The biggest steel news in the month of March is undoubtedly the signing of a proclamation by US President Donald Trump on 8 March 2018 for the imposition of a 25% tariff on steel imports following the submission of the Section 232 investigation report by the US Department of Commerce.

Under the proclamation, other than Canada and Mexico, which are excluded from the tariff, steel imports from all other countries will be imposed the 25% duty effective 23 March 2018. However, the proclamation does include a broader provision which will allow other countries to request an exemption.

Following the proclamation, there was a flurry of activities by some countries, amongst them the major steel exporting countries to US like Brazil, South Korea, Turkey, Japan and EU, to lobby for exemption on the import tariff. Some countries have also been reported to be considering the filing of WTO complaint over the imposition of the tariff. Subsequently, it was announced that Canada and Mexico, together with EU, Australia, Argentina, Brazil and South Korea will be given only temporary exemption from the 25% tariff until May 1, pending discussions of satisfactory long-term alternative means to address the threatened impairment to US national security.

What would be the impact of the imposition of the blanket tariff by US on the global steel industry? What about the impact on the steelmakers in ASEAN?

By country, US is the largest steel importing nation in the world, importing some 35 million tonnes of steel products in 2017. One of the biggest concerns on the imposition of the 25% duty by US is that a substantial volume of these materials would be redirected to other steel markets outside of the United States, leading to an oversupply situation in non-US steel markets. This could have a negative impact on global steel prices.

Another possible development is that it could lead to increased trade defence measures being adopted by the affected countries and this is not good for the global steel industry which is still recovering from the severe downturn it suffered a few years back.

For the steel industry in ASEAN, the proclamation by President Trump is not expected to have serious direct impact on the steelmakers in the region. None of the ASEAN countries is in the list of top 10 steel exporting countries to the US. Nevertheless, Vietnam, the biggest steel exporting country in ASEAN and the 12th largest steel exporter to the US in 2017, might feel some pinch from the above action. Vietnam’s steel export to the US has surged over the past couple of years and the growth momentum is likely to be affected by the imposition of the 25% tariff.

As for the redirection of steel products to ASEAN, this is a possibility as ASEAN is a major steel importing region in the world. However, it is unlikely to be a matter of big concern to the steelmakers in the region. The biggest steel exporting country to ASEAN, China, is not a significant steel exporter to US, exporting only around 800,000 tonnes of steel products to that country in 2017. On the other hand, we could potentially see an increase in the export of steel products to ASEAN from other countries like Russia, Turkey and India, which, lately, have been making inroads into the ASEAN market at the expense of China. These three countries, together, exported some 6.5 million tonnes of steel products to the US in 2017.

A more significant impact on the steelmakers in ASEAN arising from the action of US is the possibility of an increase in the prices of ferrous scrap, the main feed material for steel making in the region. The imposition of the 25% import duty is likely to result in an increase in domestic steel production in the US. As close to 70% of the steel production in the US is done via the EAF process, this will lead to a surge in the domestic consumption of ferrous scrap, thus reducing the volume of scrap available for export from the US, a major ferrous scrap exporting country. The resultant increase in the prices of the feed material will exert further pressure on the cost of steelmaking in ASEAN.

TAN AH YONG

02 UP COMING EVENT

Theme: ASEAN Steel Industry – Next Leap of Transformation
Date: 25-28 June 2018
Venue: The Ritz-Carlton Jakarta, Mega Kuningan, Indonesia
BHP sees limited impact on steel market from U.S. new tariffs: executive

Global miner BHP anticipates planned new U.S. steel import tariffs will have a limited impact on both the steel market and the firm, and doesn’t foresee a chain reaction from other countries, a senior official said on Thursday.

“I think direct impact on steel is quite marginal because the United States is not such a big steel producer,” Arnoud Balhuizen, chief commercial officer at BHP, the world’s biggest miner, told Reuters in an interview.

“Direct impact on BHP is even smaller,” he said, citing limited steel exports to the United States from Asia – BHP’s biggest customer for steel-making raw materials such as iron ore and metallurgical coal.

U.S. President Donald Trump pressed ahead earlier this month with import tariffs of 25 percent on steel, and 10 percent on aluminum, sending countries scrambling to negotiate exemptions or consider retaliatory measures. Trump said that Canada and Mexico would be exempt from the tariffs.

The head of the World Trade Organization warned last week that the move could spark retaliation from other countries and lead to unforeseen consequences.

BHP’s Balhuizen agreed potential retaliation could hurt global trade.

“But we are still positively minded that it will not happen,” he said. Countries with a sense of diplomacy and communication will likely make wise and smart decisions, he said.

“We have been quite clear in our views that free trade is the lifeblood of the world economy...we strongly believe free trade is needed for economic development for developed world and developing world,” he said.

Meanwhile Balhuizen said BHP’s stance that copper is its best exposure to the rise of the electric vehicle remains unchanged. The firm’s response is to hunt for new reserves of copper, while seeking a buyer for its assets to produce battery-grade nickel.

Copper demand in an electric vehicle will be three to five times more than that for a conventional car, the executive said.

Balhuizen said nickel is not part of its core portfolio as its business is relatively small, and more about processing than upstream resource development.

“At the right time, at the right price, we will leave the nickel business,” he said.

Reuters, March 23, 2018

ADC drops anti-dumping case of Vietnamese steel

After a year of thorough investigation into the anti-dumping and anti-subsidisation case of Vietnamese coiled steel rod, the...
Australian Anti-Dumping Commission (ADC) has closed the matter.

No further anti-dumping subsidies will be imposed. The Viet Nam Steel Association (VSA) on Wednesday said ADC had issued termination report No 416 on Monday in the case against coiled steel rod imported from South Korea, Indonesia and Viet Nam.

ADC concluded that there was no evidence to suggest that Vietnamese steelmaker Hòa Phát Group and other steel producers had been selling under market price in Australia’s steel market.

ADC’s conclusion also defined the dumping margin for exports from South Korea and Indonesia at 20.9 per cent and 16 per cent, respectively.

According to regulations of the World Trade Organisation and Australian Trade Law, dumping of imported goods into the country with a margin of less than 2 per cent would not be considered dumping. The Vietnamese steel exported to Australia was dumped at a margin of less than 2 per cent.

ADC’s decision is good news for Vietnamese steel producers as Australia is a potential steel market.

A representative of Hòa Phát Group said they had cooperated with relevant agencies and ADC in answering questions and providing adequate information and documents for direct examination in August 2018.

In addition to this, the group also submitted the plaintiff’s arguments against an application lodged by OneSteel Manufacturing Pty Ltd.

ADC concluded that there was no support from the Vietnamese Government relating to power tariffs and input material for steel producers, including Hòa Phát Group, as well as no special market situation for coiled steel rod in Viet Nam.

ADC used the normal price comparison method in the local market and export prices to define the dumping margin. It decided to terminate the investigation as Vietnamese steel exports had not harmed the Australian steel industry.

Following an application by One Steel Manufacturing Pty Ltd, on June 7, 2017, ADC initiated an investigation into the alleged dumping of coiled steel rod exported to Australia from Indonesia, South Korea and Viet Nam.

OneSteel claimed that goods were being exported to Australia at prices lower than their normal value and that dumping had damaged the Australian steel industry through loss of sales, market share and profits.

Last year, Hòa Phát Group shipped 36,000 tonnes of coiled steel rod and steel bars to Australia. The group exported some 42,000 tonnes of steel to Australia in the first three months of the year.

Krakatau Steel worried about import fallout from new US policy

Steel manufacturer PT Krakatau Steel has expressed its concerns over the United States’ new steel and aluminum import policy, saying that the Indonesian market may be flooded by an influx of steel products from other countries.

Krakatau Steel president director Purwono Widodo said on Sunday in Jakarta that although the company did not export its steel products to the US, the new 25 percent import tax on steel products would cause a domino effect in the world market.

He said he was concerned about the entry of Chinese steel products into the Indonesian market, particularly if the products were prevented from entering the US market, according to the kontan.co.id report.

