

# Canada/US Trade in Lumber

## British Columbia, Canada

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Canada supplies about one-third of the lumber used in the U.S., with about half of those imports coming from the province of British Columbia.

Canadian lumber imports benefit the U.S. as well as Canada. The U.S. lacks the lumber needed to meet its needs. Canada's high-quality lumber supports thousands of U.S. jobs in construction and manufacturing, and contributes to lower prices for house construction, renovations, and wood products. In addition, wood is a renewable resource, and Canadian wood comes from abundant and well-managed forests.

A small group of U.S. lumber producers are trying to use antiquated trade laws to increase the price of

lumber in the U.S. These producers allege that Canadian lumber is "subsidized" because its forest management differs from the U.S. system. This protectionist group may succeed in the

short-term. In early May, the U.S. government may finalize its decision to impose an import duty of close to 30% on Canadian lumber imports.

*"...the administration apparently fears that Canada would appeal [lumber producers' unfair-trade] suits successfully at the World Trade Organization. Doesn't that suggest that Canada's supposed subsidies may be debatable? Is a tax on home ownership the best response to a problem whose existence is disputed?"*

*--Washington Post editorial,  
March 21, 2002*

## *B.C. Lumber is Fairly Traded*

### **Different Forest Management**

As the owner of about 95% of the province's forest land, the B.C. government manages forests for the public benefit, considering environmental, social and economic interests. Through agreements, forest companies are allowed to harvest on public lands in exchange for revenue (stumpage) and various forest management requirements, including planning, consultation, road-building and reforestation.

*"[The new softwood tariffs] are unjustified and harmful .... Canadian firms are required to build their own roads, protect environmental values and do many other Forest Service-like tasks. The price for harvested trees is set administratively by the provincial governments, which believe they do a good job of establishing a reasonable market value. That belief is shared by groups representing American homebuilders... the Cato Institute and the Congressional Research Service."*

*--Minneapolis Star-Tribune editorial,  
March 31, 2002*



"These types of 'trade penalties' simply harm American consumers who shouldn't have to pay higher taxes just so the U.S. government can hand-hold a few U.S. companies who want protection from a globally competitive world."

--Jenna Morgan,  
National Lumber and  
Building Material  
Dealers Association

### Investigations Found No Subsidy

Canadian timber pricing has been the subject of three earlier U.S. countervailing duty investigations over the past 20 years. In two of the investigations, the Department of Commerce could not sustain the U.S. industry's allegations of subsidy. The third investigation was never completed because both governments preferred to pursue a negotiated solution.

*"In effect, the U.S. position on lumber...is that unless countries arrange their economies and societies the way we do, their imports are suspect."*

--Washington Post editorial,  
March 24, 2002

### Government Earns More than it Spends

Allegations of artificially low stumpage fees are not supported by the facts, which show that the B.C. government collects far more than it spends. For nine out of the past ten years, revenues from stumpage and other fees far exceeded government costs related to sustainable forest management and to developing, maintaining and selling timber. Last year's revenue-cost gap amounted to more than \$500 million.



*"[Duties are] illogical, short sighted, and morally wrong...To suggest that Canada must have a stumpage system just like the U.S. is arrogant and does not recognize the inherent differences in timberland ownership and logistics in the two counties. If our system is so great why did the General Accounting Office issue a report on October 10, 2001 saying that the accounting system for the U.S. Forest Service was "totally unreliable" and we were losing money on timber sales?"*

-- Tom Stephens, former CEO of U.S. and  
Canadian companies

## Establishing Free Trade in Lumber

Canada wants to establish free and fair trade in lumber, and end the ongoing trade dispute and costly litigation. In the absence of a negotiated settlement, Canada is pursuing other options, including international trade tribunals. British Columbia has offered to make major changes to its forest policies to address the concerns raised by U.S. lumber producers. British Columbia and Canada welcome the opportunity to work with the U.S. to find a long-term solution, allowing both countries to benefit from free trade in lumber.

For more information, see  
[http://www.for.gov.bc.ca/HET/Softwood/  
index.htm](http://www.for.gov.bc.ca/HET/Softwood/index.htm)