

Top News:

Section 232 stirs debate and diplomacy

The new US tariffs on steel and aluminium were a hot topic at the 16th International Steel Markets and Trade Conference in Xian last week. There was little sign that any participants expected either China or the US to give up their basic positions. All sides were at least diplomatic in their comments however, and one Chinese analyst rejected the use of protectionism as a punitive measure.

International cooperation is important but it must be backed up with action on overcapacity and on fair trade, says Phillip Bell, president of the US Steel Manufacturers' Association. The US has extended the deadline to negotiate exemptions to 1 May, and security allies of the US may be able to secure deals, he notes.

The proposed deal with South Korea, whereby US import tariffs will be replaced by a quota in exchange for increased access for US car makers selling to the Korean market, is fair, Bell adds. At the end of last week, however, President Donald Trump indicated that he may delay signing any deal until he has met with North Korean leader Kim Jong Un. The move appeared to be an attempt to further use trade issues to ensure South Korea presents a united front with the US on North Korea.

In the USA, capacity utilisation has not hit 80% in over a decade, whereas an adequate utilisation rate would be around 80-85%, Bell says. Domestic steel demand could also be boosted by increased infrastructure spending and the reduction of corporate taxes and regulations, he argues. Combined with a decline in imports, this should return the sector to a healthier condition.

The most interesting comment on the subject came from Jiang Xuanfang, division director of market research at the China Iron and Steel Association (CISA). In addition to repeating CISA's line that the Trump tariffs were counterproductive and abusing trade measures to achieve political ends, she rejected the use of excessive tariff retaliation in response to questions. When asked if China could take more aggressive trade measures to prevent other countries from imposing anti-dumping duties, she noted that China had to look at the real economic benefits of trade. Imposing duties on one import in retaliation for duties on a separate import would do more harm than good unless the response was deliberately measured, she noted. China meanwhile retaliated on Monday with duties on \$3 billion of imports from the US, including stainless steel seamless pipes, pork and fruits.

Motofumi Kusachi, the chief Beijing representative of the Japan Iron and Steel federation (Jisf) said in the panel session that it was unfortunate that Japan had not been granted an exemption from section 232. This was particularly unfair as Japan supplies the US with high end products which cannot be easily supplied by domestic producers.

Last week meanwhile the European Commission (EC) officially initiated a new safeguard investigation on imports of steel products, with a specific focus on the potential diversion of trade resulting from the new US tariffs.

"The investigation will determine whether, as a result of 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 explains. A possible decision could include the definition of a quotas system for the imports into the EU, as requested by Eurofer. The investigation is expected to last a maximum of nine months.

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Is the US market returning to a pre-232 state?

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How is the UK steel sector performing?

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change **-3.79%**

26 Mar 2018	\$	64.41	
27 Mar 2018	\$	64.41	
28 Mar 2018	\$	63.74	low
29 Mar 2018	\$	64.62	
30 Mar 2018	\$	64.90	high
Average	\$	64.42	
19 Mar 2018	\$	67.07	
20 Mar 2018	\$	66.92	
21 Mar 2018	\$	67.90	high
22 Mar 2018	\$	68.32	
23 Mar 2018	\$	64.10	low
Average	\$	66.86	

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Global Overview

North America

- Sheet, plate tread water
- Most prices stabilize on 232 exemptions
- Market watches for 301 action

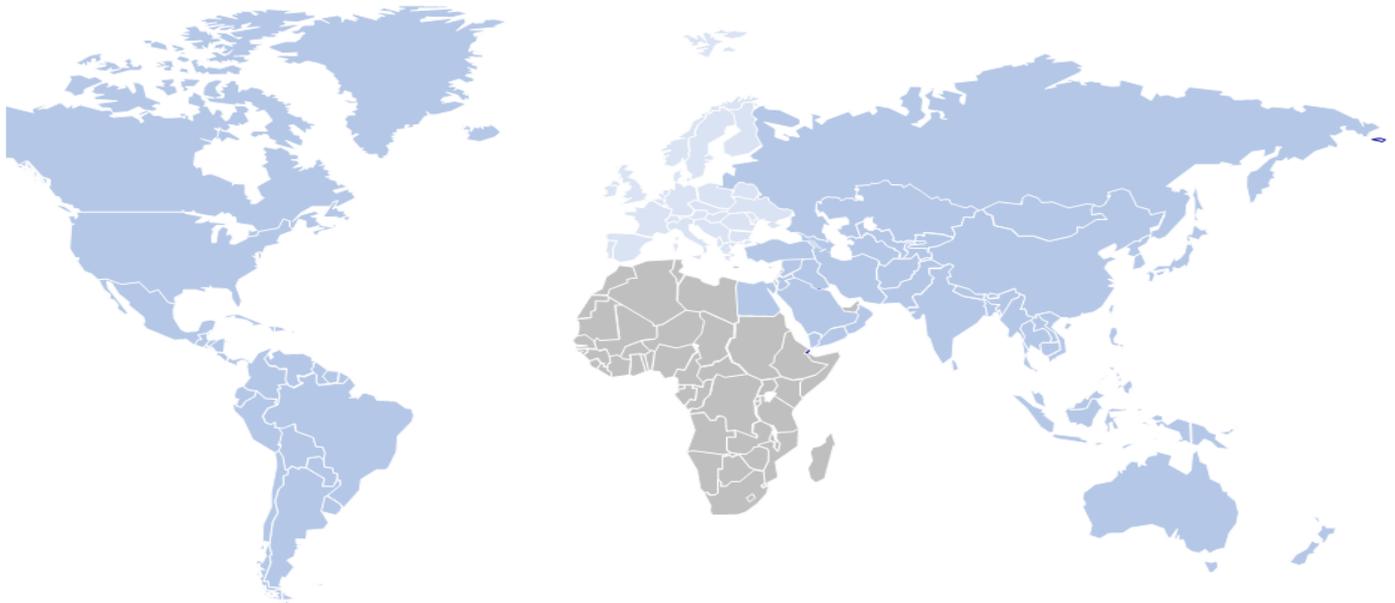
Europe

- EU flats prices looking down
- April EU scrap seen decreasing
- EC starts new safeguard investigation

Asia

- Chinese sentiment picks up
- Iron ore up slightly
- Chinese export prices competitive again
- Indian consumption accelerates

Global Sentiment Map



Weak

Strong

Latin America

- Exports to US down in Feb
- Brazilian mills prepare new flats hikes
- CSN could accept quotas for US exports

Middle East

- Turkish scrap price falls on resumed bookings
- Buyers shun lower Turkish rebar export quotes
- Emirates Steel bucks trend with rebar price hike
- Turkish mills lower HRC prices

CIS

- Coil suppliers out of market
- US tariffs still being assessed in CIS

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