



Flash by EIC

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EIC believes electronics exports still in good health despite the safeguard measure

Event

- President Trump approved a safeguard measure, imposing tariffs on imported washing machines and solar panels in order to protect U.S. manufacturers. Such action follows U.S. International Trade Commission (USITC)'s recommendations aimed at providing reliefs for unfair trade practices pursuant to section 201 of the U.S. Trade Act. This measure was signed on 22 January 2018 and will be in effect for 3-4 years. Nevertheless, for washing machines, tax treatment consists of two parts. The first 1.2 million units of imported washing machines will face a tariff of 20%. The tariff will then be raised to 50% for all subsequent imports. For solar panels, a tariff of 30% will be imposed once solar cells exceed 2.5 gigawatts capacity. However, tariffs for the following years on both products will be reduced sequentially by 2-5% on an annual basis.

Analysis

- EIC sees lower growth of Thailand's exports of electronics and electrical appliances by roughly 1% as the U.S. is Thailand's major export market for both products. As a result of the safeguard measure, export values for washing machines and solar panels are expected to decline by approximately 350 and 300 million U.S. dollar, respectively. Nevertheless, export value for washing machine is expected to record 1.15 billion U.S. dollars and 1.2 billion U.S. dollar for solar panels in 2018.
- Manufacturers of washing machines and solar panels in Thailand have already adjusted themselves in response to the safeguard measure. In particular, for foreign manufacturers of washing machines with production bases in Thailand, like Samsung and LG, the former has opened a new factory in South Carolina while the latter has constructed one in Tennessee. However, Thai manufacturers within the supply chain of washing machines are expected to be partially affected, since they were given advance notice which allowed them to adjust in a timely manner. Similarly, Solar panel exporters have started diversifying from the U.S. by exporting more to other markets such as the Netherlands, Turkey, and Mexico. This was evident in more than double-digit growth of export values in those markets in 2017.

Implication

- EIC recommends keeping an eye on complaint filings to the World Trade Organization (WTO) by Chinese and South Korean governments. Such

moves will likely put pressures on enforcement of the safeguard measure which was accused of breaking numerous WTO rules on free trade. However, the rulings by the WTO may not be able to force the U.S. to take action immediately. This was particularly the case in 2013 when the South Korean government launched the dispute over the U.S. anti-dumping measure on imported washing machines from South Korea. Although South Korea won the case since 2013, it was not until early 2018 that the U.S. took action accordingly.

- **The U.S. might consider imposing additional safeguard measures on other products** in order to protect U.S. manufacturers, in line with the “American First” policy. At the meantime, President Trump is considering imposing tariffs on other imported products including steel, aluminum, and products in violation of intellectual property rights.

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