



Modernizing Canada's Trade Remedy System:

Encouraging investment, protecting employment and furthering trade

CANADA IS MOVING FORWARD WITH A STRONG TRADE AGENDA

Canada's portfolio of Trade Agreements continues to expand:

- Canada – EU Comprehensive Economic and Trade Agreement
- Canada – Korea Free Trade Agreement
- The Trans-Pacific Partnership
- Possible future negotiations with India and China

Trade is vital for our economy, but it must be fair. Without a level playing field, a real competitive chance for Canadian companies does not exist.

STRONG TRADE REMEDIES FORTIFY LEGITIMATE COMPETITION

Canadian industry can thrive when competing on a fair-market basis

But Canadian industries and their workers are harmed when imports are:

Dumped — imported into Canada at prices below true costs

Subsidized — foreign government support for goods exported to Canada

Based on other forms of state support, e.g. State-Owned Enterprises (SOE's) using government resources to gain unfair advantages

Canada's *Special Imports Measures Act (SIMA)* provides for the application of WTO-consistent “trade remedies”:

Antidumping (AD) and countervailing (CVD) duties help restore market-based competition in the Canadian market

It is important to Canadian industry and to government that Canada's trade remedy process function *effectively, efficiently, and transparently.*

CANADA'S TRADE REMEDIES MUST BE MODERNIZED

Context: Foreign producers are increasingly sophisticated as they work to cheat Canadian businesses and workers.

Benefits: Our proposed changes benefit to both government and industry.

Solution: Our proposals are workable, fair, consistent with government trade policies and protect middle class Canadian workers.

WE COMMEND THE GOVERNMENT OF CANADA'S BUDGET 2016 COMMITMENTS

STRENGTHENING CANADA'S RESPONSE TO UNFAIR TRADE

A modern and effective trade remedy system is an important part of the Government's commitment to support Canadian jobs and investment. Fostering the conditions for manufacturing growth and new investment requires open markets both in Canada and abroad, as well as the ability to address unfairly traded goods entering the Canadian market. As part of Budget 2016, the Government is taking steps to improve its ability to effectively remedy dumped and subsidized imports, including through specific legislative amendments. Further, the Government will consult stakeholders to ensure that Canada's trade remedy system offers Canadian businesses the ability to respond to changing global trade conditions.

(Source: 2016 Budget Plan, pg. 128)

ACTION NOW IS CRITICAL

Finalized measures on CSPA's Trade Remedy Modernization (TRM) proposals are needed as soon as possible.

Our plan is based on:

- increased transparency
- sharpened focus on fraud and circumvention
- improvements in the establishment of duties
- encouragement of market behavior through appropriate enforcement

Fair trade is essential to free trade. Our Trade Remedy Modernization proposals are an extension of that principle.

INVESTMENT AT RISK

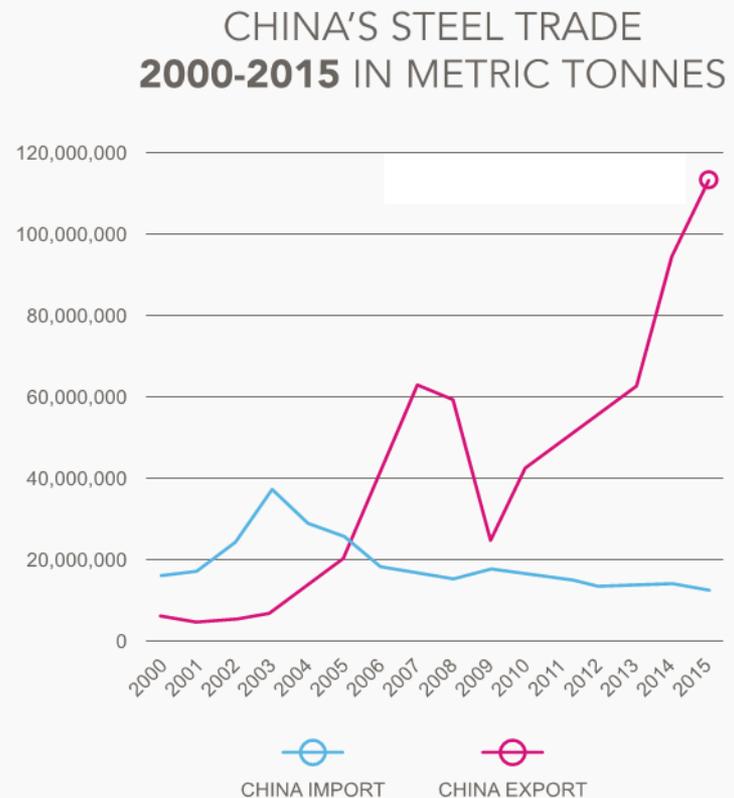
The global steel industry is at an inflection point – defence against unfair trade is critical to decisions about **sustainability of the Canadian steel industry and future investment** in Canada.

Industry believes there is a strong future for steel in Canada. A renewed commitment from government to proceed with TRM is an **important signal** that the Government shares that belief.



