

### *Canada-U.S. Free Trade Agreement*

Stelco, the country's largest integrated steel producer, has called a halt to its major spending. In the past seven years, it has invested \$1 billion in new plant and equipment.

Chairman and chief executive John Allan has said the major portion of the company's program is now completed.

Last year, it began operating two continuous casting units, which cost \$350 million, at its Hilton works in Hamilton.

All of this heavy capital spending by the industry was planned well in advance of the negotiations for a Free Trade Agreement between Canada and the United States, and without any reference to what might happen after it is ratified by both countries. Under the Agreement, steel tariffs will be eliminated over the next 10 years.

The industry fully supports the pact. "We see it as part of globalization that is taking place and driving us in the direction that we are going". Bill Wallace said, "We ultimately have to be world competitive and that includes our relationships with the United States".

The Canadian steel industry does not have the capacity to make a major export drive into the United States under free trade because all of its planning in the past has been based on meeting the demands of the Canadian market. Mr. Allan told Stelco's recent annual meeting that the Canada-U.S. Agreement prevents either country from imposing import quotas on the other.

He said that the fortunes of steel companies are directly tied with those of their customers. Many of those stand to gain from the Agreement.

For example, the energy industry which buys steel pipe, gets a secure market in the United States. Steel customers in the manufacturing sector will also gain from the new U.S.-Canada relationship under free trade.

"Steel makers, therefore, stand to benefit not only from their own direct participation in the U.S. market, but also from that of their customers' participation," Mr. Allan said.

You can see, Mr. Speaker, that the steel industry is looking at a glittering market and very much welcomes the opportunity to remove the present barriers to trade. Although Canada is the only country which was exempted from the U.S. voluntary export quotas on steel, we did agree to limit our share to 3.5 per cent of the American market. The American steel industry has continued to complain about Canadian competition, although our actual share of that market has ranged from 3.0 per cent to 3.3 per cent, while the U.S. share of our steel market has risen from 4.5 per cent in 1986 to 7.5 per cent in the last quarter of 1987.

Now American firms have modernized and become more competitive in the export market in the face of stiff competition from the highly efficient and technologically advanced Koreans and Japanese.

The binding dispute settlement mechanism has also been hailed by the industry. It has been the target of a

number of U.S. trade actions. Increased economic activity under the Free Trade Agreement is expected to increase demand for primary iron, steel and aluminum products, for example, steel piping and tubing for the petroleum industry. The Free Trade Agreement will also reduce input equipment costs.

Currently the U.S. Department of Commerce is engaged in an anti-dumping and countervailing investigation against steel rail exports from Algoma and Sydney Steel on behalf of Bethlehem Steel of Pennsylvania. In fact, Algoma and Sysco's rail exports have been declining. Here is what the executive vice president of Stelco, Mr. John Hood, has to say about the Free Trade Agreement and steel.

If we fear our ability to compete against a nation with a broadly comparable cost structure to our own, how in the world do we expect to compete against such low-cost producers such as Brazil, South Korea, Taiwan and Singapore?

I think that goes to prove that when we are talking about the free trade arrangement between Canada and the United States it is that, it is an economic trading arrangement. It cannot just be Canada and the U.S. alone. We do have to live within a market, a world market, and the steel industry is a classic example of how an industry can thrive and survive in a world market.

Here is what Daniel Romanko, managing director, of the Canadian Steel Producers Association, has to say:

Under the Agreement, the steel industry can continue to expand its markets both in Canada and internationally, secure in the knowledge that access to its largest export market, the United States, will be less vulnerable.

Here is what Mr. Milton Harris had to say:

After four intensive years of experience fighting off protectionist forces in the American steel industry, I was appalled to watch a TV replay of John Turner figuratively tearing up the Agreement.

That was Milton Harris, President of Harris Steel and a former Chairman of the Liberal Party National Executive Finance Committee.

Here is a quote that I draw to the attention of my friends to the left:

If there were no deal, I believe the U.S. would tighten the screws on us. When there's a glimmer of light, we have to grab on to it. We have a lot at stake.

That was said by Dennis Abernot, President, Local 2251, United Steelworkers of America, Algoma Steel, Sault Ste. Marie.