

**The House of Commons Standing Committee on International Trade**

**Study on the Steel Industry's Ability to Compete Internationally**

**Submission of  
United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service  
Workers International Union  
("The United Steelworkers")**



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## INTRODUCTION

1. This submission is filed on behalf of the United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (hereinafter the “United Steelworkers”, “USW” or “Steelworkers”) in regards to the House of Commons Standing Committee on International Trade’s study “on the steel industry’s ability to compete internationally.” The United Steelworkers welcomes the opportunity to comment on the Canadian steel industry.
2. The United Steelworkers is one of Canada’s largest industrial unions, representing more than 225,000 workers across the country. Contrary to what the name may suggest, the United Steelworkers is one of Canada’s most diverse unions, representing men and women working in every sector of Canada’s economy. Although the roots of the USW can be traced to the country’s steel industry, Steelworkers today can be found working in sectors such as, mining, forestry, healthcare, education and telecommunications.
3. Maintaining a strong steel industry is not only in the interest of the 22,000 steel workers who are employed in the sector, or the 100,000 Canadians whose jobs are supported by the sector indirectly, it is crucial to the health of the country’s economy as a whole.<sup>1</sup> Last year the industry produced 13 million tonnes of steel, valued at approximately \$14 billion.<sup>2</sup> Approximately 50% of the industry’s total output was exported to foreign markets around the world.<sup>3</sup> It is clear that the health of the Canadian steel industry is tied to its ability to compete internationally. However, as this submission will make clear, the ability of the industry to compete globally has been hampered due to two broad reasons. The first is China’s behavior as a non-market economy. The second is the Canadian government’s failure to enact the policy prescriptions required to support the industry.

## OUTLINE OF SUBMISSION

4. This submission begins with providing an overview of the global steel industry. In this section the Steelworkers detail global production trends and explain how overcapacity in the sector has led to steel price declines and dumping. As is explained in this section, although there are numerous reasons why overcapacity is occurring, one key reason is that despite muted demand for steel globally, new investments in steelmaking capacity continue to be made by non-Organization for Economic Co-operation and Development (OECD) countries.
5. Following that overview, this submission provides an outline of the Canadian steel industry. This section explains how despite declining levels of production the sector continues to be vital to the Canadian economy. Not only does the sector support 22,000 direct jobs, it also supports the livelihoods of 100,000 additional Canadians. The steel industry is also responsible for millions of dollars worth of research and development efforts throughout the economy. As is explained in this

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<sup>1</sup> “Canadian Steel Industry Stats,” Canadian Steel Producers Association (CSPA), accessed February 28, 2017, [http://www.canadiansteel.ca/wp-content/uploads/2016/06/Canadian\\_Steel\\_Industry\\_Stats.pdf](http://www.canadiansteel.ca/wp-content/uploads/2016/06/Canadian_Steel_Industry_Stats.pdf)

<sup>2</sup> *Ibid*

<sup>3</sup> *Ibid*

section, all of these economic benefits come at a fraction of the environmental footprint of foreign steel producers.

6. This discussion is followed by an analysis of how Chinese steel overcapacity has hindered the Canadian steel industry's ability to compete fairly in the international market. Chinese steel overcapacity has not only led to declining steel prices, it has also led to dumping into North America. As is made clear in this section, the Chinese steel industry's overcapacity can be clearly attributed to the country's non-market behavior.

7. As a result of this, the Steelworkers recommend that the Canadian federal government amend its trade laws in order to provide unions with the right to fully participate in trade cases. Doing so would bring Canada's trade regime in line with its trading partners in the United States of America (USA), European Union (EU) and Australia; all of whom afford unions the right to fully participate in trade complaints. By allowing unions to participate in trade complaints, unions can assist the efforts of Canadian producers embroiled in costly trade cases by mustering support for cases both regionally and nationally among disparate parties.

