

**Submission to the House of Commons**  
**Standing Committee on International Trade**  
**Regarding Section 232 Tariffs on Steel and Aluminum**



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

July 31<sup>st</sup>, 2018

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The United Steelworkers represents 225,000 active members in Canada. We are the primary union in the steel and aluminum sectors, representing tens of thousands of members in those sectors across the country.

We thank the Standing Committee on International Trade (CIIT) for providing us the opportunity to comment on the impact of Section 232 tariffs.

Steelworkers strongly oppose the May 31<sup>st</sup> Presidential Proclamation to extend Section 232 tariffs of 25% on steel and 10% on aluminum to Canada. Our international board responded **immediately and unanimously** to condemn this decision, noting the absurdity of labelling Canada a security threat. We maintain that Canada and the U.S. must work jointly to remedy the real problem affecting North American industry --steel and aluminum dumping-- for which Canada is not to blame.

USW testified to the CIIT on June 26<sup>th</sup>, raising its initial concerns with the tariffs. USW Canadian National Director Ken Neumann advocated for **immediate** worker and industry supports absent a quick cancellation of the 232 tariffs. Our aim must be to mitigate as much job loss as possible. We must also target predatory and unfair trade practices, while using domestic policy measures to promote the long-term health of the Canadian steel and aluminum industries. **USW asserts that the initial countermeasures<sup>1</sup> and the support package<sup>2</sup> announced on June 29<sup>th</sup> constitute good first steps to dealing with the U.S. action.**

### 1. Steel and aluminum industry overview

90% of *all* Canadian steel and aluminum exports go to the U.S., amounting to **\$16 billion worth of products to the U.S. annually**. Two-thirds of total aluminum revenue comes from U.S. exports.<sup>3</sup> On the other hand, close to 50% of exported U.S. steel goes to Canada – in the end, the U.S. decision to impose tariffs on Canada will hurt workers in both countries.

At least 22,000 people in Canada are directly employed in the steel industry, with another 100,000 indirectly employed<sup>4</sup>. The aluminum industry employs 15,300 workers directly and 41,000 indirectly<sup>5</sup>.

Based on the trade numbers with the U.S., 45% of the Canadian steel industry is at immediate risk as a result of the tariffs. We have already seen real impacts of the tariffs, as evidenced by

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<sup>1</sup> USW supported immediate, comprehensive counter-tariffs, with no exemptions

<sup>2</sup> USW welcomes extension of work-sharing, expanded access to retraining, loans and loan guaranteed through the Business Development Bank of Canada and Export Development Canada and investments to promote diversification of the steel and aluminum products sectors in Canada.

<sup>3</sup> IBISWorldInc Industry Report 33131CA, *Aluminum Manufacturing in Canada*, March 2018 and IBISWorldInc Industry Report 33111CA, *Iron and Steel Manufacturing in Canada*, May 2018

<sup>4</sup> Canadian Steel Producers Association

<sup>5</sup> IBISWorldInc, 2018

announced layoff at Tenaris Algoma Tubes in Sault Ste. Marie on July 1<sup>st</sup>. Effects will be seen across the supply chain: demand for raw material, including iron ore or metallurgical coal could diminish. Downstream industries relying on steel and aluminum in production processes could be severely impacted. **Those affected across the entire supply chain must have access to supports.**

## 2. Trade remedies

**USW submits that the crux of the problem affecting North American steel and aluminum workers is cheap imports of products with distorted prices.** International actors, such as China, prop up their domestic steel industries, overproducing products that glut the international market<sup>6</sup>. Cheap labour and poor environmental regulations, along with currency manipulations, aggravate the problem, artificially lowering the price of steel<sup>7</sup>. In addition to the immediate response to Sec. 232 tariffs on Canadian products, **we must also address this fundamental threat to domestic steel and aluminum industries.**

