

Submission to the House of Commons
Standing Committee on International Trade
Regarding the Impact of Section 232 Tariffs on Workers



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

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1. Overview

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.

The Canadian steel and aluminum industries ship about \$16 billion worth of products to the United States every year; 90% of steel exports go to the United States and two-thirds of total aluminum revenue comes from U.S. exports. At least 22,000 people in Canada are directly employed in the steel industry in Canada, with another 120,000 indirectly employed. The aluminum industry employs 15,300 workers directly with another 41,000 indirectly. Average annual incomes in both aluminum and steel are high (\$80,000 and \$90,000 per year, respectively).¹ These are good, community-supporting jobs.

We also represent workers across the manufacturing sector in Canada at workplaces that range in size from only a few members to thousands of members.

The USW has spoken strongly and consistently against the absurd U.S. decision to label Canada a national security threat and to impose Section 232 tariffs of 25% on steel and 10% on aluminum.

On May 31st, our International Board condemned the tariffs on Canada, at which time we called for their immediate repeal. The USW took the position that absent the immediate cancellation of the tariffs, Canada must impose reciprocal tariffs on the United States. We supported the Federal Government's decision to impose counter-tariffs.

On June 26th, 2018, the USW appeared at the CIIT hearings calling for a comprehensive response to the tariffs, including worker and industry supports and safeguards to protect the Canadian steel market. Again in this case, we broadly supported the Federal Government's support package announced several days after our testimony. We made further submissions requesting improvements to the support package in a brief submitted on July 31st, 2018.

We continue to strongly oppose the Section 232 tariffs and summarize our position as follows:

- a) The Section 232 tariffs must be eliminated and Canada must do all in its power to achieve this objective
- b) The USMCA negotiations were a failure as the tariffs remain in place: Canada must use its remaining leverage to ensure tariff cancellation before we sign the deal
- c) Quotas are NOT a solution to the situation
- d) Canada must not agree to any resolution that would further legitimize labelling Canada a security threat and pave the way for future 232 tariffs

¹ IbisWorldInc, 2018

- e) Absent a quick resolution, we must guarantee the adequacy of the worker and industry support package
- f) We must ensure the long-term viability of the steel and aluminum industries in Canada through public policy and additional trade remedies

2. Impact on USW Members:

USW members across the country have felt the impact of the Section 232 tariffs. Workers at Tenaris were laid off almost the minute the tariffs came into effect. Many of our members work at plants that export much of their product to the United States – steel exports to the U.S. were 29% lower in July compared with May, before the tariffs were imposed on Canada, while aluminum exports decreased by 25% over that time period². In particular, exports of semi-finished steel (-85%), stainless steel (-46%) and long products (-41%) decreased significantly. Average exports to the United States from June-August were down 11% compared to the same time period in 2017³. Aluminum exports originating in Quebec experienced a particularly severe decrease, dropping by 51% in July as compared to May⁴.

Many producers have been able to manage the situation on a temporary basis; however the industry and our members are faced with constant uncertainty. Our members have been told, at workplaces across the country, that it is only a matter of time before the tariffs will lead to layoffs.

The Canadian steel industry also suffers from substantial unused capacity, and with the uncertainty created by the tariffs, there is almost no likelihood that Canadian steel makers will expand their current facilities. For example, Steelworkers at Stelco's Hilton Works in Hamilton, Ontario have been waiting for an announcement that steel would once again be made at the facility. However, until the trade issues are resolved, we have no expectation that Stelco will start the furnace up at Hilton Works and recall the hundreds and hundreds of workers who are laid off.

Both the steel and aluminum sectors have been significantly hurt over the decades by international trade agreements, unfair competition based on undercutting environmental and labour rights, and by automation – a trade war with our largest trading partner is yet another blow to our members.

This is why the USW continues to call for the immediate and full repeal of these tariffs and for the Canadian government to do all in its power to achieve this objective. In the meantime, we support efforts to lessen the impact on workers as much as possible, including improvements to the worker and industry support package originally announced in June.

² Innovation, Science and Economic Development Canada

³ Innovation, Science and Economic Development Canada

⁴ Innovation, Science and Economic Development Canada

3. Ripple Effects:

The measures taken by the Federal Government and various agencies are a reaction to the ripple effects this absurd U.S. action has caused.

The impact of the tariffs goes beyond those directly involved with U.S. exports. The United States has also applied the same tariffs on products from other countries. As a result, imports of certain steel products to Canada have surged. Additionally, the price of steel has increased by about 40% since March⁵, which provides some protection to producers, but has had a negative impact on some manufacturers. Alternatively, the price of aluminum has decreased slightly since the imposition of the tariffs⁶, which poses an additional threat to workers in the industry.

