

Our analysts' views on Trump's tariff developments this week

This week, US President Donald Trump announced a fresh wave of tariffs on steel and aluminium, raising concerns of a global trade war as countries consider how to respond

In this bundle



United States

How the European Union could counter US tariffs

The EU has several options available to respond to potential US tariffs

By Carsten Brzeski and Inga Fechner



Trump's tariff war: Asia's winners and losers

Within Asia, Vietnam appears most exposed to tariffs on steel and aluminum

By Deepali Bhargava



Commodities, Food & Agri

Retaliation inevitable as Trump slaps tariffs on metals, again

When Trump first imposed tariffs on steel and aluminum imports in 2018, the EU responded by slapping its own premiums on a selection of goods

By Inga Fechner and Ewa Manthey



Commodities, Food & Agri

Industrial Metals Monthly: Tariff chaos

Trade tensions are weighing on metals

By Ewa Manthey

How the European Union could counter US tariffs

With Trump ordering a 25% import tax on all steel and aluminium entering the US, trade tensions are inching closer to Europe. We take a closer look at how European policymakers could react. Spoiler alert: it's complicated



President of the European Commission Ursula von der Leyen and President of the United States Donald Trump

The Trump hurricane continues. Anyone still second-guessing the US president's determination to implement his election promises into actual policy has been proven wrong. Up to now, the new US administration has closely followed the playbook of 'Project 2025'.

Tariffs only play a minor role in 'Project 2025' but have become the main lever in Donald Trump's foreign policy agenda. From the on-and-off tariffs for Mexico and Canada, to the latest announcement of general import tariffs on steel and aluminium, tariffs are dominating headlines.

[With the latest announcement](#), Europe is directly affected by the US administration's decision. US tariffs on steel and aluminium of 25% will harm Europe's manufacturers, which export some €3bn of steel and some €2bn of aluminium, thus affecting approximately 1% of total goods exports with the US. But this is not where it will stop. The looming threat of blanket tariffs on the EU and the announced trade reciprocity makes the question of how the EU could and will react more pressing.

Admittedly, we still don't know what potential US tariffs on European goods will look like. Could it

be a blanket tariff, or rather sectoral tariffs like the recently announced tariffs on steel and aluminium? From a US perspective, sector-specific tariffs could be more effective if the goal is to weaken international competitors of American producers and create divisions among European nations. However, if the primary aim is to generate revenue for tax-cut initiatives, a blanket tariff might be more appealing.

Options for Europe

Last autumn, we heard about a secret list circulating in Brussels detailing potential European responses if Donald Trump were to win the US elections and reintroduce tariff threats. This list has remained one of Brussels' best-kept secrets, as no details have been leaked thus far. Before we get to what could be on the list, let's consider one typical European issue: how to react swiftly in times of crisis.

The good thing is that foreign trade falls under the sole responsibility of the European Commission, which makes laws on trade matters and negotiates and concludes international trade agreements. However, the EU lacks a trade instrument that would allow it to credibly threaten with immediate retaliation in case of a non-coercive breach of World Trade Organization (WTO) obligations by the US. Even with this secret list, the EU might not be able to react swiftly.

Yes, at the end of 2023, the EU put a trade bazooka in place, the so-called EU Anti-Coercion Instrument (ACI). It could be invoked if Trump attempts to impose duties on a specific member state, provided it gets the green light from a "qualified majority" of 15 out of the 27 member states, representing at least 65% of the bloc's population. However, any reaction under the ACI would take some eight weeks, and it can't be triggered if Trump's tariffs are not punitive or their adoption is made conditional on policy changes performed by the EU and its member states. The EU's first problem, then, is speed.

Retaliation

If the EU reaches the stage where it can implement retaliatory tariffs, what might be included on the list?

- Impose tariffs on products primarily produced in US swing states, such as soybeans, bourbon, motorcycles or orange juice. In June 2018, the EU responded to US Section 232 tariffs on steel and aluminium with immediate retaliatory countermeasures in the range of 10-25%. Additional countermeasures were to be imposed after three years if no settlement was reached. After a deal had been struck under former President Joe Biden, those tariffs have been put on hold until 31 March 2025, meaning that the European Union could simply reinstate those retaliatory tariffs on US exports, with little delay.
- Europe could impose export tariffs on goods that are of [strategic importance](#) to the US. In 2022, the US relied on the EU for 32 strategically important import products, mainly in the chemical and pharmaceutical sectors. The EU could use this as a form of leverage in trade negotiations but should be aware of the US doing the same, potentially curbing chemical exports to Europe.
- The ultimate retaliation would be a digital services tax. While the EU enjoyed a substantial trade surplus in goods with the United States, amounting to €156bn in 2023, this was mostly offset by a significant trade deficit in services, which reached €104bn in the same year. Among those service exports are IT services, led by dominant American tech companies, charges for intellectual property or financial services. Notably, the United States

holds the position of the world's largest exporter of services.

The art of making a deal

A long-held belief in Europe is that Trump is only after a good deal. We are a bit more sceptical. The Trump administration not only needs additional revenue to support its tax cut plans, but it may also have an interest in undermining an economic competitor.

Looking at the idea of making a deal, during Trump's first presidency, the famous promise by former European Commission President Jean-Claude Juncker to buy more LNG and soybeans from the US prevented tariffs on European automotives. In the end, however, although the EU's import of LNG and soybeans increased substantially – in the six months after the joint statement, LNG imports from the US increased by 181%, albeit from a low base, and soybean imports by 112%, making the US the largest supplier of soybeans to the EU – it didn't really move the needle in terms of the overall goods trade surplus with the US. Instead, the trade surplus continued to widen. It would be naive for Europe to assume that Trump could as easily be appeased with a few soybeans as he was in 2018.

So, this time around, what does the EU have to offer Trump to strike a deal and avoid a trade war?

