

COMMENTS BY: THE CANADIAN STEEL PRODUCERS ASSOCIATION

**TO: THE OFFICE OF TECHNOLOGY EVALUATION, BUREAU OF INDUSTRY AND
SECURITY, U.S. DEPARTMENT OF COMMERCE**

**IN RESPONSE TO: NOTICE REQUEST FOR PUBLIC COMMENTS ON SECTION 232
NATIONAL SECURITY INVESTIGATION OF IMPORTS OF STEEL - DOCUMENT#:
2017-08499**

Submitted: May 30, 2017

May 30, 2017

Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, NW, Room 1093
Washington, DC 20230

RE: REQUEST FOR COMMENT: “SECTION 232 INVESTIGATION ON THE EFFECT OF IMPORTS OF STEEL ON U.S. NATIONAL SECURITY” (DOCUMENT #: 2017-08499)

Mr. Botwin,

The Canadian Steel Producers Association (CSPA) welcomes the opportunity to file this submission in response to the U.S. Department of Commerce’s request for public comments on the “Section 232 Investigation on The Effect of Imports of Steel on U.S. National Security”.

We believe that Canada and the United States have an inherently shared and intrinsically linked interest in maintaining the health of the North American steel sector and our shared national security, and we appreciate the need to work closely together to achieve our common goals.

Similarly, we believe that unintended negative consequences associated with the inclusion of Canada in any finding or action associated with the 232 investigation would harm employment and productivity in both Canada and the United States through the restriction or unbundling of our common steel and manufacturing supply chains. With this in mind, we welcome the opportunity to work with the Department of Commerce to ensure that any action resultant of this investigation does not negatively impact the economic or national security interests of either nation.

The Canadian Steel Producers Association (CSPA) is the national voice of Canada's \$10.5 billion (USD) steel industry. Our member companies produce on average over 13 million tonnes of primary steel and over 1 million tonnes of steel pipe and tube products annually.

Canada and the United States enjoy a balanced and complimentary trade relationship in steel founded on fair-market principles embraced in both jurisdictions. In 2016, over 10 million tonnes of steel with a market value of over \$8.8 billion (USD) was traded between our two countries, with Canada shipping \$4.4 billion (USD) to the U.S and U.S. producers shipping \$4.45 billion (USD) of steel to Canada. In addition, there are currently no antidumping or countervailing duties in place on steel products in either Canada or the United States against each other.

Canada is the top export market for U.S. steel products and as such, directly supports significant economic activity and employment in America's steel and associated sectors. Similarly, U.S. imports of Canadian steel products directly facilitate value added economic activity in several vital sectors including manufacturing, construction and natural resource development. Canadian steel is also used for military-grade armored plate production for procurement by the U.S. Department of Defense. More detail on this will be available from individual CSPA member submissions.

This balanced dynamic directly reflects the overall strength and importance of the Canada – U.S. trade relationship founded on a long-term, shared commitment to open markets and fair competition. Any disruption in that relationship threatens to destabilize our well-established, heavily-integrated and mutually-beneficial supply chains in steel and advanced manufacturing. To do so would inevitably hurt employers, employees and consumers on both sides of our shared border.

The Canada-U.S. steel trade relationship, and the manufacturing supply-chains which have come to thrive within it, are a model for the world which should be strengthened and maintained over the long term to our mutual benefit. Doing so will increase economic growth, support employment and ultimately enhance the national security interests of both nations.

Since 2003, NAFTA governments and the NAFTA steel industry have worked together through the North American Steel Trade Committee (NASTC) to demonstrate our shared commitment to combatting market distortions in the steel sector, to furthering collaboration between our steel industries and to preserving our fair and balanced trading relationship. The governments and steel industries of North America continue to collaborate on wide-ranging work that seeks common policy approaches to enhance the competitiveness of North American steel producers.

The governments of the United States, Canada, and Mexico have worked together within the NASTC to develop strong coordinated positions on issues in multilateral settings of importance to steel, including the OECD Steel Committee and WTO Rules Negotiations. Moreover, the three countries' governments and steel industries have used the NASTC forum to track developments in certain steel producing countries for the purpose of identifying and addressing, as appropriate, distortions in the global steel market, including the submission of joint comments to the Chinese government on China's proposed changes to its steel industrial policies.

In addition to joint initiatives in steel through the NASTC, Canada and the United States share a track record of collaboration and coordination at the OECD Steel Committee. Through those dialogues, we have been encouraged by joint activities between Canadian and U.S. Governments in support of the G20/OECD Global Forum on Steel Excess Capacity. Ultimately, we share an expectation that through this mechanism, the permanent reduction of excess capacity and the reduction of government interference in the sector can be established in the near future. We believe the coordinated action of likeminded countries will be critical in that regard.