- a) **Manufacturing:** Not only are members working directly in steel and aluminum hurt by the tariffs, but our members in manufacturing are also experiencing the negative impact of the tariffs. In particular, smaller manufacturers, such as Welded Tube of Canada, where we represent over 200 members, have also experienced layoffs. Smaller manufacturers have had difficulty absorbing the price increases and *some* of the counter-tariffs on various products that are difficult to obtain domestically.

To protect workers in manufacturing, particularly those at small and medium enterprises, the USW asserts that the worker and industry support package must cover industries across the supply chain [as we argued in our submission from July 31st]⁷. Further outreach and analysis by ESDC and Service Canada must ensure that worker and industry supports are reaching the communities, workers and sections of the industry that need it the most.

Additionally, we are in favour of the remission orders on certain products which are difficult to obtain or if price increases are such that they threaten employment.

b) **Import Surges:**

Since the spring, the USW has participated in the Steel Trade and Monitoring Committee and through the evidence of import surges presented to the committee, has continually advocated for additional trade remedies to counteract abnormal increases in imports from non-Nafta countries that resulted from the initial tariffs the U.S. imposed on the rest of the world. The Steel Trade Committee initially found import surges of rebar, energy tubular and plate. As a result, the USW called for legal safeguards on certain products

⁵ The price of steel has increased by about 40% since March when the initial tariffs were implemented; the price of aluminum has **decreased slightly** since the 10% tariffs were imposed [Trading Economics, Steel 2016-2018, <https://tradingeconomics.com/commodity/steel> Accessed on October 25th, 2018

⁶ Trading Economics, Aluminum, 1998-2018. <https://tradingeconomics.com/commodity/aluminum> Accessed on October 25th, 2018. The price of aluminum initially spiked in April but is now lower than it was in January.

⁷ The USW also argued for the need for additional EI reforms and earnings supplements; ensuring the liquidity of financial supports; capital supports must not lead to automation;

to address the glut of certain steel products that had the potential to threaten good jobs in Canada. We emphasize that jobs in steel and aluminum are good, community-supporting jobs – **the impact of job loss in these sectors goes well beyond the individuals immediately and directly affected.**

The Ministry of Finance announced a safeguard investigation that covered the three products identified by the Steel Trade Monitoring Committee (rebar, energy tubulars and heavy plate), along with four additional products, including wire rod, hot-rolled steel, pre-painted steel and stainless steel wire⁸. On August 29th, 2018, the USW made a comprehensive submission outlining the potential impact of import surges on our members in these steel subsectors⁹.

Non-Nafta Import Increases in USW-represented Industries				
	Import increase (Jan-August , y-o-y increase) ¹⁰	USW Members	Provinces	High Hourly Wage (2017)
Rebar	53%	1100	B.C. Alberta, Ontario, Quebec	\$43.13
Pipe and Tube	31%	2000	Alberta, Saskatchewan, Ontario	\$32.37
Wire rod	37%	700	Ontario, Quebec	\$31.95
Steel Plate	12%	4450	Ontario, Quebec	\$35.58
Hot-rolled steel	17%	4150	Saskatchewan, Quebec	\$32.35

Ultimately the USW supports the recent decision to impose temporary safeguard measures on certain steel products. We also support the remission orders listed by the government, in particular to protect the jobs of workers employed in small and medium manufacturing enterprises that are not able to absorb price increases or surtaxes on imported products.

⁸ <http://www.citt.gc.ca/en/node/8405>

⁹ Overall, non-Nafta steel imports increased by 33% between January and July 2018 compared to the same time period in 2017 and 50% compared with 2016.⁹ Imports of long products have increase by 19% compared to the previous year, with particularly large increases originating from Turkey. Similarly, non-Nafta pipe and tube imports have gone up by 54% from January-July 2018 compared to the previous year. For those products, imports from India have surged. Semi-finished imports increased by 124% with stainless rising by 43%.

¹⁰ Innovation, Science and Economic Development Canada

4. USMCA – Failure on Tariffs

Despite overall support for some of the measures taken in reaction to the Section 232 tariffs, the Steelworkers underscore that we continue to call for the complete and immediate repeal of these tariffs, as we have since they were announced. We believe that it is a huge failure that the tariffs remain after the conclusion of the USMCA negotiations.

We must not commit to signing the USMCA until there is a guarantee that the steel and aluminum tariffs will be repealed.

The USW also notes the dangerous precedent set by including references to Section 232 tariffs in several side letters of the USMCA. We believe this legitimizes what had been – and should be—an obscure clause in U.S. trade law that deals with *actual* national security threats. The use of these tariffs-- and the identification of Canada as a real threat to U.S. national security—is now entrenched in this trade agreement. This could have negative consequences for decades, leaving Canada in continuous battles with the United States over tariffs.

