



Flash by EIC

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Influx of steel into Thailand possible after Trump's tariff.

Event

- President Donald Trump signed a proclamation on 8 March 2018 levying 25% duty on steel, an extra safeguard measure adding to the tariffs, AD and CVD, already imposed. The aim of the new tariff, scheduled to take effect 15 days after signing, is to put pressure on steel importing with the goal of 13 million tonnes reduction and stimulate domestic industries, especially automotive manufacturing and construction, to use local steel in-line with the “American First” policy. Canada and Mexico are exempted from such a tariff with NAFTA renegotiation impending.

Analysis

- **Semi-finished steel, coated steel sheet, and welded pipe are predicted to be products most impacted by the new tariff** because the US currently imports these three types of steel the most with 5.2 million tonnes, 3.6 million tonnes, and 3.1 million tonnes, or 15%, 10%, and 9% of all steel imports in 2017 respectively. Other steel products likely to be affected are seamless steel pipe, iron bar, cold rolled and hot rolled steel, and steel bar. Countries anticipated to be heaviest hit by the tariff are Brazil, South Korea, Russia, Turkey, and Japan whose collective exports to the US is currently 15 million tonnes or 40% of the total steel imports by the US.
- **EIC expects Thai steel exports to the US will be reduced by only two hundred thousand tonnes or 9% of total Thai steel exports in the last year** since the US is not Thailand's major export market for steel. Steel products likely to see a reduction in exports to the US are steel welded pipe, seamless steel pipe, coated steel sheet, and cold rolled steel which accounts for only THB 7 billion in exports or 0.07% of total Thai products and service exports in 2017.
- **The indirect impact of the US steel tariff is likely to be an increase in steel products imports into Thai market that cannot enter the US** especially semi-finished steel from Russia, rebar from Turkey, and steel wire from China as Thailand has no trade measures to protect the local manufacturers against these imported products. As for other steel products, such as steel welded pipe from South Korea and coated steel sheet from Vietnam, EIC does not expect Thailand to be impacted significantly due to the existence of anti-dumping measures.

Implication

- EIC recommends Thai steel business owners to look for new markets to compensate for the reduction of purchase from the US For welded pipe, Thai businesses should consider expanding their markets into Philippines and Cambodia due to strong imports demand with 240,000 tonnes of steel imported in 2017 and rising alongside the growing construction sector. As for seamless steel pipe used in the energy and petroleum industries, Algeria represents an attractive market because of the increasing investment on oil refinery. Finally, for coated steel sheet EIC suggests that business owners should seek to export into Myanmar and Laos PDR where the volume of imports is high at 500,000 tonnes per annum with a growth rate of 10% CAGR in the past 5 years.
- In addition to steel products, Thai business owners should keep an eye on additional tariff measures by the US on other product categories President Donald Trump is considering imposing tariffs on rubber band and citric acid and it is expected that details and official announcements will be released in the second and third quarter of 2018 respectively. These measures can impact Thai businesses.

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