## **THE GLOBAL STEEL INDUSTRY**

8. In 2016, global steel production equaled 1.63 billion tonnes, an increase of 7 million tonnes from 2015.<sup>4</sup> Since 2000, world steel output has doubled.<sup>5</sup> China, the world's leading steel producer, has accounted for approximately 50% of the world's steel production since 2009. In 2016, China produced 808.4 million tonnes of steel.<sup>6</sup> By comparison, Canada produced 12.5 million tonnes of steel, making it the 17<sup>th</sup> largest producer in the world.<sup>7</sup>

9. The gap between global steelmaking capacity and demand has been growing since 2000. This has left the industry in a state of overcapacity. The term overcapacity is commonly used to describe a situation in which productive capacity is greater than current production; in other words, overcapacity is capacity unutilized by current production. The industry has been struggling with overcapacity for a variety of reasons. One key reason is that despite the muted demand for steel, there continues to be new investments in steelmaking capacity being made in non-OECD countries. Many of these countries are continuing to make investments in steelmaking capacity in order to support the growing construction and manufacturing activity within their economies.<sup>8</sup> Another reason the sector is struggling with overcapacity is that the governments of many developing countries provide financial assistance to inefficient mills that would cease to operate under normal market conditions. This is done by these governments in order to stave off unemployment and other social problems that would occur as a result of the closure of these mills.<sup>9</sup>

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<sup>4</sup> "World Steel In Figures 2016," World Steel Association (WSA), accessed February 28, 2017, <http://www.worldsteel.org/publications/bookshop/product-details.html>, page 9

<sup>5</sup> According to the WSA, in 2000 global production totaled 784 million tonnes. That figure now stands at 1.63 billion tonnes.

<sup>6</sup> WSA *supra* note 4

<sup>7</sup> *Ibid*

<sup>8</sup> "Excess Capacity in the Global Steel Industry," Organization for Economic Cooperation and Development (OECD), accessed March 1, 2017, [www.oecd.org/sti/ind/excess-capacity-in-the-global-steel-industry.pdf](http://www.oecd.org/sti/ind/excess-capacity-in-the-global-steel-industry.pdf), page 1-2

<sup>9</sup> *Ibid* at page 3

10. Given how internationally intertwined the industry is, the overcapacity emanating from many non-OECD countries is having various effects on the global industry. The first is profitability. The surge in steelmaking capacity has been accompanied by a long-term decrease in global steel prices. Prices have not recovered from their 2008 highs of approximately \$1,200/metric tonne. According to a recent study by the OECD, there is a direct link between excess capacity and the industry's profitability.<sup>10</sup> The industry's profitability has deteriorated to levels not seen since the steel crisis of the late 1990's. With the average operating profitability of many steel producers well below sustainable levels, companies are increasingly being forced to access short-term debt in response to external financing challenges.<sup>11</sup>

11. Another effect of excess capacity is dumping. Dumping is defined as the export of a product at a price that is lower in the foreign market than the price charged in the domestic market. As industry scholar Peter Warrian notes, since steel production is capital intensive and involves relatively high fixed costs, there is an incentive for producers with significant excess capacity to increase production to spread fixed costs over a greater volume of production.<sup>12</sup> However, there is also a countervailing incentive to align production with demand in a steel maker's domestic market. Excess supply in the 'home market' can result in pricing instability which can negatively impact returns.<sup>13</sup> One means by which to overcome this countervailing incentive is to export production with government support. China is a leading global culprit of dumping practices. In fact, there are currently 21 active countervailing and antidumping measures in place against Chinese steel products coming into Canada.<sup>14</sup>

## THE CANADIAN STEEL INDUSTRY

12. In 2016, the 19 steel-making facilities located across the country produced 12.5 million tonnes of crude steel valued at \$14 billion.<sup>15</sup> Approximately half of the industry's output is exported to foreign markets across the world, with the USA being the leading destination for Canadian made steel.<sup>16</sup> Unfortunately, the Canadian steel industry has experienced declining levels of output since 2000.

