

Canadian Chamber of Commerce

Submission to the House of Commons Standing Committee on  
International Trade

Impact of U.S. Trade Expansion Act Section 232 Tariffs

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## Introduction

The Canadian Chamber of Commerce welcomes the opportunity to submit comments to the House of Commons Standing Committee on International Trade in the context of its study on the impact of the United States of America's ongoing, and proposed, tariffs under Section 232 of the Trade Expansion Act 1962.

The Chamber supports the principles of free and open trade, based on the application of a country's international trade obligations. The U.S. is Canada's largest trading partner, and shall remain so for the foreseeable future. Given the negative impact of these tariffs on the Canadian economy, it is vital that we press on all fronts for these tariffs to be lifted at the earliest possible moment, and continue to push back against attempts to expand the application of Section 232 tariffs.

Given the importance of this issue to the Canadian economy, the Chamber would welcome the opportunity to discuss this matter further with members of the Committee.

## Steel and Aluminum

The Chamber steadfastly opposes the application of Section 232 tariffs on Canadian steel and aluminum exports. Canadian steel and aluminum products form an integral part of the American defence industrial base<sup>1</sup>, and are not a national security threat to the U.S. Over the course of the U.S. Department of Commerce's Section 232 investigation into steel and aluminum products, the Department Defense in fact noted the negative impact on the U.S.' allies.<sup>2</sup>

Additionally, the unique nature of cross-border supply chains between our countries means the U.S. tariff hurts both Canadian and American businesses. The US is the destination for 90% of Canada's steel exports, representing almost 45% of Canadian steel production. Conversely, Canada is the top destination for American steel exports, accounting for half of US steel exports.<sup>3</sup> Moreover, 23,000 Canadian households depend on employment in the steel producing sector.<sup>4</sup>

For the Canadian aluminum sector, 84% of primary aluminum exports go to the U.S. The industry employs 8,300 people in Canada with approximately 20,000 indirect jobs.<sup>5</sup>

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<sup>1</sup> For example, in an October 2017 report on the F-35's economic impact for Canada, it was noted that "alumina and aluminum production processing" as well as "iron and steel mills and manufacturing ferro-alloy manufacturing" had been procured from Canada. Source: "Economic Impact Report: F-35 Lightning II Program in Canada" [https://www.f35.com/assets/uploads/documents/OMX\\_F-35\\_Economic\\_Impact\\_Oct\\_2017.pdf](https://www.f35.com/assets/uploads/documents/OMX_F-35_Economic_Impact_Oct_2017.pdf)

<sup>2</sup> Memo from the Secretary of Defense to the U.S. Department of Commerce [https://www.commerce.gov/sites/commerce.gov/files/department\\_of\\_defense\\_memo\\_response\\_to\\_steel\\_and\\_aluminum\\_policy\\_recommendations.pdf](https://www.commerce.gov/sites/commerce.gov/files/department_of_defense_memo_response_to_steel_and_aluminum_policy_recommendations.pdf)

<sup>3</sup> Canadian Steel Producers Association <http://www.canadiansteel.ca/our-public-policy-priorities/>

<sup>4</sup> Canadian Steel Producers Association [http://www.canadiansteel.ca/wp-content/uploads/2018/06/CSPA\\_Release\\_2018\\_06\\_29.pdf](http://www.canadiansteel.ca/wp-content/uploads/2018/06/CSPA_Release_2018_06_29.pdf)

<sup>5</sup> Aluminium Association of Canada [https://aluminium.ca/uploader/publications/portrait\\_alu\\_cdn\\_eng\\_final.pdf](https://aluminium.ca/uploader/publications/portrait_alu_cdn_eng_final.pdf)

In response to these unjustified tariffs, it is vital that Canada pursue action on two tracks. This includes focusing both on the trade dispute perspective and lobbying for a permanent exemption.

**RECOMMENDATION #1:** *The federal government continue its trade dispute case at the World Trade Organization to challenge these unjustified tariffs and work in collaboration with Mexico given the importance of North American supply chains.*

It is very concerning that the U.S. asserts these tariffs are permitted under the World Trade Organization's General Agreement on Tariffs and Trade (GATT) Article XXI. Such a broad interpretation sets an unhelpful precedent for countries that would seek to use national security arguments to justify sweeping protectionist measures. Given the close links between the U.S. and Canada in the North Atlantic Treaty Organization, as well as the North American Aerospace Defence Command, it is unjustified to contend that Canadian exports pose a national security risk.

**RECOMMENDATION #2:** *The federal government must continue to press for a permanent and full exemption for Canadian steel and aluminum exporters. The government should continue to work with subnational governments and the business community in its advocacy efforts.*

The Chamber commends the efforts of the federal government to date in making the case for a Canada to be exempted from the steel and aluminum tariffs. To ensure the best chance for success, we need a Team Canada approach which utilizes resources from all levels of government, and the Canadian business community.

Looking more widely, we also need to tackle broader systemic issues affecting the steel and aluminum industry.

**RECOMMENDATION #3:** *The federal government should continue to work through the Global Forum on Excess Steel Capacity, as well as the G7 and G20, to tackle the market-distorting root causes which are creating excess capacity worldwide.*

The Chamber welcomes the acknowledgement in the G7 Charlevoix Communiqué of the non-market oriented practices worldwide which have caused distortions. It is important for Canada to work through international institutions to develop global solutions to these problems.

