



Minister for
International Trade

Ministre du
Commerce extérieur

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LETTER TO AMBASSADOR CLAYTON YEUTTER

The Honourable Pat Carney, Minister for International Trade, released today the text of her letter of August 14 to Ambassador Clayton Yeutter. The text reads as follows:

"Dear Ambassador Yeutter:

Thank you for your letter of July 9, 1986, concerning recent developments in Canada/U.S. steel trade.

As you know, we recognize your need to ensure that the U.S. steel industry benefits from the protection against unfairly traded imports provided by the President's program. During our consultations regarding Section 201 remedy recommendation of the ITC, we also recognized that the U.S. would want assurances that Canadian steel producers would not exploit a situation wherein U.S. imports from other suppliers were restrained. We therefore indicated our readiness to consult with respect to any volume increase in imports of specific products resulting in a significant increase in market share with a view to understanding the underlying market forces and agreeing on appropriate action if required.

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Canadian authorities, however, did not undertake to reduce our share of the U.S. market. Indeed, such action was not requested by the U.S. We could hardly have undertaken to contribute to your effort to bring overall import penetration down to the targeted levels, as suggested in your letter, since at the time our consultations took place neither the nature of the President's steel program nor its target levels were known to us. Moreover, we did not envisage that a program based on selective measures would also establish a global import penetration target.

With respect to the present situation, I note that Canadian exports in the first six months of 1986 are in fact down 1.9 percent from last year and 10.4 percent from the same period in 1984. This indicates that Canadian exporters are adjusting to market trends in the U.S.

I also note that orders for a significant portion of our 1986 exports to date were taken when estimates of the U.S. steel market for 1986 were considerably more optimistic than now. Canadian producers have thus had little time to reflect revised estimates in the conduct of their exports to the U.S.

It would be most unfortunate if the Commerce Department's recent findings regarding imports of oil country tubular goods from Canada were to be seen as undermining Canada's reputation as a fair trader in steel. As you know, the unusual circumstances facing world trade in this particular product have led to a number of recent findings by authorities in both of our countries. Indeed, Canadian Custom authorities determined in April that U.S. exports of oil country tubular goods were being dumped in Canada. Thus, trade in this particular product is hardly indicative of the nature of our overall trade in steel. I am confident that the record demonstrates that Canadian steel exporters are fair traders.

I can assure you, that we fully appreciate the need to effectively manage irritants which may emerge in our relationship. We will continue to stand by the assurances given the Administration almost two years ago. The regular bilateral consultations continue to facilitate a better understanding of developments in steel trade between our two countries. In this regard, I understand that the fifth meeting in the series is scheduled for September. Moreover, I understand that around the same time representatives of the Congressional steel caucus may also visit Canada to meet with their Parliamentary counterparts. I am convinced that these regular exchanges between our two countries with respect to steel trade will contribute to the effective management of the issue.

Yours sincerely,"