

2018-06-14

Department of Finance Canada
International Trade Policy Division (U.S. 232 Retaliation Consultations)
James Michael Flaherty Building, 14th Floor, 90 Elgin Street
Ottawa, Ontario
K1A 0G5

To Whom it May Concern,

The following is to serve as submission on behalf of the Canadian Steel Producers Association (CSPA) to the Department of Finance Canada's consultation on the recent notice of intent to impose countermeasures action against the United States in response to tariffs on Canadian steel and aluminum products.

On June 1, 2018 the United States imposed punitive tariffs on imports of certain steel and aluminum products from Canada (at the rates of 25% and 10%, respectively). These unilateral, illegal trade actions by the United States pose an unacceptable and immediate threat to investment and employment in Canadian steel manufacturing.

The Canadian Steel Producers Association strongly supports the Government of Canada's announced intention to impose tariffs on imports of steel, aluminum and other products from the United States representing the total value of 2017 Canadian exports affected by the U.S. measures. We believe this appropriate and proportional response to the U.S. Administration's actions is an essential step in supporting Canadian steel companies and workers.

While individual member companies will make independent and detailed representations to the Finance Canada consultation process, it is the consensus position of the Canadian Steel Producers Association that items included in Table 1 published in the notice of intent should be subject to tariffs at the rate of 25% when those tariffs take effect. Only in verifiable instances either where no Canadian production exists or where there is a narrow requirement for the cross-border transfer of a specialized product within the same steel producing company to support Canadian operations should initial omissions be considered.

Once Table 1 is implemented, if it is determined through a prescribed exclusion process that a given included product cannot be reasonably sourced either domestically or from an alternative international jurisdiction, only then should relief or exemption from the applied tariffs be contemplated. Any such process must be conducted transparently and in full consultation with Canadian steel producers.

Where Canadian steel products are subject to tariffs entering the United States, equivalent tariffs should be imposed on U.S. steel products entering Canada. To take any lesser action, allowing exemptions for U.S. steel products where domestic or alternative supply exists, both undermines the notion of a truly reciprocal response and would fail the Government of Canada's commitment of "full support" for steel and aluminum workers.

We understand the unfortunate reality of tariffs implies potential cost escalation and/or the adjustment of established supply chains for steel consumers. The CSPA has worked, and will continue to work, tirelessly to demonstrate to the U.S. Administration the need for a full exclusion for Canada from 232

tariffs on steel and aluminum to constrain cost and preserve supply chain efficiencies. We would encourage implicated steel consumers with Canadian operations to undertake similar advocacy efforts in the U.S., furthering the notion of our combined benefit from free and open trade in North America. Only by presenting a unified “team Canada” approach to free and open trade can we hope to convince the U.S. to exempt Canada from tariffs in steel and aluminum and to discourage the U.S. moving forward with 232 tariffs on imports of autos and automotive parts from Canada.

The CSPA also believes that steel producers in the United States who have favoured action against Canada in the context of the 232, cannot be allowed to gain advantage associated with exemptions from Canada’s responsive actions. By contrast to Canadian steel producers, the U.S. producers of the American Iron and Steel Institute have been consistent, enthusiastic supporters of tariffs on Canadian steel and celebrated the announcement of Section 232 tariffs by thanking “the president for his actions to ensure a strong American steel sector that is fundamental to our national and economic security.” Clearly, a group of foreign companies who have consistently chosen to work against Canada’s interests should not be granted exemptions of any kind from Canada’s responsive measures.

The Canadian steel industry finds itself today at a significant competitive disadvantage in the United States because of these tariffs. Being artificially excluded from by far our largest export market will necessitate an increased focus on the domestic market to ensure we are able to keep selling our products and employing Canadians at our facilities. Exemptions or exclusions from the Table 1 list imply not just continued access for American producers, but rather unfair and damaging access for American producers sheltered from competition in their home market by the 232 tariffs. This is unacceptable.

Canada’s steel producers recognize that our customers already feel the impacts of these unacceptable U.S. tariffs imposed under the absurd pretext of national security. We are willing to work with customers to ensure sufficient steel supply is available in Canada to support vital industrial, building and manufacturing applications. Where reasonable alternative means of supply cannot be found domestically or from other non-U.S. jurisdictions we are of course prepared to work with implicated steel consumers and the Government of Canada to determine if an exemption is appropriate. We cannot however support initial exemptions from Table 1 where access to product in Canada is available.

Thank you for your consideration in this regard,



Joseph Galimberti
President, Canadian Steel Producers Association