



HOUSE OF COMMONS
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CANADA

SECTION 232 OF THE UNITED STATES TRADE EXPANSION ACT: IMPLICATIONS OF TARIFFS FOR CANADA

**Report of the Standing Committee on
International Trade**

Honourable Mark Eyking, Chair

**FEBRUARY 2019
42nd PARLIAMENT, 1st SESSION**

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Chair**

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NOTICE TO READER

Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON INTERNATIONAL TRADE

has the honour to present its

FIFTEENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the impact of tariffs on Canadian businesses, companies and workers and has agreed to report the following:

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LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That the Government of Canada, on a priority basis, intensify its discussions with the Government of the United States regarding the tariffs that are being applied on certain Canadian steel and aluminum products pursuant to section 232 of the *Trade Expansion Act of 1962*. The Government should seek an outcome in which bilateral trade in steel and aluminum products is not limited by tariffs, quotas or other trade restrictions. Until that time, the Government of Canada should continue to consult with Canadian stakeholders on potential actions and support measures that would increase protections for Canadian workers, firms and jobs. 35

Recommendation 2

That the Government of Canada review the application processes for surtax remissions, as well as the duty drawback and duties relief programs, to ensure that they are user-friendly and timely. As well, the Government should undertake further efforts to share information with small and medium-sized enterprises about available supports, including the remissions of surtaxes that have been applied on certain U.S. products since 1 July 2018, duty drawbacks and duties relief in relation to those surtaxes. 35

Recommendation 3

That the Government of Canada ensure that the measures that were announced on 29 June 2018 in response to the U.S. tariffs that are being applied on certain Canadian steel and aluminum products pursuant to section 232 of the *Trade Expansion Act of 1962* are available to more of Canada's steel, aluminum and related firms, regardless of their size, and to affected workers. 36

Recommendation 4

That the Government of Canada, when determining the actions to be taken regarding final steel safeguards, make efforts to balance the needs of Canada’s firms that produce steel products with the needs of domestic firms that use these products as production inputs..... 36

Recommendation 5

That the Government of Canada engage in ongoing discussions with the Government of the United States regarding the United States’ current and potential use of section 232 of the *Trade Expansion Act of 1962* to apply tariffs on Canadian products. During those discussions, the Government should emphasize the scope, depth and strategic importance of the two countries’ trade relationship, and the need to exempt Canadian products from any U.S. trade restrictions..... 36



SECTION 232 OF THE UNITED STATES TRADE EXPANSION ACT: IMPLICATIONS OF TARIFFS FOR CANADA

INTRODUCTION

Since 1 June 2018, the United States has applied illegal tariffs of 25% and 10% on certain Canadian steel and aluminum products, respectively. These tariffs—often known as section 232 tariffs—are being applied as a consequence of an investigation undertaken pursuant to section 232 of the United States’ *Trade Expansion Act of 1962*.

In response to the section 232 tariffs, on 26 June 2018, the House of Commons Standing Committee on International Trade (hereafter, the Committee) began a study of the tariffs’ impacts on Canada’s firms and workers. During the study, 64 witnesses appeared before the Committee, including the Minister of Finance, Government of Canada officials and representatives of Crown corporations, firms, trade associations and groups representing workers. As well, 45 briefs were submitted to the Committee by firms, trade associations, unions and an individual. In this report, the term “witness” is used to refer to both those who appeared before—and those who submitted a brief to—the Committee. At the first mention of each witness, the report indicates whether the comments occurred through an appearance or in a brief.

This report summarizes some of the comments made by witnesses over the 26 June to 1 November 2018 period. The first section provides observations about the section 232 tariffs, while the second examines the countermeasures that the Government of Canada imposed on 1 July 2018 in response to the U.S. tariffs. The third section discusses desired and existing Government of Canada measures designed to assist Canada’s firms and workers adversely affected by the tariffs, while the fourth focuses on potential section 232 tariffs on such Canadian products as automobiles and their parts, and uranium. The report concludes with the Committee’s thoughts and recommendations.

Selected comments made by the witnesses are not summarized in this report, particularly those that address issues not directly related to existing or potential section 232 tariffs. For example, [Unifor](#), the [Canadian Association of Stand-up Comedians](#), [Beer Canada](#), [Ocean Steel and Construction Ltd.](#), [MacDougall Steel Erectors Inc.](#), [Atlas Tube Inc.](#), [Onward Manufacturing Company Ltd.](#), [Ron Sadler](#), the [Canadian Horticultural Council](#) and the [Retail Council of Canada](#) discussed such topics as U.S. antidumping duties (ADs) and countervailing duties (CVDs) on Canada’s exports of newsprint and



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softwood lumber, labour mobility for comedians, alleged price fixing in the Canadian and U.S. aluminum markets, the potential for the Government of Canada to exempt certain foreign steel from the application of ADs and CVDs, Canada's tariffs on imports of Chinese barbecues, trade liberalization, the possible dumping of U.S. apples in Canada and the country's *de minimis* threshold.¹

¹ The *de minimis* threshold is the amount above which goods imported into a country are assessed for duties and taxes.

U.S. SECTION 232 TARIFFS ON CERTAIN STEEL AND ALUMINUM PRODUCTS

In April 2017, the U.S. Secretary of Commerce initiated two investigations under section 232 of the *Trade Expansion Act of 1962* to determine the effects of U.S. [steel](#) and [aluminum](#) imports on the United States' national security. On 16 February 2018, the Secretary released two reports indicating that certain U.S. imports of steel and aluminum products “threaten to impair the national security [of the United States],” as defined by section 232.

On 8 March 2018, President Donald Trump responded to these findings by announcing that—beginning on 23 March 2018—tariffs of 25% and 10% would be applied on U.S. imports of certain [steel](#) and [aluminum](#) products, respectively. Selected countries²—including Canada—were exempted from these tariffs for a limited time. Canada's exemption [ended](#) on 1 June 2018.

The Committee's witnesses discussed some impacts of the section 232 tariffs on the sales, and the supply chains and operating costs, of Canada's firms. They also commented on these firms' levels of production, investment and employment since the tariffs began to be applied. As well, they made proposals about Canada's access to the U.S. steel and aluminum market.

Impacts on Sales

Witnesses mentioned that the section 232 tariffs are causing a number of Canada's firms to lose sales to U.S. customers. As well, they suggested that the tariffs are leading some foreign shipments of steel and aluminum to be diverted away from the United States, thereby potentially increasing Canada's imports of these products and reducing domestic sales by the country's firms.

With a focus on international sales, the brief submitted to the Committee by [JEM Group of Companies](#) said that the firm's exports to U.S. customers “virtually dried up” after the section 232 tariffs began to be applied. Similarly, [Essar Steel Algoma Inc.](#)—which appeared as a witness—indicated that the tariffs have reduced its exports to “key” U.S. states.

2 At the time that the section 232 tariffs took effect, the countries that received an exemption were Argentina, Australia, Brazil, Canada, the member countries of the European Union, Mexico and South Korea.



In making comments as a witness, [Janco Steel Ltd.](#) estimated that its U.S. sales fell by 60% from May 2018 to June 2018, and thought that the decline might become permanent. As well, Janco Steel Ltd. observed that it is paying the full cost of the section 232 tariffs for certain of its U.S. customers, and maintained that its customers have started to purchase from U.S. firms “to secure greater cost certainty.” Likewise, [Patriot Forge Co.](#)—which also appeared as a witness—remarked that the tariffs have caused some of its U.S. customers to question whether they should be sourcing forged steel products from the United States, rather than from Canada.

[ADF Group Inc.](#), which provided comments as a witness, noted that it was negotiating three major U.S. contracts having a combined value of several hundred million dollars when the United States announced the section 232 tariffs. In highlighting that none of these contracts was concluded following the announcement, ADF Group Inc. underlined that it “quickly understood that American clients [are] now afraid to commit to Canadian companies.” [ASW Steel Inc.](#), which also appeared as a witness, claimed that the tariffs have caused some of its U.S. customers to cancel their orders.

In its brief submitted to the Committee, [Gerdau Long Steel North America](#) stated that it stopped shipping products from Ontario to the United States in the days before the section 232 tariffs began to be applied, and has not resumed most of these shipments. Gerdau Long Steel North America also pointed out that its profit margins do not permit it to “absorb the tariffs.”

According to [Evraz](#), which appeared as a witness, the section 232 tariffs have—among other effects—disrupted the firm’s operations, “delayed [its] revenues” and caused it to have surplus inventory.

Concerning domestic sales, [Canadian Manufacturers & Exporters](#)—which made comments as a witness—observed that the section 232 tariffs might “distort global trade flows” of certain steel and aluminum products by diverting shipments of such products away from the United States. The [Canadian Steel Producers Association](#) and the [United Steelworkers](#), which appeared as witnesses, believed that the tariffs will lead to a “significant diversion of steel” into Canada and a “surge” in Canada’s steel imports, respectively.

In providing comments as a witness, [ArcelorMittal Dofasco](#) maintained that the volume of “low-priced offshore imports” of steel into Canada, which began to rise after the United States imposed certain anti-dumping measures in 2015 and 2016, has increased as a result of the section 232 tariffs and is “disrupt[ing]” Canada’s steel market.

[Gerdau Long Steel North America](#) remarked that the section 232 tariffs have caused the volume of Canada's imports of certain low-priced steel products to grow, and spoke about its concern that these volumes will continue to rise, which would cause the firm's sales to fall. Likewise, [Evraz](#) said that the diversion of foreign steel into Canada has led its "order book" to be "much weaker" than would typically be the case. In its appearance as a witness, [Central Wire Industries](#) suggested that Canada's imports of steel diverted away from the U.S. market are a "threat" to its future sales.

Impacts on Supply Chains and Operating Costs

According to witnesses, the section 232 tariffs are disrupting the supply chains of Canada's firms and increasing their operating costs.

Concerning supply chains, the [Canadian Chamber of Commerce](#)'s brief submitted to the Committee noted the "unique nature" of Canada–U.S. supply chains, and stated that the section 232 tariffs "hurt" firms in both countries. As examples of the potential effects of the tariffs "across the supply chain," the brief submitted to the Committee by the [United Steelworkers](#)³ mentioned reduced demand for such raw materials as iron ore and metallurgical coal,⁴ and possible "severe" impacts for "[d]ownstream" sectors that rely on steel and aluminum.

The [Canadian Steel Producers Association](#) thought that the section 232 tariffs could lead to both the "adjustment of established supply chains" and increased costs for steel consumers. As well, the Canadian Steel Producers Association highlighted its efforts to demonstrate to the Government of the United States that Canadian products should be exempted from the tariffs, and encouraged Canadian steel consumers to undertake similar advocacy efforts in the United States.

