

Canada pessimistic about quick end to U.S. steel and aluminum tariffs, sources say

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Canada does not hold out much hope that Washington will quickly lift the tariffs it imposed on steel and aluminum exports, and is resisting a U.S. push to agree to strict quotas, two sources familiar with the matter said.

The administration of U.S. President Donald Trump imposed the sanctions on Canada and Mexico in June, citing national-security reasons. Although Canada and Mexico agreed to a renewed continental trade deal last week, the tariffs remain in place.

Canada is the single largest supplier of both aluminum and steel to the United States. Washington worries that countries could try to ship supplies through Canada and pretend the metals had been produced in Canadian facilities.

In a bid to address those concerns, the Canadian government – acting on a promise it made in March – said on Thursday it would impose new quotas and tariffs on imports of seven categories of steel from many countries to head off a potential rise in imports.

A tariff of 25 per cent will apply starting Oct. 25 to imports “in cases where the level of imports from trading partners exceeds historical norms,” a government statement said.

Mexico, one of the countries targeted by the new measures, said on Thursday it “lamented” Ottawa’s decision and would seek to have its exporters’ steel products excluded from the trade protections.

Jerry Dias, head of Unifor, Canada’s largest private-sector union, said the safeguards would keep out subsidized steel from China and South Korea.

“It’s also sending a message to the United States,” he said in an interview. “Now that the issue is resolved, there’s no meaningful reason for the U.S. to continue to punish the steel industry on both sides of the border.”

The Finance Department said “excessive imports” are harming the steel industry, prompting it to impose a surtax on seven products that range from rebar to wire rods.

The surtax, which begins Oct. 25, will be in place for 200 days, pending an inquiry by the Canadian International Trade Tribunal into whether longer-lasting safeguards are necessary, the government said.

The announcement comes more than three months after Canada imposed tariffs on \$16.6 billion worth of American goods in retaliation for hefty U.S. tariffs on Canadian steel and aluminum.

The government also announced Thursday that some Canadian manufacturers can now import those products from the U.S. without paying the surtaxes that have applied since July 1. A portion of the relief will be temporary, offered until Canadian producers are able to adequately meet domestic demand.

The exemption applies on a case-by-case basis to companies that applied for it, and pertains to American steel, aluminum and certain other products.

The products affected by the fresh tariffs go into structures from condominiums to dams and bridges, “which encompasses a heck of a lot of steel,” said Jesse Goldman, a lawyer representing the Canadian Coalition for Construction Steel.

He said the surtax puts the construction steel industry in “a very dire position” because of Canada’s limited domestic steel supply.

“Because of the actual quota amounts for this type of steel from non-U.S. sources, U.S. steel is going to come into Canada at record high prices. They will simply pass on the 25-per-cent retaliatory tariffs to their Canadian customers.”

The surtax on steel plates and other products could “jeopardize” megaprojects in Newfoundland, which relies almost exclusively on foreign steel, primarily from Europe, Goldman said.

A lot of imported structural steel has been put toward the refurbishment of the Parliament buildings, he added. “It’s more ironic than intentional, but it gives you an example of the importance of imported steel in Canada.”

The country’s geography deters West Coast buyers from purchasing from central Canadian mills. It costs more than four times extra to ship a tonne of steel to Vancouver from Ontario than it does from China or Korea, said Richard Lyall, president of the Residential Construction Council of Ontario.

With rebar an essential component in residential towers, the new steel tariff could boost the price of new condos in Vancouver by up to \$10,000 per unit, Lyall said.

In March, the United States signed a deal with Seoul whereby in exchange for an end to steel tariffs, South Korea agreed to cut exports by 30 per cent of the past three years’ average.

During talks on the new United States-Mexico-Canada Agreement (USMCA), U.S. officials told Canada they wanted a similar arrangement for steel and aluminum, one source said, declining to give specific details.

Canada rejected the demand and made it clear that any cap on the metals would have to be at a level higher than current exports to allow room for shipments to grow.

The source noted the USMCA stipulates that if Washington imposes autos tariffs on national-security grounds, Canada would get a tariff-free passenger vehicle quota of 2.6 million units. This is well above current export levels.

Two other sources directly familiar with the talks on metal quotas between Washington and Ottawa said the export limit the United States sought on aluminum would have caused investment in the industry to plunge.

“It was so unacceptable that the discussions just ended before they began,” one source said.

Prime Minister Justin Trudeau, who tried and failed to have the punitive measures removed before the USMCA negotiations ended on Sept. 30, said last week he was pressing Washington hard to remove the tariffs. The United States, Mexico and Canada are due to sign the USMCA deal at the end of November.

The office of Foreign Affairs Minister Chrystia Freeland, who is in charge of relations with the United States, did not respond to a request for comment.