- The first thing that comes to mind is more LNG purchases. However, the US is already the largest LNG supplier to the EU, with 40% of the EU's LNG imports coming from the US in the third quarter of 2024. How much more room is there to increase these imports?
- Another option could be to not only increase the EU's defence spending to 3% or 4% of GDP but also commit to increased purchases of US military products. Currently, the EU imports 55% of its military products from the US already (for the period 2019-23), a substantial increase from 35% between 2014-18, according to SIPRI. The EU could also offer to reduce import tariffs on US automotives. While tariffs on imported cars are 2.5% in the US, tariffs stand at 10% in the EU. Thus, to achieve a level playing field, the EU could offer to lower its tariffs on US cars to 2.5%. Yet, to stay compliant with the WTO's Most Favoured Nation (MFN) concept, it would have to extend this tariff reduction to all WTO members.
- In all of these cases, it is important to note that the European Commission holds the sole responsibility for trade policy negotiations but cannot force member states to purchase goods from specific suppliers. Yes, the EU has successfully used joint procurement for Covid-19 vaccines, gas supplies, and ammunition for Ukraine but it takes time to set up these joint procurements. Additionally, since participation is voluntary, some purchases may still fall through.

Back to Draghi

As much as Europe will try to prepare for an upcoming possible trade war with the US, let's not forget that trade wars will not be won by the trade surplus country. It is always the surplus countries that have more to lose. Therefore, Europe might want to consider another route: the strengthening of the domestic economy. Think of reducing dependency on the US by increasing domestic military industries, including reducing too many technological standards of weapons systems and pooling of defence purchases, and deregulation of the tech sector, including significant investments. The latest AI initiative by the French government points in that direction.

Beyond these efforts to reduce US dependencies, Europe should focus on implementing as many proposals from the [Draghi report](#) as possible.

Europe is better prepared but speed and power remain a problem

Although the EU is better prepared to tackle Trump 2.0, it still faces a complex challenge in countering potential US tariffs. While the EU has several options at its disposal, including retaliatory tariffs on key US exports and the implementation of a digital services tax, the effectiveness of these measures will depend on the EU's ability to act swiftly and cohesively.

The EU Anti-Coercion Instrument (ACI) offers a framework for response, but its effectiveness is hampered by procedural delays and the requirement for widespread member state support.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Article | 12 February 2025

Trump's tariff war: Asia's winners and losers

President Trump has declared 25% tariffs on all steel and aluminium imports into the US. We analyse the potential impact of these tariffs on Asia



The US administration walked the walk on tariffs by first announcing 25% levies on imports from Canada and Mexico, followed by a 10% tax on imports from China. While the actual implementation for Canada and Mexico is on hold for now, tariffs on China are already in place.

In the most recent escalation, President Trump announced additional 25% tariffs on all steel and aluminium imports into the US. Below we analyse what Trump's tariffs might mean for Asia.

Within Asia, Vietnam appears most exposed to tariffs on steel and aluminum

Tariffs on steel and aluminium are not new, having been initially introduced during Trump's first presidency in 2018. If we assume that Trump is following the same strategy, these tariffs could likely be used as leverage in trade negotiations.

Take India, for instance. In 2019, India retaliated by imposing additional customs duties on 28 US products. After years of negotiations with Prime Minister Narendra Modi, Trump removed tariffs on

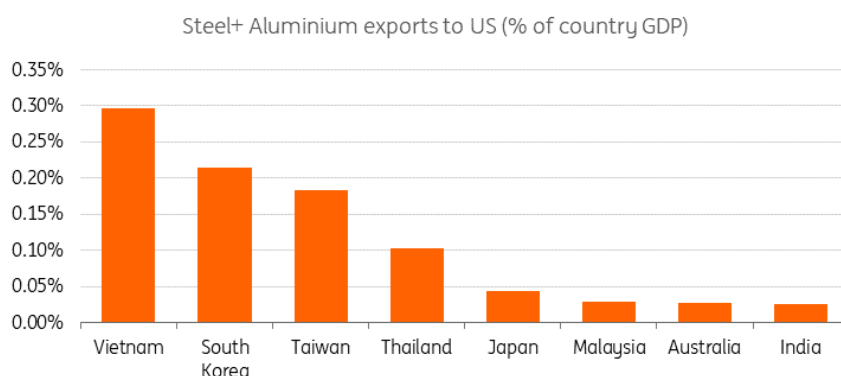
steel and aluminium imports from India in 2023.

Trump is also hinting at tariff concessions for Australia again, similar to last time. However, we believe Australia is relatively less affected, with steel exports to the US accounting for just 0.1% of its GDP.

Interestingly, Vietnam exports more steel (by value) to the US than China. This is because Vietnam buys large quantities of semi-processed steel from China, processes it and then re-exports it to the rest of the world. While steel tariffs are likely directed towards China, Vietnam’s economy appears most exposed in Asia; its steel plus aluminium exports to the US were 0.3% of GDP in 2024.

Another country that ranks higher in its exposure to steel and aluminium exports to the US is South Korea. In 2018, Korea was granted a tariff-free export quota by the US. However, recent Korean exports to the US have been below this quota. While it’s uncertain whether Trump will remove the quota system, it appears that South Korea has some negotiating leverage.

Vietnam and South Korea are most exposed to aluminum and steel tariffs



Source: International Trade administration

China, Korea and Vietnam are most exposed to possible direct tariffs by the US

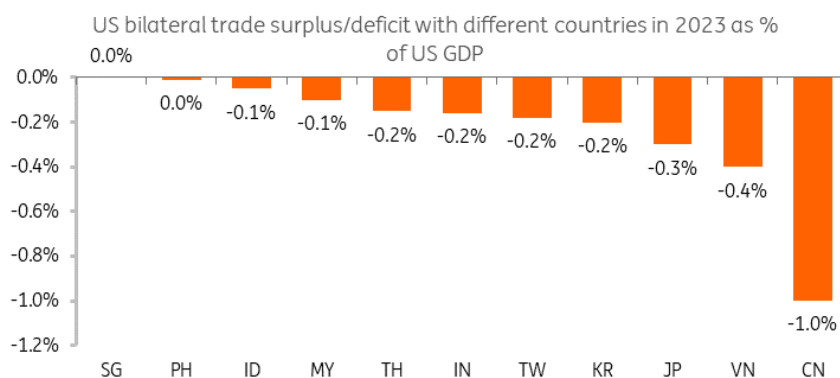
When we look at the broader impact of Trump’s ‘America First’ trade policy on Asia, it’s clear the impact on some sectors and countries in the region will be greater than others. Overall, countries with a larger share of external demand in GDP growth will be impacted more, not just by direct tariffs, but also by the uncertainty of global trade. This will deter cross-border investments and future capacity increases.

