



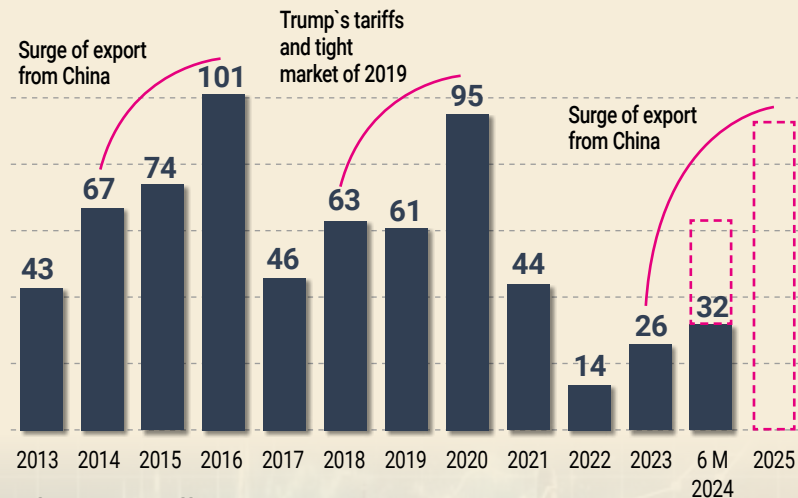
TRADE RESTRICTIONS

AS THE KEY CHALLENGE
FOR STEEL INDUSTRY
IN 2025

JANUARY 2025

THE NEXT WAVE OF TRADE RESTRICTIONS HAS ALREADY STARTED IN 2024

Number of anti-dumping investigations initiated globally (HS codes 72-73)*



* if a measure affects several countries, counted as the sum of the measures

Data source: WTO

47%

of all anti-dumping investigations in 6M 2024 initiated against China

25%

of all anti-dumping investigations initiated by Turkey in 6M 2024

We will see a new peak in steel import barriers in 2025, given high export from China amid overcapacities.

Global steelmaking capacities at 2,432 mln tons exceeded crude steel output in 2023 by 543 mln tons, according to OECD. The problem of excess capacities will get worse as 68 mln tons of new capacities will be commissioned in 2024-2026 and another 89 mln tons at planning stage.

The 2014-2016 wave was driven by intention of developed countries to protect their markets against growing Chinese steel exports. The 2018-2019 wave was a response to the changing trade flows triggered by Trump's tariffs. Both factors are at play this year. The regionalization of steel trade will strengthen.

Trade barriers against imports from Asia have already intensified in 2024. We saw 32 anti-dumping investigations in 6 months of 2024, with Türkiye being the most active.

The 2H 2024 was more eventful, incl. investigations against HRC imports in number of countries.

The introduction of new measures entails a chain of mirror or countermeasures to protect against changes in trade flows.

The trend in 2025 could be broad import tariffs or safeguard measures. For example, the expected tightening of the TRQ system in the EU in April 2025.

Trump's return to the White House could also mean the lifting of Section 232 exemptions for a number of countries, as well as new tariffs on steel-consuming imports.

Türkiye raised import tariffs on steel products in January. For example, for HRC – up to 15%, CRC – 17%, HDG – 20%.

India is in discussions to implement import tariffs on steel.

Strengthening anti-dumping measures has little effect on exports from Ukraine, since local steelmakers don't put pressure on global markets, not having the ability to increase exports. But broad import tariffs or safeguard measures in the EU, the US, Türkiye and other countries pose challenges for the Ukrainian steel sector.

REGIONALISATION OF TRADE HAS BECOME A GLOBAL TREND

Reasons for regionalization of trade:

Deindustrialization in developed countries

Different regulatory approaches between trade partners globally

Weak effectiveness of the WTO in trade conflicts resolution

Raise of right-wing forces and their influence on economic decisions.

Global economic integration has contributed to the inclusion of imported goods (instead of local) in supply chains. In other words, international integration led to disintegration within countries. Developing countries benefited from economic growth and industrialization. Quite opposite situation was observed in developed countries. Authorities and workforce was unable to meet challenges of deindustrialization.

It's impossible to separate globalization from technological progress in their impact on deindustrialization. Although it was globalization where the right-wing political forces found a source for promoting their ideas, related to protection of national interests, restriction of international cooperation, tightening of migration policy, etc. These ideas became popular in the society and contributed to increasing support for

the right-wing parties. This trend was reflected in corresponding economic policies.

