

## Unfair trade gaining pace into the Latin American steel value chain

- It's critical that Latin American companies and steel associations strengthen this surveillance on imports to their value chain.
- It's necessary to work with clients in the defense of their markets.

Alacero - Santiago, Chile, June 01<sup>st</sup>, 2017. One of the main challenges of the steel industry is to combat unfair trade, such as dumping and subsidies. The combination of overcapacity, slower economic activity and lower prices have resulted in an increasingly conflictive steel trade.

Proof of them is the large number of unfair trade investigations which have proliferated in recent years, making the steel industry one of the main users of the World Trade Organization tool's (WTO).

Worldwide, in the last six years there are 242 investigations of dumping and subsidies in steel products, highlighting that China is the target with the largest number of investigations (110).

Latin America also maintains an active defense of its market, as evidenced by 59 investigations solved by the government, of which 39 were against China. In addition, there are 14 investigations in process and 12 of these are against Chinese steel products.

With this numbers it would seems that the problem has been faced and contained, however signs begin to appear that countries and companies that have been sanctioned with antidumping and subsidies duties are looking for other alternatives to continue exporting their products in conditions of unfair trade.

What these countries and companies have done is export products from the steel industry value chain. Products that are no located in Chapter 72 or 73 of the Harmonized Tariff Schedule. Such is the case of an investigation conducted and solved by the Government of Canada in the first months of this year on Fabricated Industrial Steel Components that are imported under the tariffed section 9406.00 and originated in China, Spain and South Korea.

These products, are assembled, partially assembled or in modular form, are used in structures for oil and gas extraction, minning activity, petrochemical plants, cement, fertilizers and other industrial installations.

The main input for these structures is steel plate (tariff item 7208.51); which is already sanctioned in Canada with antidumping duties for countries such as China, Bulgaria, Czechoslovakia, Romania, Ukraine, Denmark, Indonesia, Italy, Japan and South Korea.

The Government of Canada conducted these investigations over the last 10 years and the antidumping quotas identified varied from one single-digit figure to 60% and 74% levels.

Against this backdrop, when China and South Korea seen their exports of steel plate canceled they decided to export Fabricated Industrial Steel Components and in this way avoid the application of the antidumping duties to the steel plate products.

In this investigation, the Government of Canada identified antidumping duties of 41.0% for China, 3.1% for South Korea and 42.4% for Spain. In the subsidies against China, the penalty rates for Chinese companies range from 0.8% to 4.6%.

This research by the government of Canada opens a new aspect of unfair trade, where countries and companies sanctioned with antidumping quotas in steel products (such as steel plate) change their export strategy to products in the industry value chain (Structures Made with Steel Components).

Faced with this situation, it is important that companies and steel associations in Latin America expand import surveillance in their value chain and work with their customers to defend their markets.

Imports to the region under tariff item 9406.00 are shown in the Tables 01, 02 and 03.

TABLE 01

**TOTAL IMPORTS  
(THOUSAND TONS)**

	2013	2014	2015	2016
Latin America	231	133	120	142

Source: SICEX / National Customs

TABLE 02

**MAIN EXPORTING COUNTRIES  
(% OF THE TOTAL)**

	2013	2014	2015	2016
China	25	25	17	35
United States	22	23	20	18
South Korea	7	2	3	1
Spain	10	14	11	15

Source: SICEX / National Customs

TABLE 03

**MAIN IMPORTING COUNTRIES, 2013-2016  
(THOUSAND TONS)**

	2013-2016
Mexico	239
Venezuela	135
Brazil	87
Panama	45
Chile	42
Total principal countries	548

Source: SICEX / National Customs

## About Alacero

Alacero –the Latin American Steel Association– is the organization that brings together the Steel Value Chain of Latin America to promote the values of regional integration, technological innovation, corporate responsibility, excellence in human resources, safe working environments, and social and environmental sustainability. Founded in 1959, Alacero is formed by 49 companies in 12 countries, whose production –of about 70 million annual tons– represents 95% of the steel manufactured in the region. Alacero is a Special Consulting Organization to the United Nations and is recognized as International Non-Government Organization by the Republic of Chile, host country of Alacero’s headquarters.

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