Regarding operating costs, [Innovation, Science and Economic Development Canada](#)—which appeared as a witness—maintained that the section 232 tariffs have led to higher prices for certain steel and aluminum products, resulting in "significant costs" for some of Canada's firms. In its appearance as a witness, the [Aluminium Association of Canada](#) pointed out that the tariffs have made the cost of aluminum in North America higher

3 The United Steelworkers both appeared as a witness and submitted a brief to the Committee. In this report, future references to this organization may reflect its comments that were made when appearing as a witness or in its brief.

4 Metallurgical coal is used in the production of steel.



than elsewhere in the world, which is making North American firms that purchase aluminum less competitive.

[Groupe LAR Inc.](#), which appeared as a witness, remarked that U.S. firms purchased as much Canadian steel as possible between the day on which the section 232 tariffs were announced and the day on which they began to be applied, which has contributed to higher steel prices and made steel “very difficult to obtain” in Canada. The joint brief submitted to the Committee by [Dettson Industries Inc. and Groupe Ouellet Canada Inc.](#) indicated that purchases of steel, the price of which has increased by more than 20% in Canada because of the tariffs, are a significant contributor to its operating costs.

[Owasco Inc.](#), which made comments as a witness, noted that U.S. motor home manufacturers purchase about one half of their steel and aluminum inputs from Canada, and have both raised the price of their motor homes by 10% because of the section 232 tariffs and warned that additional price increases may occur, which it believed would be “disastrous” for Canada’s recreational vehicle dealership and rental sector. [Owasco Inc.](#) thought that customers will be unwilling to pay the higher prices, which will result in lost sales for the firm and foregone revenue for the Government of Canada.

[Gerdau Long Steel North America](#) observed that the section 232 tariffs are contributing to higher transportation and logistics costs. According to a brief submitted to the Committee by [Riverview Steel Co. Ltd.](#), the tariffs have led to higher costs “on both sides of the [Canada–U.S.] border,” and have caused the firm to reconsider its “future business practices.” [Welded Tube of Canada Corp.](#), which appeared as a witness, stressed that increased costs resulting from the tariffs have “strained” its relationships with U.S. customers and reduced its exports to the United States.

Impacts on the Levels of Production, Investment and Employment

Witnesses suggested that the section 232 tariffs have led—or could lead—to lower levels of production, investment and employment by Canada’s firms.

With a focus on production, [Gerdau Long Steel North America](#) stated that—in an effort to compete with U.S. firms that are not subject to the section 232 tariffs and that are trying to sell to its customers—it will shift production of some of its products to the United States, which will have negative consequences for the firm’s Canadian mills. In highlighting that it exports 90% of its products to the United States, [Patriot Forge Co.](#) mentioned that the tariffs are “making it difficult for ... operations to continue,” while [Welded Tube of Canada Corp.](#) commented that the tariffs have caused it to reduce production at its Welland, Ontario facility. [ArceleorMittal Dofasco](#) claimed that, along

with an increase in low-priced imports of steel into Canada, the tariffs could lead the country's steel production to decline, affecting more than 1,000 direct and 4,000 indirect jobs in Ontario and Quebec.

According to the [Canadian Steel Producers Association](#), the section 232 tariffs are an “unacceptable and immediate threat” to investment and employment in Canada's steel manufacturing sector. The [Aluminium Association of Canada](#) thought that two factors are making it difficult for Canada's aluminum firms to plan investments: tariff-related disruptions in the aluminum market; and uncertainty about whether the tariffs will remain in place.

Concerning employment, the [United Steelworkers](#) said that its members have been told that the section 232 tariffs will cause layoffs. [Janco Steel Ltd.](#) indicated that the tariffs have caused it to stop hiring workers, and observed that—in a worst-case scenario—it would have to consider laying off workers. As well, [ADF Group Inc.](#) and [Welded Tube of Canada Corp.](#) remarked that they have laid off workers at their U.S. and Canadian facilities because of the tariffs. In the view of [Unifor](#), which made comments as a witness, the tariffs could affect up to 40,000 Canadian jobs.

Access by Canada's Steel and Aluminum Firms to the U.S. Market

To increase access by Canada's steel and aluminum firms to the U.S. market, witnesses made proposals about eliminating the section 232 tariffs, completing the renegotiation of the *North American Free Trade Agreement*, replacing the tariffs with quotas, and establishing a testing procedure that would ascertain a steel product's origin.⁵

The [Canadian Chamber of Commerce](#) encouraged the Government of Canada to continue its use of the World Trade Organization's dispute-settlement process to challenge the section 232 tariffs, and to urge the Government of the United States to provide Canadian steel and aluminum products with a permanent exemption from the tariffs. In their appearances as witnesses, the [Canadian Association of Moldmakers](#), [GGG Structures Inc.](#) and [Tenaris](#) also advocated efforts to end the tariffs that are currently being applied on certain Canadian steel and aluminum products.

The [Canadian Chamber of Commerce](#), [Canadian Manufacturers & Exporters](#) and [Evraz](#), as well as the brief submitted to the Committee by the [Canadian Association of Importers and Exporters](#), proposed that the Government of Canada should work with

5 This section does not summarize the witnesses' proposals about the Government of Canada's countermeasures, current or desired Government assistance for the country's firms and workers that are affected by the tariffs, or steel safeguards. These topics are examined in later sections of the report.



the Governments of the United States and Mexico to conclude the renegotiation of the *North American Free Trade Agreement* that began in August 2017. [Janco Steel Ltd.](#) thought that a successor agreement would provide “an immediate solution” to the section 232 tariffs.

In making comments about the Canada–United States–Mexico Agreement⁶ that was announced on 30 September 2018 at the conclusion of the renegotiation of the North American Free Trade Agreement, the [Minister of Finance](#)—who appeared as a witness—indicated that the agreement would provide firms with the “certainty and confidence” that they need to continue investing in Canada.

In a written submission⁷ provided to the Committee following its appearance as a witness, Ocean Steel and Construction Ltd. mentioned that—in its opinion—the announcement about the Canada–United States–Mexico Agreement has given its customers certainty that the United States will not apply tariffs on Canada’s exports of fabricated structural steel. The [Aluminium Association of Canada](#) remarked that, because of the “principles” agreed to by Canada, the United States and Mexico, “the conditions are now in place for” the United States to stop applying the tariffs on certain Canadian steel and aluminum products.

The [United Steelworkers](#) had a different perspective, and described the Canada–United States–Mexico Agreement as “a failure” because Canada did not receive an exemption from the section 232 tariffs when the agreement was announced. Similarly, [UBS Industries](#)—which provided comments as a witness—expressed disappointment that the announcement did not lead to the removal of the tariffs. The United Steelworkers and the [St. Thomas and District Chamber of Commerce](#), which appeared as a witness, said that the Government of Canada should not sign the agreement until the tariffs cease to be applied on Canadian steel and aluminum products.

In the view of [Essar Steel Algoma Inc.](#), the Government of Canada should continue to negotiate a “complete exclusion” for Canadian steel and aluminum products from U.S. trade restrictions or—if such an exclusion is not feasible—pursue quotas as a replacement for the section 232 tariffs. As well, Essar Steel Algoma Inc. pointed out that

6 It seems to be the case that, by convention, each signatory to a free trade agreement tends to refer to that agreement by mentioning itself before the other signatories. The Government of the United States refers to the agreement that was signed by that country, Canada and Mexico on 30 November 2018 as the “United States–Mexico–Canada Agreement,” while the Government of Mexico references the agreement as “Tratado México–Estados Unidos–Canadá.” This report refers to the agreement as the “Canada–United States–Mexico Agreement,” which is the name that is commonly used by the Government of Canada.

7 This written submission is not available on the website of the House of Commons Standing Committee on International Trade [the Committee].

the Government should manage any such quotas, apply them on specific products, and allocate them to Canada's firms based on the historical volume of exports to the United States.

[Atlas Tube Inc.](#)—which appeared as a witness—suggested that the section 232 tariffs that are being applied on certain Canadian steel and aluminum products, as well as Canada's surtaxes,⁸ should be replaced with bilateral quotas. [Atlas Tube Inc.](#) emphasized that, in its view, the U.S. administration would be willing to agree to quotas for Canadian steel products, provided that they do not exceed the volume of Canada's steel exports to the United States in 2017.

[Welded Tube of Canada Corp.](#) noted that it would "reluctantly" support quotas if free trade between Canada and the United States in steel pipe and tube products is not possible. Among other suggestions, Welded Tube of Canada Corp. believed that there should be separate quotas for particular categories of pipe and tube products, and highlighted that firms that produce these products should be consulted before the Government of Canada agrees to any quotas.

The [United Steelworkers](#) described quotas as a "voluntary export restraint," and said that they "are not the solution." According to the United Steelworkers, any quotas based on the historical volume of exports would provide Canada's firms with only limited access to the U.S. market because the country's steel exports to the United States have been "negatively impacted" by global production overcapacity. [ASW Steel Inc.](#) commented that trade-restrictive quotas on steel would "limit" the growth of Canada's steel exports to the United States and prevent investment in Canada's firms. The [Aluminium Association of Canada](#) mentioned that it is opposed to quotas, including because they would restrict export growth, and added that they would be "one of the worst things that can happen to Canada, in terms of aluminum production."

In providing a different perspective about steel quotas, [Essar Steel Algoma](#) maintained that a quota-based system that is based on the Canada–United States–Mexico Agreement's exemption for certain export volumes of Canadian automobiles and their parts would "provide sufficient growth opportunities."⁹

8 On 1 July 2018, the Government of Canada responded to the section 232 tariffs by imposing countermeasures in the form of surtaxes on imports of certain U.S. products. The surtaxes are discussed in another section of the report.

9 According to a side letter to the Canada–United States–Mexico Agreement, if the United States uses section 232 of the *Trade Expansion Act of 1962* either to apply tariffs on or to restrict imports of certain passenger vehicles, light trucks or auto parts, each year it will exclude the following Canadian products from the tariffs or import restriction: 2.6 million passenger vehicles; all light trucks; and US\$32.4 billion of auto parts.



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In claiming that the Government of the United States has imposed tariffs on certain Canadian steel products because it believes that they are made from Chinese steel, the brief submitted to the Committee by [Energy Engineering Ltd.](#) proposed a testing procedure that would ascertain the origin of steel products that are exported from Canada to the United States. Energy Engineering Ltd. thought that President Trump might agree to end the application of section 232 tariffs on products that, on the basis of the testing procedure, are determined to be made from Canadian steel.