- **North Asia is the most exposed.** Within Asia, the countries with a large goods trade surplus with the US and more dependent on external demand are China, Korea and Vietnam. In addition, when it comes to sectors, Trump’s ambitions to scale domestic production of hi-tech goods should impact Asia economies that are major exporters of semiconductors, AI and new energy sector-related goods. In that regard as well, North Asian economies including China, Japan, Korea and Taiwan are the most exposed to tariffs compared to South Asian giants like India and Southeast Asian economies like the Philippines.
- **India and the Philippines are less at risk** because these economies are domestically

demand-driven and export fewer sophisticated goods that compete directly with the US. The risk, however, is that their share of services exports to the US is large. If services trade is targeted by Trump's tariffs, sectors such as outsourcing and software services could be negatively impacted.

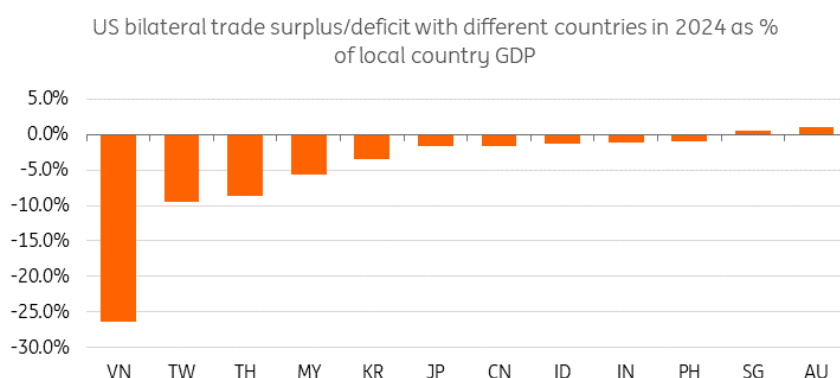
- **At the middle of the pack lie Malaysia, Thailand and Indonesia.** While Malaysia and Thailand play important roles in the semiconductor and auto supply chains, respectively, they have also benefitted from recent supply chain shifts which should partly offset the impact of tariffs. Indonesia has only a small trade surplus with the US, but it could face disruptions to its large ecosystem for electronic vehicles after Trump's rollback of EV incentives under the Inflation Reduction Act (IRA). This could deter US investments in Indonesian nickel smelters and battery plants.

China, Vietnam, and Japan have large bilateral trade imbalances with US



Source: CEIC

Domestic GDP growth for Vietnam, Taiwan, Thailand and Malaysia is most exposed to US tariffs



Source: CEIC

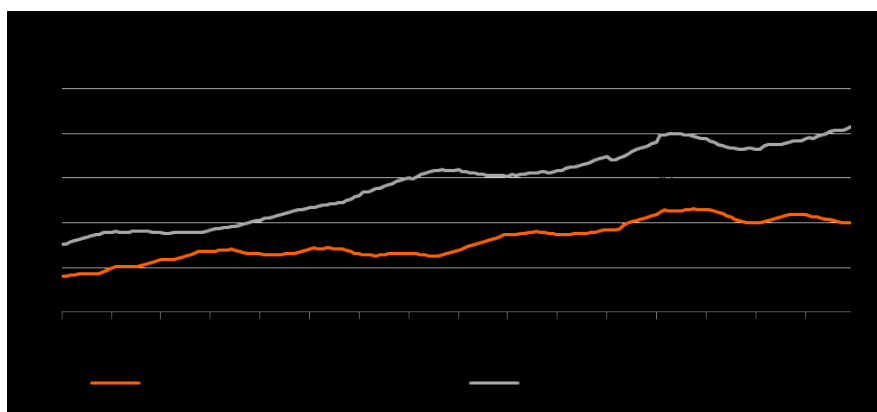
Growing dependence on China suggests indirect impact of tariffs on ASEAN could be large

ASEAN economies are highly linked to China with deep trade and investment ties, driven by various

trade agreements. China is ASEAN's largest and fastest-growing source of imports. It accounted for nearly 26% of ASEAN's total imports in 2024, a significant increase from the 16% share a decade earlier.

Growing imports from China suggest that the supply chains are becoming increasingly more intertwined. Despite Southeast Asia benefiting from the China+1 strategy (a business strategy encouraging companies to diversify their supply chains by manufacturing in more than one country), supply chains remain heavily reliant on China. The range of traded sectors and products is extensive, encompassing electronics, machinery, petroleum products, steel, plastics, and chemicals.