**RECOMMENDATION #4:** *The federal government should continue to engage in consultations with industry on appropriate measures in relation to the issue of trans-shipment and diversion.*

The Chamber welcomes the government's announcements to date which will enhance the enforcement of Canada's trade rules. The government should continue to monitor the issue and ensure Canadian competitiveness is not undermined. The government should also continue to engage with a cross-sectoral group of industry stakeholders on any future action.

### Automotives

The looming possibility of U.S. tariffs on Canadian autos and automotive parts poses substantial risks to the Canadian economy given that nearly one-fifth of our bilateral merchandise trade is in the auto sector. The Chamber notes the TD Economics study which estimated that U.S. tariffs in this sector would reduce Canada's GDP by 0.5% in 2019, with potentially 160,000 job losses. This would represent roughly 1 in 10 Canadian manufacturing jobs.

**RECOMMENDATION #5:** *The federal government, as a matter of urgency, should continue to lobby the U.S. government to not impose Section 232 on the Canadian automotive sector, and work with the Canadian business community and subnational governments in these efforts.*

The Chamber acknowledges the government's continued lobbying efforts in the U.S., and its submission to the U.S. Department of Commerce, which rightly underlines the mutually beneficial supply chain relationship between our two countries.<sup>6</sup> It is vital that we continue to raise the importance of this issue with the U.S. Administration, federal and state legislators, governors, and businesses.

As with the steel and aluminum issue, the Canadian private sector should be engaged in these efforts to make the case on a business-to-business level.

### Uranium

The most recent Section 232 investigation launched by the U.S. Department of Commerce into uranium imports is further cause for concern. The two U.S. uranium companies which petitioned the Department of Commerce to initiate the investigation focused on state-controlled uranium companies.<sup>7</sup> Consequently, any tariffs should not be applied to Canadian exports.

According to the U.S. Energy Information Administration, Canada supplies a quarter of America's uranium imports.<sup>8</sup> Additionally, the U.S. is the destination for 69% of Canada's uranium exports.<sup>9</sup> Tariffs would reduce Canadian access to the world's largest nuclear energy market and have negative impacts on future investment and exploration in Canada.

**RECOMMENDATION #6:** *The federal government should lobby the U.S. Administration to exempt Canada from any future potential tariffs imposed on uranium imports.*

Developments in the steel and aluminum sector, as well as the rhetoric on automotive imports, underscores that Canada cannot afford to be complacent. The Government of Canada should work with business stakeholders to lobby against any tariffs being imposed on Canadian uranium imports.

### Wider Trade Issues

Notwithstanding our current focus on the immediate threat of Section 232 tariffs, it is important to also remember wider trade issues, particularly the North American Free Trade Agreement (NAFTA) modernization and Canada's other FTAs.

**RECOMMENDATION #7:** *The government should expedite the NAFTA negotiations to conclude a modernized agreement which recognizes 21<sup>st</sup> century business needs and protects cross-border supply chains.*

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<sup>6</sup> Embassy of Canada Submission to the U.S. Department of Commerce Section 232 investigation in the automotive sector <https://www.regulations.gov/document?D=DOC-2018-0002-2253>

<sup>7</sup> News release dated January 16 2018 from UR-Energy Inc. and Energy Fuels Inc. <https://www.newswire.ca/news-releases/ur-energy-and-energy-fuels-jointly-file-section-232-petition-with-us-commerce-department-to-investigate-effects-of-uranium-imports-on-us-national-security-669609923.html>

<sup>8</sup> US Energy Information Administration [https://www.eia.gov/energyexplained/index.php?page=nuclear\\_where](https://www.eia.gov/energyexplained/index.php?page=nuclear_where)

<sup>9</sup> Uranium defined as HS Code 2844 using 2017 data from the Government of Canada Trade Data Online website.

Despite the U.S.' unprecedented application of tariffs, we cannot allow the NAFTA negotiations to drag indefinitely. We need to re-double our efforts to conclude a final agreement that goes beyond the status quo and ensures cross-border supply chains and exports can continue to grow. We must also ensure that we preserve the benefits of North America's integrated energy market, and leverage it to increase exports.

**RECOMMENDATION #8:** *The government should continue to help businesses take advantage of existing trade agreements.*

It is crucial that we also continue to diversify our exports beyond our southern neighbor. Canadian businesses of all sizes should be able to better utilize trade agreements negotiated by our government. This means we should particularly focus on ensuring Canadian companies are supported in their efforts to take advantage of agreements like the Canada-Korea Free Trade Agreement, and the Canada-EU Comprehensive Economic and Trade Agreement. We also call the government to move forward with ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

### Summary of Recommendations

**RECOMMENDATION #1:** *The federal government continue its trade dispute case at the World Trade Organization to challenge these unjustified tariffs and work in collaboration with Mexico given the importance of North American supply chains.*

**RECOMMENDATION #2:** *The federal government must continue to press for a permanent and full exemption for Canadian steel and aluminum exporters. The government should continue to work with subnational governments and the business community in its advocacy efforts.*

**RECOMMENDATION #3:** *The federal government should continue to work through the Global Forum on Excess Steel Capacity, as well as the G7 and G20, to tackle the market-distorting root causes which are creating excess capacity worldwide.*

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**RECOMMENDATION #8:** *The government should continue to help businesses take advantage of existing trade agreements.*

About the Canadian Chamber of Commerce

Since 1925, the Canadian Chamber of Commerce has connected businesses of all sizes, from all sectors and from all regions of the country to advocate for public policies that will foster a strong, competitive economic environment that benefits businesses, communities and families across Canada. With a network of over 450 chambers of commerce and boards of trade, representing 200,000 businesses of all sizes in all sectors of the economy and in all regions, we are the largest business association in Canada.