Since the imposition of the tariffs, steel exports to the United States have already diminished<sup>8</sup>. Furthermore, after the U.S. first imposed tariffs on China and other countries, imports to Canada from non-NAFTA countries increased, in particular pipe and tube and semi-finished steel products<sup>9</sup>. The Federal Government announced that it has identified several products that have flooded the market since announcement of the initial March 1 tariffs and is contemplating the implementation of safeguards to protect Canadian markets and workers in affected industries<sup>10</sup>. **USW supports the immediate implementation of safeguards as well as the continued monitoring of dumping, diversion and circumvention through the Steel and Aluminum Trade Monitoring Committees to safeguard against additional market flooding.**

We support measures to prevent offshore diversion caused by the initial tariffs, along with measures aimed at transshipment and trade circumvention. These include stronger country-of-origin rules, amended scope proceedings, the ability to address price distortions,<sup>11</sup> and anti-circumvention investigation rules that allow for greater trade union involvement. USW has long been a proponent of allowing trade unions to participate in and **initiate** trade complaints, as we have done for decades in the United States. **This right to initiate should be granted under the**

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<sup>6</sup> China now produces roughly half the world's steel, up from about 15% in 2000. In 2000, it produced about 120 million tonnes, increasing to over 800 million tonnes in 2018. [*Trading Economics*]

<sup>7</sup> This also impacts manufacturing jobs in Canada. CLSC found that Canada lost 547,000 manufacturing jobs since 2000. 20% are likely attributable to increased trade with China resulting from WTO accession.

<sup>8</sup> Data provided at the Steel Trade Monitoring Committee

<sup>9</sup> Data provided at the Steel Trade Monitoring Committee

<sup>10</sup> Energy tubulars, rebar and steel plate have been identified as flooding the market

<sup>11</sup> USW supports changes to investigations allowing SIMA and the CBSA to reassess the accuracy of domestic price comparison benchmarks used in trade investigations.

*Special Import Measures Act*. However, it is ultimately the responsibility of the Canadian government to take the lead on protecting Canadian industry and workers.

Canada Border Services Agency must be granted stronger powers to identify and stop dumped steel from flooding the Canadian market. Finally, Canada must maintain its ability to use domestic policy measures to address price distortions resulting from poor labour, human rights and environmental practices, including, but not limited to, countervailing duties.

### **3. Countermeasures and the support package:**

Overall, USW believes the initial countermeasures and support package are good first steps.

USW advocated for supports *modeled* after the 2017 softwood lumber package, but this package must be effective at dealing with the particular issues that may arise in the steel and aluminum industries.

Federal and provincial governments, unions and industry must work jointly to identify the impact of the tariffs, as well as to coordinate retraining and new employment efforts if necessary, though Labour Market Development Agreements (LMDAs) and Workforce Development Agreements. Revenue from counter-tariffs must also be distributed to those most in need. Agencies like Employment and Social Development Canada (ESDC) have a strong role to play in terms of program implementation, continued stakeholder communication, and monitoring of the effectiveness of the support package.

#### **i. Worker supports:**

Overall, worker supports comprise a relatively small portion of the package and must be strengthened. USW supports extended job sharing agreements, but believes the additional \$50 million for LMDAs may be insufficient. If the dispute persists, USW stresses additional worker supports will be necessary.

#### **a) Earnings supplements**

USW asserts that earnings supplements should be included in the worker support package. If this dispute endures, workers may experience displacement as a result. Average wages in both aluminum and steel are high (\$80,000 and \$90,000 per year, respectively),<sup>12</sup> thus displacement to a new industry may result in income loss. We must include earnings supplements to dampen the economic impact of job loss or relocation. USW also supports pension bridging and early retirement packages.

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<sup>12</sup> IbisWorldInc, 2018

## **b) Employment Insurance**

USW stresses that further EI reforms should be included in the workers' support package. Specifically, reducing the number of qualifying hours and extending the period of EI eligibility, regardless of length of work tenure.