The Canada – U.S. relationship is inherently grounded in the mutual commitment to the kind of market based competition our track record of international partnership demonstrates, and we share a common understanding of the threats associated with unfair, market distorting trade. Canada's steel industry appreciates and shares the challenges faced by the U.S. domestic industry as it relates to the detrimental

impacts associated with dumped and subsidized imported goods. Though we continue to believe that when trade is open and fair North American producers will thrive, we also appreciate that the maintenance of robust trade remedy systems for the purpose of providing timely relief and effective enforcement are critical to our collective success. Both of our countries gain when unfairly traded goods cannot penetrate our collective perimeter.

To that end, we would highlight recent commitments made by the Government of Canada to strengthen and modernize Canada's trade remedy system. The Government of Canada's Budget 2017 committed to implement significant legislative changes to improve and enhance the enforcement of trade remedies through a new anti-circumvention process, prevent the circumvention of duties through enhancements to scope rulings, and to better account for market and price distortions through the inclusion of new measures that will address particular market situations.

In addition, we would also note the recent establishment of a trilateral Customs Steel Enforcement Dialogue between Canada, the United States and Mexico, designed to facilitate coordinated compliance efforts and information sharing regarding the enforcement of anti-dumping and countervailing measures on steel products. We view this collective effort as an important step towards ensuring that importers of potentially dumped and subsidized steel are compliant with all regulatory requirements and pay all duties owing, thereby protecting the North American steel industry from the injury caused by the import of unfairly-traded goods.

Reflecting on Considerations Contemplated Under the Section 232 Investigation

Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862) authorizes the Secretary of Commerce to conduct investigations to determine the effects of imports of any article on the national security of the United States and suggests several considerations be used, including:

1. Domestic production needed for projected national defense requirements
2. Domestic industry's capacity to meet those requirements

3. Related human and material resources
4. The importation of goods in terms of their quantities and use
5. The close relation of national economic welfare to U.S. national security
6. The impact of foreign competition on specific domestic industries and the impact of displacement of any domestic products by excessive imports

The following submission seeks to address each of these considerations from the perspective of the Canadian steel industry.

1. Domestic production needed for projected national defense requirements

The United States is Canada's most important ally and defense partner. Defense and security relations between our two countries are longstanding, well-entrenched and highly successful. The closeness of the Canada-U.S. defense partnership provides both countries with greater security than could be achieved individually. As like-minded Allies and close operational partners, Canada and U.S. meet regularly at the Ministerial level, in bilateral and multilateral fora, such as the NATO Alliance, as well as at the Chief of Defense Staff and senior Defense official levels. From joint training exercises to personnel exchanges, strategic policy discussions, and operational cooperation, our countries share a broad-based, dynamic, and mutually beneficial defense relationship.

The principal bilateral defense forums, arrangements and agreements between Canada and the U.S. are the Permanent Joint Board on Defense (PJBD), Military Cooperation Committee, North American Aerospace Defense Command (NORAD), the Combined Defense Plan, the Tri-lateral Command Framework, the Canada – US Civil Assistance Plan, the Information Sharing Memorandum of Understanding, the North American Maritime Security Initiative (NAMSI) and the North American Technology and Industrial Base Organization (NATIBO). At any given time, there are more than 700 Canadian Armed Forces (CAF) members serving in the U.S. Approximately half are committed to the NORAD mission, while the remainder serve as liaison and exchange officers, or as students pursuing post-

graduate military or civilian academic studies. In addition, more than 100 U.S. Armed Forces personnel are currently participating in exchange positions with the CAF in Canada.

The deeply integrated relationship of Canada-U.S. defense procurement and related manufacturing supply chains is also a fundamental component of our shared continental defense strategy. We believe there continues to be significant national security value in the ability of a close neighbor and staunch ally to also serve as an important supplier and purchaser of defense-related inputs including steel. The interests of our two nations in this regard have historically been aligned and we believe remain unchanged.

2. Domestic industry's capacity to meet these requirements

We believe Canada plays an important complimentary role in the supply of domestic steel capacity required to meet U.S. defense related needs. Canadian defense manufactures and suppliers enjoy a dependable, high-quality supply of U.S. sourced steel inputs and finished goods, which enhances our shared national security. On a much smaller scale, supply chains associated with Canadian steel production support the U.S. defense procurement requirements including those for armored plate. Maintaining this mutually beneficial linkage of supply, predicated on free and fair trade, which does not undermine U.S. capacity or employment, is practical under normal circumstances and strategically vital for the purpose of ensuring access to essential steel products to support U.S. defense requirements.

3. Related human and material resources

In addition to steel itself, significant volumes of material inputs for Canadian steel production are sourced from U.S. suppliers. Approximately \$1.5 billion (USD) of American iron ore, bituminous coal, steel scrap, zinc and other metals were purchased in 2016 by Canadian companies for processing into steel. Over and above the value of the commodities themselves, this economic activity inherently supports employment and enterprises essential to the production of steel and by extension, helps to ensure these raw material refinement, heavy transportation, and resource extraction activities remain economically viable and

accessible for U.S.-based industrial activity. Were Canadian steel to be adversely affected as a result of the 232 investigation, American jobs associated with this value chain would be directly threatened.

