

Bulletin

U.S. Steel Tariffs Bring Opportunities For China Steel Corp.

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This report does not constitute a rating action.

Taiwan Ratings Corp. said today that a new tariff of 25% on all steel and aluminum imports to the U.S. could bolster **China Steel Corp.'s** competitive strength. That's because the company's steel exports to the U.S. already bear a 25% tariff.

The recently announced tariff on all imported steel and aluminum products could improve China Steel's (twAA-/Stable/twA-1+) competitive edge in the U.S. market. The new tariffs will level peg China Steel's products with those of its Asian competitors that had until now benefited from a lower tariff rate or tariff exemption. We anticipate U.S. import volumes of steel products will remain largely unchanged over the next few quarters due to insufficient local supply. The imported steel price in the U.S. should become more comparable among all foreign suppliers, which offers China Steel and its downstream customers the chance to uplift sales volume through service, product quality, or sales strategy.

We acknowledge that the risks associated with this policy change as well as other uncertainties remain high, with a lack of clarity over the finer details of the announced tariffs. If the U.S. administration plans to charge a further 25% on top of the 25% tariff already levied on Taiwan-made steel products, then China Steel will continue to face the obstacle of a tariff gap with its competitors. The company may need to seek alternative demand for its products in other markets.

Editor's note: Taiwan Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our parent company's research here: spglobal.com/ratings).

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