

March 13, 2018

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 Trudeau:

In light of the events occurring in Washington pertaining to the possible levying of duties on Canadian steel and aluminum exports to the United States, the Hamilton, Sault Ste. Marie and Windsor–Essex Chambers of Commerce—home to 68% of Canada’s total steel production—wish to thank your government for the actions that have been undertaken to advocate for the Canadian steel and aluminum industries.

These are unprecedented times, and it’s clear that the relationships you and your cabinet have cultivated with Washington have helped in securing a reprieve from the immediate imposition of tariffs.

Now with a clearer path going forward, we are writing to recommend courses of action that will allay the fears of the tens of thousands of middle-class workers whose jobs hang in the balance.

**Context: The Importance of Canadian Steel Industry and Local Impacts**

We appreciate your visit to our communities this week to meet with businesses, industry stakeholders, workers and labour unions. We hope that the visit will reinforce for your government the critical role steel plays in our local economies and as the foundation of our blue collar identities.

Even in the 21<sup>st</sup> century, the steel industry remains an integral part of Canada’s world-class manufacturing economy. Today, Canadian steel producers generate over \$14 Billion in annual sales, while supporting over 22,000 direct and 100,000+ indirect jobs through nineteen facilities across five provinces. More importantly, the production of steel anchors a larger supply chain and ecosystem of secondary manufacturers in fabrication, construction, automotive, equipment, aerospace, natural resources, recycling, mining, goods movement, and research and development. In addition to its economic import, we believe a healthy domestic steel industry is critical to Canada’s national security.

In Hamilton, the steel industry directly employs 10,000 people and, through \$2 Billion in local procurement, supports another 30,000 jobs. More than 40% of the 5.8 million tonnes of steel exported to the US – much of it integrated into the US auto, energy, construction and food packaging industries – is made in Hamilton. The steel industry will also play an active role in the Toronto-Hamilton-Waterloo Advanced Manufacturing Supercluster, which just received significant federal investment.

In Sault Ste. Marie, the steel industry is anchored by Algoma (formerly Essar Steel Algoma) and Tenaris Algoma Tubes which account for over 41% of the city’s GDP, and over a combined 62% of GDP when considering the economic value chain. The combined economic impact affects over 30% of the workforce in Sault Ste. Marie, employing over 9,000 people. Given Sault Ste. Marie’s isolation from larger markets of economic opportunity, any job loss generally results in the out-migration of that labour force, and their families, to other economic opportunities.

In Windsor-Essex, the steel industry is anchored by Atlas Tube (parent company Zekelman Industries) located in Harrow, Ontario, who as one of the most important employers in Essex County, supports approximately 220 workers in highly prized, well-paying manufacturing jobs. Atlas tube is the largest buyer of flat-rolled steel in North America, exports over \$250 million of product per year and is proud to call itself the most efficient producer of structural tubing in the world.

The common story across all three communities is that the industry that remains in Canada has done so through constant innovation. Contemporary steel-making is advanced manufacturing at its very best. With the help of NAFTA, Canadian manufacturers have specialized and deeply embedded themselves in many North American industry verticals.

After the release of the US Department of Commerce's Section 232 recommendations on February 16, followed by President Donald Trump's unexpected announcement to levy a global 25% tariff on steel and 10% on aluminum on February 27, our organizations played a very active role in advocacy, conducting over forty media engagements and working with our businesses and the Canadian Chamber of Commerce to apply political pressure across our highly integrated North American supply chains.

### **Where Do We Go From Here?**

Even before the recent tariff threats, the Canadian steel industry has been in peril. We are proud to adhere to the highest labour and environmental standards and operate off of the world's cleanest power grid. While doing that, however, we've also had to compete with cheap, non-market overseas steel – much of it bound for the United States – being dumped into the domestic market.

While we're very encouraged by the strong response from your government to the threatened tariffs, our immediate concern is the prospect of increased steel exports from foreign producers, especially non-market economies like China, being re-routed to Canada instead. Without adequate resource allocations to the CBSA, we could see a glut in our domestic market and Canadian supply chains becoming a conduit for dumping the United States.

We are concerned by statements from President Trump suggesting that long-term tariff exemptions for Canada will be conditional on concessions from Canada on other industries within NAFTA negotiations. We believe that such a principle would violate the legal rationale allowing President Donald Trump to cite national security in imposing tariffs under Section 232.

However, we also believe that the NAFTA negotiations, the World Trade Organization and the G20 Global Steel Forum can serve as opportunities for Canada and United States to pursue solutions addressing the global oversupply of steel and aluminum. In addition, Canada should make a clear commitment towards further enhancing regulatory cooperation, especially in the reactive application of trade remedies and the implementation of proactive protection measures against steel dumping.

### **Our Recommendations**

There is no reason why we can't reach a win-win resolution with our American partners while also putting the Canadian steel industry on firmer footing. To achieve that, we recommend that the Government of Canada:

- 1) Maintains its demand for an unconditional permanent exemption for Canadian steel from any US tariffs. It is important to make the case that Canadian steel is not the problem that the United States is looking to address and that a tariff on Canadian steel will only hurt the American consumer and disrupt highly efficient supply chains and steel-consuming businesses.
- 2) Immediately develop surge remedies to prevent Canada from becoming a dumping ground for foreign steel. It is important that we harmonize our regulations and enforcement strategies with our US counterparts to ensure that shipments of steel from Canada do not incur costly, increased

scrutiny at the US border.

- 3) In recognition of the “critical circumstances” facing steel as a trade exposed industry and a foundational element of Canada’s national economy and security, explore in consultation with Canadian industry the utilization of existing tools under the Customs Tariff and Import and Export Permits Acts, as well as the development of new regulatory mechanisms to address the immediate threat of dumping diversion.
- 4) Immediately bring into law relevant sections of Bill C-44 addressing enhancements to the Special Import Measures Act.
- 5) Provide the CBSA with immediate enhancements to organizational resources to respond fairly, expeditiously, and transparently to unfair trading practices using both increased remedy and pricing investigations, timely and accurate tribunal processes and other tools available to it to meet our regulatory compliance obligations under NAFTA and the WTO.
- 6) Negotiate the inclusion of steel in the calculation of NAFTA automobile rules of origin quotas. The inclusion of a wider range of steel products within these quotas will create fairness for Canadian and American steel producers and prevent carbon leakage.
- 7) Develop a modernized government procurement policy that takes into account the carbon impact of steel inputs to reduce carbon leakage and improve fairness for Canadian workers and competitiveness of our steel industry.
- 8) Continue to enhance programs and ongoing education efforts for Canadian importers and exporters, manufacturers, producers and industry stakeholders to educate on trade regulation and remedy processes.

We believe that the key to preventing tariffs on Canadian steel will be a clear and determined position that demonstrates that Canada will not become a dumping ground for diverted steel and steel products. Canada must be resolute in shoring up its trade enforcement to demonstrate that it is prepared to act in lockstep with the United States in building a strong North American steel market.

It may be difficult to make things in 21st century Canada, but it is important to the economy that we continue to do so. When it comes to the domestic production of steel, it’s a matter of national security.

We look forward to working with you and your government on this matter.

Sincerely,

Keanin Loomis  
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Hamilton Chamber of Commerce

Matt Marchand  
President & CEO  
Windsor – Essex Chamber of  
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