“There is a possibility that China would shift its steel exports to Southeast Asian countries, including Indonesia,” Purwono said.

He added that export tax-free Chinese steel might flood the Indonesian steel market to create unfair competition with local steel products.

He expressed the hope that the government would introduce measures to protect the local steel industry, such as through regulations on the use of local products or local content requirements for steel products.

“There could also be a requirement to use local products that are produced in Indonesia,” Purwono added.

The Jakarta Post, March 7, 2018

Fear of Chinese steel flood

Indonesia will unlikely feel any immediate direct impact from the threatened trade war between the United States and China caused by US President Donald Trump unilaterally slapping punitive high tariffs on steel and aluminum imports from China, which could effectively block an estimated US$60 billion worth of Chinese products from entering the American market.

But the risk of an escalated and prolonged trade war between the world’s two largest economies, which happen to be Indonesia’s first- and second-largest export destinations, deserves close monitoring as the dispute could affect the global economy and more Chinese goods might inundate the Indonesian market.

Indonesian steel producers have long complained about what they allege to be unfair competition from dumped steel from China, which because of its much slower economic growth, has been building up an annual steel surplus of more than 100 million tons.

Given this threat, the government may have to postpone its plan to ease import restrictions on steel by shifting the customs check from border to post-border checks.

Even now with import restrictions still in place, steel imports already account for about 55 to 60 percent of our annual steel
consumption of around 12 million tons, while the domestic steel industry operates only at 40 percent of its capacity, according to the industry association.

Trade Ministry data shows Indonesia is now the world’s third-biggest net importer of steel and the steel trade deficit last year exceeded $6 billion, the secondlargest after the oil and gas trade deficits.

Before resorting to punitive tariffs, the Trump administration should have first taken its case to the World Trade Organization (WTO), which is tasked with policing the overall system and punishing cheaters. But the Trump administration has accused the WTO of being biased against the US in its trade judgments, saying the WTO has proven to be wholly inadequate in dealing with China’s version of a state-dominated economy that rejects market principles. This could have a negative impact on the credibility and position of the global trade body.

Trump’s ignorance of the WTO and his accusation that the trade body is biased against the US could signal that the US is retreating from leadership on trade from a basic commitment to play by the rules that previous US administrations did so much to create. Such a perception could in the long term prompt other countries to react in kind, thereby undermining the global trading system.

We are still convinced, despite the WTO’s shortcomings, that disputes should be discussed and resolved in a multilateral framework and that unilateral decisions are dangerous. Multilateral negotiations are especially better for such developing countries with weak bargaining positions as Indonesia.

Instead of immediately retaliating against the imposition of the American import tariffs, China needs to look into the allegations that its companies have flooded the US market with metal goods sold at artificially low prices. China also should look into ways of reducing its trade surplus with the US, which was reported to be over $375 billion last year.

Jakarta Post, April 2, 2018

KOREA

U.S. agrees to exempt South Korea from steel tariffs, but imposes import quota - South Korea

The United States has agreed to exempt South Korea from steel tariffs, South Korea’s trade ministry said on Monday, instead imposing a quota on steel imports as the two countries renegotiate a trade deal sharply criticized by U.S. President Donald Trump.

South Korea had meanwhile agreed to give ground on automobile trade regulations by agreeing to changes in the bilateral free trade deal known as KORUS, the ministry said.

In April, Trump told Reuters he would either renegotiate or terminate what he called a “horrible” trade deal that has doubled the U.S. goods trade deficit with South Korea since 2012.

The agreement means South Korea becomes the first U.S. ally to receive an indefinite exemption, albeit with quota, on steel tariffs imposed by Trump, a move that had fueled concerns of a damaging global trade war.

Last week, Trump temporarily excluded six trade partners, including Canada and Mexico, Australia and the European Union from higher U.S. import duties on steel and aluminum which came into effect on Friday.

The import duties, of 25 percent on steel and 10 percent on aluminum, were mainly aimed at curbing imports from China.

South Korea has received a quota of about 2.68 million tonnes of steel exports, or 70 percent of the annual average Korean steel exports to the United States between 2015-2017, which will be exempt from the new tariffs, the ministry said in a statement.

South Korea is the third-largest steel exporter to the United States and the world’s top importer of Chinese steel, leading to concerns it was a conduit for China’s excess capacity.

Shares in South Korean steelmakers rose sharply on Monday, with Dongbu Steel (016380.KS) leading gains, on expectations of tariff exemptions.

JAPAN

Japan’s steel demand down across most end-use industries in January

Steel demand in Japan was down across most end-use industries in January, statistics released by the Japan Iron & Steel Federation (JISF) showed.

The country’s total domestic steel consumption in the month dropped by 2.7% year on year to 3.57 million tonnes.

Demand in the manufacturing sector dropped the most, dipping by 7% compared with the corresponding month in 2017 to 1.57 million tonnes. This was mainly due to lower steel consumption rates in the key downstream segment of shipbuilding, the data released last week showed.

Shipbuilders and marine equipment makers saw an 18.9% drop in demand on an annual basis to 275,000 tonnes. Automotive-manufacturing sector demand was stable at 765,000 tonnes.

The construction sector saw demand dip slightly to 917,000 tonnes, or by 1.1%. This was partly due to dips in demand from the building segment, which dropped by 3.2% to 509,000 tonnes. Demand in both residential and non-residential building decreased.

The civil engineering segment consumed 197,000 tonnes of steel in January while other construction-related segments used 211,000 tonnes.

The Kanto region consumed 1.16 million tonnes of carbon steel in January, down by 3.6% from around 1.2 million tonnes a year earlier. It remains the biggest steel-consuming region in Japan.

Japan’s January exports also fell, dipping by 5.8% to 1.83 million tonnes on lower demand from regional buyers.

Metal Bulletin, March 20, 2018
South Korea’s steel association said in a statement it was a “relief” that South Korea has been excluded from U.S. steel tariffs, but it was regrettable it was unable to secure more quotas for steel exports.

South Korea’s steel industry will “try to pave the way to ease U.S. restrictions on steel exports,” the association said in a statement.

South Korea and the United States also agreed that U.S. tariffs on Korean pickup trucks will be in place until 2041, extended by 20 years from the previous phase-out schedule of 2021.

Under the revisions, U.S. automakers will be able to bring into South Korea each year 50,000 vehicles per automaker that meet U.S. safety standards, not necessarily Korean standards, up from 25,000 vehicles previously.

South Korea also said it will “take into account U.S. standards and global trends” when Seoul decides its fuel economy and emissions rules from 2021 to 2015.

The Edge, March 26, 2018

S. Korea to just sit on its hands amid US’s increasing infrastructure demand

The South Korean steel pipe industry which has been increasing exports with a growing demand for steel pipes in the United States hit an unexpected snag. It has been exempted from Washington’s additional 25 percent tariff on steel products but the volume of exports to the U.S. is expected to halve.

In particular, the demand for steel pipes in the U.S. market is expected to surge as U.S. President Donald Trump pledged to make a large-scale infrastructure investment worth US$1.5 trillion (1,611 trillion won). However, the domestic steel industry, which faces an export quota, have no choice but to sit on its hands.

According to the government and industry sources on March 27, the volume of South Korea’s steel pipe exports to the U.S. cannot surpass 1.04 million tons under an agreement between South Korea and the U.S. announced on the 26th. The figure is only 51 percent of its exports last year. An official from the Ministry of Trade, Industry and Energy said, “A quota is different from a tariff rate quota which are two-level tariffs, with a limited volume of imports permitted at the lower “in-quota” tariff and all subsequent imports charged the higher “out-of- quota” tariff. South Korea can only export a quota portion.”

South Korean steel pipe producers have been increasing the amount of exports as the demand for shale gas development and infrastructure construction has risen in the U.S. They were able to offset retaliatory tariffs imposed by the U.S. two years ago with a strong demand in the market.

