March 29, 2016

Mr. Jim Sanford
Assistant U.S. Trade Representative for Small Business,
Market Access and Industrial Competitiveness
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

RE: Request for Comments Concerning Policy Recommendations on the Global Steel Industry Situation and Impact on U.S. Steel Industry and Market (Docket: USTR-2016-0001)

Dear Mr. Sanford:

The Canadian Steel Producers Association (CSPA) is the national voice of Canada's **$14B** steel industry. Our member companies annually produce approximately **13 million tonnes** of primary steel as well as over **1 million tonnes** of steel pipe and tube products in facilities located across Canada. Domestic steel operations directly employ some **22,000** Canadians while supporting an additional **100,000** indirect jobs.

Canada and the United States enjoy a long-standing mutually beneficial steel trade relationship. In 2015, American steel facilities provided **two-thirds** of Canada's steel imports which comprised **40%** of our **16 million tonne** domestic market. Canada and the United States enjoy a competitive and balanced trade relationship based on fair trade that occurs in the context of market-driven supply and demand. The United States has zero active antidumping or countervailing duty orders against Canadian steel producers. The Canada-US steel trade relationship and the associated manufacturing supply-chains are a model for the world. This model is also one that Canadian industry is keen to maintain and strengthen over the long-term.

The CSPA is pleased to submit these comments on behalf of our member companies on the global steel crisis. This submission affirms our support for the US steel industry, the application of effective trade remedy laws across North America, as well as efforts to secure commitments by other countries to eliminate steel overcapacity, subsidies and other market-distorting steel policies. In this regard, it must be noted that the Chinese steel industry and the policies of the Government of China have been the largest contributing factor to the current global overcapacity crisis.

North American Commitment to Defending Market-Based Steel Trade is Critical

Canada's steel industry faces challenges similar in nature to those of our counterparts in the United States. Total primary steel production was down almost **8%** in 2015 as massive global overcapacity and unfair trade continues to plague North American steel makers. Overseas exporters are targeting North American markets with dumped and subsidized exports and are increasingly attempting to circumvent the application of trade remedy laws. The impact of these practices is suppressing North American prices considerably and having a devastating impact on the North American steel industry.

Steel markets are increasingly shaped by the forces of globalization and by competition from producers beyond their borders. Market-based trade matches steel products with customer needs across a range of product applications, increasing value throughout the supply-chain for many industries. Where trade is open and fair, we believe strongly that North America's steel producers are well-positioned to compete and prosper.

Unfortunately, the normal trade flows of the global steel industry are being undermined by structural overcapacity. Simply put, many countries produce far more steel than is economically rational. This problem is exacerbated by state ownership and interference. The trade distortions this behavior creates make it necessary for affected producers and their governments to offset the pernicious impact of unfair trade through the use of trade laws and trade remedies.

Canadian steel producers will continue to oppose unfair trade and support the strict enforcement of unfair trade laws. Moreover, urgent and meaningful multilateral action will be required to effectively address the growth in excess capacity that continues in certain jurisdictions where state control and ownership puts employment before profits and thereby subsidizing a glut of exports to the global market. We unequivocally support similar efforts by our most important trading partners to level the global playfield field for those who desire to play by the rules.

Integration of North American Steel Industry Gives it Strength

The steel sector is an integral part of major industrial supply chains that underlie the integration of the North American economy. Canada is a net importer of steel.

Within NAFTA, steel trade flows are roughly balanced, and steel companies in all three member countries compete for and work with common customers. We also rely on common sources of raw materials and we face threats from the same unfairly traded imports. Many producers have facilities in two or three NAFTA countries. The steel sector has been a model of NAFTA cooperation and—importantly—shared benefits for each country. Timely supply of product meeting complex customer requirements, specialization in key market segments, appropriate economies of scale, and common defense against dumped and subsidized imports are benefits enjoyed by all three NAFTA countries.

Recognizing the strategic value of steel production to the NAFTA region, in 2003 the three NAFTA governments created the North American Steel Trade Committee (NASTC) to coordinate government and industry actions to jointly enhance the conditions for continued growth and prosperity for steel in the region. The NASTC process brings together both government and industry representatives from the three countries to discuss public policies important to the competitiveness and growth of the NAFTA steel industry.

Recently, industry representatives responded to NAFTA governments' request for suggestions of how to address the crisis in the North American steel industry especially as relates to the issue of massive global excess capacity. The primary joint recommendations included:

1. **Effective trade remedy systems in all three NAFTA countries must be in place that can meaningfully address dumped and subsidized imports and penalize circumvention and evasion.**

2. **Immediate multi-lateral action focused on aligning global capacity with demand by significantly reducing net capacity, particularly in China, and establishing of market disciplines that eliminate surplus production and curb market-distorting behavior.**

3. **Treatment of China as a non-market economy until such a time as it fully transitions to a market-based economy while encouraging China to implement market-based reforms. This includes removing government interference from steel industry and requiring steel producers to operate in accordance with basic market principles.**

CPSA sees great value in NASTC activities and commits to supporting continued collaboration and joint action into the future.

