month to 2285. This weakness also shows the lack of demand for ocean bulk carriage.
- Exchange Rates. The dollar continues to seesaw. As of this writing, the euro has declined by eight cents since last month to \$1.29. The pound is at \$1.43, down three cents, and the Canadian dollar was unchanged at 81¢.

We are always glad to hear from you, so let us have your thoughts. This letter, as all our letters, will be posted on our site, www.coreysteel.com and on the international site, www.steelonthenet.com.