



September 1, 2016

Via Email: pm@pm.gc.ca, justin.trudeau@parl.gc.ca

The Right Honourable Justin Trudeau, P.C., M.P.,
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

Re: Open Letter to the Prime Minister on Global Overcapacity in the Steel Sector

Dear Prime Minister:

We, the undersigned, wish to encourage you on behalf of the Canadian steel industry and its employees to continue pressing China at the upcoming G20 meetings in Hangzhou, for multinational solutions to the problem of global overcapacity in the steel sector.

Canada's steel producers and workers appreciate statements in the Leaders' Declaration released at the conclusion of the G-7 Ise-Shima Summit in Japan which specifically recognized that global excess capacity in industrial sectors, especially steel, is a pressing structural challenge with global implications.

We were also encouraged by the consensus reached at the North American Leaders Summit in Ottawa that Canada, the United States and Mexico believe governments of all major steel-producing countries should make strong and immediate commitments to address the problem of global excess steelmaking capacity. These commitments include the curtailment of government subsidies and other supports that artificially maintain or increase steelmaking capacity, enhanced transparency and information sharing about capacity and production developments, and making robust policy commitments to address excess capacity and encourage adjustment.

However, despite recent efforts, the problems of overcapacity in steel and associated increases in the volume of damaging and unfairly traded goods entering the Canadian market persist. The location of the forthcoming G20 meetings in Hangzhou, China represents a unique opportunity to address this issue directly with the nation most responsible for destabilizing the sector.

Global overcapacity in steel production has risen to nearly 700 million tonnes and The People's Republic of China, through a variety of state supports, by itself now maintains more than 425 million metric tonnes of surplus production capacity (almost 30x the size of the entire Canadian steel market) despite declining domestic demand. This massive state ownership of and support for China's steel sector is the single largest force disrupting established trade patterns and degrading pricing of steel products globally today.

As a result we have seen a significant increase in market distorting dumping and circumvention practices, both from China directly and from a host of other global producers whose home markets have in many cases suffered as a result of Chinese competition. Once their home markets are inundated with subsidized product from China, other global producers are left with no choice but to export aggressively – dumping yet more product onto global markets and further degrading global prices.

As you are certainly aware, two of Canada's major primary steel producers are currently undertaking sale and investment solicitation processes under Companies' Creditors Arrangement Act (CCAA) protection while capacity utilization and employment are under threat throughout Canada's steel production and manufacturing sector. The price deterioration and market instability associated with illegal trade have contributed significantly to our industry's challenges and are hurting middle class Canadian families.

As such, we encourage you to continue your work internationally to address overcapacity. We also strongly believe that the government should continue its efforts to fortify our domestic trade remedy system, including through specific legislative amendments, to improve our ability to effectively remedy dumped and subsidized imports.

Unfairly traded goods pose a clear and present threat to the livelihoods of the over 22,000 middle-class Canadians employed directly in steel production and the additional 100,000 Canadians whose employment is indirectly supported by our sector. Steel production in Canada involves significant advanced manufacturing processes and Canada's steel workers are well-educated, highly-skilled, and trained throughout their careers. It is in the Government's defined interest to ensure that steel workers in Canada do not have their employment security compromised by market distortions ultimately created by the policy decisions of foreign governments or the unscrupulous behavior of off-shore companies.

So while we thank the Government for the action taken in the 2016 Budget to strengthen Canada's response to unfair trade, we also believe the Government should immediately proceed with the additional legislative changes reviewed during the department of Finance public consultation that concluded June 29 that will address:

- Issues where the calculation of dumping margins do not accurately reflect the real amount of dumping in the Canadian market.
- The need for enhanced and more transparent processes available to the Government of Canada in instances of circumvention and scope rulings.
- Needed clarification as regards the type and amount of evidence domestic industry is required to put forward to get cases initiated.
- The inclusion of an expanded role for organized labour throughout Canada's Trade Remedy System.

In the more than two decades since the last substantive reform of Canada's trade remedy system, the companies and countries engaging in unfair trade have proactively adjusted their practices to skirt Canadian regulations and unfairly gain additional access to our market. Sophisticated direct electronic solicitations; offers to circumvent duties in place; falsification of documents; price engineering; and other manipulations to understate the actual costs associated with production are all commonplace and constantly evolving far beyond what is currently contemplated in Canadian legislation.

In the face of these increasing global trade distortions, originating from a steadily increasing number of international companies, distributors and jurisdictions, other countries have taken concrete domestic action to defend their markets against present day threats. It is critical that Canada encourage investment in Canada and fortify employment for highly trained Canadian workers by ensuring trade fairness for Steel in Canada. If the Government fails in this regard, irreversible harm will occur.

With this in mind, Prime Minister, we urge you at the upcoming G20 meetings in Hangzhou, China to continue strongly on the path established through the G7 and the North American Leader's Summit of addressing the root cause of global overcapacity in steel through multilateral cooperation and meaningful action. We equally urge you to quickly continue your Government's work domestically to ensure Canada's trade remedy system is protecting Canada's steel producers, Steelworks and steel workers from the well documented and corrosive effects of global overcapacity we are feeling at home.

Sincerely,



Ken Neumann
National Director
United Steelworkers



Joseph Galimberti
President
Canadian Steel Producers Association

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