ASEAN is China's largest trading partner, with a rapid acceleration in ASEAN's imports from China



Source: CEIC

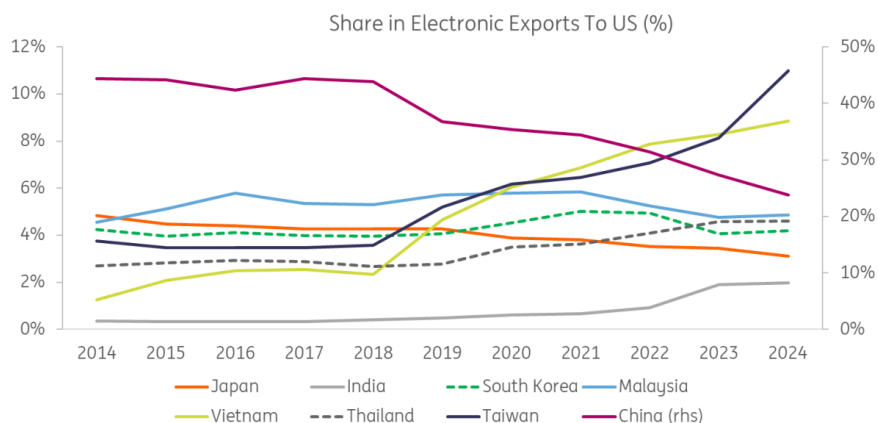
Electronics is where supply chains are the most integrated

From a sector perspective, electronics is where we see the biggest risk. Among the Asian economies, Vietnam has seen one of the largest increases in electronic export market share to the US, thanks to its adoption of the China+1 production model. Asia is not only an important supplier of intermediate electronic inputs for the US and China, but also for Mexico despite the physical distance.

Malaysia and China combined supply more than 50% of integrated circuits. They are also the building blocks of the semiconductor supply chain to Mexico. Malaysia's share of IC exports to the US is even higher than South Korea and Taiwan, countries that dominate high-end IC design. Hence countries like Malaysia will have to navigate the dual challenge of not just higher direct tariffs, but also indirect impacts from higher tariffs on Mexico and China.

For South Korea, the impact should be limited in the near term as Korean chipmakers have already closed order books for 2025. If tariffs become real, we are likely to see high-end chip makers ramping up investments and production capabilities in the US. Samsung and SK Hynix are already building chip factories in the US, which should bode well with Trump on the negotiation table.

Electronics export market share for Taiwan, Vietnam, Thailand and India has risen at the expense of China, Japan and South Korea



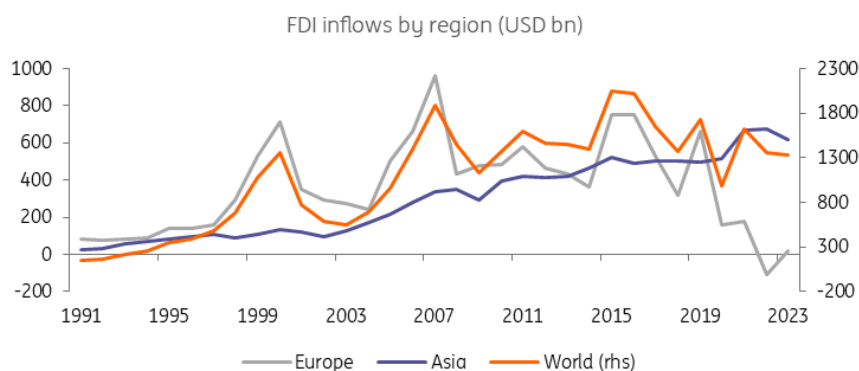
Source: ITC Trade map *Electronic exports include computer and electronic product manufacturing plus Electrical Equipment, Appliance, and Component Manufacturing

Supply chain shifts boost ASEAN and India

US stakes in Asia have gone up as evidenced by the share of the US in foreign direct investment inflows to ASEAN, which have increased substantially since 2019. The US accounted for one-third of net FDI inflows into ASEAN in 2023. This suggests that ASEAN is playing a significant role in the China+1 strategy. Highly skilled and differentiated manufacturing hubs are emerging around the region, including electronics manufacturers. US MNC investments are accelerating in regions and areas historically dominated by Chinese and Japanese players. US giants like Intel, Cargill, Boeing and Apple have made extensive investments in Vietnam. HP and Dell are making desktop computers in Malaysia. And global tech giants like Google are setting up data centres in Thailand.

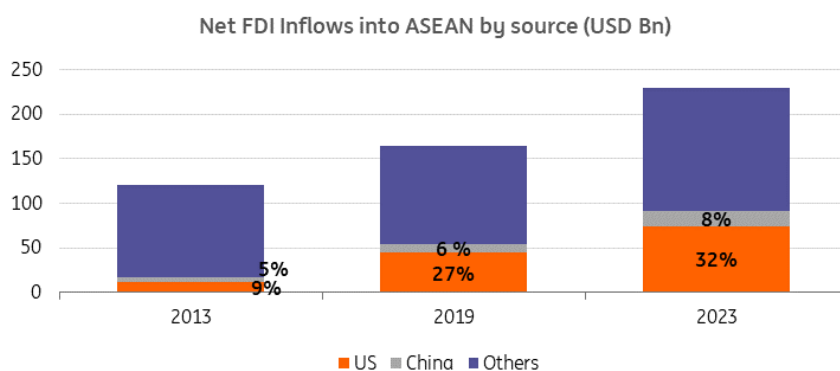
As such, even if universal tariffs were imposed, the impact should be less immediate. This may also increase the scope for bilateral strategic discussions on different sectors. On digital trade, Trump signed a digital free trade agreement (FTA) with Japan during his first term. A similar FTA process with ASEAN could be a positive starting point for discussions with the US. Singapore’s significance as a regional energy trading hub could align with Trump’s ambition of energy dominance.

Global FDI flows have weakened but inflows to Asia FDI have accelerated



Source: United Nations

There has been a sharp jump in the share of net FDI inflows from the US to ASEAN



Source: CEIC

Increased economic integration with China may negatively impact ASEAN in the short term due to China's domestic growth slowdown and reduced export demand from tariffs. However, ASEAN stands to benefit significantly from the surge in FDI inflows from both China and the US, as businesses adopt the China+1 strategy.

