

اللجنة الوطنية لصناعة الحديد  
NATIONAL COMMITTEE FOR STEEL INDUSTRY

## Will Saudi Arabia be Affected by Trump's Steel and Aluminum Import Tariff?



Seamless Steel Pipes



Pre-Painted Steel Coils



Re-Bar Steel

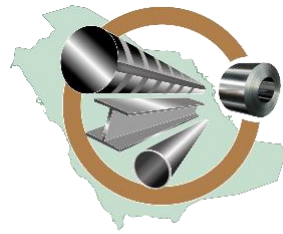


Wire Rod Steel Coils

**Riyadh: 28<sup>th</sup> March 2018:** US President Donald Trump's decision early this month to impose a protectionist tariff of 25% on US imports of steel and 10% on imports of aluminum stirred a number of countries and angered others, particularly Brazil, South Korea, Japan, the European Union, China, Turkey and more, while the decision excluded Canada and Mexico only. It is noted that Trump did not resort to World Trade Organization (WTO) legal antidumping measures which are available to all WTO member states, but rather decided to invoke an article of the U.S. Constitution addressing threats to "national security" to justify imposing the protectionist tariffs, claiming that any threat to the US national steel industry is a threat to US national security.

It is clear that the countries most affected or injured by the decision are those with steel production surplus, such as Brazil, China, India, South Korea, Japan, Turkey, Russia, Ukraine, Vietnam, among others. Those countries export a large percentage of their production surplus to the United States, and they are expected to resort to WTO's dispute settlement process to protest the decision and push towards rescinding it, in line with action taken in the past by countries responding to President George W. Bush's decision to impose a tariff on steel imports, compelling him to lift it eighteen months after it went into effect.

Trump's decision is not expected to have any significant adverse effect on Saudi steel and aluminum exports to the United States given their limited volume at the present time, which reached around 150 thousand tons in 2017, particularly seamless steel pipe, galvanized steel and pre-painted steel coils. These products have a large domestic production surplus. However, in line with the Kingdom's Vision 2030 promoting exports, Saudi factories are wagering on increasing their exports of such products to the US market where prices are fair



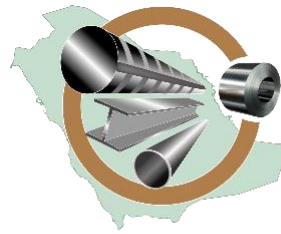
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as compared to other global markets which are already dumped by imports, specifically products from South East Asian countries like China, South Korea, Taiwan, Vietnam, and other countries like India, Brazil, Russia Ukraine and Turkey which have limited the exporting capabilities of Saudi steel factories. In terms of Aluminum products, the extent of the impact is expected to be significant upon reaching the Kingdom's aluminum full production capacity, which is planned to be the largest in the region. The aluminum industry is also wagering on exporting to the US market which imports over 90% of its aluminum needs, estimated at around 5.8 million tons annually.

Commenting on President Trump's decision, Engineer Rayed Al-Ajaji, Chairperson of the National Committee for Steel Industry emanates from the Council of Saudi Chambers, stated that "the real concerns of the Saudi steel industry arising from this decision are that countries who export a large part of their production surpluses to the US market will be most hurt, and their export capabilities will decrease to unacceptable levels, prompting them to immediately seek alternative markets to export their production surpluses and compensate for the lower exports to the United States."

Saudi steel producers fear that these countries would target markets lacking protection and having low tariffs. They will undoubtedly find Middle Eastern markets, and particularly GCC markets easy prey. The Saudi market, being the largest in the region and lacking any protectionist measures, will be prime target and tempting grounds for dumping by those countries who will spare no effort to find alternative export markets for their production surpluses.

"A report published in June 2016 by the Economic Policies Research Center in London, points out that among the G20 countries, Saudi Arabia has the least legal protection measures implemented. The Saudis did not impose any protectionist tariffs on any exports since acceding to the WTO, while they were targeted by many cases filed against them. The slow and lagging protectionist measures to safeguard Saudi national industries and products against dumping and harmful international trade practices, pose a real threat to our national industries which are prone to suffer the ripple effect and fall like dominoes. Therefore, this requires fast protective action and measures to safeguard our industries and products against unfair competition, by ensuring the activation of available mechanisms through the entity representing the Kingdom's interests in the WTO", Al-Ajaji added.

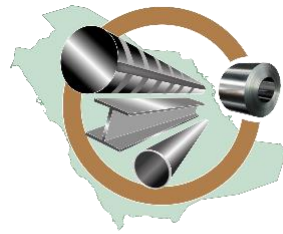


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Al-Ajaji also pointed out that “Saudi markets have over recent years suffered the dumping of many products, mainly steel, with steel producers suffering extensively. As steel is a strategic industry heavily relied upon to contribute to the realization of the Kingdom’s Vision 2030, it truly needs strict and immediate action to be taken to protect it against unfair competition. However, the handling of antidumping and harmful international trade practices remains slow, and cannot overcome the challenges which threaten the very survival and future of strategic industries in particular, and Saudi industries as a whole”. As a real life example, he described the Kingdom’s shortcomings in rising to the challenges of the industry, which is of utmost importance to the realization of the Kingdom’s Vision 2030. Al-Ajaji said “the experience of a Saudi company in the first case filed GCC-wide in March 2016 under WTO mechanisms and the GCC Uniform Antidumping Law to safeguard against increased pre-painted steel imports, was bitter by all standards, in spite of being justly filed. Imports of this product unjustifiably increased sharply to a high level over recent years, reaching over 180 thousand tons annually, while market consumption is around 230 thousand tons annually, with domestic production capacities of 380 thousand tons annually. Imports dominated around 80% of total market consumption in spite of a domestic production surplus of over 65%, thus reducing the operating capacity of Saudi factories to 22% of available production capacity, a situation which can only be described as catastrophic”.

