

# Trade Digest

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## Steel and Aluminum Tariff Delay for Some U.S. Allies

In early March, US President Trump unexpectedly announced the imposition of 25 and 10 percent tariffs on steel and aluminum, respectively, effective as of 23 March. That being said, six countries including Canada, Mexico, Australia, South Korea, Brazil, and Argentina, plus the EU were granted exemption from the newly-imposed tariffs until 1 May 2018. The privileges were however conditional on engaging in a negotiation with the US on possible concessions.

In the latest development, just a few hours before the deadline, President Trump approved a further postponement until 1 June 2018 for Canada, the European Union and Mexico. While agreements were reached, in principle, between the US and Argentina, Australia and Brazil, there was even better news for South Korea, which received exemption on a permanent basis after it agreed to reduce steel export tariffs to the US by approximately 30 percent. The US stated that it will continue talks with the remaining three counterparties, and that, alternatively, quotas may be applied instead.

Despite receiving a further extension, the EU has reacted negatively to this announcement. The official statement from the European Commission expressed concern over the lengthened uncertainty and called for a permanent exemption of these tariffs.

In summary, Mr. Trump's decision further added to global uncertainty which erodes investor's confidence and negatively affects stock markets worldwide. It remains to be seen how the negotiations will conclude between the US and the three remaining counterparties, including the EU, which as a whole represents the second largest economy in the world.

## Thailand's Intention to Join CPTPP

Thailand has expressed its intention to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), said Mr. Toshimitsu Motegi,

Japan's Minister of State for Economic and Fiscal Policy, after meeting with Dr. Somkid Jatusripitak, Thailand's Deputy Prime Minister.

According to Mr. Motegi, on 1 May 2018, Thailand clearly stated that the country wants to be included in the CPTPP as soon as possible. Nevertheless, negotiations over Thailand's participation will likely come after the CPTPP has come into force and approval by the participating countries will be needed. Japan has been hoping to increase the number of members while encouraging the United States to return to the agreement. Mr. Motegi indicated that Thai participation in the TPP will likely help prompt the United States to consider rejoining the trade pact.

Following the US pullout from Trans-Pacific Partnership in January 2017, the remaining 11 participating countries<sup>1</sup> signed the CPTPP in March this year and are proceeding with their domestic processes. The trade pact will become effective within 60 days after at least six countries complete their domestic approval procedures.

In March, Dr. Somkid Jatusripitak said that Thailand needs to join the TPP as well as the Regional Comprehensive Economic Partnership (RCEP) to protect its benefits. Dr. Somkid went on to say that Thailand will lose trade and investment opportunities if it does not take part in the CPTPP, adding that the Ministry of Commerce is currently conducting a study of what Thailand will gain and lose under the trade deal.

## Thailand's Economy Remains Strong in Q1

Thailand's economy has strongly recovered in the first quarter of 2018 as indicated by strong growths in the export and tourism sector.

According to a Press Release on the Economic and Monetary Conditions for March and the first quarter of 2018, overall economic activity in the first quarter of 2018 continued to expand from the previous quarter, mainly driven by the solid growth momentum

<sup>1</sup> Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam



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of merchandise exports and tourism sector. Private consumption continued to improve from spending in all categories, together with the expansion of manufacturing production in both domestic and export-related products.

According to Ms. Pornpen Sodsrichai, Director of Macro Economy Department of Bank of Thailand, export remains a main driving force of the economy this year. Exports in the first three months of the year have jumped up 11.3% year on year, representing a seven-year high. The value of exports was driven by steady economic growth seen in Thailand's trade partners. She also said that tourism arrivals hitting 10 million is a contributor to the economy in the latter half of 2018.

According to Kasikorn Research Center, there should also be positive outcome from trade negotiations between the United States and China, helping ease volatility in global trade and in turn benefiting Thai exports during the remainder of 2018.

Stay informed with latest development in trade negotiations and changes in trade laws/regulations. Get an insight of how the latest news will affect your market and regulatory environment from our “Trade Digest”.

If you have any comments or questions regarding Trade Digest or any matters discussed herein, or if you are interested in finding out more about Bolliger & Company (Thailand) services, please contact any of the persons below:

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