Effective Domestic Trade Remedies

The CSPA recognizes that the structural adjustments needed to facilitate reductions in global overcapacity and that discourage market distorting behaviors will take some time to put in place. In the interim, effective trade remedies, which properly recognize subsidized imports, while discouraging dumping and penalizing circumvention and evasion, are crucial to the industry. Trade remedies continue to be a domestic industry's first line of defense and critical to our collective survival.

To that end, while industry has been greatly encouraged by recent actions in our respective jurisdictions – like the Government of Canada's Budget 2016 commitment to legislative changes to improve its ability to effectively remedy dumped and subsidized imports or the U.S.'s recent passage of the Leveling the playing field Act and the ENFORCE Act.

The CSPA continues to believe there is much work to be done. These continued efforts must concentrate on aligning legislative and/or regulatory frameworks to reflect best practices; proper funding of investigative and enforcement capacity; increased transparency and availability of import data; and evaluation of potential actions available in our respective jurisdictions to address unfairly traded imports.

Ultimately, the maintenance of trade remedy systems in all three countries that provide timely remedy relief and effective enforcement are in the NAFTA industry's best interests.

Multi-lateral Action on Overcapacity

The CSPA and our members also believe immediate multilateral action is required to address the causes of the global overcapacity crisis and that North American governments must play a leading role in that regard.

Meaningful and permanent reduction of net capacity in certain markets is urgently required, as is the continued establishment of and adherence to market disciplines intended to penalize surplus production by effectively addressing market distortion. Far too often, overseas steel industries claim to be reducing capacity by closing facilities, when in reality new capacity is being added that actually increases net capacity.

We are encouraged by coordination amongst North American governments leading towards the upcoming OECD high-level symposium in April and are hopeful that some concrete commitments on capacity reduction will result from that discussion. That said, the CSPA believes governments should initiate discussions on market disruptions in steel at other pertinent multilateral forums, ensuring our message is elevated beyond forums limited to the steel sector and presenting overcapacity as an economic concern more broadly than just the steel industry.

We also believe NAFTA partners should, where possible, support each other in key WTO actions and that governments should consider, where appropriate, the initiation of WTO actions which would target identified non-market behavior.

Ultimately, the CSPA hopes meaningful commitments to the permanent reduction of excess capacity and the reduction of government interference in the sector can be established in the near future. We believe the coordinated action of likeminded countries will be critical in that regard.

Retention of Non-Market Economy Disciplines are Required to Address Unfair Trade from China

The CSPA believes China's continued market distorting behavior in steel means that it should be treated as a non-market economy beyond until such a time as it transforms to a market-based economy. Modifications to China's status as a non-market economy should only be considered if China, demonstrably and verifiably, evolves into a market economy.

Moreover, given the integrated nature of the North American steel market, we do not believe any one NAFTA nation should unilaterally grant market economy status to China. Indeed, the CSPA would encourage NAFTA as a block to engage principal trading partners like the European Union for the purpose of extending NME provisions beyond 2016 in those jurisdictions as well.

We believe these steps are necessary first and foremost to the prevention of additional harm to NAFTA producers. We also believe China should be encouraged to implement market-based economic reforms, including the reduction of government interference in their domestic economy and the adoption of basic market principles. The unilateral granting market economy status before those reforms are enacted would only serve to encourage China's continuation of negative behavior rather than further a constructive transition process with positive implications for the global economy.

The CSPA, along with our partner industry associations in the United States and Mexico, was able to participate in an independent NAFTA wide study of the potential economic consequence should China be granted market economy status prematurely. The study indicated that granting market economy status would cause NAFTA steel industry output to shrink by **$31.5 billion** and NAFTA economic welfare to decrease by **$42.5- $68.5 billion**, create job losses of **400,000 to 600,000** workers in the U.S. and near-term job losses in Canada of up to **60,000** highly-skilled, well-paying jobs and antidumping laws much less effective for remedying injury from dumping, since dumping margins would likely drop to zero or close to zero.

Given the impacts to all NAFTA economies associated with granting non-market economy status, the CSPA strongly endorses a collective and cautious approach based which does not grant market economy status to China.

Conclusion

The CSPA supports all of the recommendations of the American Iron and Steel Institute (AISI) which include:

1. Vigorously enforcing U.S. trade remedy laws to offset the full extent of dumping and subsidization that is benefitting imports of steel products that are injuring the U.S. industry;

2. Securing commitments by other countries to eliminate steel overcapacity, with special attention to China; and

3. Securing commitments by all steelmaking countries to eliminate and not introduce subsidies and other market-distorting policies related to steel

Because of the heavily integrated nature of the North American steel industry, these measures do not only assist in combatting the impact from an ongoing surge of unfairly traded steel imports into the United States, they improve the condition of the overall NAFTA marketplace and long-term sustainability of both our countries' manufacturing supply chains.

The CSPA will continue to work hard with our Government to make sure Canada is doing its part to maintain open and free trade between NAFTA countries while minimizing the market disruptions associated with global overcapacity. We believe an integrated North American market operating on a fair basis is in the best interests of our producers and our customers. The preservation and furtherance of our NAFTA partnership will be critical in achieving our collective policy goals.

Sincerely,

Joseph Galimberti, President, Canadian Steel Producers Association