CANADA'S SURTAXES ON CERTAIN STEEL, ALUMINUM AND OTHER U.S. PRODUCTS

On 1 July 2018, the Department of Finance imposed countermeasures in the form of surtaxes on “up to [\$16.6 billion] in imports of steel, aluminum, and other products from the U.S., representing the value of 2017 Canadian exports affected by section 232 tariffs.” According to the Department of Finance, these surtaxes will remain in place until the United States eliminates “its trade-restrictive measures against Canada.”

Later that month, on 11 July 2018, the Department of Finance announced “a framework and process” according to which the Government of Canada will consider remission requests when a product on which the surtaxes are being applied is in “short supply in the domestic market,” when a domestic firm has a contractual requirement that existed before 31 May 2018 to use U.S. steel and aluminum in its products or projects, or when remission is needed to address “exceptional circumstances” that can have “severe adverse impacts” on Canada’s economy.

On 11 October 2018, on the recommendation of the Minister of Finance, the Governor in Council issued a surtax remission order. The order provides for the remission of some surtaxes that the Government of Canada implemented on 1 July 2018, under specific circumstances. For example, the order applies in relation to surtaxes paid or payable on steel and aluminum products listed in Schedule 1 or Schedule 2 of the order, as well as on certain other products.

The Committee’s witnesses spoke about: the impacts of the Government of Canada’s surtaxes on Canada’s federal government, firms and workers; the payment of surtaxes; the products on which the surtaxes should be applied; and measures to support Canada’s firms that are affected by the surtaxes, such as surtax remissions, duty drawbacks and duties relief.

Impacts on Canada’s Federal Government, Firms and Workers

Witnesses discussed the extent to which Canada’s surtaxes could encourage the United States to provide an exemption from the section 232 tariffs, support firms and workers in Canada’s steel and aluminum sectors, and increase operating costs and cause other business disruptions. In describing the implications of higher operating costs, they spoke about sales, competitiveness, investment, employment, and the closure and relocation of production facilities.



The [Minister of Finance](#) noted that Canada's surtaxes will help the Government of Canada to "negotiate" a resolution to the section 232 tariffs with the Government of the United States. Likewise, [ArcelorMittal Dofasco](#) highlighted that the "pain" that the surtaxes are causing will encourage Americans to support the removal of the tariffs in exchange for the elimination of the surtaxes.

The [Canadian Steel Producers Association](#) stated that its members "strongly support" Canada's surtaxes on steel and aluminum, which were described as "an essential step in supporting" Canada's steel firms and workers, and as "an appropriate and proportional response" to the section 232 tariffs. Similarly, the [United Steelworkers](#) supported the surtaxes, and [Unifor](#) characterized retaliation as a necessary response to the tariffs, but highlighted that the surtaxes will be insufficient to "keep ... factories running or ... workers employed."

[Canadian Manufacturers & Exporters](#) said that Canada's manufacturers support the country's surtaxes, but are concerned that "they will have a major impact on their business especially if the tariff fight is prolonged or intensified." As well, the [Canadian Association of Importers and Exporters](#) mentioned that many of Canada's small and medium-sized firms may be unable to survive the "higher costs" and other business disruptions that are resulting from the country's surtaxes.

[Boart Longyear](#), [Cedomatec Inc.](#) and [Onward Manufacturing Company Ltd.](#), which appeared as witnesses, and [Apollo Machine & Welding Ltd.](#), [Associated Materials Inc.](#), [Bunch Welding Ltd.](#), [DSI Underground Canada Ltd.](#), Mars Wrigley Confectionery,¹⁰ the [Rapid-Span Group of Companies](#) and the [Retail Council of Canada](#), which submitted briefs to the Committee, were among the witnesses pointing out that Canada's surtaxes will increase their operating costs. For example, Apollo Machine & Welding Ltd. estimated that it will have to pay more than \$3 million annually in surtaxes on its imported production inputs, and commented that it will require its customers to pay for these additional costs. The Retail Council of Canada observed that its members will have to pay surtaxes on some of their imported consumer goods, at an annual expected cost of around \$600 million, and stated that the surtaxes could lead to higher prices.

[Constructions Proco Inc.](#), which appeared as a witness, and [Medallion Fence Ltd.](#), which submitted a brief to the Committee, as well as the [Rapid-Span Group of Companies](#), mentioned that they are unable to have their customers pay the cost of Canada's surtaxes because contracts were completed before the surtaxes began to be applied.

10 Mars Wrigley Confectionery provided its comments in a written submission that does not appear on the the Committee's website.

Among others, [Bohne Spring Industries Ltd.](#), which appeared as a witness, and [Clover Tool Mfg. Ltd.](#), [LZB Enterprises Ltd.](#), [National Marine Manufacturers' Association Canada](#) and [R & R Reinforcing Ltd.](#), which submitted briefs to the Committee, as well as [Associated Materials Inc.](#), suggested that Canada's surtaxes might lead, or have led, to reduced sales. For instance, Bohne Spring Industries Ltd. noted that, if it raises its prices in response to the surtaxes, the higher prices may induce its customers to buy from "offshore" competitors.

[Ellwood Specialty Metals](#) and [Iafrate Machine Works Ltd.](#), which appeared as witnesses, and [3M Company Canada](#) and [Blue Imp Recreational Products Canada](#), which submitted briefs to the Committee, as well as [Apollo Machine & Welding Ltd.](#), [Boart Longyear](#), [Canam Group](#), [Mailhot Industries](#), [Ocean Steel and Construction Ltd.](#), [Onward Manufacturing Company Ltd.](#), [Patriot Forge Co.](#), the [Rapid-Span Group of Companies](#) and [UBS Industries](#), were among the witnesses highlighting reduced competitiveness as a potential result of Canada's surtaxes. For example, Iafrate Machine Works Ltd. and Ellwood Specialty Metals commented that the surtaxes that are being applied on their purchases of production inputs have increased the prices that they charge, thereby reducing their customers' competitiveness. As well, Mailhot Industries pointed out that the surtaxes have made it less competitive in relation to its foreign counterparts, which do not pay surtaxes on their production inputs and can sell the finished goods to customers in Canada tariff-free.

Among others, [Cedomatec Inc.](#), [Clover Tool Mfg. Ltd.](#), [DSI Underground Canada Inc.](#), [LZB Enterprises Ltd.](#), [Mailhot Industries](#), Mars Wrigley Confectionery, [National Marine Manufacturers Association Canada](#) and [Rapid-Span Group of Companies](#) said that, if they have not already done so, Canada's surtaxes will reduce or delay investments in Canadian operations or might cause job losses. For instance, Cedomatec Inc. spoke about its decision to delay investments that would have increased its productivity and competitiveness, while Clover Tool Mfg. Ltd. remarked that it has cancelled or delayed all of its investment projects for 2018 and the first half of 2019. DSI Underground Canada Inc. maintained that it might lay off some of its highly skilled employees if the surtaxes cause it to lose sufficient market share.

[JNM Group of Companies and Windsor Metal Technologies Inc.](#) and the [NARMCO Group](#), which submitted briefs to the Committee, as well as [Medallion Fence Ltd.](#), [National Marine Manufacturers' Association Canada](#), [Patriot Forge Co.](#), the [Rapid-Span Group of Companies](#) and [Riverview Steel Co. Ltd.](#), were among the witnesses indicating that some of Canada's firms might close or relocate their operations as a result of Canada's surtaxes. For example, JNM Group of Companies and Windsor Metal Technologies Inc. suggested that it might terminate its operations because the surtaxes could result in



reduced profit margins. Similarly, the Rapid-Span Group of Companies mentioned that the surtaxes have raised its production costs and might threaten its viability.

Concerning the relocation of production, [Riverview Steel Co. Ltd.](#) contended that Canada's surtaxes will raise production costs for the country's firms, which could lead some of them "to move production out of Canada to the [United States] and Mexico." Likewise, the [NARMCO Group](#) stated that Canada's firms in the metal stampings sector "cannot manage the increased costs of the surtax[es]," and could relocate production to these countries. As well, [Constructions Proco Inc.](#) noted that it might move its operations to a country where steel "is more easily available" than in Canada.

Regarding business disruptions other than increased operating costs, the brief submitted to the Committee by the [Canadian Society of Customs Brokers](#) commented that Canadian importers and their customs brokers have had difficulty complying with Canada's surtaxes, partly because the surtaxes were implemented "only 36 hours" after the Government of Canada issued both the final list of products on which, and the customs notice indicating the manner in which, the surtaxes would be applied.

[Canam Group](#) observed that shipments of Canadian steel plate have been delayed and orders must be placed months before the delivery date because the surtaxes have increased demand for this product, which is produced domestically by only one firm. Likewise, [Ocean Steel and Construction Ltd.](#) pointed out that, while it should have received its order of Canadian steel plate by mid-August 2018, no delivery had been made by 23 October 2018.

Surtax Payments

In speaking about paying Canada's surtaxes on their imports of certain U.S. products, witnesses focused on the ability of Canada's firms to avoid such payments, the domestic supply of these products, and the time required to locate non-U.S. suppliers and to purchase such products from them.

The [Association Maritime du Québec](#), the [Atlantic Marine Trades Association](#), the [Boating BC Association](#), [Boating Ontario](#), the [Mid-Canada Marine Dealers Association](#) and the [National Marine Manufacturers' Association Canada](#), [Canadian Tool & Die Ltd.](#), [Cannon Bar Works Ltd.](#), [La-Z-Boy Furniture Galleries](#), [Springland Mfg.](#) and [Wilderness Supply Co. Ltd.](#), which submitted briefs to the Committee, as well as [ADF Group Inc.](#), [Blue Imp Recreational Products Canada](#), the [Canadian Association of Importers and Exporters](#), [Iafrate Machine Works Ltd.](#), [Mailhot Industries](#), [Medallion Fence Ltd.](#), [Ocean](#)

[Steel and Construction Ltd.](#) and [UBS Industries](#), suggested that Canada's surtaxes are being applied on certain U.S. products that are unavailable from domestic sources.

The joint brief submitted to the Committee by the [Association Maritime du Québec, the Atlantic Marine Trades Association, the Boating BC Association, Boating Ontario, the Mid-Canada Marine Dealers Association and the National Marine Manufacturers' Association Canada](#) remarked that Canada's manufacturers cannot provide the country's recreational boat dealers with the recreational boats that are imported from the United States and on which they are paying Canada's surtaxes. As well, [La-Z-Boy Furniture Galleries](#) stated that a 10% surtax is being applied on its main product line, which represents 85% of its sales revenues and cannot be sourced from Canadian suppliers because of contractual obligations to make purchases from "La-Z-Boy, its affiliated companies, and approved third-party suppliers."

