

Submission to House of Commons' Special Committee on the Economic Relationship
between Canada and the United States



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

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Introduction

The United Steelworkers would like to thank the House of Commons' Special Committee on the Economic Relationship between Canada and the United States for the opportunity to make this submission. The USW emphasizes the importance of ensuring strong, integrated North American markets with clear access by Canada to U.S. procurement markets. Our union argues that Canada must work with the U.S. on an exemption to any expansion of Buy America provisions that arise in relation to the Biden Administration's infrastructure plans.

The USW represents 225,000 active members in Canada and another 600,000 in the United States. Our members are employed in industries in virtually every economic sector, with a large portion in industries directly dependent on ongoing trade between the United States and Canada.

Due to our binational structure, the USW is uniquely positioned as a representative of working people in both the U.S. and Canada. The USW –on both sides of the border— understands the importance of our integrated markets for the work of our members. USW leadership in Canada and the U.S. stood strong against Section 232 tariffs on Canadian steel and aluminum products under the previous U.S. administration and we have worked closely together to find a permanent solution to the ongoing softwood lumber dispute. The USW has always stated that any loss of manufacturing jobs or capacity in North America is not due to the action of our respective countries; instead, the problem rests with an international trading system that emphasizes the cheapest possible products regardless of the conditions in which they are produced.

U.S. Infrastructure Plans

In 2021, the Biden Administration took action on its promises to promote U.S. manufacturing jobs through massive infrastructure investments. On January 25th, Biden's Made in America Executive Order¹ signalled a commitment that U.S. public funding of infrastructure projects would flow to American workers, through a commitment to use of products made in America.

While much of the EO solidified existing commitments and is not likely to have a huge impact on Canada, the March 31st announcement of a \$2 trillion infrastructure plan (The American Jobs Plan²) could have serious implications for Canada. In his announcement, Biden promised investments in transit systems, homes and buildings, water infrastructure and broad commitment to revitalizing American manufacturing and securing U.S. supply chains. These are all areas that use products such as steel, aluminum and wood products, many of which are currently produced in Canada. The Administration did not release

¹ Executive Order on Ensuring the Future is Made in All of America by All of America's Workers. January 25, 2021. <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/25/executive-order-on-ensuring-the-future-is-made-in-all-of-america-by-all-of-americas-workers/>

² <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>

specific details on expanded Buy America provisions in that announcement, but it is widely expected that the upcoming infrastructure bill will expand and solidify Buy America provisions for sub-federal infrastructure projects receiving federal funding. On April 14th, 2021, two senators introduced a bipartisan bill aimed to bolster 'Buy America' requirements for infrastructure projects.³ The *Made in America Act* would extend coverage to additional infrastructure projects not currently subject to 'Buy America', requiring materials ranging from steel and iron to lumber and drywall to be produced in the United States.⁴

As a response to the March 31st *American Jobs Plan* announcement, the USW released a joint statement from our International President Tom Conway and our Canadian National Director Ken Neumann. The USW announced its support for Biden's plans, as it will create millions of jobs in the U.S., combat climate change, all while repairing critical infrastructure. The USW is also pleased with the focus on environment and equity that are inextricably linked to the massive public spending plan.

However, the USW's leadership also stated unequivocally that Canada must be granted an exemption to any Buy America provisions and must have access to U.S. procurement markets. Canada does not have an exemption to Buy America under the WTO Government Procurement Agreement (17 U.S. states have not signed on to this voluntary agreement), nor is there any language in the new CUSMA that protects Canadian access to U.S. procurement markets. Without an exemption, Canadian jobs will be threatened. We also submit that Canada must expand and improve its own domestic procurement strategy.

Integrated markets: Steel, aluminum and forestry

Our members work in several key industries that are dependent on trade between the two countries. The Canadian steel and aluminum industries ship about \$16B worth of products to the United States every year. Ninety percent (90%) of steel exports go to the United States, while two-thirds of total aluminum revenue comes from U.S. exports. Both industries provide good, community-sustaining jobs: 23,000 people in Canada are directly employed in the steel industry, with another 100,000 indirectly employed. The aluminum industry employs 15,300 workers directly and another 41,000 indirectly. Average annual incomes in both steel and aluminum are high (\$80,000 and \$90,000, respectively).⁵

Trade with the U.S. is also very important for Canada's forestry sector. According to Natural Resources Canada, Canada is the fourth-largest forestry product exporter in the world, with exports valued at \$10.5 billion in 2017. The U.S. is the top destination for forestry exports and for softwood lumber alone, the U.S. accounts for about 75% of Canada's exports⁶. In terms of imports, 93% of total imports come from the US. The

³Lawmakers reintroduce bill to bolster 'Buy America' requirements for infrastructure. Inside U.S. Trade. April 14, 2021

⁴ *Made in America Act: Supporting American Business, Manufacturers and Workers*. Fact Sheet. April 14, 2021

⁵ IBIS World, 2020

⁶ Natural Resources Canada: Forest Products, 2018

forestry sector is also a major employer in Canada, with about 210,000 direct jobs in 2018⁷.

None of this is a one-way relationship. Canada's supply chains are heavily integrated, particularly in certain sectors, such as the auto sector where a piece of equipment may cross the border five or six times for processing before it ends up in its final form.

