August 29th 2016

The Right Honorable Justin P.J. Trudeau

Prime Minister of Canada

Office of the Prime Minister

80 Wellington Street

Ottawa, Ontario

K1A 0A2

Dear Prime Minister:

The Hamilton Chamber of Commerce, Sault Ste Marie Chamber of Commerce and Windsor – Essex Chamber of Commerce—collectively representing just over 2,500 proud Canadian businesses—are writing this letter to highlight our concerns with respect to the interests of the Canadian Steel Industry, especially in relation to your upcoming official visit to China.

The rise of the steel industry was an integral part of Canada's development as a world-class manufacturing economy in the 20th century.

Hard working entrepreneurs and companies across Canada distinguished themselves as centers of excellence and advancement in new varieties of steel. Their growth also supported numerous manufacturing industries (that utilized steel as an input) like automotive, aerospace and oil and gas manufacturing.

Today, Canadian steel producers create over 22,000 direct and more than 100,000 indirect jobs through nineteen facilities across five provinces, with over $14 billion in annual sales.

However, many Canadian firms over the last two decades have experienced financial duress, filed for bankruptcy or significantly downsized. Some of the current examples include Essar Steel Algoma in Sault Ste Marie and US Steel in Hamilton, who are currently operating under the Companies' Creditors Arrangement Act, putting almost 10,000 jobs and pension funds at risk.

It is worth emphasizing that the Canadian steel producers, entrepreneurs, and companies proudly adhere to world-class labour and environmental standards and other top shelf regulatory standards, resulting in a higher cost burden. Canadians also conduct steel business on one of the world's cleanest electricity grids.

In parallel to these regulatory costs, Canada, through its existing trade agreements and mostly unfettered market access then requires them to compete against imports on a fair commercial basis. In a truly fair trade environment, our companies are willing and capable of competing globally and be successful.

However, this is not often the case. China is not a market economy and it is **unfair** to expect Canadian steel producers, entrepreneurs and companies to successfully compete in this environment.

Canadian steel producers, entrepreneurs, and companies often have to compete against foreign government subsidies, state-owned enterprises operating at poor margins (if any), and other forms of state support that run counter to global trade rules, despite the presence of investigative powers for Canada Border Services agency under the Special Import Measures Act.

Fair market conditions are also often jeopardized by ongoing violations of WTO practices, preferential procurement and state support strategies in other jurisdictions, the ineffectiveness of trade remedy laws and lack of full reciprocation within trade treaties. Global steel overcapacity is the structural issue which drives record levels of unfairly traded imports, trade actions, and injury to the Canadian steel industry.

Supported by these aforementioned conditions, the Chinese steel industry, in particular, has seen dramatic growth, accounting for an estimated 40% of global steel capacity and as much as 50% of operating capacity. This oversupply of steel by nations such as China has shifted the global supply equation, causing surplus steel to be dumped in markets of least resistance.

Canada has been hard hit by a flood of artificially undervalued imports, displacing domestic share and driving down the price to unsustainable levels. The existing Canadian Special Import Measures Act (SIMA) has been largely ineffective in curtailing these challenges.

The steel industry is a major component of Canada's $45 Billion trade deficit with China last year, costing and/or putting at risk thousands of middle-class Canadian jobs.

We respectfully urge you to represent the best interests of the steel industry during your discussion with the Chinese Government. In particular, we would like to advance the following issues:

1. In consideration and advancement of existing or new trade agreements, continued recognition of China as a non-market economy (NME) through making no changes to related elements within Section 20 of the *Special Import Measures Act (SIMA*) and its underlying regulations. Blatant NME activity in China's domestic steel industry manifests itself through major centrally planned policy interventions, direct and indirect ownership and significant subsidization, as well as quotas and tax rebates across the entire supply chain.
2. Immediate implementation of all legislative proposals put forward recently by Canada's steel industry to strengthen Canada's trade remedy system including particular market situation (PMS).
3. During consideration and advancement of existing or new trade agreements, the recognition of differential health and safety, labour and environmental regulations between the Canadian and Chinese steel industries.
4. The creation of a direct ministerial channel of communication to address current and future trade disputes.
5. A formalized system for ongoing information sharing with Canadian industry to improve pre-emptive tracking of fraudulent and unfairly traded imports, and providing greater transparency and data harmonization regarding inbound shipments to facilitate our respective industries against subsidized imports.
6. A comprehensive and transparent assessment of the net benefit of trade flows and market access in the steel industry between China and Canada.

Our organizations have enjoyed a productive relationship with your government over the past year; we hope to continue working together in the best interests of the steel industry and many other issues over the next few years.

Sincerely,

Keanin Loomis

President & CEO,
Hamilton Chamber of Commerce

Matt Marchand

President & CEO
Windsor – Essex Chamber of Commerce

Rory Ring

Executive Director
Sault Ste Marie Chamber of Commerce