

Steel's Star Chamber

We will all pay the price if the Canadian steel industry is allowed to reverse 50 years of international trade liberalization under the guise of modernization.

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The Canadian steel industry passionately believes that the prosperity of its consumers has to be held firmly in check. It warns of its imminent ruin unless the government imposes stiff import barriers that allow it to charge higher prices to Canadian companies who use steel and Canadians who buy their products. The industry wants Canadian laws changed to eviscerate the rights of consumers to protect themselves against protectionist demands. If the government is unwise enough to follow this advice, it will drive a gaping hole through Canada's international trade interests and invite retaliation against Canadian exports. The latest episode in this perpetual conflict started about a year ago when the steel industry warned that the Canadian market was about to be flooded by imports diverted from the United States, which had raised import barriers to its market. The government asked the Canadian International Trade Tribunal (CITT) -- an independent body -- to examine this complaint and make recommendations. The tribunal held extensive hearings and heard from numerous witnesses representing steel producers, importers, and consumers. It dismissed about half of the industry's complaint. On the other half, covering five critical steel products used principally in the automotive and construction industries, it agreed that imports would cause harm and recommended a range of import barriers.

The problem is that a majority of the imports that are alleged to be damaging Canadian industry comes from the United States, which exempted Canadian steel from its import barriers. If the government followed the CITT recommendation, the Canadian exemption would disappear in a flash. The solution, according to the Canadian industry, is to leave U.S. imports alone and block the imports of other countries. This action would violate the international trade rules of the World Trade Organization (WTO), which forbids this kind of discrimination. Canada would be promptly challenged and lose big time. It is not surprising that the government has maintained a judicious silence over the last nine months.

Now four Liberal MPs representing steel ridings take the case into new and dangerous territory. In an Aide-Memoire to the Minister of Finance, they demand immediate action on the CITT recommendations and the reversal of the CITT's negative findings on two of the products. No new evidence is adduced to support this extraordinary demand. The effect on automobile and parts manufacturers would be higher costs, lost jobs, and foregone investment.

The MPs also call for the "modernization" of Canadian trade laws to eliminate the fairness and transparency of the process followed by the CITT. Under current rules, the industry has to prove that it is being damaged. These egregious proposals would shift the burden of proof from producers to importers. The MPs want importers to prove that they

are not damaging producers. The rights to examine witnesses would be severely limited. If importers do not produce witnesses of their own, they should not have the right to examine those testifying at the behest of producers. The industry should be consulted before members of the CITT are appointed. The CITT should understand that its job is to find damage when damage is alleged.

The four MPs seek a Star Chamber, where producers have all the rights and importers are regarded as guilty before the process begins. In early 17th-century Britain, the Star Chamber was used to lock up political dissidents without trial. Its name survives still to designate arbitrary, secretive proceedings in opposition to personal rights and liberty.

Under the guise of modernization, the Canadian steel industry wants to reverse more than 50 years of international rule making designed to free the flow of trade from arbitrary and capricious intervention. Canada fought hard to get those rules in place. If the industry vision were adopted, Canada would face a wave of challenges at the WTO and lose all of them.

The demand by the Canadian steel industry to clobber offshore steel imports vividly demonstrates that it is hard to keep a bad idea down. The Canadian market used to be virtually closed for manufactured products like steel with predictable results: small-scale, fragmented, inefficient, and high-cost manufacturing industries. Over the past 50 years, Canada abandoned most of the vestiges of protectionism. Any steps to further open the Canadian economy will benefit all Canadians. The measures sought by the Canadian steel industry and its political supporters may, briefly, make steel producers and workers feel better off, but we will all pay the cost, including the steel industry.

The Star Chamber has been consigned to the dustbin of history in democratic countries. The recommendations to "help" the Canadian steel industry ought to be dispatched, posthaste, to the same dustbin.

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