Although the investigation in the PPGI imports protection case was concluded, and although the investigating authority filed its final report showing severe injury to national industry, and whereas the report issued in April 2017 recommended the imposition of tariffs to protect national industry, the decision remains suspended and was not enforced to date. This is a unique case which did not occur in any other part of the world, as it is known that upon conclusion of the investigation and recommending the imposition of tariffs, the decision is enforced within a few days, but here in GCC, the enforcement of the investigating authority’s recommendation in the first protection case filed GCC-wide continues to drag without justification for almost a year now”.

Abdulaziz Shaheen Al-Dosari, Director of Steel Pipes Unit at the National Committee for Steel Industry, stated that “the seamless steel pipe industry had suffered gravely, and continues to suffer severely as dumping has reduced operating capacity to an unbearable level, while surplus production capacity

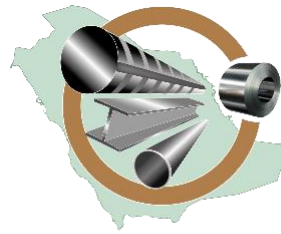


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exceeds domestic market needs by 30%. National factories are demanding partial protective measures by raising customs duty from 5% to the 15% maximum limit permitted by WTO. This is the least that can be done to help this national industry partially survive in the face of excessive imports, taking into consideration that the seamless pipe industry was recently forced to resort to filing an antidumping case against exporters who flooded the Saudi market with their products. Because protection and antidumping cases take a long time to reach a final decision, the survival of affected industries ultimately depends on support being provided to them by the authorities to the extent required and within the appropriate time frame”.

On the national steel rebar industry, Abdulaziz Al-Hudaib, Vice Chairperson of the National Committee for Steel Industry described the national steel rebar industry as “tremendously agonizing over the past few years, with most operations reduced to below 50% of capacity, due to the availability of 12.5 million tons of domestic production capacities, while demand declined to around 6.3 million tons only. The continuation of significant imports have further complicated the scene and heightened the difficulties”, adding that “urgent protective measures are needed to safeguard the industry against the arduous conditions which may reach in some cases to the extent of causing collapse. The aspired protection measures start with expediting customs duty increases on steel rebar from 5% to 15%, which is the maximum limit allowed by the WTO, and from 5% to the 20% maximum allowed limit on steel rebar coil, followed by effective inspection campaigns on small factories which produce substandard steel rebar below national specifications, causing unfair competition with compliant national factories”.

Al-Ajaji attributed the suffering of the national steel industry in particular, and other industries in general, to the fact that they require immediate action by the authorities concerned to provide necessary support in antidumping and protection cases filed by injured national factories. Such cases, have become the primary focus of the whole world as manifested by the fact that the steel industry has become the only item to be included on the G20 agenda. A report previously published by the WTO shows that 8 out of 10 antidumping and protection cases relate to steel products.



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Al-Ajaji concluded by stating that “in spite of the present dumping and tremendous consequences suffered by the Saudi national steel industry, there seems to be a new turmoil of steel dumping soon to hit our markets, as an inevitable result of US President Trump’s decision, who did not hesitate to declare the US national steel industry a red line, considering any threat to this industry as a threat to US national security”. He also acknowledged that “our strategic national industries are also part of our national security, and their protection has become an inescapable national duty which can no longer be delayed”. Al-Ajaji said that the national industry is betting that VISION2030 is capable of protecting the Saudi industry, but achieving this requires the responsible authorities concerned to work on implementing the requirements of vision as desired. Al-Ajaji added that the responsible authorities have recently begun to take into account the size of the dangers of dumping on the national industry, and hoped that the time to take measures to protect the national industry, hoping that national industry protection measures will not take long to implement, particularly as many are relying on such measures to promote the development of our national economy and achieve the diversification of our sources of income, which is one of the main objectives of Saudi Vision 2030.

The National Committee for Steel Industry was recently formed for a term of three years as a strategic national committee concerned with the steel industry. It focuses extensively on supporting and developing the steel industry to elevate it to a level befitting the Kingdom’s standing as the only regional member state in the G20. The Committee recently launched its new website [www.ncsi.org.sa](http://www.ncsi.org.sa), as part of its promising agenda.



Mr. Abdulaziz Al-Dossary  
Director of Steel Pipes Unit  
National Committee for Steel Industry



Mr. Abdulaziz Al-Hudaib  
Vice Chairperson of the National  
Committee for Steel Industry



Eng. Rayed bin Abdullah Al-Ajaji  
Chairperson of the National  
Committee for Steel Industry

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National Committee for Steel Industry [www.ncsi.org.sa](http://www.ncsi.org.sa)