13. Despite declining levels of steel output, Canada's steel sector continues to be a crucial component of the Canadian economy. Canada's steel sector supports the jobs of approximately 22,000 Canadians. The average salary of these jobs is \$70,000 per year, which represents a total payroll injection of \$1.4 billion annually into the economy.<sup>17</sup> This economic impact grows

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<sup>10</sup> "Evaluating the Financial Health of the Steel Industry," OECD, accessed March 1, 2017, <https://www.oecd.org/sti/ind/Evaluating-Financial-Health-Steel-Industry.pdf>, page 6

<sup>11</sup> *Ibid* at page 17

<sup>12</sup> "The Importance of Steel Manufacturing To Canada – A Research Study," Peter Warrian, (Toronto: Munk School Briefings, 2010), page 79

<sup>13</sup> *Ibid*

<sup>14</sup> "Measures in Force," Canadian Border Services Agency (CBSA), accessed March 2, 2017, <http://www.cbsa-asfc.gc.ca/sima-lmsi/mif-mev-eng.html>

<sup>15</sup> CSPA *supra* note 1

<sup>16</sup> *Ibid* and "Canadian Total Exports – HS 73 Articles of Iron and Steel," Government of Canada, accessed March 1, 2017, <https://www.ic.gc.ca/app/scr/tdst/tdo/crtr.html>

<sup>17</sup> "Canada's Steel Industry: High-Value Cornerstone of Our Manufacturing Economy," Marty Warren and Ken Neumann, The Hamilton Spectator, (December 9, 2015)

exponentially with steel's role in supplying automotive, aerospace, oil and gas manufacturing across Canada. According to a study by Informetrica, the steel industry has a multiplier of approximately 3.3:1; meaning every direct job within the industry supports 3.3 jobs in other sectors.<sup>18</sup> Other econometric models, such as the one produced by Spatial Economics has estimated a multiplier of 5:1.<sup>19</sup> According to this calculation the steel industry supports 100,000 jobs indirectly.

14. Moreover, through the various research and development (R&D) efforts the industry engages in, the steel sector plays a crucial role in shaping the economy of tomorrow. Steel-making facilities have long been integrated into geographic industrial manufacturing clusters, in which they work on product improvements directly with customers and research institutions. For example, following years of research, steel and automotive engineers have designed advanced high strength steel for cars, which can reduce the overall weight of a vehicle by 117 kg.<sup>20</sup> This results in a lifetime saving of 2.2 tonnes of CO2 equivalents per vehicle.<sup>21</sup> The oil and gas industry is another sector which benefits from the steel industry's R&D efforts. Steel manufacturing clusters throughout Alberta have worked with industry stakeholders in R&D on metal working and welding pipes and wells. With welding costs running into the billions of dollars, it is the primary methodology for using steel in the Alberta economy.<sup>22</sup> As a result, in 2016 the steel industry in conjunction with the University of Alberta announced two major initiatives: the establishment of the Canadian Institute of Steel Construction Centre for Research, and the Supreme Steel Professorship in Structural Engineering, Education and Innovation. Through these two measures, members of Alberta's steel industry are working together to establish an integrated "hub" focused on the long-term development, growth and sustainability of both the steel and energy industry within the province.<sup>23</sup>

15. The wealth of economic benefits provided by Canadian-made steel comes at a fraction of the environmental footprint of foreign-made steel. Canadian manufacturers operate under stringent environmental standards. In Ontario, 85% of the province's power is supplied by high tech nuclear and hydroelectric energy.<sup>24</sup> Coal has been completely phased out. In Alberta, Premier Rachel Notley announced in 2016 the province's plan to phase out coal-fired power plants and replace them with renewable energy and natural gas fired plants.<sup>25</sup> As a result, due to comparatively clean sources of energy, using Canadian-made steel in Canada has a carbon footprint of two to four times less than international competitors.<sup>26</sup> Thus, supplying the Canadian market with Canadian made steel not only makes economic sense, it is environmentally responsible.