Beyond trading fairly and operating on market based principles, from a human resources perspective, Canadian steel producers share an employee pay and benefit profile very similar to their counterparts in the United States, and as such, do not adversely affect U.S. domestic employment. In that regard, we would respectfully quote the testimony of Mr. Leo Girard, President of the United Steelworkers International, submitted at the public hearing for the 232 Investigation into the Effects of Steel Imports on U.S. National Security Mr. Leo Gerard on May 24, 2017. *"Any relief measures should focus on where the problem lies. It is not to our north, but to our east, west and south. In fact, we have a trade surplus in steel with Canada. From a national security perspective, Canada is one of the few countries that is always there for us. Our security relationship with Canada is truly unique. We share an uncontested border. We have an intelligence sharing agreement. We have the North American Aerospace Defense Command – NORAD – that has existed for more than sixty years that was the initial line of defense for North America during the Cold War. Canada is an ally, a friend and a trusted partner.*

For these reasons, Canada is the only country that should be exempted from any potential action in the steel sector."

4. Close Relation of National Economic Welfare to U.S. National Security

An important consideration in ensuring national security is the maintenance of a strong national economy. In that context, it is our belief that there exists clear evidence that America's long-term economic stability is supported through the cooperative and mutually beneficial integration of our respective steel industries. Several primary steel producers maintain facilities and employment in multiple NAFTA jurisdictions, including ArcelorMittal, Evraz, Gerdau, Nucor and Tenaris, with shared profitability supporting additional investment and expansion across jurisdictions. Hindering the ability of these companies to openly and fairly access the U.S. market not only impairs profitability and discourages investment in the United States, it also directly threatens the livelihoods of American employees and

undermines years of corporate integration undertaken for the purpose of facilitating a number of critical business functions. These include: timely delivery of products to meet complex customer requirements, specialization in key market segments, maintenance of appropriate economies of scale, and supporting a common competitive defense against dumped and subsidized imports.

To the benefit of our customers, steel trade between Canada and the U.S. is defined by a heavily integrated supply chain. In that regard, U.S. value-added manufacturers benefit from a consistent supply of high-quality, competitively-priced steel inputs from Canada to facilitate further processing and assembly of final products. Limiting access to fairly-traded Canadian steel supply chains structured to specifically support this activity would inevitably foster inefficiency and would undercut downstream investment and employment by constraining economic opportunities and specializations in sectors such as the energy pipeline construction and automotive manufacturing.

5. The Impact of Foreign Competition on Specific Domestic Industries

As noted in the introduction of our submission, the Canada-U.S. relationship in steel is characterized by a remarkable balance in trade between the jurisdictions with a virtually equivalent value of imports and exports crossing our shared border. In addition, U.S. steel producers currently enjoy unfettered access for iron and steel products under the Government of Canada's federal government procurement framework, which includes a recently announced federal infrastructure investment of \$180 billion CAD over the next 12 years. As such, the CSPA submits that any impacts associated with Canadian competition in the United States are more than offset by equivalent, if not greater, opportunities for U.S. producers to actively participate in the Canadian market.

6. Impact of Displacement of Any Domestic Products through the Importation of Goods in Terms of Their Quantities and Use

As mentioned in the introduction, Canada and the United States share the same concerns about international steel trade and the effects of global overcapacity on our industry and our employees. Canadian and U.S. industry officials have been working together for over a decade on steel-related

enforcement matters and for the purpose of building international pressure to limit government participation in the sector. As with our shared efforts specific to national security, we have long been natural allies as regards steel. We expect our work together to continue through the ongoing imposition of similar anti-dumping and countervailing duty measures on non-NAFTA steel products, through information sharing and robust trade enforcement of high risk shipments and monitoring broader trends concerning potential circumvention and evasion, through collaboration developed by the trilateral customs enforcement dialogue, and through continued action at the G20 Global Forum on Steel Excess Capacity.

Through these joint efforts, we would propose that the existing close partnership with Canada in steel encourages rather than displaces the use of domestic product in the United States.

Conclusion

The Canadian Steel Producers Association submits that the current steel trade dynamic between Canada and the United States does not detrimentally affect American national security. We believe our shared economic and security interests are in fact enhanced through the support for economic growth and employment our industry supports in both countries. Implementing any measures against Canadian steel through this investigation can only serve to undermine our intrinsically linked national security interests, hinder our complimentary and mutually beneficial steel supply chains, and thwart our continued efforts to keep unfairly traded goods out of North America through enhanced enforcement while working internationally to combat the true causes of global steel overcapacity and harmful trade. As such, the CSPA requests that Canada receive a full national exemption, excluding all Canadian steel products, including products fabricated from steel, from any new tariffs, quotas, tariff rate quotas or any other measures implemented as a result of this Section 232 National Security Investigation of Imports of Steel.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Galimberti". The signature is fluid and cursive, with a large initial "J" and a stylized "G".

Joseph Galimberti, President
Canadian Steel Producers Association