

What happens when an international border intervenes?

Take the case of a Toronto company with a customer in Hamilton and a customer in Chicago. Because the freight costs to Chicago are higher than to Hamilton, if the company attempts to sell its product at the same price in both markets, it can be penalized with an anti-dumping charge.

And it works both ways, whichever side of the border you operate from.

Take the case of a cyclical industry, such as steel. Price discounts must often be introduced during market downturns to maintain customer demand in certain markets. For the steel firm, the best economic decision is at least to cover marginal costs, rather than shutting a plant completely.

Since we are dealing with a highly integrated continental market, what usually happens is that prices fall in both the domestic and export markets. There really is no price discrimination between sales to either market. But, if you are exporting, you are dumping.

One more case - one that I am sure is familiar to all. Sometimes, after you have cultivated customers over a number of years in a particular market, prices there suddenly fall.

You have no choice - either you cut your own prices, or lose your investment in customer development and loyalty. In other words, you are pricing to meet the competition in that market.

This may be offshore competition. If you price downward to meet it in your own market, that's normal business practice. If you do the same as an exporter - you are dumping.

These types of examples are played out every day on the current North American trading landscape, at considerable cost to all of us.

For example, the recent rash of trade remedy cases on steel directly affected half a billion dollars in two-way trade between the United States and Canada.

Since 1986, there have been 58 anti-dumping actions and 11 countervailing duty investigations between our two countries over a wide range of products. And Mexican industry has already shown a fondness for anti-dumping and countervailing duty laws as well.

If this fondness continues to grow, both U.S. and Canadian companies may find that protectionism, in the form of trade remedies, has trumped some of the market access in Mexico that we