



EIC highlights opportunities for Thai steel exporters under EU's tariff quota

Event

- The European Union (EU) announced the implementation of a tariff quota measure to protect the import of steel products temporarily. The move follows a concern about the possible influx of steel into the EU after the introduction of the safeguard measure by the US under section 232 that has been effective since 23 March 2018. The measure was imposed by the EU in the form of a tariff quota covering importation of products under 23 categories¹ and is enforced for no more than 200 days from 19 July 2018.

¹ Including 1) Hot Rolled Coil/Sheet 2) Cold Rolled Coil/Sheet 3) Electrical Sheet 4) Metallic Coated Sheet 5) Organic Coated Sheet 6) Tin Mill product 7) Quarto plate 8) Stainless Hot Rolled Coil/Sheet 9) Stainless Cold Rolled Coil/Sheet 10) Merchant bars and light section 11) Rebars 12) Stainless bars 13) Stainless wire rod 14) Wire rod 15) Angles, shapes and sections 16) sheet piling 17) Gas pipes 18) Hollow sections 19) Seamless stainless tubes 20) Bearing tubes and pipes 21) Large welded tubes 22) Other welded pipes and 23) Non alloy wire

Analysis

- EU's tariff quota focuses on safeguarding the market from excess imports instead of reducing the import amount as in case of the US. The tariff quota introduced by the EU specified the maximum amount, or "quota", on the import of steel products without having to pay the import taxes (around 55% of the average amount of steel product imports into the EU between 2015-2017). Should the import exceed the quota, import taxes will be charged amount to 25% of the CIF. When compared to the safeguard measure by the US who has been imposing import taxes from the first tonne of import, it is evident that EU's tariff quota was established with the aim of protecting the market from an influx of steel that is higher than the usual.
- EIC expects that the introduction of the tariff quota measure would have a positive impact on the export of steel products from Thailand to the EU. This is because Thailand is in the list of developing countries that are exempted from the tariff quota. EIC analysis indicates that cold-rolled stainless-steel (HS: 7219.33) and wire rod (HS: 7217) are the two potential products that are most likely to benefit from such a quota. This is because Thai exporters are already selling these products in the EU while the EU must rely on the imports of these products from South Korea, USA, Canada, China, and India who are not on the exemption list of the tariff quota.

- On the contrary, EIC suggests that steel products from several countries which cannot be exported to the EU may be exported to Thailand. In particular, zinc-coated steel sheet (HS: 7210.49) from China and cold-rolled steel sheet (HS: 7209) from India, of which Thailand currently has no safeguard measure against. Meanwhile, hot-rolled steel sheet (HS: 7208) is another product that the EU imports in high quantities of more than 2.6 million tonnes from India and South Korea. Nevertheless, EIC does not expect such a product to be exported in high quantity to Thailand as the country already has a safeguard measure.

Implication

- EIC recommends Thai producers of cold-rolled stainless-steel and wire rod to consider expanding their operations into the EU. This recommendation is especially applicable to export to Italy, Belgium, and Poland, as these countries are increasing their annual imports of cold-rolled steel sheet and wire rod by 6% and 4% in the past 5 years. Furthermore, these 3 countries also rely on imported steel from the US, South Korea, India, and China in the main. As these countries are exposed to the tariff quota, the current climate represents an important opportunity for Thai producers to expand their exports into the mentioned countries.

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