



Consuming Industries
Trade Action Coalition

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CITAC Connections

SOFTWOOD LUMBER TRADE DISPUTE NEARS KEY DEADLINES

U.S. softwood lumber trade with Canada has been the subject of dispute for the last 18 years. For the most part, the focus of the dispute has been alleged Canadian subsidies to its lumber industry, subsidies attacked by U.S. lumber producers with countervailing duty (CVD) investigations. CVD actions tended to be settled, reluctantly by the Canadian government and industry, with export restraints of some kind. U.S. lumber consumers are typically ignored in the drafting of these agreements. The last such settlement, the Softwood Lumber Agreement (SLA), expired in March 2001. The next day, U.S. producers filed new CVD and antidumping (AD) investigations that could result in penalty import duties.

Those trade cases are due to be completed by the Commerce Department and the U.S. International Trade Commission in May, if yet another settlement is not reached first. U.S. and Canadian government officials have been engaged in talks to that end. The last round of talks on February 19 did not reach an agreement, so it appears the U.S. administration will go ahead with the CVD and AD process, which could result in the imposition of CVD duties (now set at 19.3 percent) and AD duties (12.6 percent) on imports from Canada — 31.9 percent in total.

CITAC RESPONDS

Several members of CITAC are very concerned about the outcome of the latest effort to limit the volume and increase the cost of softwood lumber exported from Canada to the United States. These include, most notably, American retailers who sell lumber and other wood products to American families. Also important are home builders and others related to the home building industry, represented by American Consumers for Affordable Homes (ACAH) (see box). They insist that, this time, their interests must be considered in any resolution of the dispute.

Softwood lumber imported from Canada represents about 35 percent of the softwood lumber used by U.S. consumers, so

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restrictions on those imports are no small matter. They clearly affect the housing sector, one of the strongest and most important segments of the U.S. economy. Home building and remodeling account for two-thirds of lumber consumption in the United States. Lumber accounts for a larger share of the cost of a home than any other material. Each dollar increase in the price of framing lumber per 1,000 board feet adds about \$20 to the price of an average new home. About 6 million U.S. workers are involved in lumber-using businesses, including home builders, remodelers, lumber dealers, and workers making wood pallets, window frames and beds. Employment by U.S. lumber users outnumbers employment by lumber producers by 25 to one.

CITAC has buttressed efforts by ACAH that lumber users must be fully considered in the lumber trade debate. CITAC issued three press releases on the lumber trade dispute during 2001 which received widespread multi-media coverage (from Canadian TV, to print to Internet). CITAC Chairman Jon Jenson wrote the President about CITAC's concerns regarding the SLA and the ongoing trade litigation. He also responded to a Letter to the Editor from former President Jimmy Carter in the *New York Times*.

Impact of 32% Softwood Lumber AD and CVD Duties

- *New home buyers would pay approximately \$1,000 more per house.*
- *Nearly 500,000 American families will not be able to qualify for mortgages to buy a new home. Most impacted would be first-time home buyers and seniors moving to more affordable retirement housing.*
- *The duties will slow U.S. economic growth at a time we can least afford to do this.*

Source: ACAH

Profile of a CITAC Member Who Cares About this Issue

American Consumers for Affordable Homes (ACAH) is a broad-based ad hoc alliance of organizations interested in promoting affordable housing for consumers in the United States. Its mission is to support policies that will open the softwood lumber market between the U.S. and Canada. ACAH members represent more than 95 percent of the lumber users and consumers in the United States.

History of Softwood Lumber Dispute

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| 1983 | First U.S. countervailing duty (CVD) case against Canadian Softwood Lumber. Result: no subsidies found, case dismissed. |
| 1986 | Second U.S. CVD case against Canadian Softwood Lumber. Result: settled with a Memorandum of Understanding establishing a 15% export tax on softwood lumber exported from Canada to the U.S. The MOU expired in 1991. |
| 1991 | Commerce self-initiated a third U.S. CVD case. Canada challenged the U.S. preliminary finding before a U.S.-Canada Free Trade Agreement binational panel and won. Challenges, appeals and more challenges ensued. In 1994, U.S. producers succeeded in changing U.S. CVD law in provisions attached to the bill implementing the Uruguay Round Agreement. Using the leverage provided by the changes in U.S. trade law, U.S. lumber firms were able to threaten a fourth CVD action and demand limits on shipments from Canada. The result was the 1996 Softwood Lumber Agreement (SLA). |
| 1996 | The SLA established a Canadian tariff-rate quota limiting exports from Canada to the United States for five years. |
| 2001 | After the SLA expired, a fourth CVD plus an antidumping (AD) investigation was launched by U.S. producers. Commerce announced preliminary CVD margins in August; preliminary AD margins were announced in November. The U.S. and Canada set up a working group in September to explore settlement. |