In fact, the total amount of steel exports to the U.S. decreased from 4.4 million tons in 2015 to 3.4 million tons last year but that of steel pipes nearly doubled to 2.03 million tons over the same period. As the demand for steel pipes in the U.S. is expected to skyrocket due to President Trump’s large-scale infrastructure investment plans, South Korea is facing an even bigger setback.

Business Korea, March 29, 2018

MALAYSIA

YKGI signs confidentiality agreements to dispose of assets

YKGI Holdings Bhd has entered into mutual confidentiality agreements with CSC Steel Holdings Bhd and NS BlueScope Malaysia Sdn Bhd to dispose of certain assets, confirming a recent report by The Edge Malaysia weekly.

In a bourse filing today, the company said NS BlueScope is conducting a due diligence on the proposed transaction, adding that it has not received any offer from the parties yet.

“The company will make an appropriate announcement on the same when the proposed transaction is finalised,” said YKGI.

In its latest issue, The Edge reported that the company is in talks to sell its manufacturing plant in Kapar, Klang.

The publication said the 25-acre land, which houses a manufacturing plant that processes hot rolled coils, had a net book value of RM83.18 million as at end-2014.

YKGI’s share price fell 1.5 sen or 3.9% to close at 37 sen, for a market capitalisation of RM130.77 million.

The Edge, March 20, 2018

Entire flat steel value chain seeks protection

THE entire Malaysian flat steel value chain is seeking protection from the government via the imposition of tariff and non-tariff barriers, which would help curb the dumping of cold rolled coils (CRC) galvanised iron, pre-painted galvanised iron and electro galvanised steel in Malaysia.

The Ministry of International Trade and Industry (Miti), CRC players and re-rollers had met a couple of weeks ago to discuss the enforcement of anti-dumping duties on CRC from certain countries.

Initially, some coaters were accused of buying their CRC requirements on the cheap from countries dumping in Malaysia but eventually, the coaters too sought protection, the effect of which trickled down to encompass the whole value chain, an executive present at the meeting says.

“The government is looking at it (protecting the entire flat steel value chain) seriously. How we are protected is up to the government. It could be via the imposition of trade barriers such as duties or non-trade barriers,” he adds.

He says high-end manufacturing will not be impacted as special exemptions are generally made for these industries.

Local players — basically the coaters and CRC manufacturers — who met to resolve the issue unanimously, sought protection for the entire chain from the government.

Some of the coaters involved in the discussion were FIW Steel Sdn Bhd, BlueScope Steel (M) Sdn Bhd, Posco-Malaysia Sdn Bhd and Nippon EGalv Steel Sdn Bhd while the CRC players included CSC Steel Holdings Bhd, YKGI Holdings Bhd and Mycron Steel Bhd.
In a letter to Miti seeking the imposition of import duties a few weeks ago, CSC, YKGI and Mycron had named Vietnam, India, South Korea and Japan as the sources of the cheap CRC imports.

The three companies initially sought the imposition of five measures — restrictions on imports or the implementation of quotas; import licensing by Miti; anti-dumping duties to be made retrospective to the date of the breach; any application for CRC imports to be made through Mesyuarat Mingguan Besi Keluli — a technical committee to evaluate import duty exemption applications for the raw materials of iron and steel products; and an independent tier one audit firm to be appointed to ensure importers do not manipulate specifications or quality standards as a reason to import CRC at the expense of domestic players.

This proposal was made about a month ago but now, the players are looking at a wider range of protection for the entire value chain.

The flat steel industry is already grappling with higher industrial gas and electricity prices after the imposition of tariff hikes this year. Also burdening the players is the Goods and Services Tax that took effect in April 2015.

According to flat steel players, the failure of Perwaja Steel and Megasteel has given financial institutions cold feet when it comes to lending to steel companies.

Local steel players often complain that Malaysia allows other countries to freely export but other countries do not reciprocate by allowing foreign steel to penetrate their domestic market.

In its six months ended Dec 31, 2017, Mycron posted a net profit of RM10.97 million on revenue of RM378.91 million. A year ago, net profit was down 44.06% despite revenue gaining 8.82%.

In its financial year ended Dec 31, 2017, YKGI suffered a net loss of RM14.74 million on revenue of RM378.8 million. In the previous corresponding period, it posted a net loss of RM9.96 million on revenue of RM399.62 million.

In its financial year ended Dec 31, 2017, CSC registered a net profit of RM59.81 million on revenue of RM1.32 billion. In the previous year, net profit dropped 12.93%, although revenue strengthened 27.83%.

SteelAsia vice president for corporate development Rafael Hidalgo said most of the downstream products that SteelAsia planned to produce would support the booming construction sector.

“However, wire rod which is an industrial product, is used to make nuts and bolts, springs, welding rods, screens and mesh wire, to cite a few. These products, we still import from abroad, even the tiniest nail. We need to have the technology to produce these products so we could level up our industrialization,” Hidalgo said.

The country imports $2 billion worth of wire rods, section bars and billets annually, representing 60 percent of national demand of 7 million MT. Imported section bars reach 700,000 MT while imported wire rods average 600,000 MT a year.

SteelAsia said once the three-phase program was completed, its total capacity would reach 7 million MT of finished steel products and 4.3 million MT of billets for steel making, double the current 2.3 million MT.

It said that in the medium term, it would stop selling steel scraps abroad and reuse them locally to produce billets for steel making.

The Philippines exports about 2 million MT of steel scraps abroad, while SteelAsia needs at least 3 million MT of billets as raw materials for steel making.

Taiwan: Local steel exporters fear US duties

More than 10 Taiwanese steel products have been subjected to anti-dumping or countervailing duties by the US government, and duties on steel and aluminum imports announced by US President Trump last week are expected to further weigh on the local steel industry, the Taiwan Steel & Iron Industries Association said yesterday.

“The US market is Taiwan’s largest export destination for steel products... We foresee that the new duties will expand the scope of affected steel products to such exports as coated steel rolls and welded steel pipes,” the association said in a statement.

Trump on Thursday last week signed an order under Section 232 of the US Trade Expansion Act to impose a 25 percent tariff on
imported steel and a 10 percent tariff on aluminum. Both duties were expected to take effect within 15 days.

Canada and Mexico have temporarily been exempted from the tariffs. However, they would have to agree to the US’ demands in the renegotiation of the North American Free Trade Agreement if they want to be exempted from the duties permanently, the order said.

The Ministry of Economic Affairs on Friday last week said the tariffs would damage free trade in the global market and it would seek talks with the US government about waiving tariffs for Taiwanese companies.

The association said Taiwan shipped 1.14 million tonnes of steel products to the US last year, accounting for 13.7 percent of Taiwan’s total steel exports.

By export value, shipments to the country made up 21.1 percent, or NT$40.77 billion (US$1.392 billion), of Taiwan’s total steel export last year, it said.

Exports to the US include cold-rolled steel coils, coated steel rolls, welded steel pipes and cold-rolled stainless steel coils, the association said, adding that the products are mainly used in construction, car manufacturing and petrochemical production processes.

The US and Taiwanese steel industries complement each other, as the US exported 1.22 million tonnes of steel waste to Taiwan last year, the association said.

The association foresees that the US government’s trade protection measure would increase US steelmakers’ production utilization rate in the short term, it said.

In the long term, the duties would prompt foreign steel makers to increase their investments in the US, which would further lower the country’s demand for steel imports and further affect Taiwan’s steel industry, the association said. 

Taipei Times, March 14, 2018

No exemption due to Chinese metals

Minister Without Portfolio John Deng, the nation’s top trade negotiator, yesterday said Taiwanese firms’ practice of exporting to the US products made of steel and aluminum from China was the reason that Taiwan has not been exempted from tariffs announced by Washington.

Deng, who is returning to Taiwan after leading a delegation to the US on Sunday last week to seek a tariff exemption, made the remark in a telephone interview with the Central News Agency.

The nation’s unsuccessful attempt to be included in the list of exemptions reflected Washington’s concerns that some Taiwanese firms import steel and aluminum from China and process them into finished goods before selling them to the US market, Deng said.

US President Donald Trump’s tariffs seem to be aimed at curbing alleged dumping of Chinese steel and aluminum products in the US, he said.

