UNITED STEELWORKERS USW MÉTALLOS

The Case for Canada's Steel Industry

The steel industry is arguably the backbone upon which North America's industrialized economies were built. The first ever billion-dollar corporation formed was U.S. Steel in 1901.[i] By the mid-1900s the steel mill and the automobile plant were the two pillars upon which the North American industrial economy rested.[ii] However, times have changed. Canada's steel industry is under attack due to unfair trade practices by countries like China, Turkey and South Korea, with little to no support from the Canadian government.[iii] As a result, two of Canada's largest steel companies are in creditor protection, over 1,500 workers have been laid off in the past year and thousands of retirees have lost their health care benefits as companies try to pass on their losses to workers. Yet, as this brief paper will illustrate, supporting Canada's steel industry is clearly in the country's economic, social and environmental interests.

Canada's steel industry provides a wealth of economic benefits to the country. The industry employs approximately 22,000 workers, with each job indirectly supporting a minimum of three other jobs.[iv] The Canadian Steel Producers Association estimates the average annual salary within the industry to be $70,000 a year.[v] Consequently, the sector provides an injection of $1.7 billion into the Canadian payroll.[vi] The economic significance of these jobs is particularly evident when one accounts for the fact that these wages enable workers to stimulate the economies of the small towns they live and work in. In conjunction with this increased spending ability comes an increased ability to pay more in taxes. It is these taxes that enable our government to construct the schools, bridges and roads we need. Protecting this tax revenue base is of vital importance across the country; perhaps nowhere more so than Alberta, the home of hundreds of Steelworkers. Since 2015, Alberta has seen its provincial revenues decrease by over $8 billion, due to plummeting oil prices.[vii] The economic importance of the steel sector is clearly evident.

The wealth of economic benefits provided by Canadian-made steel comes at a fraction of the environmental footprint of foreign-made steel. Canadian manufacturers operate under stringent environmental standards. The government of Ontario recently released its $7 billion climate change plan that will have wide-ranging consequences for manufacturers throughout the province.[viii] In Alberta, Premier Rachel Notley recently announced the province's plan to phase out coal-fired power plants (a significant source of energy for steel manufacturers in Alberta) and replace them with renewable energy and natural-gas-fired plants.[ix] As a result, due to comparatively clean sources of energy, using Canadian-made steel in Canada has a carbon footprint of two-to-four times less than international competitors.[x] In contrast, China's steel industry alone is the source of 50% of the world's CO_2 output.[xi] It is also the source of one-fourth of the particulate matter found in the air of West Coast cities.[xii] Supplying the Canadian market with Canadian-made steel not only makes economic sense, it is environmentally responsible.

Unfortunately, the opposite has been happening. In 2014, with the help of government subsidies, China (the world's largest steel producer) shipped 100 million tonnes of steel overseas.[xiii] Of this figure, 552,535 tonnes arrived in Canada,[xiv] including 138,893 tonnes of rebar that the Canadian Border Services Agency determined to be dumped.[xv] Dumping is defined as the export of a product at a price that is lower in the foreign market than the price charged in the domestic market. China is the single largest contributor to the current global overcapacity in steel.[xvi] As a result, over the past year, international steel prices have fallen to levels not seen since the industry downturn of 2001. At that time, Stelco (now U.S. Steel Canada) was brought to the brink of collapse when cheap imports gained a 44% share of the market, which prompted a 96% decline in profits in a single year.[xvii]

How, and why, are Chinese steel manufacturers doing this? Chinese steel manufacturers benefit from the communist government's manipulation of the Chinese Yuan, which on August 11, 2015 experienced the single largest drop in value in over a decade.[xviii] The move followed trade data showing that Chinese exports had fallen by approximately 8%.[xix] The Yuan maintains a close relationship with the US Dollar (USD), and by artificially devaluing the Yuan, the government is ensuring Chinese steel exports are cheaper on the international market. Moreover, the imperative of some of China's largest state-owned steel enterprises is to maintain employment, not to adhere to market conditions.[xx] These state-owned enterprises have access to significant government funds and are therefore able to maintain high production levels despite weak domestic and international demand.[xxi] This overcapacity has led Chinese manufacturers to dump steel products into Canada, placing unfair downward pressure on Canadian producers, as Chinese steel producers are effectively exporting their disregard for fair wages and workers' rights. China's low wages, which are believed to be approximately the equivalent of CAD $4.50/hour,[xxii] as well as its disregard for the health and safety of its workers, provides Chinese manufacturers with a 41% saving when compared to American manufacturers.[xxiii] Steel workers in Canada cannot compete against that, nor should they.

In the face of this, Canada's steel industry has received little-to-no support from provincial and federal governments. In 2015, the right-wing Liberal government in British Columbia (B.C.) argued before the Canadian International Trade Tribunal that it was in the "public interest" for it to be granted an exemption to use B.C. taxpayer dollars in order to purchase dumped rebar from China even though Canadian Steelworkers in neighbouring Alberta produced the exact same good.[xxiv] At the federal level, Canadian unions are barred from launching trade action against states that dump steel into Canadian markets. Moreover, the recent federal budget, that calls for billions of dollars in infrastructure spending, makes no mention of whether Canadian-made steel will be purchased. There has clearly been a lack of government support for the industry.

As this paper has illustrated, a strong Canadian steel industry is in the country's economic, environmental and social interests. Not only does the industry provide well-paying jobs to over 22,000 Canadians, it supports the livelihoods of an additional 100,000 – all at a fraction of the environmental footprint of foreign producers. Yet, the industry is under attack, with little to no support from our governments. As a result, it has seen millions of dollars lost and thousands of workers laid off. Without clear and decisive support from stakeholders in the steel sector, losses will continue to mount. The question now is how much more can the industry sustain?

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[xix] *Ibid*
[xx] Standard and Poor's, *supra* note 13, 7
[xxi] *Ibid*
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