As a result of globalization, trade convergence has taken place between countries with completely different economic models. It hasn't contributed to the convergence in regulatory approaches. This has led to trade conflicts based on accusations of unfair trade.

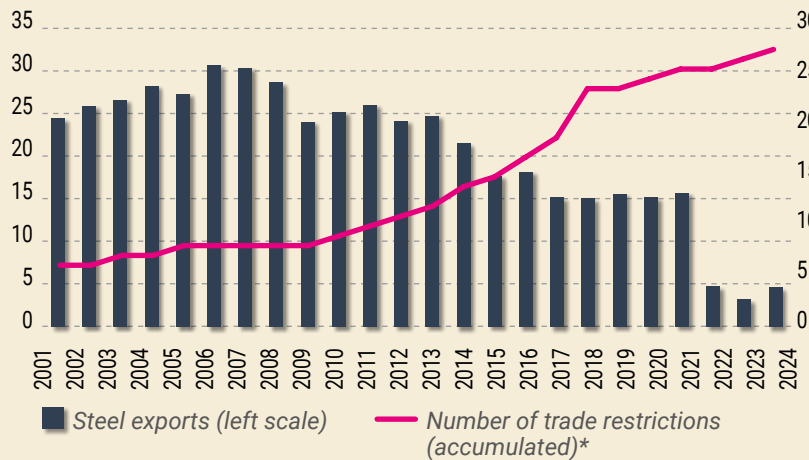
The WTO proved to be unable to perform its main functions, i.e. to resolve the major trade conflicts and ensure that the rules of the game are duly respected. As a result, "the rule of law" has been replaced by "the rule of force".

All these factors are long-term in nature. Therefore, the regionalization of trade to strengthen in the long term. It is clearly manifested in periods of lower stages of the economic cycle, as in 2024-2025.



UKRAINIAN STEEL SECTOR SUFFERS UNFAIRLY FROM TRADE BARRIERS

Steel exports from Ukraine vs number of trade restrictions



* considering acting trade restrictions as of beginning 2025

Data source: WSA, Ministry of Economy of Ukraine, calculations of GMK Center

13 COUNTRIES & BLOCKS

Introduced trade restrictions against steel products from Ukraine

25%

OF MEASURES were introduced more than 20 years ago

Ukraine is one of the most affected countries by trade regionalization. There are 28 trade restriction measures in force against steel products from Ukraine in 13 countries and economic blocs.

5 restrictive measures were temporarily suspended, incl. safeguard tariff quotas (TRQ) in the EU to support Ukraine in the wartime.

The EU remains the key export market for Ukrainian steelmakers. However, Ukrainian companies need to diversify supplies entering other markets, for example the USA and other countries of North America.

There are seven measures against Ukrainian steel products in the USA. 4 of them were introduced before 2001. There are 2 antidumping measures in Canada, however this country temporarily suspended their applying to Ukrainian exports.

There are also some measures that affect Ukrainian exports indirectly.

Canada in December 2024 set a 15.9-25.5% anti-dumping duty on rebar from Bulgaria, which is produced using Ukrainian square billets. A decrease in rebar exports from Bulgaria by 60-80 thousand tons will lead to a decrease in billet exports from Ukraine. So, this measure actually affects export from Ukraine, that excluded from any duties in Canada. Origin of billet could be used as a criteria to avoid anti-dumping duties.

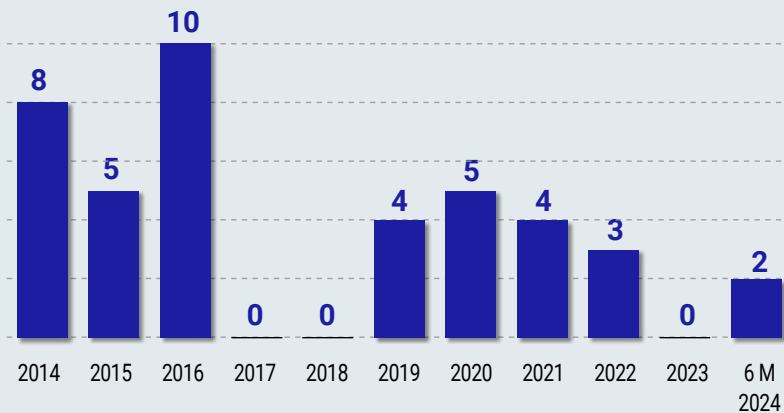
In general, Ukrainian steel industry has significantly changed. Before 2014, Ukraine's total nominal steelmaking capacity was 42 million tons, in 2021 it was 27 million tons, in 2024 it fell to 16.2 million tons, of which active is about 8.0 million tons, the rest is idled.