Washington might be hoping to work with other nations to stop this situation, he added.

Deng said that after returning to Taiwan early today, he would meet with local exporters to map out a solution.

Despite the setback, he said the government would continue to try to convince the US to exempt Taiwan as a whole, while encouraging individual exporters to seek their own exemption.

The Ministry of Economic Affairs would provide assistance to individual firms that wish to seek an exemption, he added.

The temporary exemption list would not take effect until a formal notice is released by the end of next month, Deng said, adding that Washington welcomes other nations to enter into talks with its trade office for an exemption.

On March 8, Trump signed an order under Section 232 of the US’ Trade Expansion Act of 1962 to impose a 25 percent tariff on imported steel and a 10 percent tariff on aluminum.

The duties took effect on Friday.

It was the first time in more than three decades that the law has been invoked to protect a US industry from competition from imports.

On Friday, US Trade Representative Robert Lighthizer told a US Senate panel that Trump has decided to grant a temporary exemption to the EU, Canada, Mexico, Australia, Brazil, Argentina and South Korea as it carries out further negotiations with them.

However, the order signed by Trump leaves open a door to other nations that want to get tariff waivers, as long as they are able to offer a satisfactory alternative during talks with the Office of the US Trade Representative.

While in the US, Deng met with many US government officials and academics from major think tanks, as well as representatives from the business sector, which he said helped him gain a better understanding about the tariff issue.

Deng said he would report to Premier William Lai as soon as possible to discuss whether he will lead another delegation to Washington.

Taiwan’s steel product exports to the US totaled US$1.3 billion last year, accounting for 13.16 percent of the nation’s total exports, while aluminum product exports totaled US$44 million, or 6.15 percent of total aluminum exports, the ministry said.

Last year, the US was the largest buyer of the nation’s steel products and the sixth-largest buyer of aluminum products, it said.

Taipei Times, March 26, 2018

THAILAND

Thailand terminates anti-dumping probe on galvanized steel

Thailand’s pending anti-dumping case on imports of hot dip galvanized sheet and coil from China, South Korea and Taiwan has been terminated, Kallanish understands. The Thai
Antidumping Committee announced its decision to terminate the final anti-dumping investigations on 5 March on the grounds that it found there was no injury to domestic industry. The ruling was published in the Thai Royal Gazette on 7 March, Thailand Ministry of Commerce (MoC) official sources say. Earlier this year, Thailand’s MoC in its preliminary anti-dumping investigation found dumping margins of 3.69-27.61% against imports from China, 2.62-62.22% for South Korean imports and 4.10-9.08% for Taiwanese imports. However, Thailand’s antidumping committee subsequently agreed that there was no injury to the Thai domestic industry, so preliminary duties were not implemented. At that time, informed sources said that the case was likely to be terminated.

The MoC launched the investigation on the above imports, which involved 47 HS codes under 7210 and 7212, in September 2016. The probe, which covered the period of July 1, 2015-June 30, 2016, was extended for another six months when it was not completed after a year.

The main petitioners include Bangkok Steel Industry and Sangkasi Thai Co. The full disclosure of the final investigations will be released around a month’s time, Kallanish hears. 

Kallanish, March 13, 2018

Vietnam re-rollers warn of steel supply glut in Asia due to fresh US tariffs

Vietnamese re-rollers are fretting over a 25% import tariff that the United States is set to impose on steel imports, expecting them to reduce the volumes of finished flat products that they can ship there, market sources told Metal Bulletin on Friday March 2.

This could in turn result in a supply glut of flat steel in Asia, they warned.

“Vietnamese re-rollers are growing increasingly worried and thinking about what to do once the 25% tariff is imposed because this could mean the loss of a major market for them,” a Vietnamese re-roller source said.

The top three steel exports from Vietnam to the US are cold-rolled coil, hot-dipped galvanized coil and other metallic-coated coil, according to data from the US Department of Commerce’s enforcement & compliance division.

Export volumes have grown continually in the past five years, increasing especially strongly between 2015 and 2017.

CRC exports increased from 33,199 tonnes in 2015 to 155,619 tonnes in 2017, while HDG shipments increased from 292 tonnes in 2014 to 124,799 tonnes in 2017.

Other metallic-coated flat steel exports increased from 181 tonnes in 2013 to 130,440 tonnes in 2017.

US President Donald Trump said on Thursday that the US would impose an import tariff of 25% on steel imports and that it would “remain for a long time” to protect its domestic steel industry from cheap steel from around the world.

The move follows recommendations made by the Department of Commerce to impose tariffs of 24-53% on steel imports following a Section 232 probe into whether steel imports posed a national security risk to the US.

Asia is expected to face a renewed glut of flat steel if US demand truly drops off, especially if Vietnamese demand for Asia-origin substrate falls.

“Once Vietnam reduces its spot demand for HRC, there will be surplus HRC that needs to find sales outlets elsewhere in Asia,” an industry source with close knowledge of the re-rolling market said.

“This would mean more Chinese, South Korean and Japanese HRC being offered by mills and traders, which would exert pressure on prices,” he said.

However, this is also a boon for re-rollers, because premiums for high-quality HRC from Japan and South Korea over lower-quality grades would drop in response to an increase in spot supply.

Japan and South Korea-origin SAE1006 HRC typically commands premiums of about $30-50 per tonne over Chinese and Indian products. Buyers are sometimes willing to fork out extra for if they wish to purchase higher-quality materials.

Market sources in Japan and South Korea have also raised concerns about how the new US tariffs would affect steel exports from those countries.

Metal Bulletin, March 2, 2018

Steel exports increase 38%

Viet Nam’s total steel exports in the first two months of the year rose 38.6 per cent from the same period last year to reach more than 728,000 tonnes, according to the Viet Nam Steel Association (VSA).

Other statistics from the General Department of Customs showed that Viet Nam’s steel exports to the US in particular had surged. The country shipped 124,600 tonnes of steel worth US$104.2 million to the US in the two-month period, double that of same period last year.

The US has been the second largest importer for Viet Nam’s steel after the ASEAN market. Vit Nam also took the 12th position among the 20 largest steel exporters to the US.

US President Donald Trump signed proclamations to impose a 25-per-cent tariff on imported steel and a 10-per-cent tariff on imported aluminum on March 8. With the decision, Viet Nam’s would be one of the 12 most affected countries. Local steel producers have faced competition from others in the ASEAN market as well as higher tariffs.

Last year, Viet Nam exported 567,000 tonnes of steel to the US, a reduction of 43 per cent from the 2016 and accounting for 12 per cent of the total steel exports.
Experts said coated steel producers would be most affected as the US accounted for 35 to 40 per cent of Viet Nam’s total exports of the product.

Construction steel

The prices of domestic construction steel have been continuously increasing due to an increase in imported material prices and affects from China, the world’s biggest steel producer, according to the Kinh te Đô thi (Economic & Urban Affairs) newspaper.

A steel shop in Đề La Thành Street told the newspaper that the steel price rose VND100,000 per tonne in January and VND500,000 per tonne in February.

The current selling price of construction steel is at VND15.3 million per tonne. This has been the highest level in the past few years.

Steel shops said the number of orders has been on the rise amid the steel shortage. Some people bought a large amount of construction steel, contributing to the price rise.

They added that the price would continue to rise in the upcoming time.

VSA’s vice chairman Nguyen Văn Sýa said the price increase in the first two months of the year was due to a price rise of steel billet of 3 per cent and ore of 7-8 per cent.

Sýa added that the rise was not due to the US decision.

He said the price of input material for steel production would increase, making the construction steel price rise by VND300,000-500,000 per tonne by the end of May.

“Constructors and investors should calculate demand to ensure steel supply, thus reducing construction fees,” he noted.  
*Viet Nam News, March 13, 2018*

**Customs plans tighter checks on imported steel products**

The General Department of Customs has just asked its officials to strengthen checks on imported steel products after a series of reports on steel firms submitting incorrect declarations about product codes.