Author

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Retaliation inevitable as Trump slaps tariffs on metals, again

President Trump has signed an executive order imposing an additional 25% tariff on steel and aluminium imports into the US, effective March 12, 2025. With four weeks until the tariffs take effect, there is still room for negotiation. But with many countries ramping up their trade defence, further trade escalation seems inevitable



US President Donald Trump displays a signed executive order at the White House on 10 February 2025 of 25% tariffs on steel and aluminium imports

During his first term as US president, Donald Trump announced tariffs of 10% on aluminium and 25% on steel imports, effective March 23 2018, under Section 232, citing national security concerns. Initially, only Mexico and Canada were exempt, but they, along with the EU, were hit with these tariffs two months later. Multiple deals eventually ended tariffs for many countries.

Under former President Joe Biden, tariffs on Chinese steel and aluminium were tightened. On July 10 2024, Biden imposed a 25% tariff on Mexican steel melted or poured outside North America and a 10% tariff on Mexican aluminium containing metal smelted or cast in China, Belarus, Iran, or Russia.

Now, President Trump has reintroduced steel and aluminium tariffs without exceptions, citing a surge in imports and a decrease in US capacity utilisation. He stated that the previous deals, often

in the form of quotas, have become redundant and hurt US manufacturers.

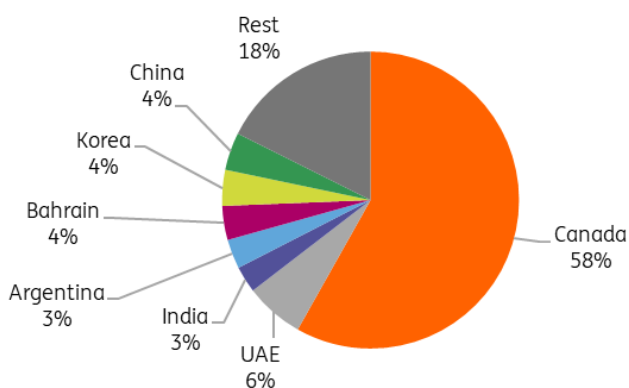
How much does the US produce and where do US steel and aluminium imports come from?

While the US produced some 79.5 million tons of steel in 2024, it still imported about 28.9 million tons, i.e. a quarter. China, the world's largest steel producer, produced 1,005.1 million tons in the same year. Regarding steel imports into the US, around 25% came from Canada, followed by Brazil at 17%, Mexico at 14%, and South Korea at 10%.

Likewise, the US imports roughly half of its aluminium from abroad, with Canada the biggest supplier, accounting for 58% of imports, followed by 6% from the United Arab Emirates. The US also relies on Mexico and Canada for around 90% of its aluminium scrap imports.

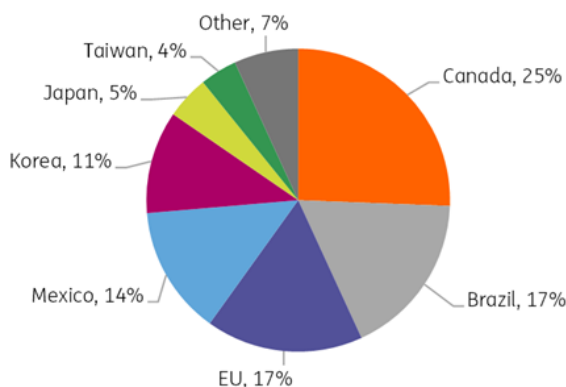
China, on the other hand, only accounts for around 4% of US aluminium imports. Tariffs and trade actions in recent years have reduced China's desirability as a trading partner for aluminium products. A 25% rise in US tariffs on Chinese aluminium might have little impact on China's aluminium industry. Many Chinese aluminium semi-finished product producers have already reduced exports after China cancelled an export rebate in December, retaining more material for domestic use. You can read about the potential impact of tariffs on aluminium [here](#).

Aluminium supply to US



Source: US International Trade Administration, ING Research

Steel supply to US



Source: US Census Bureau, ING Research

Aiming for jobs and production, but facing declining trends

Trump said the new duties are meant to crack down on the efforts of countries like Russia and China to circumvent existing duties, bolster domestic production and bring more jobs back to the US. However, previous tariffs did not lead to increased domestic production of the two metals. Although US capacity utilisation for iron and steel briefly rebounded to 80% during Trump's first term, it has been declining since late 2021 and is currently at 69.9%.

Capacity utilisation would therefore need to increase by 10 percentage points to achieve the US administration's target level of 80%.

US capacity utilisation – iron & steel (%)

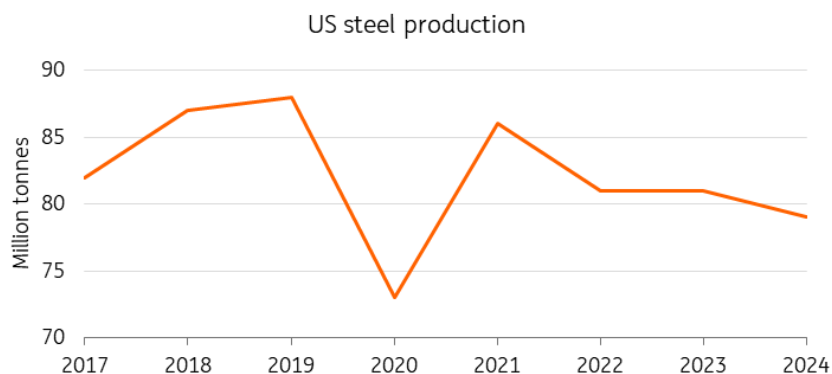


Source: LSEG Datastream, ING

In 2024, the output of the US steel industry was 1% lower than it had been in 2017 before the introduction of the first round of tariffs by Trump, while the aluminium industry produced almost 10% less.

