

Advocating for a Strong, Sustainable Canadian Steel and Aluminum Industry

Submission to Government of Canada notice of intent to impose surtaxes on Chinese steel and aluminum in response to unfair Chinese trade practices

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Unifor is Canada's largest union in the private sector, representing 320,000 workers in all major industries, including in the manufacturing and fabrication of steel products as well as smelting and casting of aluminum.

On August 26, 2024, Unifor welcomed the federal government's decision to impose surtaxes on Chinese-imported electric vehicles, as well as targeted steel and aluminum products, invoking powers under section 53 of the Customs Tariff. This is a necessary trade remedy that provides short-term reprieve for workers in Canada disadvantaged by structural trade distortions with China, including the state-directed denial of fundamental labour and human rights and meagre environmental standards. It also provides Canadian workers protections against the threat of near-term import surges, while facilities retool for new electric vehicle production. For autoworkers, these are protective and preventative trade measures designed to preserve jobs and economic security while navigating an historic shift in developing a new, domestic EV supply chain.

China poses a growing threat to the global auto industry, and what is a staple of strong unions, good-paying jobs and well-developed collective bargaining agreements. In the steel and aluminum industries, China's impact is already felt. The government rightly notes in its discussion paper, that Chinese overcapacity in primary metals has had a profound effect on the global market prices, the viability of businesses and the job security of workers. Canada is mostly attempting to contend with these unfair practices by levying anti-subsidy and anti-dumping duties on Chinese producers, the most frequent violators, across a range of products. In recent years, Canada has also enacted time-limited safeguards to guard against surges in select steel products, limiting exports from all countries including China.

China remains a formidable economic power, advancing an intentional, non-WTO compliant strategy of excessive industrial development to oversupply world markets and distort prices. China's export prowess creates industrial instability and threatens jobs. Chinese firms benefit, not only from excessive public subsidization in the steel and aluminum sectors, but from denying the rights of workers to collective bargaining, and freedom of association. Worse, China is complicit in the forced labour of Uyghurs and Turkic Muslims in the Xinjiang, noted for being the world's single largest regional producer of aluminum. There is hardly a Unifor-represented steel or aluminum production facility in Canada not impacted by Chinese trade practices.

The United States has taken aggressive steps to protect its domestic industry against these unfair practices, invoking various trade remedies including anti-subsidy duties as well special import tariffs under both section 232 of the Trade Expansion Act and contemplating stricter tariffs under section 301 of the Trade Act. The result of these high

U.S. tariffs continues to threaten Canadian jobs, as importers seek to redirect shipments of Chinese metal to Canada. Federal government officials have vowed to prevent Canada from becoming a “back door” route for Chinese metals¹, prompting this necessary and appropriate decision to impose section 53 surtaxes on a list of steel and aluminum goods.

Unifor encourages the federal government to consider the following recommendations in finalizing its list of steel and aluminum products subject to section 53 surtaxes, as well as additional actions to defend Canadian workers against unfair trade practices.

1. Ensure alignment with the United States.

- To mitigate the risk of transshipment in steel and aluminum goods, the federal government must align its list of tariff items with the United States. Canada should impose its section 53 surtaxes upon conclusion of USTR’s consultation and implementation of its section 301 remedy.

2. In establishing surtax levels on targeted products, consider the full range of tariff rates imposed by the United States on Chinese goods.

- As noted above, the United States is considering multiple tariff lines on Chinese goods, including pre-existing s. 232 tariffs of 25% for steel imports and 10% for aluminum imports. This does not include any pre-existing anti-subsidy or anti-dumping duties, that would further raise the tariff on certain goods. Canadian officials must be mindful, when setting its final rate, of the tariff disparities that may exist to disadvantage Canada and heightening the risk of transshipment.

3. Consider additional action and remedy on Chinese aluminum products, sourced from the Xinjian Uyghur Autonomous Region (XUAR).

- Documented in Unifor’s earlier report to Finance, entitled *Advocating for a Strong, Sustainable Canadian Auto Industry*², outlines various charges levied against China for enabling forced labour in the XUAR particularly in the production of aluminum. The prevalence of forced labour taints the global supply chain for aluminum and its downstream components.
- In cases of goods supplied through forced labour, Canada’s section 53 remedy is entirely inappropriate. In fact, under the Customs Tariff Act, Canada has the power to ban the entry of goods produced in whole, or in part, using forced

¹ <https://www.theglobeandmail.com/politics/article-canada-will-not-become-back-door-for-diverted-chinese-steel-and/>

² <https://www.unifor.org/sites/default/files/documents/Unifor%20submission%20China%20EV%20trade%20practices-EN.pdf>

labour. Unfortunately, such powers have not yet been invoked by the Canadian government – despite other bans already in place by the United States.

- Unifor continues to call on federal officials to issue guidance to CBSA and ESDC regarding the evidentiary proof required to invoke prohibitions on goods, under the Customs Tariff. This includes enabling CBSA to confront goods suspect of forced labour by issuing Withhold Release Orders (WROs), requiring importers or suppliers to demonstrate compliance with domestic laws prior to the subject good being admitted into Canada.

4. Expand the Annex 1 tariff list to include carbon anode blocks (HS 3801.90.00)

- Carbon anodes are perhaps the most important component within the aluminum production process. Anodes – moulded into massive blocks – enable prebaked smelting and serve as a conductor of electricity, which is central to the reduction process. At various smelters within Canada, carbon anode blocks are produced on-site, by Canadian workers. New technologies, involving the casting of inert ceramic anodes, are under development and could provide both significant emissions reductions and job opportunities for workers in the future. However, until then, carbon anodes remain an essential component of aluminum smelting.
- Over time, aluminum producers have grown reliant on Chinese-imported anode blocks to meet demand. As the cost of new emission-reduction technologies are borne by producers in Canada, workers risk losing carbon anode work to lower-cost Chinese importers. The potential loss of carbon anode block casting also presents future challenges for workers in the eventual transition to new, inert anode technology, as skills are transferred out of Canadian facilities, new supplier arrangements are formed, and inert anodes are replaced significantly less often compared to their carbon counterparts. Securing Canadian jobs in the transition to cleaner aluminum production is essential. Discouraging aluminum producers from growing reliant on outsourced carbon anodes can secure jobs and best position aluminum workers for the future.

5. Move swiftly to implement smelt and cast requirements for aluminum importers, to improve aluminum trade monitoring

- With federal consultations ended, Finance Canada must move swiftly to implement proposed aluminum import monitoring provisions that align with recent advances made in the steel industry (collecting country information around the “melting and pouring” of steel products entering Canada) to include the publication of country of smelt and recent cast (COS) information for aluminum goods.

Conclusion

Unifor welcomes the Government of Canada's consultation on this matter and looks forward to action on the recommendations listed above. The union is resolved to supply any further information or detail to Finance Canada, upon request.

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