In 2001 Ukraine exported 24.4 mln tons of steel, in 2014 – 21.5 mln tons, in 2024 – 4.7 mln tons.

Currently Ukrainian steel exports do not pose a threat to global steel markets since Ukrainian companies cannot produce as much steel as before.

EU STEELMAKERS CALL FOR TIGHTER IMPORT RESTRICTIONS

Number of anti-dumping investigations initiated in the EU (HS codes 72-73)*



* if a measure affects several countries, counted as the sum of the measures

Data source: WTO

64%

of steel export from Ukraine depends on the EU

2.1 mln tons

of steel export from Ukraine to the EU will be affected if duty-free trade regime for Ukraine isn't extended

Tightening import barriers is one of the key demands of EU steel companies and sector associations.

Import restrictions to strengthen, as antidumping investigations are possible against HRC from Taiwan, plate from Korea and Indonesia, HDG from Vietnam. These measures to affect 7 mln tons of flat steel import together with import under anti-dumping investigation against HRC started in 2024.

An important event of 2025 will be the revision of the TRQ (tariff-rate quotas) system, for the second time in the last 12 months. According to unofficial information, the changes may concern:

- ▶ reduction of quotas volume
- ▶ introduction of caps on the share of single country within other countries quotas for all commodity groups
- ▶ expansion of the list of country quotas
- ▶ increase in tariff rates in case of exceeding the quota volume
- ▶ cancellation of the transfer of unused part of quotas to the next period.

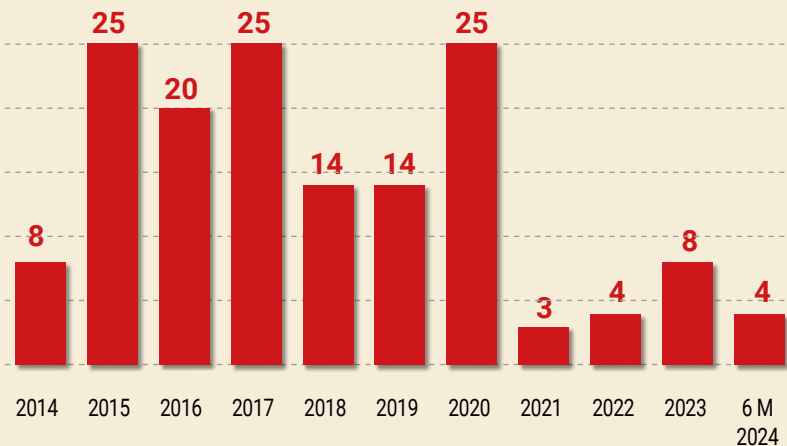
Ukraine is temporarily excluded from steel TRQ system in the EU since June 2022 via Autonomous trade measures (ATM) of the EU. This, alongside with temporarily suspension of anti-dumping duties, were key factors for the survival of the Ukrainian steel industry since the beginning of the war.

It is not clear yet whether the ATM will be expended further in 2025 and under which cognitions. In this case, the export of steel products from Ukraine may again fall under TRQ restrictions. It will negatively affect Ukrainian steelmakers who are on the verge of survival.

The consequences will depend on the format of the solution and the design of the TRQ system. To ensure the stable operation of the iron and steel industry of Ukraine today and after the war, it is important to ensure the exclusion of Ukraine from the TRQ system as well as further moratorium on anti-dumping duties application.

ESCALATION OF TRADE WARS BY THE US WILL HAVE AN INDIRECT NEGATIVE EFFECT ON UKRAINE

Number of anti-dumping investigations initiated in the US (HS codes 72-73)*



* if a measure affects several countries, counted as the sum of the measures

Data source: WTO

7

anti-dumping measures against steel products from Ukraine are in force in the US

4

mln tons of steel export from the EU could be affected by non-extension of the EU-US tariff-free steel trade agreement

In the US, seven anti-dumping measures against iron and steel products from Ukraine are in force. Four of them were introduced before 2001, when steel exports from Ukraine exceeded 24 million tons.

