**THE IMPACT OF US TARIFFS ON ASIAN STEEL AND ALIMUN INDUSTRIES**

In recent weeks, financial markets have experienced a notable rally, influenced by shifting geopolitical dynamics. The introduction of tariffs on what are dubbed the "15 countries" with which the U.S. maintains a substantial negative trade balance marks a pivotal move in America's efforts to reduce its national deficit.
However, the developments that unfolded immediately after the sanctions were anything but predictable. Tariffs on China skyrocketed to 124%, with the implementation of these sanctions delayed by 90 days. This led to heightened volatility in the financial markets, with the S&P 500 and Nasdaq both experiencing dramatic fluctuations, recording their highest and lowest returns within just two days.

The pressing question now is multifaceted: What will be the impact on American economic power, and how are specific industries in the sanctioned countries responding to these market stimuli during this “uncertainty crisis”?

Experts suggest that the global framework of import-export flows is undergoing a significant transformation. The pre-tariff global trade landscape, often characterized as “pre-Trump,” was dominated by major importing nations and secondary exporting countries. This system has traditionally seen the United States, China, and Germany as key players, with the U.S. importing a staggering $2.49 trillion worth of goods. However, since April 5th, this long-standing structure has begun to disintegrate. International trade is transitioning into a “polycentric” system, where numerous isolated countries will commence developing their own trade routes, no longer solely dependent on U.S. economic influence.
To comprehend the impact of tariffs in both geographic and sectoral contexts, it’s crucial to analyze the ramifications for major importer and exporter markets.

India’s steel industry, recognized as one of the fastest-growing markets globally, faced an initial sanction of 25% on steel and aluminum products back in March. The industry is currently adapting to these new restrictions. Earlier this year, India introduced a new tax on steel imports aimed at stimulating domestic production. This tax is expected to allow producers of long steel products to raise prices by 2-3%, according to Nitin Kabra, director of marketing at Maharashtra-based Bhagyalaxmi Rolling Mill.
India exported approximately $945.66 million worth of aluminum to the U.S. in FY 2023-24, making it the second-largest international market for Indian aluminum products. The U.S. accounted for roughly 12% of India’s total aluminum exports, which included unwrought aluminum, conductors, nails, fasteners, and wire.
Unlike aluminum, India’s steel sector is less dependent on the U.S. market. However, the industry could face significant price drops as tariffs may shift an oversupply of steel toward South Asia. Notably, India currently lacks barriers against imports, leading to concerns that surplus production from other Asian countries could flood its market, resulting in low-cost imports, price disruption, and challenges for local manufacturers.

In terms of major exporter nations like China, Japan, and South Korea, these countries are set to experience a drastic decline in export volumes to their primary customer, the U.S. The 25% tariffs on steel and aluminum will directly impact these national industries. In the case of China, the contraction in the steel sector could have serious domestic repercussions. Steel and aluminum

production have historically served as economic levers to mitigate internal crises in China, especially amidst economic pressures.
China accounts for 33.5% of total steel exports, primarily from North China (67.6%) and Central China (27.9%). In response to economic challenges, Chinese steel manufacturers have increased exports by lowering prices, which enhances competitiveness in the global market but decreases demand for U.S. steel.
While China has not been an effective direct exporter to the U.S., it remains the main supplier for countries that then route products to the U.S., such as Canada and Mexico. Consequently, China's expanding exports have disrupted U.S. producers and labor unions, who view the imposition of tariffs as a means to reclaim national market power. However, it will take time for the U.S. to match Chinese production levels, and establishing new manufacturing plants to offset these imports is a significant undertaking.

The overall effect of tariff impositions could lead to a systemic reorganization of established trade routes. China will have to reassess its key steel buyers, focusing on neighboring nations like India and Vietnam to avoid substantial declines in industry earnings. However, it's essential to note that these Asian nations are also imposing tariffs on metal imports, with India specifically imposing a 12% duty on Chinese steel. Conversely, secondary importers of Chinese steel and metals may emerge as key targets for the Chinese industry to compensate for the U.S. market block. The steel trade system is poised for a drastic and unprecedented change, which may see the rise of alternative trade centers—albeit with potential challenges—as burgeoning economies like India and Vietnam aim to bolster their own domestic industries in aluminum and steel.

In recent weeks, significant rallies have emerged regarding tariff decisions and implementations, yet the final effects remain unpredictable. The future balance of power in Asia could witness either the rise of emerging economies, such as India and Vietnam, in the metal industry, or a recession for these developing countries overwhelmed by an influx of Chinese imports.