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<sup>18</sup> Warrian *supra* note 12, page 9-10

<sup>19</sup> *Ibid*

<sup>20</sup> "Environmental Case Study," WSA, accessed February 28, 2017, <http://www.recycle-steel.org/AutomotiveCaseStudy.pdf>, page 1

<sup>21</sup> *Ibid*

<sup>22</sup> Warrian *supra* note 12, page 68-70

<sup>23</sup> "Steel Industry and UAlberta Engineering Seal the Deal," University of Alberta, accessed on March 1, 2017, <http://www.engineering.ualberta.ca/NewsEvents/Engineering>

<sup>24</sup> "Current Supply Mix," Independent Electricity System Operator, accessed on March 1, 2017, <http://www.ieso.ca/Pages/Power-Data/Supply.aspx>

<sup>25</sup> "Climate Leadership Plan," Government of Alberta, accessed on February 27, 2017, <http://www.alberta.ca/climate-coal-electricity.cfm>

<sup>26</sup> "Canadian Steel and the Environment: Using Canadian Steel in Canada = Lowest Carbon Footprint," CSPA, accessed on February 27, 2017, <http://www.canadiansteel.ca/environmental-focus/>

## CHINA:

### The Rise of China's Steel Industry

16. Over the last 15 years China has become the world's largest steel producer. In 2000, China accounted for 23% of the world's steel production, now that figure stands at 50%. Last year the country produced 804 million tonnes of crude steel.<sup>27</sup> According to recent data, 11 of the 20 world's largest steel producers are Chinese, with each one producing more steel than the entire Canadian steel industry.<sup>28</sup> The fact that of these 11 steel companies eight are state owned enterprises (SOEs) is indicative of the fact that the government of China has clearly identified steel production as a key area of significance to the country. This point is further buttressed by the fact that the industry features prominently in each of the government's five year planning documents from 2001-2015.<sup>29</sup>

17. The rise of China's steel industry is not the result of any natural market-based advantage the country has.<sup>30</sup> Although the country is undeniably rich in labour, as Warrian notes, steelmaking generally requires less than two hours of labour per tonne. Consequently, China's cheap labour does not offset their real cost disadvantage.<sup>31</sup> Much of China's cost disadvantage can be attributed to its significant imports of necessary materials such as coking coal, thermal coal, and iron ore. This in fact represents the majority of the production costs for Chinese manufacturers.<sup>32</sup> Moreover, since many of these key inputs are shipped from far away markets, this in theory should disadvantage Chinese producers servicing international markets.<sup>33</sup> This in fact appears to be the case, as once government subsidies and the impact of government market interventions are netted out, the real 'market-based' cost structure of Chinese steel is substantially higher than officially reported. Thus, Chinese steel exports to North American Free Trade Agreement (NAFTA) countries actually incur higher costs than those that arise for NAFTA producers, supplying the North American market.<sup>34</sup>

18. The rise of China's steel industry is a direct consequence of the government's interference in the sector. As previously mentioned, steel has been identified as a sector of strategic industrial and economic importance to China. In addition to the aforementioned reasons, the steel industry is an important source of jobs and tax revenues.<sup>35</sup> Consequently, government officials and the management of SOEs often find themselves in mutually beneficial relationships.<sup>36</sup> Management often accepts informal guidance from government officials in terms of production quotas designed to keep a certain number of people employed, and in return, these companies enjoy protection from competitors, preferential access to bank financing and energy inputs from state owned power

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<sup>27</sup> WSA *supra* note 4

<sup>28</sup> *Ibid*

<sup>29</sup> "Assessment of the Probable Economic Effects on NAFTA of Granting Market Economy Status to China," Manuel Ruiz, Robin Somerville and Andrew Szamoszegi, accessed February 27, 2017, [http://www.steel.org/~media/Files/AISI/Press%20Releases/2015/Unified\\_NME\\_Study.pdf](http://www.steel.org/~media/Files/AISI/Press%20Releases/2015/Unified_NME_Study.pdf), page 10-11