Although Ukraine doesn't pose a threat to the US market, having reduced overall exports to 4.6 million tons in 2024, the US extended two anti-dumping measures against HRC and rebar from Ukraine in 2024.

Ukraine is seeking to restore mutually beneficial trade relations with the United States.

The positive result of the exclusion from section 232 is noticeable mostly in the seamless pipe segment, where it was possible to increase exports from

Ukraine to 50 thousand tons in 2024. Another good example is exclusion of steel products made in the EU using steel melted & poured in Ukraine, e.g. rebar produced from Ukrainian billets.

Restoring trade relations with the United States might also give a green light to the discussion about removal of trade barriers with other North American countries, e.g. Canada.

Donald Trump's policy implies potential abolition of Section 232 exemptions, probably for both Ukraine and the EU. About 4 million tons of EU steel exports will be at risk if the EU-US tariff-free steel agreement is not extended. It will have a negative impact on the EU steel market, which is key for Ukrainian steel companies.

CBAM AS NEW PROTECTIONISM TOOL WILL DECREASE COMPETITIVENESS OF UKRAINIAN IRON & STEEL INDUSTRY ON THE EUROPEAN MARKET

Potential losses for the iron & steel sector of Ukraine from CBAM introduction in 2030

TOTAL LOSSES
\$1.3 bln

PIG IRON
\$300 mln

Pig iron supply could be substituted by HBI

SLABS & FLATS

—

Carbon and CBAM costs could be transferred onto prices

BILLET & LONGS
\$1 bln

BF-BOF production will be substituted by EAF

IRON ORE PELLETS

—

Carbon intensity of pellets is less than free allocations

PIPES & TUBES

—

Seamless pipes in Ukraine are produced via scrap-EAF route

The EU introduced CBAM to protect domestic producers from carbon intensive imports and level the playing field for European producers and importers.

In fact, CBAM creates new trade barrier decreasing access to European market for those producers who can not comply with European environmental regulations.

In Ukraine, 89% of steel has been produced using BF-BOF or BF-OHF route. It means quite high carbon intensity – 2.3 t CO₂ per t of crude steel.

Ukrainian steel billets and long products produced through BF-BOF/OHF route, would be uncompetitive to products, produced via

EAF route in the EU. So, Ukraine could lose all its billet and longs exports due to CBAM.

Pig iron sales also could halt as CBAM payments for pig iron could reach \$160 per ton in 2030. Pig iron segment mainly could be substituted by imported HBI, that is actively produced in MENA.

CBAM could also become new technical barrier for trade as regulation requires to collect a lot of data. It will increase administrative expenses of small & middle exporters and importers. Difficulties connected with providing data will have negative impact on prices of exported products.

CBAM will create additional obstacles for Ukrainian steel companies further increasing the burden of war. Capacity of the Ukrainian domestic market has reduced, while CBAM will decrease export possibilities.

Ukraine needs exemption from CBAM considering its preparation to become EU member and internal support of green transition. Such solution could be provided under article 30.7 of CBAM regulation, which envisages that European Commission can change CBAM application approach for countries which faced unforeseeable, exceptional and unprovoked event, that has destructive consequences on the economic and industrial infrastructure.

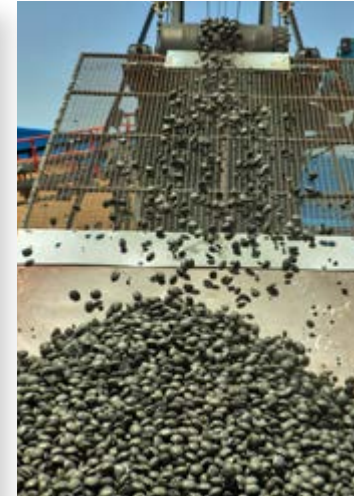


Ukrainian based consulting
company focused on
European steel market

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**PROSPECTS
of green steel
market in the EU
till 2030**



**TRENDS
on global
DRI/HBI market**



**COMPARATIVE
ANALYSIS
of decarbonization
strategies of
global iron & steel
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