



USW fact sheet on the federal response to the trade war and the crisis in Canadian industry

The federal government's announcement on June 19, 2025, to address the crisis of low-priced and dumped steel in the Canadian steel industry falls short. While measures that target countries that contribute to global overcapacity through surtaxes on "melted and poured" steel are important and commendable, the federal government's centerpiece Tariff Rate Quota (TRQ) policy is simply insufficient to protect Canadian workers. We continue to believe that the best way to protect Canadian steelworkers is through the imposition of surtaxes on countries that have repeatedly been caught dumping steel into the Canadian market. However, in the spirit of constructive criticism and in the interests of protecting Canadian steelworkers and the economic sovereignty of Canada, we offer the following analysis where we believe the government's plan falls short, and measures that need to be taken if a TRQ framework is to really protect Canadian steelworkers and domestic steelmaking capacity.

TRQ: Too narrow and loose

The proposed TRQ framework is simply too narrow and limited. The federal government's plan seeks to cap imports from non-free trade countries at 100% of 2024 levels and tariff any imports above those levels. In 2024, Canada imported 8.33 million metric tonnes (MMT); removing approximately 900,000 tonnes of steel that Canada imports but does not produce domestically, means that approximately 65% of imports came from countries we have an FTA with, and 35%, came from countries we do not have an FTA with. This means that effectively, two-thirds of imports would not be subject to TRQs.

While in theory it appears to make sense to privilege our free trade partners over our non-free trade partners, in the reality of the global steel market, which is characterized by overproduction, subsidization and dumping, it makes extraordinarily little sense. Bad actors are not confined to non-free trade partners but, as a matter of fact, includes some of them. Out of the 29 countries of which Canada has an active anti-dumping or counter-vailing duty against on steel products, 12 are from free trade partners, and they include large suppliers of steel into the Canadian market, such as South Korea and Vietnam. South Korea was the third-largest source of imports into Canada in 2024 with 630,000 tonnes, and the second-largest in both 2023 and 2022, supplying almost 1 MMT. Despite a decline in exports to Canada in 2024, Vietnam exported over 100,000 tons in 2023 and 320,000 in 2022.

In fact, after China, the countries which Canada has the most active AD/CV duties against is South Korea and Vietnam. Despite being free trade partners, both South Korea and Vietnam have shown repeatedly they do not engage in the fair trade of steel with Canada. However, the list of bad actors does not end there; it also includes countries within the European Union, such as Portugal, Spain, Italy, Germany, Bulgaria and Romania, of which Canada has active AD/CV duties against, although these pale in comparison to South Korea and Vietnam.



The limited and narrow TRQ framework proposed by the government, therefore, not only leaves two-thirds of imports exempt from a quota, but it also completely fails to address the threats posed by South Korea and Vietnam which, under this arbitrary division between FTA and non-FTA countries, will continue to have unfettered access to the Canadian market and threaten Canadian steelworker jobs.

The second limitation of the federal government's TRQ framework is its permissive level. By placing a quota based on non-FTA imports at 2024 levels, the federal government is effectively providing non-FTA countries a 20% share of the domestic market, assuming domestic steel demand stays around 14 MMT in 2025. If the quota is proportional to domestic steel demand going forward, then we are effectively providing non-FTA countries such as Turkey, UAE, India, Thailand and many others, countries which have also repeatedly dumped steel in the Canadian market and that Canada also has multiple active AD/CV duties against, a guaranteed and proportional 20% tariff-free share of the domestic market. To be clear, these are tonnes Canadian steelworkers can produce at once and in a much more environmentally sustainable fashion. In our opinion, baking in or freezing in low-priced, cheap and carbon-intensive imports is not beneficial to Canadian steelworkers or the future of the Canadian steel industry.

Alternatively, if the TRQ level is a hard cap at 2024 levels and not a proportional one according to domestic steel demand, it is still difficult to see the immediate benefit or protection this provides Canadian steelworkers. Or better put, the benefits of this TRQ framework only kick in under very stringent assumptions. First, the TRQ level has to remain at 2024 levels; second, Canadian steel demand has to grow beyond 2024 levels; third, the out-of-quota tariff has to be set at a level that makes non-FTA imports uncompetitive relative to both Canadian and FTA steel producers; fourth, Canadian producers are able to out compete other FTA partners, such as low-priced imports from South Korea and Vietnam, to divert tonnes away from non-FTA imports. It is only under these conditions that Canadian workers can "win" some tonnes away from TRQ countries. A TRQ designed in this way therefore offers very little in terms of immediate protections and increased work to Canadian steelworkers and its benefits only materialize under very strict assumptions.

A path forward

The USW continues to believe that the most effective and transparent way to protect Canadian steelworkers and domestic capacity, is through surtaxes on those countries that have repeatedly dumped steel in the Canadian market and which do not engage in fair trade, regardless of whether they have a free trade agreement with Canada. However, if the federal government does not see this path as viable, we offer the following suggestions to broaden and tighten the proposed TRQ framework to protect steelworkers and build the Canadian steel industry:

1. **TRQs on FTA partners:** restrictive TRQs need to be extended to FTA partners which have repeatedly dumped steel in the Canadian market, in particular South Korea and Vietnam. Providing unrestricted access to the Canadian market for these two countries does not make any sense given their large export volumes to Canada and in particular their historical record of steel dumping in the Canadian market and



injuring workers. We encourage unilateral action by the federal government, or at the very least bilateral discussions which encourage the voluntary restriction of exports from these countries.

2. **Restrictive TRQs for non-FTA countries:** TRQs at 2024 levels are simply too high. At worst they bake-in import shares from cheap foreign sources, and at best they make a marginal contribution to the competitive standing of the Canadian industry vis-a-vis FTA partners. Instead, we propose that TRQ levels should be designed specifically to encourage import substitution, which should be the objective, not solely limiting import 'surges' and therefore, they must be immediately restrictive or placed on an increasingly restrictive and diminishing schedule over time.