

Canadian Coalition for Fair Market Trade

August 3, 2016

The Honourable Chrystia Freeland, P.C.
Minister of International Trade
House of Commons
Ottawa, Ontario
K1A 0A9

Dear Minister Freeland,

As the newly-formed Canadian Coalition for Fair Market Trade (CCFMT), we are pleased to write to you today on an issue of critical importance. This alliance is composed of twelve major industry associations, labour unions, and individual corporations collectively employing and representing hundreds of thousands of highly-skilled, middle-class Canadian workers. We have come together to ensure that the effectiveness of Canada's trade remedy system is preserved and enhanced, while continuing to protect against market distorting behaviours of other jurisdictions.

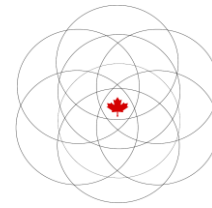
While the interests of our membership are broad, principal among our immediate collective concerns is the ongoing enforcement by the Canadian government of legislative and regulatory provisions that effectively respond to the unfair trading practices of Chinese manufacturers and exporters operating in a non-market economy.

This issue has meaningful implications for investment and employment on the part of manufacturing and related operations in Canada. China's well-established pattern of flagrant non-market behavior across several industrial sectors has significant negative consequences globally. Through their maintenance of massive surplus production capacity, China's state-owned and state-subsidized industries have disrupted global trade patterns, eroded pricing of manufactured goods around the world, as well as forcing reductions in output, and ultimately the bankruptcy of several market-based competitors.

Given the power of state-owned and supported industries to disrupt global manufacturing and associated supply chains, it is vital to maintain an effective domestic trade remedy system to preserve fair trade and competitive domestic markets.

As you are aware, Canada's current *Special Import Measures Act* (SIMA) allows the Canada Border Services Agency (CBSA) to investigate whether industry sectors in certain countries, including China, are operating in a non-market economy environment. In those jurisdictions where the CBSA determines that non-market economy conditions exist, special provisions are then employed to determine "market-based" dumping margins. The ability to initiate these investigations, which allow for evidence-based determinations of fair and appropriate margins, is critical to the efficacy of Canada's trade remedy system.

As a result of changes made in 2013 to SIMA section 17.1, the Government of Canada strongly endorsed this practice and eliminated associated expiry provisions which would have otherwise been triggered in December of 2016. These important changes addressed significant policy and business uncertainty concerns on the part of many of Canada's trade-exposed industries. They also provided policy equality with our NAFTA partners and helped to level the playing field for Canadian manufacturing operations when competing with affiliates in other countries for foreign direct investment. This policy approach must continue without compromise.



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Put simply, any limitation in our capacity to validate Chinese non-market behavior would deny fundamental economic realities and seriously compromise Canada's trade remedy system. In 39 different cases involving comprehensive investigations since 2002, the CBSA has conclusively demonstrated that Chinese industries do not function in a market economy. Removing related provisions would severely harm Canadian manufacturers, their employees, and the Canadian economy.

Our Coalition appreciates that your mandate as Canada's Minister of International Trade includes the expansion of trade relationships with large and fast growing markets including China and India. However, we do not believe that in doing so, Canada should compromise our robust domestic trade remedy system, which includes non-market economy provisions with respect to China. Fair market trade requires our trading partners to abide by the rules of the trade agreements we sign and those of the marketplace more generally. An effective trade remedy system is vital in ensuring that parties to trade agreements stand by their commitments, and that the benefits of more open trade agreements are realized.

Accordingly, the CCFMT believes very strongly that any deviation from Canada's defined position and practices relating to Chinese non-market economy provisions would be inconsistent with a policy of engagement with China on economic issues crucial to the future of both countries. A successful economic relationship with China must incorporate a shared understanding of, and appreciation for, fair market economy principles. It is important that opportunities for deeper trade and investment ties with China are developed as the result of constructive dialogue and informed negotiation that ensures the fair treatment of Canadians employed in domestic manufacturing. They are the backbone of Canada's middle-class.

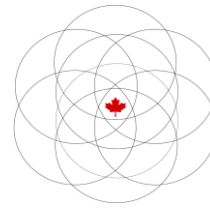
To reiterate, Canada's trade-exposed manufacturing sectors rely on the integrity of effective, evidence-based domestic trade protocols. Our success as a trading nation is tied to policies that promote rules-based, fair market trading behaviour. Canada must not change its existing approach for evaluating China's demonstrated non-market behavior. Otherwise, we risk undermining the very fair market principles upon which our trade agreements are based. Canadian manufacturers are committed and fully able to compete in both domestic and international markets as long as a level-playing field remains in place.

Thank you for your attention to this matter and we look forward to a constructive dialogue with you on this and other issues of importance going forward.

Sincerely,

Jean Simard
President and CEO
Aluminium Association of Canada

Flavio Volpe
President
Automotive Parts Manufacturers' Association



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Russ Urry
President
Canadian Foundry Association

Jim Taggart
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Ed Whalen
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Ken Neumann
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United Steel Workers

cc: The Honourable Navdeep Bains P.C., M.P.
The Honourable Bill Morneau P.C., M.P.
The Honourable Ralph Goodale P.C., M.P.