It is clear that for the strong economic relationship between our two countries to continue, we require an across-the-board exemption to any Buy America legislation. In addition to this exemption, the USW advocates for a bi-national procurement strategy that emphasizes use of high-quality, environmentally friendly products made in North America. Finally, the USW asserts that we must continue to work for a permanent solution to the decades-long softwood lumber dispute.

A Canadian Exemption to “Buy America”

The USW submits that Canada must seek a full exemption to any Buy America policies. As a basis, Canada can look to the Canada-U.S. Agreement on Government Procurement negotiations in 2009/2010 with the Obama administration⁸. The ultimate goal should be to achieve procurement access at the sub-federal level, regardless of WTO GPA commitments.

The U.S. procurement market is ten times the size of the Canadian procurement market, and hence access to the U.S. market is important to Canadian industry. However, the USW also submits that there must be reciprocity of access for the U.S. to Canadian federal and sub-federal procurement markets.

The USW also stresses the importance of Canada's continued work to strengthen its borders to deal with the threat of circumvention and transshipment of unfairly traded goods. Reforms to the Special Import Measures Act in 2018, and subsequent import monitoring work will help allay the fears of the U.S. that Canada could be a dumping ground or entry point for global steel and aluminum products. Assuring the United States that Canada is serious about, and capable of preventing circumvention and transshipment will be an important component of securing any across-the-board Buy America exemption.

⁷ Buy Clean

⁸ <https://www.tradecommissioner.gc.ca/sell2usgov-vendreaugouvusa/procurement-marches/agreement-accord.aspx?lang=eng>

Building Clean North American Procurement Markets

The USW also submits that the Government of Canada needs to go beyond the status quo as it relates to infrastructure, procurement and production. On both sides of the border, the union advocates for a buy clean strategy, which would prioritize consideration of the environmental impact of materials used on public construction projects. The Democrats in the U.S. have already signaled that this will be a key consideration in its infrastructure plans. Biden's "Clean Energy Revolution" fundamentally ties together infrastructure spending, fighting climate change and the creation of good union jobs⁹. The U.S. Trade Representative, Katherine Tai, extended this approach to U.S. trade policy. Tai summed up the U.S. position stating that "...the system itself creates an incentive to compete by maintaining lower standards. Or worse yet, by lowering those standards even further. Many companies make sourcing decision based on these artificially low costs."¹⁰

Canada must seize this clear opportunity to emphasize that the comparatively low environmental impact of its heavy industry (notably in steel and aluminum) is directly aligned with U.S. environmental goals¹¹. Similarly, Canada should develop a concurrent strategy to integrate the climate considerations into its infrastructure spending.

A recent *Buy Clean* report prepared by Blue Green Canada, an alliance of labour and environmental organizations founded by the USW, demonstrates that steel, aluminum, cement and wood products produced in Canada have some of the lowest carbon emissions in the world. Steel made in Ontario and Quebec, for example, has significantly lower emissions than many other parts of the world, in large part due to clean electricity grids. One example highlighted in the report shows that the steel made at one Ontario facility has a carbon footprint 80% lower than that made in China. Similarly, the Canadian Steel Producers Association states that the use of domestic steel could reduce the carbon emissions from transportation alone by about one-third.¹² Likewise, aluminum produced in Canada has the lowest carbon intensity in the world.¹³

The USW submits there is a clear opportunity to work with the United States on a joint strategy to develop North American markets as part of a clean energy economy. This is in line with the Biden Administration's goals that establish climate considerations as a key component of both domestic and foreign policy.¹⁴

The USW also believes that Canada's timber products represent an opportunity for reduced carbon impact¹⁵. However, before the U.S. and Canada can work together in the

⁹ [Jobbiden.com/climate-plan/](https://jojobiden.com/climate-plan/)

¹⁰ Remarks from Ambassador Katherine Tai on Trade Policy, the Environment and Climate Change. April 15, 2020

¹¹ *Buy Clean: How Public Construction Dollars Can Create Jobs and Cut Pollution*. Blue Green Canada. January 2021.

¹² Canadian Steel Producers Association

¹³ *Buy Clean*

¹⁴ Fact Sheet: President Biden Takes Executive Actions to Tackle the Climate Crisis at Home and Abroad, Create Jobs, and Restore Scientific Integrity Across Federal Government

¹⁵ *Buy Clean*

forestry sector, we must see a long-term deal that addresses the softwood lumber dispute once and for all. While the NAFTA dispute resolution system made its way into the CUSMA, we were not able to secure an overall resolution to the softwood dispute as part of the CUSMA negotiations. The USW submits this must be part of Canada's ongoing efforts to improve our economic relationship with the United States. The current sky-high lumber prices may temporarily mask the severity of the problem, but it will no doubt arise again when prices drop. The ongoing dispute has been harmful to workers in Canada, as USW faces hundreds or even thousands of layoffs every time the United States re-imposes softwood lumber tariffs. A resolution to this dispute must be part of any ongoing discussions with the United States.

Conclusion:

The United Steelworkers, in both Canada and the United States, deeply understand the importance of continued economic cooperation between our two countries. If Canada approaches the situation strategically, the USW believes that President Biden's massive infrastructure, environment and jobs investments could be very beneficial to Canadian workers as well. The Canadian Government must make a clear case on the importance of Canada to the U.S. economy, and work to promote a clean economy strategy on both sides of the border that also addresses U.S. concerns about reciprocity and trade circumvention and transshipment. The USW will continue to work in both Canada and the U.S. to promote a strong, clean North American manufacturing sector.