Despite tariffs imposed in 2018, US steel output has continued to fall

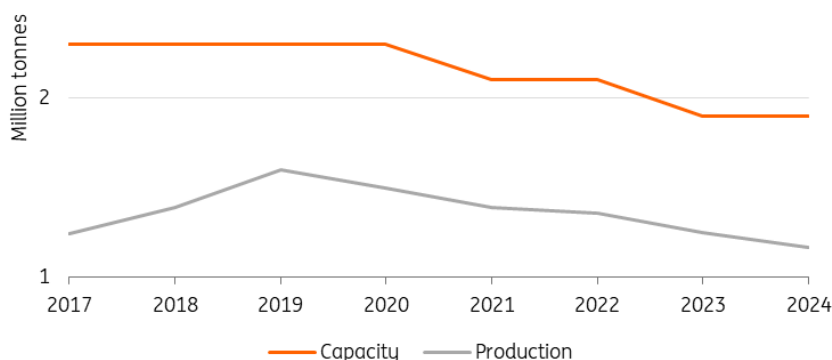
US steel production



Source: World Steel Association, ING Research

For aluminium, the US has only four operating smelters. These four smelters together produced about 680,000 tonnes of aluminium last year, down from 741,000 tonnes in 2017, the year before Trump first introduced duties (according to data from Harbor Intelligence). In comparison, China produced around 43 million tonnes of aluminium last year.

Previous tariffs had no effect on increasing domestic aluminium production



Source: US Geological Survey, ING Research

Industries in the US like automotive and manufacturing, which heavily rely on imports of aluminium and steel and are deeply integrated with US supply chains, would face increased costs and disruptions if the proposed tariffs went ahead since many parts cross the border multiple times before becoming a final product.

In which countries will the steel industry get hurt most?

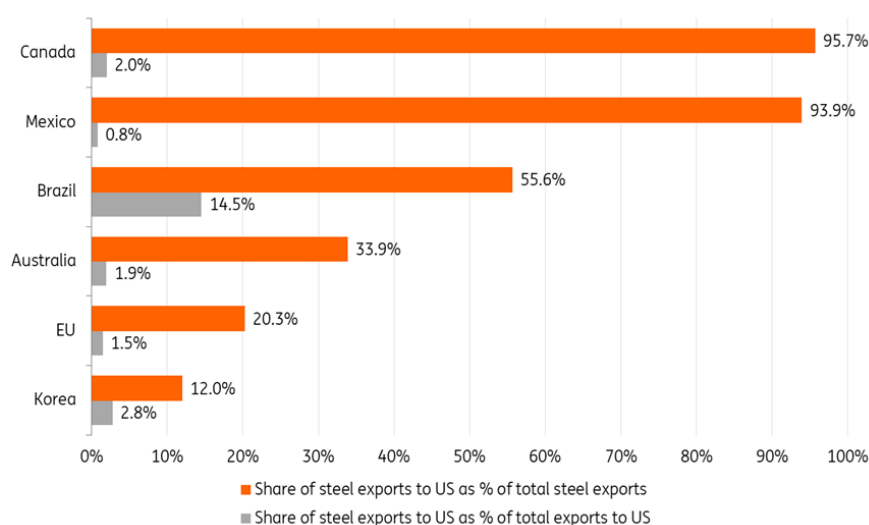
Not only would US steel and aluminium importers be affected, but steel manufacturers in Canada

and Mexico would also face a significant impact, as more than 90% of their steel exports go to the US. However, the overall economic effect should be manageable for these countries, as steel exports represent only about 2% and 0.8% of their total exports to the US, respectively.

Brazil, on the other hand, would suffer more, as steel exports account for 14.5% of its total exports to the US in terms of trade value. This could lead to some economic repercussions for Brazil's steel industry but could also make a deal between the US and Brazil more likely.

Share of steel exports by selected countries

in %, by value, 2023



Source: UN Comtrade/WITS database, ING calculations

Additionally, we might see changes in trade flows of aluminium. Canadian exports might get redirected to Europe, where they have duty-free access. This shift could be bearish for European premiums, potentially lowering prices in the European market.

A clash with Europe is inevitable

While the US reached an agreement with South Korea, Australia, Argentina and Brazil shortly after tariffs were announced in 2018, other countries opted for retaliation. In June 2018, the EU responded to the US Section 232 tariffs on steel and aluminium with immediate retaliatory countermeasures in the range of 10-25% on motorcycles, agricultural products, bourbon, clothes, and steel, amongst others. Additional countermeasures were to be imposed after three years if no settlement was reached.

Then, on 31 October 2021, the US and the EU announced a multifaceted agreement to address the tariffs imposed during the Trump administration, replacing tariffs with a tariff rate quota (TRQ) system, allowing a certain volume of EU steel and aluminium to enter the US market duty-free. Any imports above these quotas would be subject to the original tariffs. The EU also agreed to suspend its retaliatory tariffs on various US exports, including American whiskey and motorcycles until 31 March 2025, while the US prolonged the TRQs on EU products until 31 December 2025.

This time around, even before the new tariffs were officially announced, the European Union

issued [a statement](#) condemning any potential additional tariffs coming from the US. If the EU is hit by additional tariffs from March, it could simply reinstate its retaliatory tariffs on US exports.

And, if history is anything to go by, EU policymakers will not be the only ones opting for retaliation.

Aluminium prices set to rise while industrial metals demand will weaken

The prospect of a global trade war is bearish for industrial metals in terms of slowing global growth and keeping inflation higher for longer.

Aluminium is likely to be most impacted by potential tariffs on metals with the US importing significant volumes of its aluminium from abroad. Tariffs would result in higher aluminium prices in the US, representing a significant upside risk to the US Midwest premium this year. The US Midwest premium, the best indicator of tariff risk, is already up more than 30% since Trump won the US presidential election. The premiums are added to the global benchmark prices, which are set on the LME to deliver the metal to the US Midwest. However, the effects on LME prices will be minimal. US tariffs previously had little impact on LME prices. Tariffs also risk demand destruction in the US as the extra costs would most likely be passed on to end consumers.

With growth in the US likely to slow due to the tariffs, and with China already struggling to revive its economy, demand for industrial metals is likely to weaken. Benchmark steel prices were down 38% last year with higher interest rates hurting demand in steel-intensive industries like building and construction.

President Trump has laid the foundations for further trade escalations. This will not be the last tariff move. Retaliation is on, and it's going to get nasty.

