



North American Supply Chain Letter

*News and Analysis of the New Movement to Shorten and Secure Trade Patterns by
Leveraging USMCA*

June 3, 2024

New Statistics Show the U.S. With a Massive and Growing Trade Surplus in Steel With Mexico

New data on the North American steel trade show that in recent months U.S. exports to Mexico have been rising while Mexican exports to the U.S. are falling – a trend that has persisted for more than a year. The statistics were reported on May 29 by CANACERO, the Mexican steel association and drawn from official Mexican and U.S. sources. The data also show the U.S. has a massive and growing trade surplus in steel with Mexico.

The statistics refute claims that Mexico is “surging” steel exports into the United States. In fact, during the first four months of 2024, Mexico exported 13.4% *less* steel to the U.S. than the year before – while U.S. exports to Mexico increased. Census cited by the American Iron and Steel Institute

(AISI), the U.S. trade association, show that from May 2023 to April 2024, steel exports from Mexico to the U.S. fell 19.8%.

For valuable finished steel, the disparity is even greater: in the first quarter, a decrease of 13.4% in U.S. imports from Mexico and a 9.4% increase in Mexican imports from the United States. During the first three months of 2024, Mexico bought \$1.7 billion worth of finished steel from the U.S. – an increase of 11% over the same period last year. The U.S., by contrast, bought only \$839 million worth of finished steel from Mexico – a decline of 14.2%.

The new data continue a trend from 2023 – a year in which the U.S. sharply increased its surplus in steel with Mexico. During 2023, the U.S. exported 4.1 million tons of steel to Mexico – 49% of total U.S. global steel exports. By contrast, Mexico exported only 2.3 million tons to the U.S. – a decline of 28%, according to U.S. Census Bureau data. The U.S. has long had a surplus with Mexico in steel trade, but last year it reached a record level.

During the first quarter, the market share of U.S. exports as a proportion of Mexican consumption was 15.1% – an increase of a full percentage point since the end of last year. The Mexican market share in the U.S. was only 2.8%.

A robust North American market is in the best interests of both the U.S. and Mexico. For example, it is to the benefit of the U.S. that Mexican exports displace those from other countries. Mexican steel has high U.S. content, mainly from scrap, graphite electrodes and natural gas, and Mexico's proximity to the U.S. and its close relationship as an ally make the nation a reliable source that does not imperil national security.

In addition, good relations between the two countries mean that steel from the U.S. will continue to flow to Mexico. During the first four months of 2024, high-value U.S. finished steel exports to Mexico were two-thirds greater than Mexico's exports to the United States. That is a ratio that U.S. politicians should heed.

The Joint Statement from 2018 refers to what is actually important in the U.S.-Mexico trade relationship: the danger of transshipments. It says that the two countries will "implement effective measures to... prevent the transshipment of aluminum and steel made outside of Mexico or the United States to the other countries."

As we noted in our March newsletter, the two nations have common cause in ensuring that Chinese and other international firms – especially those provided by their governments with subsidies – do not exploit Mexico's favored North American tariff position to circumvent trade laws. Concerns extend beyond the written regulations alone to matters of strict compliance with rules of origin.

The U.S. and Mexico are exploring mechanisms and ways of collaboration to work together as a region. The Joint Statement emphasized that "either country may treat products made with steel that is melted and poured in North America separately from products that are not." That is a key consideration, and Mexico is working hard to ensure that steel exported to the United States is indeed melted and poured in Mexico, with certificates to prove it.

Mexican President Andres Lopez Obrador took a bold step in this direction on August 15 and April 22, 2023, when he imposed 25% and 35% tariffs on steel imported from countries, like China, with which Mexico does not have a free trade agreement. Those tariffs match the Section 232 duties with the

intention of preventing the transshipment of excess steel without tariffs to Mexico, making minor upgrades, and then sending it across the border, tariff-free.

This newsletter has said repeatedly that Mexico needs to be sensitive to U.S. concerns in its own policy making and enforcement – and vice versa. Both nations should be working in complementary fashion.

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