<sup>30</sup> *Ibid* page 8, and Warrian *supra* note 12, page 76

<sup>31</sup> *Ibid* page 77

<sup>32</sup> *Ibid*

<sup>33</sup> Ruiz et al. *supra* note 29, page 9

<sup>34</sup> Warrian *supra* note 12, page 77

<sup>35</sup> Ruiz et al. *supra* note 29, page 14

<sup>36</sup> *Ibid* page 13

companies.<sup>37</sup> This latter point is of particular significance, as steel production is an energy intensive industry. The Chinese steel sector is the single largest industrial consumer of energy, representing 16% of all energy consumption in China.<sup>38</sup> The market distorting impact of these government subsidies appears to be quite drastic as the total energy subsidies the industry enjoyed increased sharply around 2003, which coincides with when the sector witnessed some of its largest increases in annual production.<sup>39</sup> The state-business relationship that envelopes the Chinese steel industry has led one steel policy researcher at the Chinese Academy of Social Sciences to conclude that, “The big state-owned mills are motivated not so much to seek profits but to seek government support [...] There is actually no mechanism to put them out of business, no sense of survival of the fittest, and that is probably the biggest problem facing the sector.”<sup>40</sup> It is clear that the Chinese steel industry operates in a non-market environment as a result of the state’s interference in the sector.

19. The Chinese government’s interference in the sector has led to overcapacity in the Chinese steel industry, and by extension global industry. State direction, supplemented by state subsidies, incentives, and initial strong internal demand for steel, all contributed to developing China’s steelmaking capacity.<sup>41</sup> With initial strong demand, the sector witnessed high capacity utilization rates and steel prices, which led both SOEs to expand steel production capacity and smaller steel companies to enter the market. From 2000-2015 China’s steelmaking capacity grew steadily from 150 million tonnes to 1.1 billion tonnes.<sup>42</sup> However, as growth in domestic demand stabilized, and export market demand reduced after the 2008 global financial crisis, nominal capacity utilization ratios declined from their high of 95% in 2002 to approximately 70.5% in 2015.<sup>43</sup> As a result, the Chinese industry has 336 million tonnes of steel making excess capacity. This is equal to 46% of the world’s steel glut.<sup>44</sup> Curtailing China’s overcapacity would require the closure of numerous mills and as a result the layoffs of thousands of Chinese steel workers. It appears that the Chinese government is unwilling to face this reality, and has permitted numerous inefficient mills to continue producing steel while continuing to invest in more capacity.<sup>45</sup> Thus, the overcapacity crippling the global steel industry can be clearly attributed to the Chinese industry and the non-market actions of its government.

### **The Impact on the Canadian Industry’s Ability to Compete Internationally**

20. China’s overcapacity has impacted the Canadian steel industry’s ability to compete internationally in a variety of ways. As previously explained, overcapacity is directly linked to price decreases. The price of steel has not recovered from the heights it experienced in 2008. These decreases in steel prices have severely impacted the bottom line of many companies, and forced

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<sup>37</sup> *Ibid* page 13

<sup>38</sup> “A bottom-up analysis of China’s steel industrial energy consumption,” Wenying Chen, accessed February 28, 2017, <http://www.sciencedirect.com/science/article/pii/S0306261914005765>

<sup>39</sup> Ruiz et al. *supra* note 29, page 14

<sup>40</sup> *Ibid* page 13

<sup>41</sup> “Overcapacity in Steel: China’s Role in a Global Problem,” Lukas Brun, (Duke University: Centre on Globalization, Governance & Competiveness, 2016), page 23

<sup>42</sup> *Ibid* page 24

<sup>43</sup> *Ibid* page 23

<sup>44</sup> *Ibid* page 9

<sup>45</sup> *Ibid* page 46



them to access increasing amounts of short-term debt. With increasing amounts of debt and depressed prices, many companies are operating at unsustainable levels.<sup>46</sup> This has led companies such as US Steel and Essar Steel Algoma to seek creditor protection under the *Companies' Creditors Arrangement Act* (CCAA), a move which has thrown the jobs of the 3,200 Canadian Steelworkers employed at these two companies into jeopardy, as well as the retirement security of over 20,000 retirees.

