



Minister for  
International Trade

Ministre du  
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MINISTER FOR INTERNATIONAL TRADE

RELEASES CANADIAN IMPORT TRIBUNAL REPORT

ON THE CARBON STEEL INDUSTRY

The Honourable Pat Carney, Minister for International Trade, released today the report of the Canadian Import Tribunal inquiry with respect to carbon steel imports into Canada.

The Tribunal, on May 15, 1986, had been asked to examine the potential for diversions of carbon and specialty steel into Canada, given the capacity, market conditions and export patterns of major steel producing countries; and, in light of these conditions, to report on the advisability of collecting information with respect to the importation of such goods. The report relating to specialty steel will be submitted by mid-September.

The Tribunal analysis has led to the following conclusions:

- (i) During the past 10 years, world steel consumption has not expanded to any significant degree. World capacity far exceeds production, and this excess will continue to overhang the world steel market for years to come. This situation presents a threat of instability in international steel trade;

Canada

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- (ii) Worldwide protectionist sentiment has gained momentum. The USA, EEC and Japan, the major steel markets, have shielded themselves from import competition through a variety of non-tariff barriers such as export restraint arrangements, bilateral trade agreements and intricate internal distribution systems. Other developed and developing countries employ a wide range of trade barriers and there is no present indication that these will be relaxed. Canada would appear to be highly vulnerable in terms of both very low-priced import competition and diminishing export opportunities;
- (iii) Canadian carbon steel imports in 1985 were some 90 percent higher than they had been in 1976 and held 22.7% of the Canadian market. This is a much larger percentage of the domestic market than is the case in either Japan (2 to 4%) or the EEC (10%). Only the USA has found imports occupying a larger share of the domestic market (25.3%), although the upward trend in the USA has been reversed since the introduction of some 18 voluntary export restraint arrangements.

In light of the foregoing, the Tribunal therefore determined that carbon steel products are being and are likely to be imported into Canada at such prices, in such quantities and under such conditions, as to make it advisable to collect information with respect to the importation of such goods.

Miss Carney has accepted the recommendations of the Canadian Import Tribunal. In this light, the Minister, under the Export and Import Permits Act, proposes to recommend that carbon steel be placed on the Import Control List, effective September 1, 1986, in order to facilitate the collection of information with respect to the importation of such goods.

Miss Carney emphasized that this action would not be establishing formal quantitative controls on steel imports. Import permits would be issued upon proper application in accordance with the Act and would be available through a Canada-wide online computerized customs broker system.

SUMMARY OF FINDINGS AND RECOMMENDATIONS  
OF THE CANADIAN IMPORT TRIBUNAL  
REPORT RESPECTING CARBON STEEL IMPORTS  
JULY 15, 1986

The report notes that during the past 10 years, world steel consumption has not moved upward to any significant degree. World capacity has far exceeded production throughout this period and this excess is expected to continue to overhang the world steel market. By contrast, export sales are becoming more difficult due to the noticeable rise in protectionist measures aimed at insulating home markets. Such measures range from voluntary export restraints, quotas, anti-dumping and countervailing duty investigations, licensing and monitoring controls, to export subsidies, customs administrative barriers, internal investment incentives and tax allowances, advertising rules, bounties and exclusive supply arrangements.

The Canadian steel industry faces similar difficulties to those facing its international competitors, namely:

- stagnant/declining domestic steel demand;
- international surplus supply;
- declining competitiveness vis-à-vis certain modern, developing suppliers;
- a myriad of barriers to steel trade;
- extensive government aid to most developing and certain western European producers;
- a general propensity to dump steel products in export markets as a means of increasing capacity utilization, preserving employment and raising foreign exchange; and
- a need to introduce significant steel industry modernization/rationalization program.

The report also notes that although steel consumption in the domestic market has grown since 1983, the growth has been uneven. While market demand in the automotive sector has increased sharply, demand in the capital goods sector has failed to return to former levels. Uneven activity in the oil and gas sector has failed to return to former levels. As a consequence, the financial performance of various Canadian manufacturers has been mixed and few producers have returned to pre-recession levels of profitability.

The share of imports in Canada's domestic market has increased from 14.5% in 1976 to 22.7% in 1985. Over the same period, imports from the USA have maintained a steady share of total imports (35% in 1985). Imports from Japan, while sizeable, have declined in absolute terms (13% in 1985), while the EEC shipments have increased dramatically to become the dominant foreign source to Canada in the last two years (36% in 1985). Imports from the developing countries have more than doubled their share of imports since 1976, but their share of Canadian imports (11% in 1985) is still small.

By contrast to most European and developing countries where capital spending programs are being undertaken with massive government support which places comparatively less financial burden on their steel companies, modernization of the Canadian industry is being underwritten by the private sector. The industry has declared capital spending plans which could total in excess of \$2.5 billion through 1990. Most of this capital investment is aimed at improving productivity and lowering cost rather than adding new capacity. This suggests that the industry will be maintaining the high standards which already make it one of the most efficient steel producers in the world. Such an industry would be fully capable of competing successfully with fairly-traded imports but the current unstable environment could well inhibit the implementation of these necessary modernization program.

In carrying out its report the Tribunal drew upon a wide range of published and unpublished data in the private and public sectors, both foreign and domestic, as well as material produced by international organizations. In addition, it received submissions from some 33 parties, reflecting a wide range of interests, from those of domestic producers, importers, distributors, steel service centres, fabricators, and foreign producers and exporters.

The Tribunal report is available from

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