Author

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Ewa Manthey

Commodities Strategist

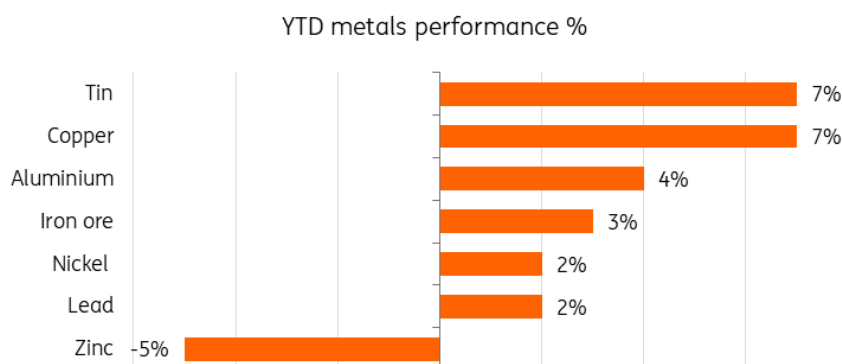
ewa.manthey@ing.com

Industrial Metals Monthly: Tariff chaos

Our monthly report looks at the performance of iron ore, copper, aluminium, and other industrial metals. In this month's edition, we take a closer look at aluminium and what Donald Trump's tariffs could mean for the metal's trade flows and prices



Industrial metals have had a volatile start to the year



Source: LME, SGX, ING Research

Will he, won't he?

Industrial metals have had a volatile start to the year driven by tariff risks.

Over the weekend, President Trump announced he plans to impose 25% tariffs on all imports of steel and aluminium into the US. Trump said the tariffs would apply to imports of both metals from all countries, including major suppliers Mexico and Canada. He didn't specify when the duties would take effect. Trump also said he would announce reciprocal tariffs this week on countries that tax US imports.

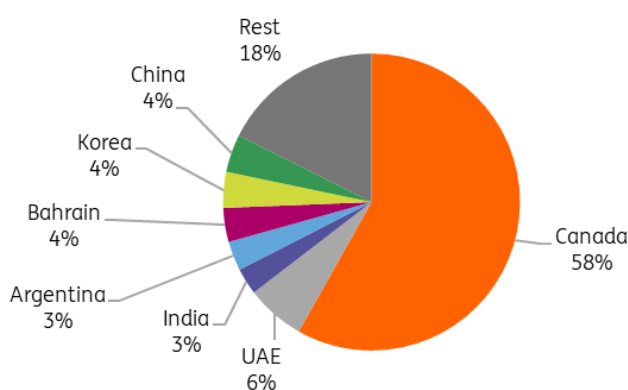
It is still uncertain whether the tariffs will go ahead. Only last week, Trump delayed plans to hit Canada and Mexico with general import duties of 25%, while proceeding with a 10% levy on all shipments from China. Beijing retaliated immediately by imposing a range of tariffs on US products. Trump also hinted at tariffs on imports from the European Union. There is a possibility that these tariffs are used as a negotiating tactic and are relaxed following concessions from target countries. There also might be exemptions to those tariffs. This uncertainty will continue to weigh on sentiment.

The US imports significant volumes of aluminium and steel from Canada. The US imports roughly half of its aluminium needs from abroad, with Canada the biggest supplier, accounting for 58% of imports, followed by 6% from the United Arab Emirates, figures from the US government show. The US also relies on Mexico and Canada for around 90% of its aluminium scrap imports.

Meanwhile, around 23% of steel imports into the US arrived from Canada, followed by Brazil at 16%, Mexico at 12% and South Korea at 10%.

Industries like automotive and manufacturing in the US, which heavily rely on imports of aluminium and steel and are deeply integrated with US supply chains, would face increased costs and disruptions if the proposed tariffs went ahead since many parts cross the border multiple times before becoming a final product.

US imports more than half its aluminium from Canada



Source: US International Trade Administration, ING Research

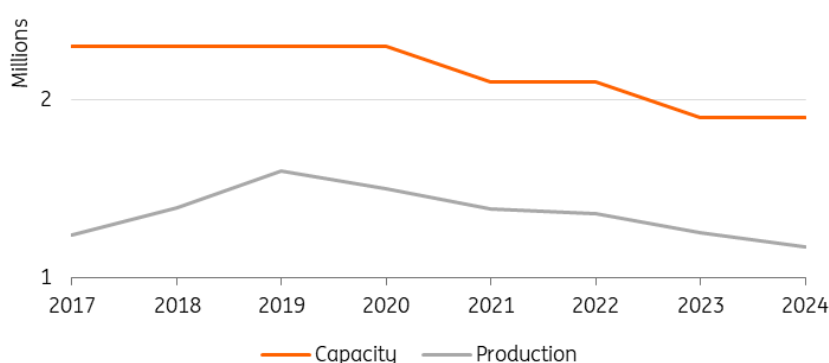
Market déjà vu

The aluminium sector has dealt with US trade action before. In January 2018, Trump imposed a 10% duty on imported aluminium and 25% on steel from most countries except Australia to

promote domestic metal production. The levies were then extended to the EU, Canada and Mexico in June.

However, in 2024, the output of the US steel industry was 1% lower than it had been in 2017 before the introduction of the first round of tariffs by Trump, while the aluminium industry produced almost 10% less. For aluminium, rising energy costs have played a major role in the decline of the US smelting industry over the years. Canada's aluminium industry, on the other hand, benefits from cheap hydropower to power its smelters.