21. Canada's steel industry not only has to deal with depressed prices as a result of Chinese overcapacity, but also has to cope with increasing levels of dumped steel into the NAFTA market. With decreased demand for steel products in their domestic markets, Chinese steel producers have utilized a variety of export incentives offered by the government to dump steel into North America. In 2010, Canada had antidumping and countervailing duties in place on eight different Chinese steel imports, the USA 17.<sup>47</sup> Those figures have now risen to 21 in Canada, and 25 in the USA.<sup>48</sup> Dumping has displaced Canadian steel in the crucial NAFTA market. 50% of Canadian steel production is exported, and the majority of that is exported to the USA.<sup>49</sup> Since 2000, the USA has witnessed increasing levels of Chinese steel imports.<sup>50</sup> This has come at the expense of the Canadian steel industry, which since 2008 has witnessed a decrease in the total value of Canadian steel exports to the USA by 16%, representing a total loss of \$966 million.<sup>51</sup> Thus, it is clear that not only has Chinese overcapacity led to a decrease in global steel prices, it has also led to increasing levels of dumped steel into the NAFTA market, much to the detriment of the Canadian steel industry.

### Policy Recommendation

22. Contrary to popular opinion, the USW is not opposed, as a matter of principle, to trade. The Steelworkers recognize the important role that trade plays in building and sustaining a healthy, robust economy. The Steelworkers insist, however, that trade policy in Canada be developed in consultation with labour unions and other civil society groups; and that it serve the interests of both Canadian producers and workers. To that end, the USW believes that in order to ensure that Canada's steel industry, and the 22,000 workers it employs, are able to compete internationally, Canada's trade law regime must be amended to provide unions with the following basic procedural rights:

(i) the explicit right to file anti-dumping and countervailing duty complaints (as complainants or co-complainants) under s. 31 of the *Special Import Measures Act* ("SIMA");

(ii) the explicit right to file safeguard complaints (as complainants or co-complainants) under s. 23 of the *Canadian International Trade Tribunal Act* ("CITT Act"); and

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<sup>46</sup> OECD *supra* note 10

<sup>47</sup> Warrian *supra* note 12, page 80

<sup>48</sup> CBSA *supra* note 14, and, "AD/CVD Orders in Place," The United States International Trade Commission, accessed March 4, 2017, [https://www.usitc.gov/trade\\_remedy/documents/orders.xls](https://www.usitc.gov/trade_remedy/documents/orders.xls)

<sup>49</sup> CSPA *supra* note 1, and Government of Canada *supra* note 16

<sup>50</sup> Brun *supra* note 41

<sup>51</sup> Government of Canada *supra* note 16

(iii) full procedural rights as “interested parties” under s. 2 of the *Canadian International Trade Tribunal Act Rules* (“CITT Rules”) and s. 3 of the *Canadian International Trade Tribunal Act Regulations* (“CITT Regulations”), including the right to receive notice, the right to counsel, and the right to participate fully in any oral or written CITT proceeding related to a complaint.

23. Further, these rights should apply, *mutatis mutandis*, to the full range of administrative and quasi-judicial actions undertaken by the Canadian Border Services Agency (CBSA) and CITT under SIMA and related legislation, including expiry reviews, other safeguard proceedings, and public interest inquiries.

24. These proposals would rectify the fact that although unions are not explicitly prevented from filing anti-dumping, countervailing duty, or safeguard complaints under SIMA or the CITT Act, they are in practice, however, excluded from participating in Canada’s trade remedy system by a series of administrative rulings and policy decisions. These rulings and decisions have had the effect of restricting access to trade remedies to corporations only.

