President Trump receives Section 232 report on steel imports

President Trump has been handed the Section 232 report on steel imports into the United States. The Section 232 report, commissioned in April 2017, is the result of US legislation permitting import restrictions to be imposed on national security grounds. The European Steel Association (EUROFER) warns that deployment of blanket trade restrictions will almost certainly be contested by other WTO countries. It will spark prompt retaliation alongside action from the EU to safeguard the Internal Market from the ensuing trade deflection.

The two alternatives presented to the President are for a 'global' tariff or quota, or for tariffs on a 'subset' of countries. The 'global' alternative would see a likely quota of 63% of 2017 import levels or a tariff of 24% applied on all countries and possibly all steel products. The country-specific 'subset' alternative would see tariffs on a list of named countries: Brazil, South Korea, Russia, Turkey, India, Vietnam, China, Thailand, South Africa, Egypt, Malaysia and Costa Rica, with all other countries limited to 100% of their 2017 import level.

"The EU steel industry has long been a reliable supplier of high quality steels to the US, sending just over three million tonnes of steel there in the first eleven months of 2017. The EU and US are close partners and NATO allies," said Axel Eggert, Director General of EUROFER. "Any restriction on steel imports from the EU based on Section 232 would undermine this partnership".

"EU and US producers have both been suffering financial losses and closures since the Financial Crisis caused by trade distortions from third countries", sympathised Eggert. "Import pressures have significantly affected each market. Until now, both have used targeted trade remedies against demonstrably dumped steel products from third countries – and the EU and US are active members on the G20 Forum on Steel Excess Capacity. We are committed to work with the US and other countries to swiftly eliminate the source of these distortions: global overcapacity. This will not be achieved with scattergun, unilateral measures".

The European steel industry is concerned that whichever alternative President Trump decides to reach for - other than declining to act, as he is also able to - there could be a massive deflection of previously US-bound steel products to the EU's open market. This could seriously and unfairly injure EU producers, breaking the fragile recovery the sector has seen over the past few months.

"Were either of the two alternatives deployed we would expect swift and vigorous counter action by the EU in order to prevent any potential negative impact on our industry, including necessary safeguard measures mirroring the product scope and types of any US Section 232 trade measures", emphasised Eggert. "The EU has an arsenal of trade remedies and safeguards available to defend its interests. These can be ready to launch in very short order in response to an economic threat, and EU industry will demand their immediate application".

"We urge the US President: Do not pull the trigger on a new trade war", concluded Eggert.

2017 A "Strongly Expansionary" year for EU Steel users

The manufacturing industry and construction sector in the EU benefited in 2017 from an investment-led domestic upturn and improving exports. A healthy outlook for these steel users bodes well for the EU steel demand in 2018 and 2019. The supply side situation could, however, continue to be negatively affected by import distortions.

EU steel market overview

EU28 apparent steel consumption grew by 1.1% year-on-year in the third quarter of 2017. By contrast, the second quarter had been characterised by a contraction in domestic deliveries from EU suppliers due to a sharp increase in third country imports. Overall, domestic deliveries rose by 4.4% year-on-year.

Imports grew by around 8% year-on-year over the first half of 2017, the trend turned negative in the third quarter of last year. Total steel imports fell by almost 14% year-on-year. This decline has occurred in the context of improving in global steel prices- largely driven by the Chinese market - which narrowed the gap between EU domestic prices and imports. Other restraining factors include the moderation of imports, particularly from China, but also other countries affected by the imposition of anti-dumping and anti-subsidy measures by the European Commission. However, other third country suppliers have triggered increased exports to the EU, substituting for this drop.

Similar market conditions are expected to have shaped the supply-demand situation in the fourth quarter of 2017. EU28 apparent steel demand is estimated to have risen by 1.9% in 2017.

Axel Eggert, Director General of EUROFER said, "Prospects for the continued recovery of EU steel demand are positive. The expected strength of most steel-using sectors bodes well for the demand side of the EU steel market. The supply side situation could, however, continue to be negatively affected by import distortions."