All customs departments of provinces and cities have been ordered to direct their sub-departments to strictly implement regulations on sampling, analysing and inspecting imported steel products, and identify imported products with incorrect codes. As per the Ministry of Industry and Trade’s (MoIT) Decision No 2968/QĐ-BCT dated July 18, 2016 on safeguards, the tax rate for imported steel billets is 23.3 per cent and for imported long steel products is 13.9 per cent.

The MoIT has imposed additional tariffs on imported steel products as a safeguard against cheap imports that are believed to be threatening the domestic industry.

Also under the decision, imported products on which safeguards have been applied include alloy and non-alloy steel billets, and alloy and non-alloy long steel products coded: 7207.11.00; 7207.19.00; 7207.20.29; 7207.20.99; 7224.90.00; 7213.10.00; 7213.91.20; 7214.20.31; 7214.20.41; 7227.90.00; 7228.30.10; 9811.00.00.

Steel billets and long steel products that do not have these codes will be excluded from the tougher safeguards.

However, after the safeguards were applied, representatives of Viet Nam Steel Association said the import volume of the two types of steel have declined sharply, while the import volume of steel products with non-taxable codes has shot up. Officials suspect that local steel importers are changing product codes to avoid paying higher tax.  
*VietNamNet Bridge, March 29, 2018*

**RUSSIA**

**Russian steel giant Severstal first to sue U.S. government over tariffs**

It looks like we have our first lawsuit against the U.S. for President Trump’s decision to impose 25% tariffs on steel. It comes from Russian steel giant Severstal, majority owned by Alexey Mordashov, the second richest man in Russia. Another steel magnate, Vladimir Lisin, is Russia’s richest.

Mordashov, however, was the first to fire shots at the Trump Administration for tariffs which went into effect on March 23.

The company filed a lawsuit this week in the United States Court of International Trade demanding exemption from import duties similar to those given to Brazil, Mexico, and Canada. Severstal says that the tariffs create “irreparable damage” to its trading company Severstal Export Miami Corp. The court session is scheduled for March 29. Severstal’s stock price is down 2.5% in ruble terms over the last five days, erasing the year’s gains.

Trump imposed tariffs on steel and aluminum two weeks ago citing protections under national security laws. Days later, he temporarily exempted NAFTA partners Canada and Mexico, along with top three importers Brazil and South Korea.

The lawsuit alleges that if Severstal has to pay 25% fees on steel already en route to the U.S., the company could face bankruptcy. The company is small with under a million in revenues and employs only two people, according to industry figures confirmed by one of the staffers in Miami. Severstal says these volumes have already been contracted for certain buyers and adding 25% to the price would be something Severstal would have to swallow, rather than the customer.

The suit also states that Donald Trump exceeded the powers of the Section 232 trade rule under the U.S. Department of Commerce, with their U.S. lawyers calling it a “political ploy” to use in other trade negotiations that have nothing to do with Russia.

The U.S. is not a priority market for Severstal, so if it was forced to reroute steel and close its Miami office it is likely a loss it can
contend with and one in which the U.S. government is unlikely to feel pressure to protect.

The U.S. accounted for just around 2% of Severstal’s sales last year, for a total of $157 million, and only 4% in volume, or around 340,000 tons of steel. Severstal told the local business daily Kommersant in Moscow on Tuesday that despite being a small market for them, they wanted to “defend our interests within the framework of international law, even if it is a non-priority market. In our opinion, the idea that the import of Russian steel products into the U.S. is a threat to national security is completely untrue,” the company said in a statement reported by Kommersant.

It will be difficult for Severstal to qualify its claim of harm to the court when it is such a small percentage of the company’s business.

“Subsidiaries of Severstal are unlikely to prove the excess of the president’s authority,” Julia Semenova, an attorney with the CAF Group in Moscow told the paper. “The government will have enough to show in court regarding the growth of unemployment in the U.S. steel industry, and decline in metal production in the U.S. so that the court will not be convinced,” she says.

Severstal is one of Russia’s corporate giants. It has over 50,000 employees. And they are far from broke. They reported a 32.8% EBITDA margin in 2017. Last year, Severstal produced 11.65 million tons of crude steel and reported revenue of $7.8 billion and EBITDA of $2.6 billion.

Forbes, March 29, 2018

**INDIA**

**India seeks waiver from U.S. steel and aluminum tariffs**

India has asked the United States to exempt it from higher tariffs on steel and aluminum, saying Indian exports of the two products did not pose a security threat to America, three government officials said.

Last week, U.S. President Donald Trump suspended tariffs for Argentina, Australia, Brazil, South Korea, Canada, Mexico and the European Union, the biggest U.S. trading partner, until May 1, 2018, as discussions continue.

The administration said countries not on the list could discuss with Washington ways to address U.S. national security concerns caused by imports of steel from that country.

India’s trade ministry has written to the U.S. government, asking that it also be exempted from the 25 percent levy on steel and 10 percent on aluminum to protect U.S. national security and economic interests, grounds that experts say suggest are primarily aimed against China.

“The tariffs will definitely affect our exports. And clearly, as far as the quantum is concerned and the type of steel is concerned, there is no such thing as a security threat to the U.S.,” Steel Minister Chaudhary Birender Singh told Reuters.

The United States accounts for 2 percent of India’s steel exports but the move comes at a time when long-festering trade differences between the two countries are already aggravated, triggered by tariffs that India has imposed on dozens of products in recent months as part of steps to boost the domestic industry.

Indian Foreign Secretary Vijay Gokhale met U.S. Trade Representative Robert E. Lighthizer ten days ago and asked that the new trade measures not apply to India, a top official involved with framing of government policy told Reuters.

“India is not going to be a security threat. And if you are looking at the trade deficit, some of it has definitely reduced,” the official said.

India is one of the countries that the Trump administration had named on its list of countries with which it had a large deficit.

Trade between India and the United States was $115 billion in 2016 and the deficit stood at $31 billion. But the official said the imbalance had improved in 2017.

A third government official said India would also emphasize to Washington the small amount of steel exports to the United States.

The big worry is that many countries faced with higher tariffs in the United States such as China will ramp up exports to India, imperiling the domestic industry, the official said.

According to an internal government note prepared this month, the steel ministry was concerned over displaced exports coming to India and said the government would take “proactive trade remedial measures” to protect the domestic industry from “any unfair trade practices”.

“The countries which are currently exporting to the U.S. will be forced to look at other major steel consuming markets like India to sell their surplus and (it) is likely to distort our domestic markets considerably,” the note said.

According to a separate industry note from this month, the total amount of displaced exports globally could be as high as 27 million tonnes, some of which was likely to be routed to Indian markets, it said.

Reuters, March 30, 2018

**India overtook Japan to become world’s second largest steel maker**

India is second on the list of world’s largest steelmakers, following China. India had been on the third spot for three years till 2017. Japan’s steel output fell by 0.5 percent to 8.2 million tonnes (mt) in February, corresponding to India’s staggering 3.4 percent rise to 8.4 mt steel output, making India supersede Japan, reported Financial Express.

India’s rise made its production highest not just in February, but also in the January-February period. All the months preceding January, Japan had been leading. China is way ahead of both the countries in production, but India and Japan have always been within inches of each other in the market.

In 2017, Japan’s production was 104.7 mt and India’s number was 101.4 mt. The gap was wide in 2016 at 9.3 mt, and 16 mt in 2015.
India had grown in its steel production in the year 2017 by almost 6.2 percent, and Japan’s steel industry had slumped. India’s chances of becoming 2nd in the list had been high in 2018.

The Indian government has been very ambitious with its steel production, with it targeting 200 mt annual installed capacity from the 128 mt presently. The consolidation of the Indian steel sector will help strengthen the capacity utilization, synergy improvement and economies of scale.

India took over the USA in 2015 to become the third in the world after a long stay at the fourth position.

According to World Steel Association, China recorded a growth in 5.9 percent, producing 64.9 mt steel in February 2018. In the EU, Italy’s production was 2.1 mt and South Korea produced 5.4 mt. The USA produced 6.4 mt steel in February 2018.