The [Canadian Association of Importers and Exporters](#) observed that changes that would allow Canada's firms to avoid the country's surtaxes on certain U.S. production inputs "can take months to set up." [Mailhot Industries](#) mentioned that it is trying to buy certain inputs from Asia to avoid paying the surtaxes, but pointed out that obtaining these supplies "cannot be done overnight." Similarly, [Cedomatec Inc.](#), [Canadian Tool & Die Ltd.](#) and [MBI Drilling Products](#) said that finding non-U.S. suppliers of products on which the surtaxes are currently being applied could take months or years. [R & R Reinforcing Ltd.](#) reported that the surtaxes are leading it to purchase "reinforcing steel" from non-U.S. sources, which will cause delays and lost sales.

Products on Which Canada's Surtaxes Are Applied

Witnesses identified products on which they believed that the Government of Canada should or should not apply surtaxes. In addition to providing general comments, they spoke about such specific products as aluminum welding electrodes, steel plate and tubing, adhesives, boats, and insecticides, herbicides, fungicides and other crop protection products.

According to the [Canadian Steel Producers Association](#) and [ArcelorMittal Dofasco](#), exemptions from Canada's surtaxes on steel should be considered only when a particular product cannot "be reasonably sourced" from non-U.S. suppliers. The Canadian Steel Producers Association thought that any process for "relief for exemptions" should be administered "transparently and in full consultation with" Canada's steel producers. Moreover, the Canadian Steel Producers Association claimed that exemptions should not be given in relation to the products of U.S. firms that



publicly support the application of section 232 tariffs on certain Canadian steel and aluminum products.

[Clover Tool Mfg. Ltd.](#), [Onward Manufacturing Company Ltd.](#) and [LZB Enterprises Ltd.](#) suggested that the Government of Canada should end its surtaxes. Similarly, [Cedomatec Inc.](#) proposed that the surtaxes should be eliminated in relation to imports of U.S. steel and aluminum products, and [lafrate Machine Works Ltd.](#) advocated removing the surtaxes on steel products. The [Canadian Society of Customs Brokers](#) remarked that the Government should take several actions: cease applying the surtaxes on goods valued at less than \$20.00; improve the quality and timing of information that the Government provides to the private sector about any future surtaxes; and before customs notices regarding surtaxes are published, consult the Canadian Society of Customs Brokers.

With a specific focus on aluminum welding electrodes, the brief submitted to the Committee by [Nexal Aluminum Inc.](#) commented that Canada's surtaxes are not being applied on these products because certain distributors told the Government of Canada that there is no domestic supplier of aluminum wire.¹¹ In observing that there are two manufacturers of aluminum welding electrodes in Canada, Nexal Aluminum Inc. encouraged the Government to apply surtaxes on imports of these products from the United States.

[Ocean Steel and Construction Ltd.](#) proposed that the Government of Canada should allow Canada's firms to not pay the country's surtaxes on imports of designated quantities of U.S. steel plate until they receive shipments of steel plate from domestic manufacturers, while [Cannon Bar Works Ltd.](#) urged the Government not to collect surtaxes on the steel alloy that it imports.¹² The [Rapid-Span Group of Companies](#) thought that surtaxes should not be applied on certain specialty-grade U.S. steel products,¹³ and believed that a "reprieve" from the surtaxes for a period of six to nine months should be implemented if such an exemption is not possible. [Medallion Fence Ltd.](#) maintained that the Government should not apply surtaxes on a particular U.S. steel

11 Aluminum welding electrodes are included in the product category 7605.29 of the Harmonized System (HS) product classification nomenclature; this category includes certain types of aluminum wire.

12 The particular alloy is [SAE 4140](#).

13 The specific products are those of the following HS product categories: 7225.40; 7226.91; 7228.30; and 7228.70.

tubing product,¹⁴ while [3M Company Canada](#) requested an exemption for either all adhesives¹⁵ or for all industrial users.

The [National Marine Manufacturers' Association Canada](#) suggested that the Government of Canada should not apply the country's surtaxes on recreational boats. As well, [Wilderness Supply Co. Ltd.](#) said that canoes, kayaks and certain other personal, non-motorized recreation vessels should be removed from the list of products on which the surtaxes are being applied.

In supporting the Government of Canada's decision to exclude fresh fruits and vegetables from the country's surtaxes, the brief submitted to the Committee by the [Canadian Horticultural Council](#) stated that the Government should not collect surtaxes on insecticides, herbicides, fungicides and other crop protection products that have commercial applications. In the view of [GGS Structures Inc.](#), the surtaxes being applied on insecticides, herbicides and fungicides might affect its customers' profitability and their ability to expand their operations.

Surtax Remissions, Duty Drawbacks, Duties Relief and Other Federal Measures

Witnesses provided general comments about surtax remissions, duty drawbacks, duties relief and other Government of Canada measures that can assist Canada's firms that are paying the country's surtaxes, and specifically discussed the extent to which these measures provide financial support expediently and according to processes that are easy for the firms to understand and complete.

The [Department of Finance](#), which appeared as a witness, indicated that there is a framework for surtax remission requests, with requests being considered in such instances as a product's limited domestic supply. In addition, the [Department of Finance](#) observed that it regularly communicates with Canada's firms that have submitted such requests.

The [Minister of Finance](#) reported that—as of 16 October 2018—the Department of Finance had received 135 surtax remission requests and had approved 50; according to the [Department of Finance](#), 35 of the approvals were linked to firms that are small or medium in size. The Minister of Finance stressed that remission allows relief from Canada's surtaxes to be provided retroactively to the date of the surtaxes'

14 The specific steel tubing products belong to the 7306.61.00.20 HS product category.

15 The specific adhesives are those of the 3506.01 HS product category.



implementation. As well, the [Minister of Finance](#) pointed out that—as an additional form of support for Canada’s firms that are paying the surtaxes—the Government of Canada will create a committee that will interact with these firms regarding “domestic supply challenges” resulting from the surtaxes.

The [Canada Border Services Agency](#), which appeared as a witness, observed that demand for the duty drawback and duties relief programs that it administers has increased “significantly” since Canada began to apply surtaxes on certain U.S. products. According to the Canada Border Services Agency, these programs allow approved firms to import goods duty-free, provided that those goods are re-exported within a designated period of time.

The [United Steelworkers](#) said that the Government of Canada’s surtax remissions will help the country’s small and medium-sized manufacturing firms that are affected by surtax-induced price increases to avoid layoffs, thereby benefiting employees. [Beer Canada](#), which appeared as a witness, described the Government’s decision to remit the surtaxes applied on aluminum beer cans as a “positive development” for Canada’s beer producers and their customers, and maintained that the Government “took appropriate action” and provided “necessary relief to help protect the competitiveness of Canada’s brewing [sector].” [Mailhot Industries](#) described the Government’s decision to remit the surtaxes applied on some of the products that it buys as a “positive” outcome.

In the view of [Bohne Spring Industries Ltd.](#), while the Government of Canada’s 11 October 2018 announcement about surtax remissions is a positive development, the list of products that are eligible for remission is incomplete because some of the products that it regularly purchases and cannot obtain locally are excluded. In noting that remissions are already given in relation to some of its inputs, [Ellwood Specialty Metals](#) indicated that it would like the Government to issue additional remissions for the surtaxes that are applied on certain specialty steel products. [MBI Drilling Products](#) thought that the Government should remit the surtaxes applied on the products that the firm identified in its surtax remission request.

[LZB Enterprises Ltd.](#) stated that it is ineligible for the Government of Canada’s “surtax relief” initiatives, and remarked that these initiatives seem to be limited to firms in the aluminum, steel and manufacturing sectors. [Armo Tool Limited](#) and [MacDougall Steel Erectors Inc.](#), which appeared as witnesses, as well as [Constructions Proco Inc.](#), said that they are unable to obtain surtax remissions, duty drawbacks or duties relief because they purchase inputs from distributors that pass the cost of Canada’s surtaxes along to their customers without disclosing that specific cost on their invoices.

Concerning the timelines for making decisions about surtax remission requests, the [Minister of Finance](#) indicated that the amount of time required to process such requests varies because research is sometimes required before a decision can be made. He pointed out that, once the Government of Canada approves a firm's request in relation to the products identified in its application, other firms can obtain a surtax waiver on an expedited basis for their imports of those products. The [Canada Border Services Agency](#) highlighted that it takes an average of 23 and 45 days to process an application for the duty drawback and duties relief programs, respectively, which are below these programs' service standard of 90 days. As well, the [Canada Border Services Agency](#) commented that the application forms for the duty drawbacks and duties relief programs are one and two-and-one-half pages long, respectively.

The brief submitted jointly to the Committee by the [WindsorEssex Economic Development Corporation, the Windsor-Essex Regional Chamber of Commerce and the Workforce Development Board Windsor Essex](#) stressed that surtax remission requests and duty deferral applications should be processed expediently because a period of six or more months to process a request "would seriously impede the operations" of small and medium-sized firms. According to the [Automotive Parts Manufacturers' Association](#), which appeared as a witness, small and medium-sized firms have limited financial resources and, relative to larger firms, must receive drawbacks more quickly in order to avoid cash shortages. [JNM Group of Companies and Windsor Metal Technologies Inc., Riverview Steel Co. Ltd. and the NARMCO Group](#) emphasized a need for "timely and positive" decisions on surtax remission requests.

[Court Holdings Manufacturing Ltd.](#), which appeared as a witness, described the process for obtaining duty drawbacks as "expensive" and "time-consuming." In the view of [Bohne Spring Industries Ltd.](#), the surtax remissions process is "far too onerous" for many of Canada's firms, especially those that are small in size. In suggesting that the country's firms find it "very cumbersome" to apply for federal programs that provide financial support to those that pay surtaxes, the [Canadian Tool & Die Ltd.](#) mentioned that, if Canada's manufacturers cannot "obtain relief" from Canada's surtaxes, then the revenue that the Government of Canada collects from applying those surtaxes should be provided to the country's firms that are affected by them.

In commenting on its own experience regarding surtax remission, [UBS Industries](#) provided a different perspective, describing the process of requesting and receiving its surtax remission as thorough, fair and transparent, and as having "worked extraordinarily well" and exceeded expectations. UBS Industries noted that Department of Finance officials were "extremely responsive" and "sympathetic." Similarly, [Central Wire Industries](#) maintained that—for it—the process was clear and simple.



