



30 July 2018

To: House of Commons Standing Committee on International Trade

**Re: Proposal on measures against S. 232 Tariffs on Steel & Aluminum**

President Trump has imposed a tariff on “Canadian Steel”. The basis for this seems to be that Canadian Fabricators import steel from China, add value, and then export to the US. President Trump sees this simply as a “back door” for China to sell steel into the US. His present approach seems to be to impose tariffs on all Canadian Steel fabrications, even though only some of the steel content is sourced from China.

This Proposal might be a way to get President Trump to allow tariff-free entry of “100% Canadian Steel”, while only imposing tariffs on steel that is not actually “Made in Canada”.

The Proposal is very simple:

- 1: Hire an Independent Testing Agency to sample all Canadian steel destined for eventual export to the USA, after final treatment and alloying.
- 2: The Independent Testing Agency then does a complete spectrographic analysis of the steel sample. Each lot of such steel will have a “unique fingerprint.”
- 3: The Independent Testing Agency then issues a certificate showing the “fingerprint analysis”, and a statement as to when and where this particular lot of steel was manufactured.
- 4: The Steel Company includes a copy of the above certificate when shipping steel from that specific lot to a Fabricator.
- 5: The “Fabricator” exporting to the US includes a copy of the Certificate with his shipment of fabricated steel to the US, and then claims exemption from the Steel Tariff because of the proof of the Canadian Origin.
- 6: The US Customs Officials can take small samples of steel from the Canadian Fabricated Products, and do their own spectrographic analysis to determine “analytical equivalency”. If there is no “analytical equivalency”, the US Customs Officials can then “back-charge the Fabricator with the Tariff.

The cost of such sampling and analysis might be in the order of \$500 per sample. Given that a “tap” or “lot” of steel is in the range of 200 tons, the “cost per sample is thus about \$2.50 per ton. The value of the fabricated steel can vary significantly, depending on the “end product”, but typically would be in the range

of \$2,500 to \$5,000 (or more) per ton. This procedure would increase costs by about 1% or less, but hopefully, it would lead to avoidance of a 25% tariff.

The “unique fingerprint” of every steel is a result of the individual manufacturing processes and materials used in the steel making. More specifically:

- Source and nature of raw materials... ores, fluxes, reductants
- Source and nature of scrap additions
- Steel refining process and practices employed
- Alloy additions
- Etc.

Typical “Tramp Elements” or “Trace Elements” that could be detected in steel, with a spectrographic analysis could include:

- C, S, Si, P, Cr, Ni, Mo, Cu, Pb, Zn, Al, O<sub>2</sub>, N<sub>2</sub>, H<sub>2</sub>, Cb, Ti, Sn, Ce, Ta

It is thus easy to see that every lot of steel can indeed have a unique fingerprint.

I do hope that this Proposal will be of help to you when negotiating an elimination of tariffs on all steel that was manufactured in Canada.

Should you have any questions, please let me know.

Best wishes,

Kevin L. Chisholm, P.Eng