Capacity utilization ratio of the world steel industry was 73.3 percent.

Money Control, March 30, 2018

China plans tariffs on $3 bln of US goods in response to Section 232

China has announced plans to impose tariffs on approximately $3 billion worth of United States-origin goods, including seamless steel pipes and aluminium scrap.

China said it was considering measures to “balance out the losses caused to Chinese interests” by the US’ imposition of blanket tariffs - 25% on steel imports, 10% on aluminium imports - that US President Donald Trump announced following the country’s Section 232 investigation, according to a statement from China’s Ministry of Commerce on Friday March 23.

The statement included a list of 128 products under seven categories on which China is proposing to impose tariffs. The list was further divided into two steps of retaliatory action: a possible 15% tariff on 120 products worth almost $1 billion - including fresh fruit, nuts, wine and seamless steel pipes - and a possible 25% tariff on eight goods worth approximately $2 billion - including pork and aluminium scrap.

“If China and the US fail to reach a trade compensation agreement within the stipulated time, China will exercise the right to suspend concessions for the first list of products; China will implement the second list after further evaluating the impact of US measures on China,” the statement said.

The statement gave no date for when the retaliatory measures would take place, but it did say that local businesses and other parties had until March 31 to submit their views about the proposed tariffs, indicating this as a likely date for any retaliatory action to take effect.

China imported 618,287 tonnes of aluminium scrap from the US in 2017, an increase of 8.55% from the prior year, with US-origin material accounting for about 28.5% of China’s total imported aluminium scrap last year, according to Chinese customs data.

“The whole metals industry is watching this issue, especially those in the aluminium market as the metal is on both sides’ lists, but so far I think we just need to wait and see how things go,” an aluminium trader based in Shanghai said.

A risk-off tone enveloped global markets on Friday morning after Trump announced on Thursday that he would impose fresh tariffs amounting to approximately $60 billion on Chinese imports. A list of products that will attract the tariffs will be announced within 15 days, but is expected to include items in aerospace, information technology and machinery.

Metal Bulletin, March 23, 2018

China to reach its capacity removal target this year: MIIT

China might be able to achieve the upper end of its 100 million-150 million mt/year target on capacity removal over 2016-2020 within this year if the country succeeds in cutting 30 million mt/year capacity, Chinese media cited Miao Wei, minister of Ministry of Industry and Information Technology (MIIT) as saying in a forum Monday.

China will not stop its efforts on easing overcapacity even after it finally achieves the target ahead of schedule this year. Those capacities in key steel producing areas like Hebei province will continue to be eliminated as planned.

China has already removed up to 120 million mt/year of crude steel capacity over the past two years, Miao said. The country’s steel capacity elimination campaign exceeded 65 million mt/year and 50 million mt/year respectively in 2016 and 2017.

Meanwhile, China has permanently removed about 140 million mt/year of “illegal” induction furnace (IF) capacity in 2017. Nevertheless, China vowed not to bring those eliminated capacities to partner countries in its One BeltOne Road route, he added.

Thanks to the central government’s efforts to ease overcapacity and eliminate induction furnace production, output by legitimate steelmakers increased quickly and mills enjoyed soaring profits last year, said Li Wei, director of raw materials department with MIIT last week. China’s raw steel production total in 2017 increased 5.7% to 832 million mt, accounting for nearly 50% of the world’s total. The average blast furnace utilization rate in China was around 80%, estimated by China Iron and Steel Association (CISA), he added.

In the face of the difficulties and challenges to fulfill the target this year, MIIT will control the total capacity of steel industry through capacity elimination, strict control on any addition of new steel capacity, prohibition of IF capacities resumption and capacities replacement, Li said. Meanwhile, it will promote mergers and acquisitions of the industry through relocation of mills in smog-prone Beijing-Tianjin-Hebei and surrounding areas.

Platts, March 27, 2018

Analysis: China’s steel capacity outlook in 2018 - Part 3

China’s winter steel output cuts, lasting from November 15 last year until March 15, implemented to improve air during the winter heating season, have had a significant impact on the steel market.
Due to largely reduced steel production from mills in northern China, the rebar spot market price in Beijing jumped 21% or Yuan 805/mt ($127/mt) from the start of November to mid-December, while hot rolled coil prices in Shanghai’s domestic market increased about 8% during the same period, according to S&P Global Platts assessments.

The winter steel output cut orders were loosened from early December, which led steel prices to retreat quickly from mid-December to mid-January. However, most traders and mills believed China’s environmental protection measures would only get stricter in the future, and production would more frequently be curtailed to a greater or lesser extent.

The winter steel output cuts officially ended on March 15, but Hebei province’s Tangshan city has planned restricted output for all of 2018. Handan, also in Hebei, said it would prolong output controls beyond March.

Meanwhile, some cities in Henan province were understood to have extended winter output cuts to meet their environmental targets Tangshan’s plan to keep blast furnace utilization rates at no higher than 85-90% through the non-heating season will have less of an impact on steel production, compared with the deeper winter output cuts.

Some mills have admitted the output losses from the curbs in Tangshan would no longer be offset by ramping up existing facilities in other unaffected regions. This is because those facilities already reached their limits in 2017, driven by high profits, and had no more scope to lift output.

Some market chatter suggested smaller mills had even thinned the inner walls of their blast furnaces to maximize the volume of their iron making facilities. While this kind of operation was very small scale, it showed that it has become almost impossible to increase output further at existing facilities through normal measures, if not by adding new capacity.

China’s Ministry of Environmental Protection has been drafting new targets for air pollution controls in 2018-2020. China previously planned to reduce Particulate Matter (PM2.5) concentrations in some industrial cities by 18% by 2020, but these could be lowered further if targets aren’t being achieved.

Analysis key points
- Redundant steel capacity has been largely phased out - Future capacity expansions will be limited and unable to fully replace induction furnace market share - Environmental protection measures will rein in overall steel production - China will continue to implement output restrictions if environmental targets not being met - Investment in steel is slowing, but downstream industries keep growing

Platts, March 27, 2018

Shaanxi Steel Industrial Park in Indonesia

West China’s Shaanxi Iron & Steel Group, aims to extend its international presence as part of the Chinese ‘one belt, one road’ initiative, with two steelmaking projects in Indonesia.

One steel complex Indonesia will have a capacity of 7.5 million tonnes, with Shaanxi working alongside Shandong Fuhai Group, which already operates a mine there with an iron ore concentrate production capacity of 6 million tonnes per year, Shaanxi Steel Group president Yang Haifeng told delegates at the China Iron & Steel Association’s 16th International Steel Market and Trade Conference in Xi’an on Thursday March 29.

“Indonesia imports 12 million tonnes of steel products every year, and [that is] expected to rise to 30 million tonnes by 2020,” Yang said. “This project will fill the gap in Indonesia’s steel market by producing steel locally [using] iron ore from Shandong Fuhai Group.”

Along with other investors, Shaanxi is also planning to build a “Shaanxi Steel Industrial Park” in Indonesia through its subsidiary Hangang Co.

Yang said this project would be implemented in four phases to bring about a steel production capacity of 3 million tonnes with product including bars, wire rod, sections, strip, plates, vanadium-bearing pig iron, vanadium slag and titanium-rich slag.

“In the context of the one belt, one road initiative, this project aims to realize the ‘go out’ target by making full use of abundant vanadium titano-magnetite sand in Indonesia and the technical advantages of Chinese enterprises in vanadium titano-magnetite smelting,” Yang said.

Details of the total amount being invested, locations and timelines for the two projects were not provided.

Metal Bulletin, March 28, 2018

China and Germany agree to work on steel overcapacity following US tariffs

German Chancellor Angela Merkel and Chinese President Xi Jinping discussed overcapacity in world steel markets and agreed on Saturday to work on solutions within the framework of the G20 group of industrialised nations, Merkel’s spokesman said.

In a telephone discussion, the two newly reelected leaders emphasised close ties between the two countries, both facing planned U.S. steel and aluminium tariffs, and agreed to deepen their strategic partnership, Steffen Seibert said in a statement.