FEDERAL MEASURES FOR CANADA'S FIRMS AND WORKERS AFFECTED BY THE U.S. SECTION 232 TARIFFS

To date, the Government of Canada has adopted a number of measures designed to support Canada's firms and workers affected by the section 232 tariffs. For example, on 29 June 2018, the Government of Canada [announced](#) up to \$2 billion in measures "to defend and protect the interests of Canadian workers and businesses in the steel, aluminum and manufacturing industries." The funding will be allocated to commercial financing and insurance for firms, [Strategic Innovation Fund](#) initiatives designed to facilitate investments by Canada's steel and aluminum firms in such areas as new equipment, technologies and processes, workforce training related to some of these investments, export market diversification, and [labour market development agreements](#) and [work-sharing agreements](#).

Prior to that announcement and recognizing that the section 232 tariffs could cause a diversion of steel from the U.S. market, on 26 April 2018, Prime Minister Justin Trudeau [announced](#) funding of \$30 million over five years, and \$6.8 million annually thereafter, to "strengthen Canada's trade enforcement." At that time, it was indicated that—among other uses—the funds would permit the Canada Border Services Agency to hire more than 40 new officers to investigate trade complaints.

As well, on 11 October 2018, the Department of Finance [announced](#) the Government of Canada's imposition of provisional safeguards on imports of seven steel products, and its request that the Canadian International Trade Tribunal investigate whether final safeguards are warranted; if the Canadian International Trade Tribunal finds that they are warranted, it will recommend appropriate remedies. The provisional safeguards—a 25% surtax on imports that exceed a specific quantity—are not being applied on imports from such countries as Chile, Israel, the United States and certain developing countries. They will remain in place for 200 days, pending the Canadian International Trade Tribunal's findings and recommendations.

The Committee's witnesses made a number of proposals about support that the Government of Canada could provide to Canada's firms and workers affected by the section 232 tariffs. As well, they commented on measures that the Government has announced regarding enforcement of Canada's trade remedy laws and steel safeguards.

Proposed Federal Support for Canada's Firms and Workers

In discussing ways in which the Government of Canada could assist the country's firms and workers affected by the section 232 tariffs, witnesses made general suggestions and described specific measures relating to financial assistance for firms, diversification of export markets, demand for Canadian goods and services, work-sharing agreements and employment insurance, worker training, a jobs impact assessment, and steel dumping and safeguards.

The [WindsorEssex Economic Development Corporation, the Windsor-Essex Regional Chamber of Commerce and the Workforce Development Board Windsor Essex](#) maintained that the Government of Canada should support firms of all sizes "across the manufacturing value chain" that are "seriously affected" by the section 232 tariffs and Canada's countermeasures. The [United Steelworkers](#) thought that the Government should provide assistance to workers in the communities most affected by the tariffs, while the [Canadian Labour Congress](#)—which appeared as a witness—believed that support should be provided to workers in small communities, as well as to those in Canada's steel- and aluminum-related sectors.

With a focus on financial assistance, the [Canadian Labour Congress](#) proposed loan guarantees for Canada's small and medium-sized firms, while [Unifor](#) encouraged the Government of Canada to consider providing such guarantees to help the country's firms negatively affected by the section 232 tariffs to "stay afloat" and "modernize [their] production processes." The brief submitted to the Committee by the [Brampton Board of Trade](#) suggested that the Business Development Bank of Canada should provide low-interest loans "to address the cash-flow needs [of] affected businesses."

[ADF Group Inc.](#) supported a proposal made by [Janco Steel Ltd.](#) about the section 232 tariffs: the Government of Canada should provide the country's steel and aluminum firms with assistance totalling 50% of the amount of tariffs that have been paid on their exports to the United States, with this assistance funded from the revenue generated by the Government's countermeasures. [ASW Steel Inc.](#) thought that the Government should "redistribute tariff funds" to Canada's firms affected by the section 232 tariffs.

[Canadian Manufacturers & Exporters](#) stated that the revenue generated by the Government of Canada's countermeasures should be used to finance investment support initiatives. In mentioning that "it takes forever" for Canada's firms to receive Strategic Innovation Fund assistance after they make an application, [Canadian Manufacturers & Exporters](#) proposed that the Government should instead use tax measures to support the country's manufacturers that require "immediate relief" as a consequence of the section 232 tariffs. As well, [Canadian Manufacturers & Exporters](#)



suggested that the Government should create “an emergency relief fund” for Canada’s firms adversely affected by the section 232 tariffs, and immediately provide them with “financial compensation packages” that could include both direct support and “holidays” from payroll and other taxes.

The [Brampton Board of Trade](#) thought that, in response to the section 232 tariffs, the Government of Canada should make efforts to help the country’s manufacturers maximize trade opportunities and access new export markets. The [Canadian Association of Importers and Exporters](#) urged the Government to expedite its negotiation, ratification and implementation of a Canada–Mercosur free trade agreement, a Canada–Pacific Alliance free trade agreement, and the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*.¹⁶

To increase demand for domestically produced goods and services, the [Canadian Labour Congress](#) advocated measures to “prioritize the use of Canadian-made steel and aluminum for energy projects within Canada.” As well, [ASW Steel Inc.](#) commented that the Government of Canada should both implement “buy Canadian” incentives for steel that is “melted” domestically, and instruct its procurement agencies to purchase Canadian—instead of foreign—steel. [ASW Steel Inc.](#) also thought that the Government should provide Canada’s small and medium-sized firms with grants to enhance their ability to manufacture products that are not currently made here.

In the view of [Unifor](#), the Government of Canada should consider “enhanced work-sharing and other employment insurance top-up measures.” Both the [United Steelworkers](#) and the [Canadian Labour Congress](#) supported an extension to the maximum duration of work-sharing agreements and employment insurance benefits, with the United Steelworkers also suggesting a reduction in the number of working hours that determines an employee’s eligibility for such benefits and the Canadian Labour Congress calling for measures to support workers who move to find employment. [ADF Group Inc.](#) believed that its work-sharing agreement, which it described as beneficial, should be extended.

With a focus on worker training, the [Canadian Labour Congress](#) urged the Government of Canada to work with the provinces to ensure that additional funds are available to help workers improve their skills. [Canadian Manufacturers & Exporters](#) mentioned that

16 On 25 October 2018, Bill C-79, An Act to implement the Comprehensive and Progressive Agreement for Trans-Pacific Partnership between Canada, Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, received Royal Assent. The *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* entered into force for Canada and five other countries on 30 December 2018.

its proposed financial compensation package for Canada's firms negatively affected by the section 232 tariffs could include support for worker training.

As well, the [Canadian Labour Congress](#) asked the Government of Canada to complete a "comprehensive jobs impact assessment" of the "unjustified and unwarranted" section 232 tariffs to inform the ongoing development and implementation of assistance measures for Canada's firms and workers.

To address the dumping of foreign steel into the Canadian market, as well as imports of steel that have been diverted from the United States because of the section 232 tariffs, the [Canadian Labour Congress](#) called for "action" by the Canadian International Trade Tribunal and the Canada Border Services Agency, as well as for enhanced resources for "border agents and inspections."

In speaking about Canada's steel imports, [Canadian Manufacturers & Exporters](#) and [ArcelorMittal Dofasco](#) suggested that the Government of Canada should implement steel safeguards immediately. Similarly, the [Canadian Steel Producers Association](#) characterized such safeguards as "appropriate," and [Essar Steel Algoma Inc.](#) claimed that they are necessary. According to [Tenaris](#), such safeguards are urgently needed and would help Canada's steel firms to bring workers "back to work" by reducing import volumes "to the level that existed before there was a surge in imports."

The brief submitted to the Committee by the [Canadian Coalition for Construction Steel](#) identified various reasons why it feels that the Government of Canada should not implement a global safeguard on construction steel. The Canadian Coalition for Construction Steel believed, for example, that such a safeguard would reduce the supply of construction steel, which would put upward pressure on its price, "jeopardize residential, commercial, and public infrastructure projects," and result in the loss of "[t]ens of thousands of well-paying jobs." As well, the Canadian Coalition for Construction Steel maintained that there is no credible evidence that construction steel imports have surged and are causing—or are threatening to cause—serious injury to Canada's construction steel producers.

Existing Federal Measures for Canada's Firms and Workers

In speaking about the measures that the Government of Canada announced in June 2018 for Canada's firms and workers affected by the section 232 tariffs, witnesses provided comments about financial support, the Strategic Innovation Fund, export market diversification, labour-sharing agreements and labour market development



agreements. Moreover, witnesses mentioned the announcements about resources for the Canada Border Services Agency and provisional steel safeguards.

The [United Steelworkers](#) described the federal measures that were announced in June 2018 as a “good first step,” and emphasized that support for Canada’s firms should be both based on clear eligibility criteria and provided “across the entire supply chain,” including to “downstream” sectors that use steel and aluminum.

Regarding financial support, the [Minister of Finance](#) reported that—between 29 June 2018 and 16 October 2018—the Business Development Bank of Canada and Export Development Canada had provided financing of \$131 million and \$44 million, respectively, to Canada’s firms affected by the section 232 tariffs.

[Export Development Canada](#), which made comments as a witness, indicated that it has made more than \$900 million available in lending and insurance support to Canada’s steel and aluminum firms, while the [Business Development Bank of Canada](#)—which also appeared as a witness—said that it has made \$800 million in financing available, on commercial terms, to Canada’s “higher-risk but viable” firms that are affected by the section 232 tariffs. According to the Business Development Bank of Canada, this funding is designed to help Canada’s steel and aluminum firms—especially those that are small or medium in size—expand into new markets, increase the efficiency of their operations, and purchase new equipment and technology. The Business Development Bank of Canada also mentioned its collaboration with Export Development Canada to make existing and potential clients aware of the availability of the financing.

The [United Steelworkers](#) supported the loans and loan guarantees that the Government of Canada is providing through the Business Development Bank of Canada and Export Development Canada to Canada’s firms affected by the section 232 tariffs. From a different perspective, [Court Holdings Manufacturing Limited](#) observed that it does not need federal loans. Similarly, the [Canadian Association of Moldmakers](#) stressed that firms do not need such loans because they are able to obtain financing from banks, and claimed that the financial support that the Business Development Bank of Canada and Export Development Canada are providing will not have the “positive impact” that the Government anticipates.

The [WindsorEssex Economic Development Corporation, the Windsor-Essex Regional Chamber of Commerce and the Workforce Development Board Windsor Essex](#) maintained that the \$800 million that the Business Development Bank of Canada has made available to Canada’s firms affected by the section 232 tariffs does not include support for manufacturers of metalworking machinery and industrial moulds. The [Business Development Bank of Canada](#) emphasized that it is willing to support every

small and medium-sized firm that has a “vision to adapt” and needs help to diversify its markets and enhance its efficiency.