GLOBAL OVERCAPACITY CAUSING DOMINO EFFECT IN GLOBAL STEEL MARKET

- The global steel industry is dealing with an unprecedented overcapacity problem, driven primarily by **China**.
- Growth of the Chinese economy has slowed, and local consumption of steel has slowed with it . But Chinese steel producers have not slowed production accordingly.
- As a result, China's steel exports reached a record of **112.4 million tons** in **2015**.
- This dumped and subsidized product has destabilized global markets and shifted traditional trade patterns



CHEATING THE SYSTEM: CIRCUMVENTION IS CONSTANTLY EVOLVING

- 1. Increasing Customs Fraud**
 - Fake certificates of origin; transshipment through third countries, mislabeling of products
 - Incorrect customs documentation that hides real imports (product) and price
- 2. Ongoing Masking Of Dumping**
 - Exporters engineer low-priced home market sales price to create an artificial low home market comparison for dumping calculations.
- 3. Repeated Failure to Report Subsidies**
 - Most countries (especially, China) take a selective approach to reporting (WTO requirement) making it harder to catch them in countervail cases.



GLOBAL RESPONSE – STRENGTHEN AND ENGAGE DOMESTIC TRADE DEFENSES

In 2015, 36 worldwide anti-dumping (AD) cases were initiated against Chinese imports, twice the number of 2014

Even Chinese producers expect this global trend to continue: **“Overseas sales will encounter more headwinds this year as many countries adopt restrictive measures on imports.”**

-Zhang Guangning, Chairman, Chinese Iron and Steel Association

The United States has taken significant action:

- Trade Preferences Extension Act – June 2015
- Trade Facilitation and Enforcement Act – Feb. 2016

Canada must keep its trade policy in alignment with our NAFTA partners, or risk straining key relationships with the US and Mexico.

US TAKING AGGRESSIVE ACTION

“What is possible is making sure everyone is playing on a level playing field and that people are operating fairly, and, frankly, I don’t think it is any secret that China in the past has not acted fairly.”

“[This bill] allows us to take more aggressive actions, so you are going to see firm, tough enforcement of our existing trade laws.”

**President Barack Obama, February 23,
2016**



NEED TO MAINTAIN EFFECTIVENESS OF OUR SYSTEM IN LINE WITH BEST PRACTICES

- Canadian steel producers are – like their global counterparts – taking many successful trade cases in an effort to prevent market distortion.
- But the core tenants of the Special Imports Measures Act (SIMA) are over 20 years old. with new threats continually emerging. Canadian producers need to bring cases in a framework which allows for current market conditions.
- Without a level playing field, Canadian industry, including steel producers, will be at risk of even greater harm from unfairly traded imports. In order for Canada to prosper from trade, we must ensure that our trading partners play by the rules.

CSPA'S PROPOSALS ARE WORKABLE, FAIR, AND BALANCED

Our solutions are workable and consistent with Canada's WTO obligations and best practices of our trading partners.

To modernize the Canadian system, CSPA's proposal would:

- Require **better import data** from companies to detect dumping and subsidies, and make business decisions
- **Focus on unfair trade**, including customs fraud and circumvention
- Give **more transparency** to help government make trade remedies effective
- Improve the means by which **anti-dumping and countervailing are established**
- Allow **stronger enforcement** of anti-dumping orders to avoid fraud and circumvention by importers that evade the rules

FOUR PARTS TO OUR PROPOSAL

 <p>DATA</p> <p>Enhanced import documentation and transparency</p>	 <p>INVESTIGATION</p> <p>Improved investigation of dumping and/or subsidy; preliminary duties</p>	 <p>ADJUDICATION</p> <p>Greater capacity for determination of injury; final duties</p>	 <p>ENFORCEMENT</p> <p>Bolstered enforcement of duty orders</p>
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RESPONSIBLE AGENCIES:

StatsCan, GAC, CBSA	CBSA	CITT, ATSSC (Justice)	CBSA
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Improvements in each area will strengthen and modernize the entire process

THESE MEASURES WILL BENEFIT BOTH CANADIANS AND THE GOVERNMENT

BENEFITS TO CANADIANS

- Increased industrial production and jobs:
 - Direct – reduced economic injury
 - Indirect –supply chain impacts
- Investment Attraction: Business case for Canada requires fair trade with strong rules and enforcement
- Alignment with international best practices – level playing field
- Greater transparency of trade data and rules enforcement for business planning

GOVERNMENT PRIORITIES

- Economic growth, middle-class prosperity, and reducing GHG footprint through:
 - Nurturing middle-class job creation
 - Improved business investment climate facilitating innovation
 - Lowest GHG emissions
 - Enhanced trade agenda: rules-based trade
 - Enforcing borders against illegal imports
 - Positive fiscal impacts through increased tax revenues

FORMAL CONSULTATION ON AMENDMENTS TO SIMA COMPLETE, IT IS NOW TIME FOR ACTION

CSPA is very pleased that Government implemented two legislative amendments BIA 2016 that were supported by CSPA through including:

- 1) **Increased lead time before initiation of expiry reviews**
- 2) **Continuance of investigation even if no dumping/subsidizing at preliminary stage**

We were also very grateful for the formal Department of Finance's consultation on potential amendments of the *Special Import Measures Act* (SIMA) that are aligned with our trade remedy modernization priorities. The outcome of this process will be very valuable in informing next steps.

Our recommendation is that the eight remaining CSPA proposals be implemented at the earliest opportunity and no later than **Budget 2017** legislation. The future prosperity of Canada's steel industry is depending on it.