They also underscored the importance of multilateral cooperation on global trade, a pointed response to an accelerating shift away from multilateral action and institutions by the United States under President Donald Trump.

Chinese state news agency Xinhua said Xi told Merkel that the two countries should “become advocates for new-type international relations” and become cooperation partners despite their ideological differences, with cooperation to be pushed forward within the framework of the Belt and Road initiative.
“China-Germany relations will steadily proceed far as long as they adhere to equality and mutual respect, understand and care for each other’s core interests and major concerns, and properly control and handle their differences,” Xinhua said, attributing the comments to Xi.

U.S. officials have said they will seek to work with “like-minded” countries at the Group of 20 finance leaders meeting early next week in Argentina to push back against China’s state subsidies and investment policies.

The Merkel-Xi call came amid tensions between the United States, Europe and China over U.S. tariffs, and China’s rejection of U.S. legislation encouraging an exchange of officials between the United States and Taiwan. China considers self-ruled and democratic Taiwan a wayward province ineligible for state-to-state relations.

Merkel and Xi “discussed the problem of global overcapacities in the steel market and backed continued efforts to work toward solutions in the framework of the G20 Global Forum (on Steel Excess Capacity),” Seibert said, referring to a body initiated at the G20 summit in Hangzhou, China, in 2016.

“In this regard, they emphasised the importance of close multilateral cooperation on trade,” he said.

Trump has criticised both Germany and China for their trade surpluses with the United States since taking office in 2017.

Merkel on Saturday said Germany’s trade surpluses were narrowing due to rising domestic demand, and the government would continue to try to support that trend.

German Economy Minister Peter Altmaier will visit Washington this week to press for an exemption from U.S. steel and aluminium tariffs as part of a broad push by the European Union to reverse the U.S. sanctions.

German Finance Minister Olaf Scholz will discuss the issue at the G20 meeting in Argentina with U.S. Treasury Secretary Steven Mnuchin.

Merkel said on Friday the planned U.S. tariffs violated the principles of the World Trade Organization and the dispute should be resolved via talks if possible.

Seibert said Merkel invited the Chinese government to visit Berlin for official government consultations, and Xi also extended an invitation for Merkel to visit China.

Reuters, March 19, 2018

Aluminum wrestles with steel over electric vehicle market

When electric carmaker Tesla Inc. launched its first mass market model last summer, it sent a shockwave through the aluminum industry by largely shifting to steel and away from the lighter weight metal it had used in its first two luxury models.

The switch by Elon Musk’s Tesla to the heavier-but-cheaper metal highlights how steel is fighting back against aluminum, which had widely been expected to be the bigger beneficiary of the electric vehicle revolution.

Aluminum had been seen as the key to offsetting the weight of batteries in order to extend the range of electric vehicles, crucial to increased consumer acceptance.

But as makers of battery-powered cars look to tap into bigger markets with cheaper vehicles – and embrace technological developments in batteries and components – many are increasingly looking to steel to cut costs. The price of Tesla’s mass-market orientated Model 3 is around half of the £70,000 luxury Model S.

“Before the aim was ‘Let’s get the [electric vehicles] developed’, now it’s ‘Let’s get them developed at the right price point,’” says Mauro Erriquez, a partner at McKinsey & Company in Germany who specializes in the auto sector.

It is the latest tussle in a decades-long battle between steel and aluminum for market share among automakers, seeking to cut the weight of vehicles to help slash emissions and meet tough government pollution standards.

Steel is also winning back some market share among gasoline vehicles, such as the Audi A8. The latest model abandoned its heavy use of aluminum and shifted to a mix of steel, aluminum, magnesium and carbon fiber.

The competition between the metals has intensified amid rapidly growing demand for battery-powered cars.

Sales of electric and hybrid vehicles are due to surge to 30 percent of the global auto market by 2030, according to metal consultants CRU, up from 4 percent of the 86 million vehicles sold last year.

In China, the world’s largest auto market, sales of new energy vehicles are due to grow by 40 percent this year to top 1 million vehicles, according to the China Association of Automobile Manufacturers.

Tesla declined to comment, but in a filing with the U.S. Securities and Exchange Commission last month it said it designed the Model 3 “with a mix of materials to be lightweight and safe while also increasing cost-effectiveness for this mass-market vehicle”.

Other makers of mass market electric vehicles that have also chosen steel over aluminum include Nissan Motor Co Ltd’s (7201.T) Leaf, the world’s best-selling all-electric vehicle, and Volkswagen’s e-Golf.

The e-Golf has 129 kg of aluminum and the Leaf uses 171 kg while Tesla’s luxury Model S contains 661 kg of the metal, according to A2mac1 Automotive Benchmarking. A detailed breakdown was not available for the Tesla 3.

STEP CHANGE
Aluminum is still expected to benefit greatly from the electric vehicle revolution, however, especially from hybrids because they have two engines.

Both the combustion engine block and transmission are typically made of aluminum while the metal is also often used for housing the battery and motor in electric vehicles, according to auto metals specialist AluMag in Germany.
And, because it is expected to be years before pure electric vehicles become widely used – in part due to the lack of power charging networks – the growth of hybrids in the interim is expected to benefit aluminum.

According to CRU Consultant Eoin Dinsmore, demand for aluminum from electric and hybrid vehicles is forecast to increase ten times to nearly 10 million tonnes by 2030.

Aluminum was used in the first electric London black cab, which launched last year, spurring the reopening of a UK aluminum plant in Wales owned by Norway’s aluminum producer Norsk Hydro.

“We chose aluminum as a material as it is nearly three times lighter than steel in its raw form, and it absorbs twice as much energy in a crash,” said Chris Staunton, chief engineer of body structures for the firm that developed the taxi for the London Electric Vehicle Company (0175.HK).

Both Staunton’s firm and the London Electric Vehicle Company are owned by China’s Geely Automotive Holdings Ltd

BETTER BATTERIES
But aluminum remains more expensive than steel. Benchmark aluminum futures CMAL3 on the London Metal Exchange are around $2,050 per ton, more than three times the cost of LME steel rebar SRRc1 at $585 a ton.

The price gap between the types of aluminum and steel used in autos was not as wide, but still represented significant savings by using steel, industry experts said.

Meanwhile, stronger and cheaper batteries for electric vehicles as well as developments in the components that generate power and overall structural design have lessened the need for aluminum to cut weight to extend the range.

Since 2010, the cost of batteries have tumbled to as low as $114 per kilowatt hour from $1,000/kwh and are expected to drop further in coming years, according to AluMag.

“I think car makers are finding that as battery costs fall they can achieve their range requirement with an all-steel solution,” said George Coates, technical director for WorldAutoSteel, the automotive arm of the World Steel Association.

Improvements in the powertrain – the main components in a car that generate power – have also had a big impact.

The 2017 model of the Nissan Leaf extended its range by nearly 50 percent to 172 km compared to the 2011 version mainly by improving the powertrain, consolidating four separate systems into one, said McKinsey’s Errizquez.

MATERIAL MIX
At the same time, the steel industry has developed Advanced High Strength Steel products, which are stronger and lighter than normal steel, and, importantly, cheaper than aluminum.

“(Steel) companies like ThyssenKrupp (TKAG.DE) and ArcelorMittal (MT.AS), they’re not going to just give up this market share. There will be a battle for the material,” said Jost Gaertner, partner at AluMag.

Future models will likely contain a complex mix of materials, including various grades of steel, aluminum, carbon fiber, magnesium and plastics, automakers and consultants said.

BMW, which used large amounts of costly aluminum and carbon fiber in its i3 and i8, told Reuters it was not planning to increase the use of those materials in future electric models.

“There is no ‘one material fits all’ solution” for future electric vehicles, the German carmaker said in an email.

“We will continue to employ each material in a way and in a quantity which brings in its specific advantages.”

Reuters, March 28, 2018

EC investigates steel imports
The European Commission (EC) has decided to initiate a safeguard investigation concerning imports of 26 steel products to its member countries.