5. Quotas – Not the Solution

The USW reiterates its position that the Section 232 tariffs must be cancelled, full stop: quotas are not the solution.

We represent workers across this country and in steel and aluminum and it is clear to us that a one-size-fits-all quota will simply not work. The industries are simply too diverse in terms of the products made, their use across the manufacturing chain, and in terms of demand fluctuations.

- i. **First, it is simply too onerous to design quotas that would properly apply across the steel and aluminum industries.** Some producers, particularly those that export most of their products to the United States, *might* benefit, or at least see some relief; however, others would be hurt. We do not want to implement a system that helps only some part of the industry, while harming others. Elimination of the tariffs would help both industries across-the-board
- ii. **Second, quotas would restrict growth in the industry.** Increases in capacity, as has been proposed at Stelco in Hamilton, would be rendered difficult or too uncertain due to a quota system. We must promote the growth of our steel and aluminum industry, rather than agree to pre-set restrictions. **Quotas are essentially a voluntary export restraint that hampers future growth in steel and aluminum.**
- iii. **Third, the proposal to base quotas on historical averages would entrench Canadian export levels that have been negatively impacted**

by global overcapacity caused by certain bad international actors. In particular, countries such as China have increased their share of production of both steel and aluminum over the past 25 years, glutting the global market with steel made cheap through currency manipulation, cheap labour and environmental destruction¹¹. **We must advocate for increasing the domestic and international use of steel and aluminum made with high labour and environmental standards.**

- iv. **Fourth, other countries that agreed to a quota system in return for an “exemption” from Section 232 tariffs have already encountered problems.** South Korea and Brazil agreed to voluntary export restraints at a level of 70% of the three-year average of the average annual import volume of certain products from 2015-2017.

The quotas have been applied retroactively so some levels had already been reached by the time they went into effect. Some U.S. manufacturers have complained that supplies of essential items have been limited as there is a hard cap on certain products. In some ways, a quota could have an even worse impact than tariffs if there are hard caps on products.

Overall, it is clear that quotas are not a solution.

6. Long-term solutions:

The USW takes this opportunity to emphasize that we need action not only on the immediate threats to the industry, but we also must use public policy to support the long-term viability of the steel and aluminum industries in Canada. We must maintain solid control over domestic policies—such as procurement policies-- that allow us to use Canadian steel and aluminum in Canadian infrastructure projects.

Furthermore, we must develop mechanisms to ensure that the price of steel and aluminum that is imported accurately reflects the conditions in which it was made.

Trade remedies, such as safeguards, are important interim measures, but we must ensure that we do not simply revert back to a system that allows for global overproduction and use of steel and aluminum made cheap because of labour, human rights and environmental exploitation. Measures such as countervailing duties may be necessary.

¹¹ Chinese steel production has increased 12-fold since the mid-1990s. It produced about 820 million metric tonnes of steel in 2014, compared to 128 MMTs in 2000.

In the year 2000, Canada produced 17MMTs of steel, while China produced 127MMTs. By 2017, Canada produced 14MMTs and China 822MMTs. [Statistics Canada, Aluminum and Steel. Table 71-607-X]

China accounts for over 50% of aluminum production, while Canada produces about 5%. **In the year 2000, China and Canada had similar production (2,800 mmt vs. 2,530 mmt, respectively). In 2017, Canada produced 3,210 mmt, while China produced 32,600mmt.** [Statistics Canada, Aluminum and Steel. Table 71-607-X]

<https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2018006-eng.htm>

Additional trade remedies that take aim at dumping and circumvention include the ability for trade unions to **initiate trade complaints** – this would ensure that workers have a more powerful and equal voice regarding trade.

7. Conclusion:

There are clear negative effects of the tariffs on steel and aluminum workers and across the manufacturing chain. The Section 232 tariffs caused ripple effects on the trade of products from around the world – the combination of the direct impact and these ripple effects solidifies the position the USW has taken all along: the Canadian Government must do all in its power to eliminate the Section 232 tariffs. At every step, we have advocated for this, while doing as much as we can to mitigate the worst impacts of this irrational U.S. decision.

With counter-tariffs, industry and worker supports, and safeguards, we have been able to mitigate some of the worst effects on Canadian workers; however we cannot let this situation turn into the new status quo. This would be precisely the effect of agreeing to quotas.

The Canadian government already lost one opportunity to cancel the tariffs when it failed to do so in the USMCA negotiations. We cannot afford to sell out our steel and aluminum workers again.

Respectfully Submitted,



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October 30, 2018

Date