In discussing the Strategic Innovation Fund’s support for Canada’s firms affected by the section 232 tariffs, [Innovation, Science and Economic Development Canada](#) stated that the fund is designed to help large firms, and identified two eligibility criteria: applicants must have at least 200 workers; and applicants must need funding for an investment valued at not less than \$10 million. [Global Affairs Canada](#), which made comments as a witness, believed that the Strategic Innovation Fund is providing “critical” support to the country’s “largest” steel and aluminum firms.

[Essar Steel Algoma](#) expressed support for the Strategic Innovation Fund, and identified its intention to submit an application for funding. However, the [Canadian Association of Moldmakers](#) claimed that this fund is “falling short” in its support for Canada’s firms affected by the section 232 tariffs, and urged the Government of Canada to make Strategic Innovation Fund support available to steel and aluminum foundries.

As well, the [Canadian Association of Moldmakers](#) observed that the \$10 million investment threshold makes most of Canada’s small and medium-sized firms ineligible for funding. The [WindsorEssex Economic Development Corporation](#), the [Windsor-Essex Regional Chamber of Commerce and the Workforce Development Board Windsor Essex](#) made a similar observation. [Armo Tool Ltd.](#) proposed that the Government should both provide funding for small projects, and allow accelerated capital cost allowances for purchases of capital equipment for processing steel and aluminum.

[Global Affairs Canada](#) highlighted that the Government of Canada’s support for the country’s firms affected by the section 232 tariffs includes \$50 million for export diversification, and indicated that its Trade Commissioner Service can work with Canada’s firms of all sizes to help them diversify their export markets. The [St. Thomas Economic Development Corporation](#), which appeared as a witness, described export market diversification as “absolutely critical,” and commented that trade agreements are beneficial for businesses in St. Thomas, Ontario.

In its appearance as a witness, [Employment and Social Development Canada](#) pointed out that—as part of the federal measures announced in June 2018—\$25 million is being allocated to “temporary special work-sharing” measures that allow employers to make an application to extend the maximum duration of their work-sharing agreements. Employment and Social Development Canada noted that, as of 4 October 2018, it had signed 13 work-sharing agreements with firms and workers affected by the section 232 tariffs, thereby helping nearly 700 workers and preventing 300 layoffs. According to Employment and Social Development Canada, the Government of Canada’s work-



sharing program is particularly helpful for small and medium-sized firms, which sign the majority of work-sharing agreements. As well, Employment and Social Development Canada observed that the \$50 million in funding for labour market development agreements with the provinces and territories will ensure that various supports are available to affected workers to help them “transition to new work,” including counselling, assistance with job search, skills training and “targeted” wage subsidies.

The [United Steelworkers](#) maintained that supports for workers comprise a “relatively small portion” of the federal measures that were announced in June 2018, and should be “strengthened.” In providing specific examples, the United Steelworkers suggested that the funding for labour market development agreements might be “insufficient,” and advocated measures that would provide earnings supplements, pension bridging and early retirement for affected workers. As well, the United Steelworkers urged ongoing communication between the Government of Canada and unions to ensure that an “adequate assessment” occurs of both the impacts of the section 232 tariffs on Canada’s firms and workers, and the effectiveness of the Government’s assistance for them.

The [Canada Border Services Agency](#) highlighted that it is using the new funding that the Government announced in April 2018 to hire additional trade enforcement officers, who will conduct anti-dumping investigations and monitor compliance with the country’s trade remedy laws. The [Canada Border Services Agency](#) reported that, as of 18 October 2018, it had hired 10 new officers. [Tenaris](#) thought that this new funding will provide “important resources” to the Canada Border Services Agency, which could be used to “discipline” firms that “unfairly” export to Canada.

In stating that Canada’s imports of certain steel products from some countries have reached “an unusually high level,” the [Minister of Finance](#) said that the provisional steel safeguards that the Government of Canada announced on 11 October 2018 will provide Canada’s steel firms and workers with “relief from the harm” that has been caused by “excessive imports of foreign steel products.” The [Department of Finance](#) mentioned that the safeguards are being implemented as tariff-rate quotas, with a 25% tariff applied on imports of seven steel products that exceed specific volumes.

The [United Steelworkers](#) mentioned its support for the Government of Canada’s steel safeguards. [ASW Steel Inc.](#) described the safeguards as “very appropriate,” but commented that it will not benefit from them because its products are not among the seven steel products on which the safeguards are being applied.

According to [Atlas Tube Inc.](#), the Government of Canada’s steel safeguards will help to mitigate the U.S. administration’s concern about U.S. imports of steel that are transhipped through Canada. However, in suggesting that Canada is “awash in dumped

steel,” [Atlas Tube Inc.](#) also remarked that the safeguards will allow those products to continue “to flood” Canada’s steel market. Atlas Tube Inc. emphasized that the Government should implement quotas on steel imports from countries other than the United States and Mexico, with quotas limiting such imports to a level that is 30% below each country’s average volume from 2015 to 2017.

[Canam Group](#) observed that, as a result of the Government of Canada’s steel safeguards, tariffs are collected on its imports of German steel plate. Canam Group also pointed out that, although it would be unable to place its first order for months, the firm will have to consider purchasing steel plate from countries that are exempt from the safeguards. [Bohne Spring Industries Ltd.](#) noted its concern about the safeguards’ possible effect on the price of its raw materials, including the stainless steel spring wire that is not available domestically in the quality or grades that the firm requires.

In its brief submitted to the Committee, the [Canadian Construction Association](#) suggested that the Government of Canada should terminate its steel safeguards, which—in its opinion—“could have a negative impact on the completion of many important [infrastructure] projects.”



POTENTIAL U.S. SECTION 232 TARIFFS ON GOODS OTHER THAN STEEL AND ALUMINUM PRODUCTS

In accordance with section 232 of the *Trade Expansion Act of 1962*, on 23 May 2018, the U.S. Secretary of Commerce initiated an [investigation](#) to determine the effects of automobile imports on the United States' national security. The imports being investigated include cars, sport utility vehicles, vans, light trucks and auto parts. As well, on 18 July 2018, the Secretary noted the launch of an [investigation](#) to examine the effects of uranium imports on the country's national security.

The [Canada–United States–Mexico Agreement](#), which was announced on 30 September 2018, contains two side letters that could affect the United States' application of section 232 tariffs on such Canadian products as automobiles and auto parts, or uranium. According to one [side letter](#), if the United States uses section 232 either to apply tariffs on or to restrict imports of certain passenger vehicles, light trucks or auto parts, each year it will exclude the following Canadian products from the tariffs or import restriction: 2.6 million passenger vehicles; all light trucks; and US\$32.4 billion of auto parts. The other [side letter](#) indicates that, if the United States uses section 232 to adopt or maintain tariffs or other import restrictions, it will not apply such measures on Canadian goods until at least 60 days after it applies them on goods from other countries. During that period, the United States and Canada are to negotiate a resolution “based on industry dynamics and historical trading patterns.”

In discussing potential section 232 tariffs on Canadian goods other than steel and aluminum, the Committee's witnesses described some possible impacts of such tariffs on production and investment in Canada's automobile, auto parts and uranium sectors, as well as on the country's economy, level of employment, communities and workers. They also made suggestions aimed at avoiding such tariffs.

Possible Impacts on Production and Investment in Canada's Automobile, Auto Parts and Uranium Sectors

Witnesses made comments about the possible impacts on the production of Canadian automobiles, auto parts and uranium if section 232 tariffs begin to be applied on these goods. They also noted potential effects of such tariffs on investment in the auto and uranium sectors.

According to [Unifor](#), tariffs of 25% on Canadian automobiles and auto parts would be “devastating” for Canada’s firms that produce these goods. Unifor believed that none of these firms’ Canadian assembly plants would “survive” such tariffs because most of Canada’s automobile and auto parts exports are destined for the United States.

In highlighting that approximately 80% of the automobiles produced by its members were exported in 2017, primarily to the United States, the brief submitted to the Committee by [Japan Automobile Manufacturers’ Association Canada](#) observed that section 232 tariffs of 25% and 10% on Canadian automobiles and auto parts—respectively—would lead to a \$6,000 increase in the price of each such automobile that is exported to the United States. The Japan Automobile Manufacturers’ Association Canada suggested that the higher price would reduce the sales and thereby production of these automobiles, as well as “threaten” jobs and investment, with these effects “compounded” by any retaliatory tariffs that Canada might apply.

The [Automotive Parts Manufacturers’ Association](#) said that section 232 tariffs of 25% on Canadian automobiles and auto parts would raise the average price of such automobiles from \$32,000 to \$40,000, making them “unsaleable” and causing Canada’s auto sector to “grind to an immediate halt.” In the view of the Automotive Parts Manufacturers’ Association, with a price increase of this magnitude, U.S. automobile dealers would stop buying certain Canadian automobiles, which would cause manufacturers to cease both production and the purchase of related inputs. The [Automotive Parts Manufacturers’ Association](#) noted that the Canada–United States–Mexico Agreement’s side letter that would exempt \$32.4 billion of Canada’s auto parts exports from section 232 tariffs would allow the value of these exports to grow. [Essar Steel Algoma](#) mentioned its support for this side letter.

[Court Holdings Manufacturing Limited](#) claimed that, if the United States applies tariffs on Canadian automobiles and auto parts, U.S. manufacturers of these products and some of their suppliers would pass the cost of the tariffs along to other suppliers. As well, Court Holdings Manufacturing Limited commented that the application of such tariffs would lead it either to operate at “significant losses” or to cease operations until Canada receives an exemption from such tariffs.

Regarding the section 232 investigation into the impact of uranium imports on the United States’ national security, the [Canadian Chamber of Commerce](#) pointed out that 69% of Canada’s uranium exports are destined for the U.S. market. In the view of the Canadian Chamber of Commerce, U.S. tariffs on those exports would both reduce Canada’s access to “the world’s largest nuclear energy market,” and “have negative impacts” on future uranium-related investments and exploration in Canada.



Possible Impacts on Canada's Economy, Level of Employment, Communities and Workers

Witnesses identified possible impacts that the application of section 232 tariffs on Canadian automobiles and auto parts could have on Canada's economy, level of employment, communities and workers.

