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International Trade

Ministre du
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Statement in the House of Commons
by the Honourable Pat Carney,
Minister for International Trade,
on Canadian steel policy

OTTAWA

April 8, 1987.

Canada

The Honourable Pat Carney, Minister for International Trade, announced today a program of Government action to assist the Canadian steel industry to maintain their world market position which they have acquired through fair trade, enhanced productivity and state of the art investment measures.

The statement made by Minister Carney in the House is as follows:

"This Government has long recognized the importance of the U.S. market to of all sectors of the Canadian steel industry and has invested considerable effort to ensure that no restrictions are introduced at the border. The program I am announcing today will augment our efforts in pursuing that objective.

As you know, there are continuing pressures in the U.S. to reduce the share of the U.S. steel market held by Canadian suppliers.

The Canadian position on this question is clear. Our steel is fairly traded and trade restrictive measures at the U.S. border are not warranted. We continue to expect the U.S. Administration to do its job and resist pressures from the U.S. industry and Congress to restrict fairly traded Canadian steel.

Before outlining the elements of our program, I wish to emphasize that it represents a response to the problems facing the Canadian steel industry, which extend beyond U.S. pressures to those resulting from conditions affecting world trade in steel in general. Global trade in steel continues to be affected by world-wide overcapacity, declining demand, widespread subsidization in steel-producing countries and restrictive measures against imports in most consuming countries.

The major characteristic of the two-way trade in steel between Canada and the U.S. is its integrated and mutually beneficial nature. Canada is the largest market for U.S. steel exports with imports of steel from the U.S. annually averaging about 8 percent of the Canadian market and over one third of our total steel imports. There are no restrictions on U.S. trade into Canada. For every dollar of their steel exports to the U.S., Canadian primary steel producers import \$1.30 worth of equipment and materials from the U.S. In addition to sharing in the obvious benefits of such a relationship, our industries also share common concerns and problems with respect to the conditions currently prevailing in international trade in steel.

The program which I am announcing today will supplement recent Government actions to facilitate adjustment of the Canadian steel industry to the difficult conditions surrounding international trade in steel. In August 1985, country-of-origin marking requirements were introduced for imported steel pipes and tubes. In September 1986, an import monitoring system for carbon steel was established under the Export and Import Permits Act. In the February 1987 Budget, the Minister of Finance announced withdrawal of the General Preferential Tariff on steel.

As a major element of a program designed to help maintain our open access to the U.S. steel market, the Government is taking further action to ensure that we have more accurate data on exports and imports and that Canada is not used as a "back door" to the U.S. market by off-shore steel suppliers. This will be achieved by monitoring steel exports and imports under the Export and Import Permits Act. We are seeking the assistance and consent of the Opposition Parties to bring forward an amendment to achieve this at an early date.

Monitoring will not only provide a better appreciation of the complexities in our steel trade with the U.S. but will be very useful to both the Government and the industry in resisting pressures in the U.S. for restrictions against imports from Canada.

In addition, we are exploring with the U.S. the desirability of establishing a joint commission to ensure a better understanding of problems we in North America face, as a result of global conditions affecting trade in steel. I consider this to be a very worthwhile initiative, particularly in view of the problems steel industries on both sides of the border are likely to face in the future.

Finally, it will be important for Canadian companies to continue to exercise prudence in their steel exports to the U.S. as well as to seek the active support of allied interests among public and private sector groups in the U.S. for unrestricted cross-border trade in steel.

We will step up our efforts on information exchange with U.S. politicians. I would like to thank the Parliamentary Steel Caucus led by Mr. Bill Kempling, M.P., and all members of this House who have participated in this initiative. My special appreciation goes to the Canadian steel companies and the steel workers union for their cooperation in the development of the policy. These efforts, together with the measures I have just announced, will go a long way to preserving our access to our most important export market."

CANADIAN STEEL POLICY

Industry Overview

The Canadian industry is internationally competitive and generally profitable but there are companies from coast to coast experiencing problems.

In contrast, major integrated U.S. companies are in financial difficulty while companies operating mini-mills accounting for about 35 percent of U.S. production are doing well.

Ontario accounts for 80 percent of primary steel production while about 9 percent is produced in Quebec. About 9 percent is produced in Western Canada (2 percent in Manitoba, 3 percent in Saskatchewan, over 2 percent in Alberta and 1 percent in British Columbia) while Nova Scotia accounts for under 2 percent.

In contrast, about half of secondary steel production occurs in Ontario, while Quebec accounts for 25 percent, western provinces 18 percent, and Nova Scotia 2 percent.

About 65,000 persons are employed in the steel industry across Canada.

Canadian steel exports to the U.S. account for 25 percent of total production and 95 percent of our total steel exports.

In 1986 there were about 670 companies exporting steel products to the U.S. of which about 45 percent entered the market since 1985.

Canada/U.S. Steel Trade

Trade in steel between Canada and the U.S. is unique and mutually beneficial. A number of steel markets in the U.S. have opened up for Canadian steel as a result of the integrated nature of the North American economy, e.g. auto industry and mill-to-mill shipments of semi-finished steel, the latter accounting for about 20 percent of total Canadian steel exports to the U.S. in 1986.

In 1986, Canada exported 3.2 million tons worth \$1.7 billion to the U.S. and imported 500,000 tons valued at \$400 million from the U.S.

The Canadian steel industry has major investments in the U.S., a factor which clearly distinguishes Canada from other U.S. steel suppliers.

The major producers own coal and iron ore mines in the U.S., i.e. 95 percent of Canadian coal and 40 percent of Canadian iron ore requirements for the steel industry are imported from the U.S.

- (i) Coal from West Virginia, Kentucky, Pennsylvania (1,400 employed; Rail moves 7.5 million tons annually to Ohio ports).
- (ii) Iron ore from Michigan and Minnesota (3,800 employed; 5.3 million tons).

A number of Canadian steel companies have U.S. subsidiaries. It is estimated that more than 12,000 U.S. workers are employed in plants owned by Canadian steel companies.

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Canadian primary steel producers import \$1.30 worth of equipment and materials from the U.S. for every dollar of their steel exports to the U.S.