### **ii) Industry supports**

#### **a) Loans and loan guarantees**

\$1.7 billion of the \$2 billion package has been earmarked for industry supports. USW has not yet seen the details on how those in need will access these, but we raise several concerns:

#### **b) Support across the supply chain**

USW asserts that supports must be *offered* across the supply chain. However, certain components, such as metal fabricators, experience more immediate effects.<sup>13</sup> USW also has concerns regarding **downstream industries affected by the tariffs**. Numerous parts of the manufacturing supply chain, such as vehicles, appliances and farm equipment production, use steel and aluminum and are likely to be affected by the tariffs. In the initial support package, it is unclear which aspects of downstream industries will have access to supports. **It is essential to include downstream industries in the support package and to clarify eligibility criteria.**

#### **c) Liquidity of supports**

The effects of the tariffs may be large and swift, thus industry may need immediate access to supports. We want to ensure quick access to supports and that criteria for eligibility are made clear to those who may need this quick access to monetary supports to prevent job loss, particularly small and medium enterprises (SME). SMEs across the supply chain are less able to deal with large price fluctuations.<sup>14</sup>

### **iii) Capital investments:**

The \$50 million in capital investments for the steel and aluminum industries must not be used to decrease the workforce. The Federal Government should not subsidize employers who are laying off workers.

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<sup>13</sup> Net revenue for metal fabrication reached \$3.2 Billion in 2016; value added was \$17.6Billion. \$9 Billion in salaries were paid for those working in fabricated metals industries according to Government of Canada statistics. <https://www.ic.gc.ca/app/scr/app/cis/summary-sommaire/332>

<sup>14</sup> In 2017, almost 75% of steel industry establishments employed fewer than 100 workers. IBISWorldInc, *Iron and Steel Manufacturing in Canada*, May 2018

**iv) Pursuing other trade agreements:**

USW emphasizes that any benefits from trade expansion and diversification cannot be achieved through exploitation of workers, Indigenous peoples, women or the environment. We must not intensify existing overcapacity and cheap products flooding domestic markets.

**Improving domestic market markets for steel and aluminum**

Beyond trade expansion, USW believes there is opportunity to reduce reliance on U.S. exports. Sectoral analysis, investment and use of domestically-manufactured materials through public procurement can lead to real, long-term job opportunities. We also support the creation of an industrial strategy for Canada.

**v) Monitoring and working with the provinces**

**i) Federal programs**

ESDC has already begun outreach with employers and unions regarding the effects of the tariffs and is setting up a comprehensive plan for oversight and monitoring, along with communication with key actors on the support measures. Formal communication with unions and others must continue in order to guarantee adequate assessment of impacts of the tariffs and of the effectiveness of the support package.

**We also want to ensure that there are targeted supports in communities that may be particularly hard hit due to dependence on either the steel or aluminum industry.**<sup>15</sup>

**ii) Provincial level**

Key components of the worker support package, specifically on **training and apprenticeships, will be administered by the provinces.** Supports must be distributed to those in highest need. USW raises concerns regarding oversight of the administration of support packages at the provincial level and advocates for worker involvement at the provincial level to guarantee that workers in all affected areas are able to access program supports.

**4. Conclusion:**

USW advocates for **continued monitoring of the impact of the tariffs and of the effectiveness of the support package.** We have concerns about the lack of clear plans should the dispute persist. USW calls for a commitment to revisit the support package, including improved worker

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<sup>15</sup> These include monitoring of job loss, communication with industry and workers about available supports, coordination between provincial and federal agencies to ensure knowledge of and access to available supports, retraining, EI, etc. Long-term, it could also include public investment in targeted communities.

supports, if the U.S. does not reverse its decision and to ensure proper coverage of all affected components of the supply chain.

USW continues to promote fair and reciprocal trade between the United States and Canada. We strongly denounce the U.S. president's decision to extend Section 232 tariffs to Canada – this will hurt both Canadian and American workers and detract us from addressing the real threats to a robust North American manufacturing industry.

All of which is respectfully submitted,

A handwritten signature in blue ink that reads "Ken Neumann". The signature is written in a cursive style and is positioned above a solid horizontal line.

Ken Neumann, National Director

July 31, 2018

Date