Concerning Canada's economy, the [Canadian Chamber of Commerce](#) stated that the application of section 232 tariffs on Canadian automobiles and auto parts would create "substantial risks" because trade in these goods represents nearly 20% of the value of the country's merchandise trade with the United States. The Canadian Chamber of Commerce cited the results of a study by TD Economics estimating that, along with assumed retaliation by Canada, such tariffs would reduce the country's gross domestic product by 0.5% in 2019.

In highlighting that North America's manufacturing sector is integrated and relies on international supply chains that involve Canada, Mexico and the United States, [Canadian Manufacturers & Exporters](#) emphasized that the section 232 tariffs that are currently being applied on certain Canadian steel and aluminum products, potential section 232 tariffs that could be applied on Canadian automobiles and auto parts, and the possibility of a "global trade war" are "serious threats" to Canada's manufacturing sector and the country's economy. In its appearance as a witness, the [Canadian Automobile Dealers Association](#) described "trade uncertainty" between Canada and the United States generally, and potential U.S. tariffs on Canadian automobiles specifically, as the most significant "threat to the health of the Canadian economy."

With a focus on employment, the [Canadian Automobile Dealers' Association](#) asserted that the application of section 232 tariffs on Canadian automobiles and auto parts could cause up to 30,000 job losses in its dealer network in Canada. Moreover, the [Canadian Chamber of Commerce](#) commented that the aforementioned TD Economics study estimated that such tariffs, and assumed retaliation by Canada, could result in the loss of 160,000 jobs, representing 10% of Canada's manufacturing workforce.

Regarding Canada's communities and workers, the brief submitted to the Committee by [Unifor Local 1285](#) stressed that the application of section 232 tariffs on Canadian automobiles and auto parts would have a "negative impact" on both sides of the Canada–U.S. border. The [WindsorEssex Economic Development Corporation, the Windsor-Essex Regional Chamber of Commerce and the Workforce Development Board Windsor Essex](#) said that the impact of such tariffs would be "devastating" for the Windsor-Essex region, and "significant" for Ontario and Canada. As well, the [City of](#)

[Brampton](#)'s brief to the Committee claimed that the impact would be particularly substantial in Brampton because approximately 6,000 employees work in the city's auto sector.

Suggestions to Prevent the Application of Potential Section 232 Tariffs

Witnesses focused on enhanced engagement between Canada and the United States as a potential means by which to prevent the application of section 232 tariffs on Canadian automobiles and auto parts, or on uranium.

The [Canadian Chamber of Commerce](#) believed that, as an urgent matter, the Government of Canada should continue to urge the Government of the United States to not apply section 232 tariffs on Canadian automobiles and auto parts, and should collaborate with Canada's firms and subnational governments in these efforts. In the view of [Unifor Local 1285](#), the Government of Canada should "remind" the U.S. Department of Commerce about the "reciprocal bilateral trade" in automobiles, and should not implement retaliatory countermeasures if the United States applies tariffs because doing so would "further accelerate a trade war that would hurt workers" in both countries.

The [Canadian Chamber of Commerce](#) thought that section 232 tariffs should not be applied on Canada's uranium exports to the United States because the two U.S. uranium firms that petitioned the U.S. Secretary of Commerce to initiate the section 232 investigation focused on state-controlled uranium companies. The Canadian Chamber of Commerce encouraged the Government of Canada to lobby the United States' executive branch to secure an exemption for Canada from any tariffs that are applied on U.S. uranium imports.



THE COMMITTEE'S THOUGHTS AND RECOMMENDATIONS

The Committee is aware that Canada's steel and aluminum firms rely on unimpeded access to the U.S. market for their growth and prosperity. Since 1 June 2018, the section 232 tariffs have been reducing sales for at least some of these firms, and disrupting Canada–U.S. supply chains. As well, the tariffs are hurting at least some U.S. firms that purchase Canadian steel and aluminum products as production inputs. Clearly, prompt actions are needed to resolve the negative effects of the tariffs for the benefit of firms, workers and communities in both countries.

In the Committee's view, the United States should provide Canada with an immediate exemption from the application of the section 232 tariffs on Canadian steel and aluminum products. One option for achieving this outcome might be more intensive discussions between the Government of Canada and the Government of the United States. While the Committee feels that a complete exemption is the best outcome, it may not be possible. In that case, the Government of Canada should continue to consult relevant domestic stakeholders about potential actions that the Government can take to increase protections for Canadian workers, firms and jobs.

The surtaxes that the Government of Canada implemented on 1 July 2018 support the country's steel and aluminum firms affected by the section 232 tariffs, and may be influencing the Government of the United States' views about continued application of the section 232 tariffs on Canadian products. That said, the Committee also recognizes that the surtaxes are having adverse effects on some of Canada's firms and consumers who are purchasing products on which the surtaxes are being applied. To ensure that Canadian firms continue to receive support relating to surtax remissions, duty drawbacks and duties relief, the Government of Canada should undertake efforts to share information with firms, especially small and medium-sized enterprises, about available supports.

Until unimpeded access to the U.S. steel and aluminum markets is available to Canada's firms, measures to mitigate the effects of the section 232 tariffs are essential. In the Committee's opinion, the measures that the Government of Canada announced on 29 June 2018 are providing some assistance, but the Government must ensure that appropriate support is available to more of Canada's steel, aluminum and related firms, including those that are small or medium in size, and their workers. As well, the extent to which the measures are adequate, suitable and having the intended outcomes should be assessed.

Important contributions to Canada's economy are made by both the country's firms that produce steel and those that purchase steel products as production inputs. The

Committee believes that any Government of Canada decision regarding final safeguards in relation to imports of the seven steel products on which the Government announced provisional safeguards on 11 October 2018 should balance the interests of Canada's firms that produce and those that purchase those products as production inputs.

In addition to applying section 232 tariffs on steel and aluminum products, it is possible that the United States will apply section 232 tariffs on automobiles and their parts, and uranium, including from Canada. While side letters to the Canada–United States–Mexico Agreement could prevent the application of such tariffs, and would provide exemptions for pre-determined numbers of Canadian automobiles and their parts, the Committee feels that the Government of Canada must engage in ongoing discussions with the Government of the United States. Such discussions would, among other things, provide the Government of Canada with opportunities to emphasize the significance of our bilateral trade relations, and the benefits for both countries of exempting Canadian products from future section 232 tariffs and any other trade restrictions.

In this context, the Committee recommends:

Recommendation 1

That the Government of Canada, on a priority basis, intensify its discussions with the Government of the United States regarding the tariffs that are being applied on certain Canadian steel and aluminum products pursuant to section 232 of the *Trade Expansion Act of 1962*. The Government should seek an outcome in which bilateral trade in steel and aluminum products is not limited by tariffs, quotas or other trade restrictions. Until that time, the Government of Canada should continue to consult with Canadian stakeholders on potential actions and support measures that would increase protections for Canadian workers, firms and jobs.

Recommendation 2

That the Government of Canada review the application processes for surtax remissions, as well as the duty drawback and duties relief programs, to ensure that they are user-friendly and timely. As well, the Government should undertake further efforts to share information with small and medium-sized enterprises about available supports, including the remissions of surtaxes that have been applied on certain U.S. products since 1 July 2018, duty drawbacks and duties relief in relation to those surtaxes.



Recommendation 3

That the Government of Canada ensure that the measures that were announced on 29 June 2018 in response to the U.S. tariffs that are being applied on certain Canadian steel and aluminum products pursuant to section 232 of the *Trade Expansion Act of 1962* are available to more of Canada's steel, aluminum and related firms, regardless of their size, and to affected workers.

Recommendation 4

That the Government of Canada, when determining the actions to be taken regarding final steel safeguards, make efforts to balance the needs of Canada's firms that produce steel products with the needs of domestic firms that use these products as production inputs.

Recommendation 5

That the Government of Canada engage in ongoing discussions with the Government of the United States regarding the United States' current and potential use of section 232 of the *Trade Expansion Act of 1962* to apply tariffs on Canadian products. During those discussions, the Government should emphasize the scope, depth and strategic importance of the two countries' trade relationship, and the need to exempt Canadian products from any U.S. trade restrictions.

APPENDIX A LIST OF WITNESSES

The following table lists the witnesses who appeared before the Committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the Committee's [webpage for this study](#).

Organizations and Individuals	Date	Meeting
ADF Group Inc. James Paschini, General Manager Production	2018/06/26	115
ArcelorMittal Dofasco Sean Donnelly, President and Chief Executive Officer	2018/06/26	115
Automotive Parts Manufacturers' Association Flavio Volpe, President	2018/06/26	115
Canadian Automobile Dealers Association John White, President and Chief Executive Officer	2018/06/26	115
Canadian Labour Congress Emily Norgang, Senior Researcher Larry Rousseau, Executive Vice-President	2018/06/26	115
Canadian Manufacturers & Exporters Mathew Wilson, Senior Vice-President Policy and Government Relations	2018/06/26	115
Canadian Steel Producers Association Joseph Galimberti, President	2018/06/26	115
Evrax Conrad Winkler, President and Chief Executive Officer North America	2018/06/26	115
Janco Steel Ltd. Stephen Young, Senior Commercial Sales and Marketing Manager	2018/06/26	115
Owasco Inc. Bob Verwey, Sheriff and President	2018/06/26	115

Organizations and Individuals	Date	Meeting
Patriot Forge Co. Robert Dimitrieff, President	2018/06/26	115
Unifor Jerry Dias, President Angelo DiCaro, Acting Director Research Department	2018/06/26	115
United Steelworkers Meg Gingrich, Staff Representative, Research, Public Policy and Bargaining Support National Office Ken Neumann, National Director for Canada National Office	2018/06/26	115
Essar Steel Algoma Inc. Laura Devoni, Manager Trade and Economics Kalyan Ghosh, President and Chief Executive Officer	2018/10/02	120
GGs Structures Inc. Leigh Coulter, President	2018/10/02	120
Tenaris David McHattie, Vice-President Institutional Relations Canada	2018/10/02	120
Business Development Bank of Canada François Lecavalier, Senior Vice-President Corporate Development	2018/10/04	121
Department of Employment and Social Development Elisha Ram, Associate Assistant Deputy Minister Skills and Employment Branch	2018/10/04	121
Department of Foreign Affairs, Trade and Development Ailish Campbell, Chief Trade Commissioner and Assistant Deputy Minister International Business Development	2018/10/04	121