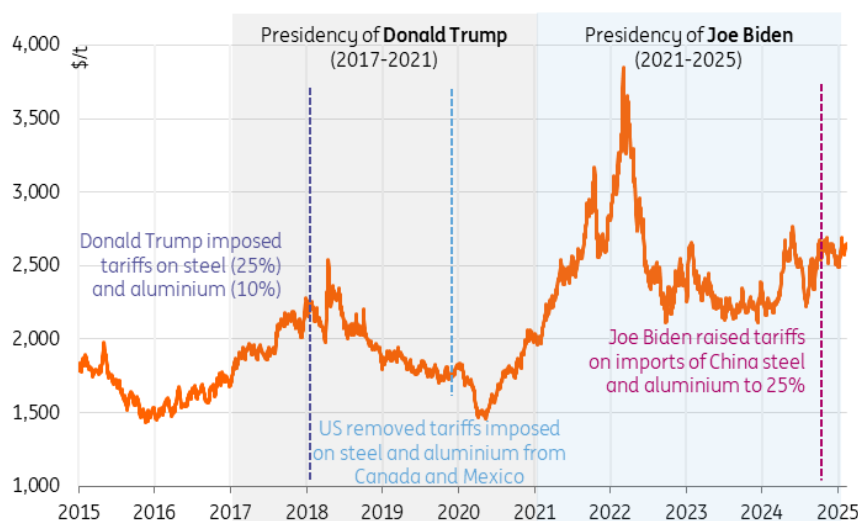
Previous tariffs had no effect on increasing domestic aluminium production



Source: US Geological Survey, ING Research

The tariffs introduced in 2018 had led US Midwest premiums to soar. However, the effect on the LME prices was minimal. LME aluminium fell by 10% in two months but then rebounded by 27% within a month of the decline. The duties were removed a year later (in April 2019) on steel and aluminium imported from Canada and Mexico after a new free trade agreement between the two countries and the US, and later cut to 7.5% for some Chinese products (in December 2019). In August 2024, under President Joe Biden, tariffs were raised to 25% (from 0-7.5% previously), which led to an almost 9% increase in LME prices within a month.

US tariffs had little impact on LME price before

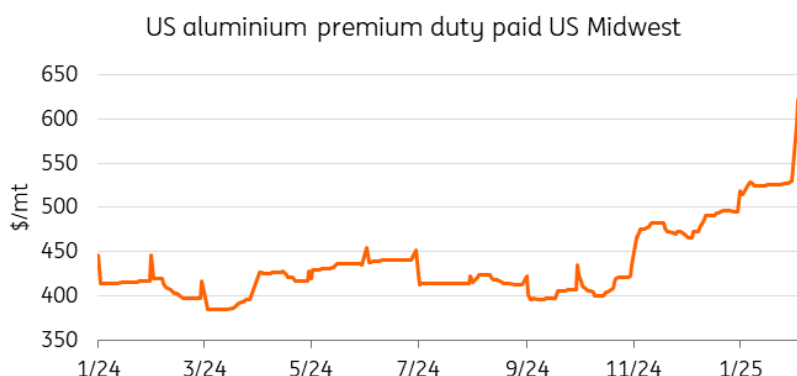


Source: LME, Bloomberg Intelligence, ING Research

Impact on aluminium

Aluminium is likely to be most impacted by potential tariffs on metals with the US importing significant volumes of its aluminium from abroad. Tariffs would result in higher aluminium prices in the US, representing a significant upside risk to the US Midwest premium this year. The US Midwest premium, the best indicator of tariff risk, is already up more than 30% since Trump won the US presidential election. The premiums are added on top of the global benchmark prices, which are set on the LME to deliver the metal to the US Midwest. Tariffs also risk demand destruction in the US as the extra costs would most likely be passed on to end consumers.

Physical premiums are rising on global trade tensions



Source: Platts, ING Research

We might also see changes in trade flows of aluminium. Canadian exports might get redirected to Europe as it has duty-free access. This would be bearish for European premiums.

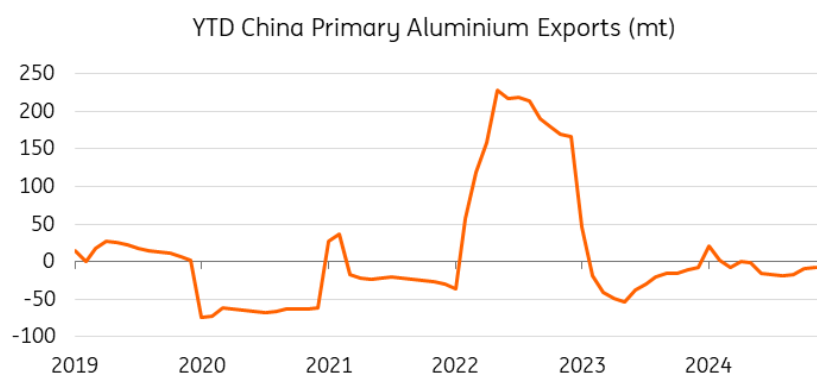
China, on the other hand, only accounts for around 4% of US aluminium imports. Tariffs and trade actions in recent years have reduced China's desirability as a trading partner for aluminium products. A 25% rise in US tariffs on Chinese aluminium might have little impact on China's

aluminium industry.

Many Chinese aluminium semis producers have already reduced exports after China [cancelled an export rebate](#) in December and kept more material domestically.

It is not clear yet whether the new metals tariffs would be added to other duties, like the new blanket 10% tariff on all Chinese goods.

China's primary aluminium exports have been declining



Source: China Customs, ING Research

With Donald Trump back in the White House, uncertainty and unpredictability are running high. While Trump's tariffs on aluminium might drive an initial, short-term, price surge, the prospect of a global trade war is bearish for the LME aluminium price. Tariffs are bearish for industrial metals in terms of slowing global growth and keeping inflation higher for longer. If US inflation remains persistent or rebounds, it could prompt the Federal Reserve to delay or increase interest rate cuts. This would further hinder the recovery in the building and construction sectors and be bearish for aluminium demand. With growth in the US likely to slow on the back of tariffs and with China already struggling to revive its economy, demand for industrial metals is likely to weaken. On the other hand, the prospect of a prolonged trade war has raised expectations for Beijing to unveil more aggressive stimulus measures, which would cap the downside to aluminium and other industrial metals prices.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.