Steels imported from Viet Nam will also be under investigation.

The investigated product categories include alloy hot rolled sheets and strips, organic coated steel, stainless cold rolled sheets and strips, and metallic coated sheets.

The Ministry of Industry and Trade on Friday said the safeguard investigation was being initiated, because the imports of certain steel products have increased sharply recently, necessitating safeguard measures.

According to EC, the information currently available with the commission indicates that the total imports of the products increased from 17.8 million tonnes to 29.3 million tonnes in the 2013-17 period.

Similarly, imports of the products increased by some 65 per cent between 2013 and 2016. The main increases took place in 2015 and especially in 2016, when they reached 28.6 million tonnes.

The imports of the products have remained at a significant level thereafter.

The commission also noted that the total imports of the products increased in relative terms as well, from 7.3 per cent to 11.6 per cent, in terms of production, and from 12.2 per cent to 17.6 per cent, in terms of consumption.

In both instances, the increases manifested themselves during the 2014-16 period, after which imports remained at a relatively high level. The increase in imports appear to be the result of unforeseen developments, such as the global overcapacity in steel making and the trade measures adopted by a series of third-world countries in the past years in the context of that global overcapacity.

The investigation will determine whether, as a result of the unforeseen developments, the products concerned are being imported into the union in such greatly increased quantities and/or on such terms or conditions as to cause, or threaten to cause, serious injury to the union producers of like or directly competing products, the EC said.

SEAISI Newsletter, March 2018
The results of the investigation could lead to the imposition of a new tax or promulgation of quota for exporting countries to protect EU steel producers against the possible fierce competition from imported products.

The investigation will be implemented within nine months. Temporary measures will be approved in a short-term, if they are necessary.

The EU has imposed the general system of preferences of zero per cent for all steel products imported from Viet Nam while applying anti-dumping tariffs on some steel products from China.

Viet Nam News, April 2, 2018

**HEADLINES**

Steel consumption in ASEAN-6 surged strongly by 11.4% in 2016 to 77 million tonnes

Preliminary estimates showed that ASEAN-6’s apparent steel consumption in 2017 has slowed down, registering a negative growth rate of around 3-5% y-o-y.

Indonesia and Vietnam are estimated to have experienced strong growth rates in finished steel production in 2017, by double digits.

Malaysia and Thailand’s domestic steel production is estimated to decline significantly due to the slowdown in steel demand in the country.

Philippines’ domestic steel output growth in 2017 stagnated.

Domestic steel production in Singapore is estimated to continue to increase; however, the volume has yet to reach the high level in 2011.

Total finished steel import in ASEAN-6 is estimated to drop by 8-9% y-o-y in 2017. On the other hand, export is estimated to increase significantly, by 15-16% y-o-y.

Many countries in the region experienced declines in steel import in 2017, including Malaysia, Singapore, Thailand and Vietnam.

Malaysia’s long steel import is estimated to decline significantly due to the slowdown in construction sector, while import of flat steel rose following the closure of the domestic producer of HRC.

Singapore and Thailand’s import of both flat and long steel is estimated to drop significantly.

Vietnam’s import of both flat and long steel dropped by double digit rates in 2017. One of the reasons could be the increase in domestic production to substitute import.

Indonesia and Philippines’ steel demand is estimated to increase moderately in 2017. This was mainly due to the implementation of infrastructure projects by the governments of the two countries.

Indonesia’s construction industry is expected to grow by an average rate of 6.9% per year between 2017 and 2021.

Philippine government’s ‘Build Build Build Programme’ will launch many infrastructure projects, such as national roads, bridges and water resources projects etc. and it is expected that these projects would be completed before the term of the current President ends in 2022.

Vietnam’s steel demand is estimated to have slowed down slightly in 2017. Main reason was the slowdown in construction sector, especially the construction of warehouses and factories.

It is expected that Vietnam’s steel demand will soon pick up. Government investment in public infrastructure and educational health-care buildings is expected to grow as part of the country’s 2016-2020 Development Plan. The construction industry is expected to benefit from the government’s plans to improve living conditions in rural areas, and the construction of more public infrastructure and buildings.

Despite the decline in steel demand in the region in 2017, overall steel production in ASEAN-6 is estimated to have increased in the year.

**Preliminary report on apparent steel demand in ASEAN-6 in 2017**

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<td>Indonesia</td>
<td>12.67</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>9.68</td>
<td></td>
</tr>
</tbody>
</table>

Unit: million tonnes

Indonesia and Vietnam are estimated to have experienced strong growth rates in finished steel production in 2017, by double digits.

Malaysia and Thailand’s domestic steel production is estimated to decline significantly due to the slowdown in steel demand in the country.

Philippines’ domestic steel output growth in 2017 stagnated.

Domestic steel production in Singapore is estimated to continue to increase; however, the volume has yet to reach the high level in 2011.

Total finished steel import in ASEAN-6 is estimated to drop by 8-9% y-o-y in 2017. On the other hand, export is estimated to increase significantly, by 15-16% y-o-y.

Many countries in the region experienced declines in steel import in 2017, including Malaysia, Singapore, Thailand and Vietnam.

Malaysia’s long steel import is estimated to decline significantly due to the slowdown in construction sector, while import of flat steel rose following the closure of the domestic producer of HRC.

Singapore and Thailand’s import of both flat and long steel is estimated to drop significantly.

Vietnam’s import of both flat and long steel dropped by double digit rates in 2017. One of the reasons could be the increase in domestic production to substitute import.

Indonesia’s finished steel import is estimated to increase slightly, owing to the moderate increase in flat steel import, while import of long steel is estimated to have declined.

Philippines’ import for both flat and long steel is estimated to increase moderately.

Finished steel export in most of the countries in the region is estimated to register double-digit increases in 2017.

Indonesia’s finished steel export is estimated to have risen by as much as 50% y-o-y to reach above a million tonnes in 2017. The bulk of the export was flat steel, especially hot rolled plates and sheet.

Thailand’s finished steel export also increased by more than 20% y-o-y in the same period, although its production declined and domestic demand dropped significantly in the year.

Malaysia’s steel export is estimated to increase around 30% y-o-y in 2017.

Vietnam’s steel export is estimated to increase robustly in 2017, by about a million tonnes, mainly construction steel, both flat and long. Vietnam is the largest steel exporting country in ASEAN.

SEAISI, March 2018
Payment Details

To make a payment by credit card, please call +603 55191102 or visit www.seaisi.org/seaisi2018 to register and pay online.

US / SG Dollar bank draft or cheque:
Payee: South East Asia Iron and Steel Institute

Telegraphic Transfer (To be made before 18 June 2018)
OCBC Bank
65 Chulia Street, OCBC Centre
Singapore 049513
USD A/C No: 501-164321-301
Swift Code: OCBCSGSG

Cancellation and refund: Only written cancellation will be accepted. Replacement will be allowed. For cancellation made on or before 25 May 2018, total payment received less 20% for administration charges, may be refunded. No refund will be made for cancellation after 25 May 2018. Delegate may substitute the seat with his/her colleague from the same company at no extra cost.

Hotel Accommodation

Favourable accommodation rates have been negotiated with The Ritz-Carlton Jakarta, Mega Kuningan & JW Marriott Hotel Jakarta. The hotel room reservation has to be booked online. The online hotel room reservation weblink will be forwarded to you by the Secretariat upon receiving your completed registration form. Only limited number of rooms will be available. Please refer to the terms & conditions on the online room reservations regarding room cancellation.

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Room Type</th>
<th>Room Rate (per room per night)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Ritz-Carlton Jakarta, Mega Kuningan</td>
<td>Grand</td>
<td>Single: IDR 2,000,000++ Double: IDR 2,200,000++</td>
</tr>
<tr>
<td>JW Marriott Hotel Jakarta</td>
<td>Deluxe</td>
<td>Single: IDR 1,800,000++ Double: IDR 2,000,000++</td>
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</tbody>
</table>

The above room rates are subject to 21% government tax & service charge and inclusive of buffet breakfast as well as in-room internet access.