25. These proposals are modest in scope and realistic in aim. They are fully compliant with current WTO Agreements,<sup>52</sup> consistent with the intention of the current legislation, and would require little more than definitional or regulatory amendments to the SIMA and CITT Act to implement. The union’s proposed role under these changes would be identical to that of an “industry association” filing a complaint, which is specifically permitted under the current legislation and regularly accepted by the CBSA. The complaint would be filed “on behalf of the domestic industry,” and would be “supported” by producers that represent 25% of production of the goods at issue.

26. Such changes would bring Canada in line with the current trade remedy laws of its major trading partners, like the USA, the EU, and Australia, all of whom currently permit trade unions to file trade remedy complaints and participate fully in procedures before their domestic trade regulators.

27. Providing unions with the right to file and participate in trade remedy complaints would assist the Canadian steel industry in competing internationally. Within the domestic market Canadian producers compete against international producers. However, as previously explained, Canada has been witnessing increasing levels of unfairly dumped steel into the Canadian market from foreign producers. By allowing unions to participate in trade remedy complaints unions can assist the efforts of Canadian producers filing trade complaints, by using their extensive organizational capabilities to muster political and economic support for cases both regionally and nationally among disparate parties. This was one of the key roles of the USW in the 2015 public interest inquiry on rebar. The Steelworkers assisted Canadian producers in the inquiry, by using the union’s national organizational

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<sup>52</sup> The CBSA’s and the CITT’s jurisdiction to initiate anti-dumping and countervailing duty inquiries is set out respectively in sections 31 and 42 of SIMA, which implements Canada’s treaty obligations under the WTO *Anti-dumping Agreement* [“ADA”] and the *Agreement on Subsidies and Countervailing Measures* [“ASCM”] [collectively, “WTO Agreements”].

reach to muster political support from municipalities and provinces from Alberta to Quebec. The union's efforts proved successful, as the CIIT ruled that it was not in the public's interest to reduce antidumping and countervailing duties on dumped Chinese, Korean and Turkish rebar. Thus, by providing unions with the right to file and participate in trade remedy complaints Canadian producers stand to benefit from the organizational support unions can provide. This will ultimately aid Canadian producers in competing fairly against international producers within the Canadian market.

28. Moreover, robust trade laws, which allow unions to fully participate in trade complaints, would better position Canadian producers to serve the US market. With the continued recovery of the US economy, and President Trump's promise to boost infrastructure spending, demand for steel in the USA is set to rise. As previously explained, the US market is key to Canadian producers, as it is the destination of the majority of exported Canadian steel. Strengthening Canada's trade laws would allow Canadian producers to compete within the US market more effectively as it would minimize the disruptive socio-economic effects that unfairly priced imports have had on the Canadian industry by restoring market equilibrium within Canada. This would have the further effect of restoring production to undistorted levels by offsetting the effects of dumping and subsidization.<sup>53</sup> By restoring production to undistorted levels Canadian producers would be better positioned to meet future increased steel demand within the US market.

## CONCLUSION

29. The steel industry is vital to Canada's economic prospects. It employs 22,000 middle class Canadian directly, and an additional 100,000 indirectly. The industry produces approximately \$14 billion worth of goods, with approximately 50% of the industry's total output exported to foreign markets around the world. However, as this submission has made clear, the ability of the industry to compete globally has been hampered by China's behavior as a non-market economy and its unfair dumping of steel into Canada as well as the USA. By amending Canada's trade laws in order to afford unions the right to file trade complaints, the federal government can ensure that the Canadian steel industry is able to compete in the global market.

30. The United Steelworkers thank the committee for considering its submission on the factors affecting the Canadian steel industry's ability to compete internationally. The Steelworkers welcome any questions committee members may have, and can be reached using the contact information provided on the cover page.

All of which is respectfully submitted,



Ken Neumann, National Director

March 9<sup>th</sup> 2017

Date

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<sup>53</sup> Warrian *supra* note 12, page 82