Organizations and Individuals	Date	Meeting
Department of Industry Paul Halucha, Assistant Deputy Minister Industry Sector Patrick Hum, Senior Director Manufacturing Industries Directorate, Manufacturing and Life Sciences Branch, Industry Sector	2018/10/04	121
Export Development Canada David Bhamjee, Vice-President Corporate Communications and Public Affairs	2018/10/04	121
ASW Steel Inc. Tim Clutterbuck, President	2018/10/16	122
Boart Longyear Robert Closner, Vice-President and General Counsel Eric Humphrey, Director Global Sourcing	2018/10/16	122
Canadian Association of Moldmakers Jonathon Azzopardi, Chairman Michael Bilton, Co-Chairman	2018/10/16	122
Constructions Proco Inc. Jean-Denis Toupin, Executive Director	2018/10/16	122
Groupe LAR Inc. Evans Thibeault, Vice-President and Assistant General Manager	2018/10/16	122
Welded Tube of Canada Corp. John Young, Executive Vice-President and Chief Operating Officer	2018/10/16	122
Department of Finance Michèle Govier, Senior Director Trade Rules, International Trade and Finance Branch Patrick Halley, Director General International Trade Policy Division, International Trade and Finance Hon. Bill Morneau, Minister of Finance	2018/10/16	123

Organizations and Individuals	Date	Meeting
Atlas Tube Inc. Barry Zekelman, Chairman and Chief Executive Officer	2018/10/18	124
Canada Border Services Agency Doug Band, Director General Trade and Anti-dumping Programs Alexander Lawton, Director Assessment and Licensing and Trade Incentives Unit	2018/10/18	124
Department of Finance Michèle Govier, Senior Director Trade Rules, International Trade and Finance Branch Patrick Halley, Director General International Trade Policy Division, International Trade and Finance	2018/10/18	124
MacDougall Steel Erectors Inc. Dave Clark, President	2018/10/18	124
Aluminium Association of Canada Jean Simard, President and Chief Executive Officer	2018/10/23	125
Automotive Parts Manufacturers' Association Gian Paolo Vescio, Director External Affairs and Internal Counsel	2018/10/23	125
Bohne Spring Industries Ltd. Chris Wharin, Director of Administration	2018/10/23	125
Court Holdings Manufacturing Limited Mark VanderVeen, President Niagara Piston, Vineland Manufacturing and Maple Manufacturing	2018/10/23	125
Ocean Steel and Construction Ltd. William Gates, General Manager Harrison Wilson, Vice-President	2018/10/23	125
Beer Canada Luke Harford, President	2018/10/30	126
Central Wire Industries Thomas Dodds, Vice-President Commercial	2018/10/30	126

Organizations and Individuals	Date	Meeting
Ellwood Specialty Metals Dave Heath, Vice-President	2018/10/30	126
Onward Manufacturing Company Ltd. Colin Kirvan, Vice-President Product Management Terry Witzel, President	2018/10/30	126
St. Thomas Economic Development Corporation Sean Dyke, Chief Executive Officer	2018/10/30	126
UBS Industries Jim Kerr, General Manager Andrew Mindell, President	2018/10/30	126
Armo Tool Limited Ben Whitney, President	2018/11/01	127
Cedomatec Inc. Justin Juneau, Director of Operations	2018/11/01	127
Iafrate Machine Works Ltd. Gary Stepien, Finance Manager	2018/11/01	127
Mailhot Industries Stephen Vezina, Vice-President Sales and Marketing	2018/11/01	127
St. Thomas and District Chamber of Commerce Robert Hammersley, President and Chief Executive Officer	2018/11/01	127
United Steelworkers Shaker Jamal, Research Representative National Office Ken Neumann, National Director for Canada National Office	2018/11/01	127

APPENDIX B

LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the Committee related to this report. For more information, please consult the Committee's [webpage for this study](#).

3M Company Canada
Apollo Machine & Welding Ltd.
Associated Materials Inc.
Association Maritime du Québec
Atlantic Marine Trades Association
Blue Imp Recreational Products of Canada
Boating BC Association
Boating Ontario
Brampton Board of Trade
Bunch Welding Ltd
Canadian Association of Importers and Exporters Inc.
Canadian Association of Stand-up Comedians
Canadian Chamber of Commerce
Canadian Coalition for Construction Steel
Canadian Construction Association
Canadian Horticultural Council
Canadian Society of Customs Brokers
Canadian Tool & Die Ltd.
Canam Group
Cannon Bar Works Ltd.
City of Brampton
Clover Tool Mfg. Ltd.
Dettson Industries Inc.

DSI Underground Canada Ltd.
Energy Engineering Ltd.
Gentek Building Products
Gerdau Long Steel North America
Groupe Ouellet Canada inc.
Iafrate Machine Works Ltd.
Japan Automobile Manufacturers Association of Canada
JEM Group of Companies
JNM Group of Companies
La-Z-Boy Furniture Galleries
LZB Entreprises Ltd.
MBI Drilling Products
Medallion Fence Ltd
Mid-Canada Marine Dealers Association
National Marine Manufacturers Association Canada
Nexal Aluminum Inc.
R & R Reinforcing Ltd.
Rapid-Span Group of Companies
Retail Council of Canada
Riverview Steel Co. Ltd.
Sadler, Ron
Springland Mfg
The Narmco Group
Unifor Local 1285
United Steelworkers
Wilderness Supply Co. Ltd.
Windsor Metal Technologies Inc.
WindsorEssex Economic Development Corporation
Windsor-Essex Regional Chamber of Commerce
Workforce Development Board Windsor Essex

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 115, 120 to 127, 135 and 137](#)) is tabled.

Respectfully submitted,

Hon. Mark Eyking, P.C., M.P.
Chair

NDP Supplemental Report

The New Democratic Party thanks all who participated in the Standing Committee on International Trade's study on the Impact of Tariffs on Canadian Businesses, Companies and Workers. We are proud to have initiated this important study at the Committee, at an emergency meeting at the Standing Committee on International Trade on June 26, 2018. It is critical that parliamentarians understand the impact of the devastating steel and aluminum tariffs have had on Canadians businesses and workers.

While the NDP supports the report's conclusions and recommendations, we believe it should have gone further. Emphasizing the need for the government to provide supports which truly reflect the needs of businesses and workers impacted is vital. The government must be flexible and open to implementing requested changes quickly given that time is of the essence to sustain and support these key sectors.

Canada's steel and aluminum sector provides over 146,000 good paying jobs from coast to coast to coast. For every direct job in these sectors there are up to seven indirect jobs that are supported. While these jobs have faced immense pressure from the unfair global dumping of steel into our country, they have remained competitive and world class. There is growth potential, as outlined by witnesses, that is directly threatened by these tariffs. The steel and aluminum sectors are the backbone of our manufacturing, aerospace and infrastructure industries. Canadian supply chains that are being negatively impacted by these tariffs.

The imposition of the 232 tariffs on Canada by the United States has had a wide spread and detrimental impact on all levels of the economy that rely on Canadian steel and aluminum. As reflected in the testimony, the steel and aluminum sectors are at risk as long as these tariffs remain in place.

After a year of threats from Donald Trump regarding an imposition of tariffs and calls from the NDP for the government to include all parties in a plan, Canadians were left in the cold. The Minister of Foreign Affairs and US Trade continued to state that they were prepared, but throughout our study, facts suggest otherwise.

What we have experienced is the abject failure of the government's plan to deal with the devastation of these tariffs on Canadians. Their plan did not even include stakeholder consultations with businesses and labour who are best positioned to provide solutions. This fundamental error has resulted in supports that are mismatched with the needs of those most impacted. The harm on businesses and workers is augmented by the government's refusal to revamp the aid package.

In June 2018 the government announced a \$2 billion package that included loans from the Business Development Bank of Canada (BDC) and Export Development Canada (EDC), employment insurance packages for laid-off workers and duty drawbacks and relief for businesses who were paying the tariffs. Although this package sounds like a strong commitment, we heard from nearly every witness that navigating the available

supports, extended wait times for approval and slow payout of support was too cumbersome for small- and medium-sized businesses in crisis mode.

The message was clear to the members of the committee that the programs are difficult to navigate, difficult to understand, difficult to locate, difficult to apply to, include lengthy wait times for approval, and even lengthier wait times for money to reach them upon said approval.

This boondoggle is precisely why, in August 2018, New Democrats called for a National Tariff Task Force which would streamline the process, triage losses and support businesses and workers. The Task Force would bring together all parties, government departments, businesses and labour stakeholders to find a path forward, in order to achieve the most benefits from the available supports. To date, the Liberal government has still not reconfigured their plan or provided more helpful and accessible supports. In fact, many companies are not able to dedicate time and resources to the cumbersome application process as they fight to keep their doors open and workers employed.

In spite of the government's plan, the testimony revealed that businesses have closed and workers have been laid off. Supports are not reaching those who need it most. The entire sector is in an urgent crisis that requires an urgent response from the government.

Approximately \$1 billion has been collected by the federal government in their enforcement of counter measures responding to the US administration. New Democrats have called for this money to be placed in a separate fund, which would ensure accountability, and despite the harsh impact of the retaliatory tariffs, would guarantee these funds are being directed back to those who are experiencing the losses. To our dismay, this money has been placed in general revenues where it is not being specifically earmarked for those who need it.

In late August, as negotiations on the New NAFTA, aka USMCA, aka CUSMA, were heating up, New Democrats called for the Liberal government not to sign the trade deal as long as the steel and aluminum tariffs remained in place. Despite our warnings, the Liberal government signed Canada onto this agreement in late September without first negotiating the removal of the tariffs. This was extremely disappointing and is reflected too by the witness testimony we heard at the committee. In signing, we have lost our greatest bargaining chip to remove these illegal, devastating tariffs.

The NDP urges the government to consider the testimony received by the witnesses to the committee. We ask them to implement an immediate review of the supports being offered with full consultation of stakeholders and labour. It is vital to address their real needs in a sincere effort to help sustain businesses and jobs throughout our country.

The NDP thanks the witnesses who provided evidence before the committee for their dedication to the steel and aluminum sector and recognizes the difficulty of leaving their

businesses during this crisis to ensure that we heard their experiences and perspectives.

Recommendations:

1. That the Government of Canada take immediate action to implement a National Tariff Task Force which would include businesses, SME's, labour, government departments, parliamentarians from all parties and labour organizations representing affected workers.
2. That the Government of Canada provide a monthly report of the monies collected through reciprocal tariffs imposed on the United States, including the secondary list of non-steel and aluminum tariffs. This report would also include the amount provided to businesses in supports and loans from BDC and EDC.
3. That the Government of Canada send a dedicated team to Washington to work with American officials to ensure the tariffs are lifted and that the team remains in place until a fair and equitable resolution is found.
4. That the Government of Canada not introduce or pass implementing legislation to ratify the New NAFTA/USMCA/CUSMA until the tariffs have been removed.

