
FACTSHEET

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Ministry of Forests, Lands and Natural Resource
Operations

Canada-U.S. Softwood Lumber Trade

History

- Since 1982, softwood lumber exports from Canada to the U.S. have been subject to five separate rounds of U.S. trade litigation with three managed trade agreements.
- The last agreement came into force in 2006 and expired on Oct. 12, 2015. Under the terms of the agreement, the U.S. was precluded from launching trade action against Canada for a period of one year after expiry.
- Softwood lumber disputes are costly to industry, workers, communities, provincial and federal governments, and U.S. consumers.
- Managed agreements are preferred to trade litigation due to increased market stability and certainty.
- Canada, with significant input from B.C., engaged the U.S. in negotiations on a new managed trade agreement for lumber. However, the insistence of the U.S. industry on imposing a hard cap quota on Canada (and B.C.) along with the election of a new American President led to an impasse.
- Since the expiry of the last agreement, B.C. and Canada have also prepared for the U.S. launch of new trade litigation.

Status of the current Canada-U.S. softwood lumber trade dispute

- On Nov. 25, 2016, the U.S. industry filed a petition with the U.S. Department of Commerce alleging that Canadian lumber exports are subsidized, injure the U.S. industry and that Canadian exporters are guilty of dumping behaviour.
- The U.S. Department of Commerce and the U.S. International Trade Commission are responsible for conducting the investigation. On Dec. 15, 2016, the U.S. Department of Commerce announced it would proceed with the case. On Jan. 6, 2017, the U.S. International Trade Commission ruled that Canadian softwood lumber exports had injured the U.S. industry.
- The U.S. Department of Commerce has identified the four largest Canadian exporters as mandatory respondents for the subsidy and dumping investigations, three of them are B.C.-based.
- The U.S. Department of Commerce will issue a preliminary determination on subsidy by April 24, 2017, and on dumping by late June 2017.
- If the U.S. finds that Canadian lumber is subsidized and/or dumped at preliminary determination, countervailing (subsidy) and/or anti-dumping duties will be imposed. Each of the four mandatory respondents will get a company-specific rate and all other exporters will get an average of the four company rates. Thereafter, exporters will be required to pay cash deposits at the established rate. (Cash deposits are held in trust

until rates are final following all appeals.)

- The preliminary rate could be retroactive for 90 days from the preliminary determination.
- It is anticipated that the final decisions for both subsidy and dumping will be issued by the U.S. in early January 2018.
- Currently, avenues of appeal are through NAFTA, the U.S. Court of International Trade and the World Trade Organization.
- Canada has always successfully argued that lumber exports to the U.S. are not subsidized, and NAFTA tribunals have found the same. Unfortunately for Canada and for American consumers, history shows that it can take several years of appeals at NAFTA and WTO tribunals before duties are lifted or a new agreement is negotiated that cancels duties.

Why a Negotiated Outcome Makes Sense for Both Canada and U.S.

- While free trade is the preferred outcome for B.C., a managed trade agreement is more desirable than litigation.
- The 2006 Softwood Lumber Agreement provided improved market certainty to lumber manufacturers in B.C. and Canada, enabling the province to manage its forest resources while maintaining access to the U.S. market.
- A managed trade agreement gives parties a venue for settling disputes. Both sides won and lost disputes under the previous agreement – dispute settlement works.
- The agreement also facilitated the creation of the Bi-National Softwood Lumber Council and Softwood Lumber Board, which have improved cross-border relations and grown the market for wood in the U.S.
- On Feb. 14, 2017, the B.C. government appointed David Emerson as the B.C. Trade Envoy to the United States to work with Canada and the U.S. in securing a new Softwood Lumber Agreement.
- Canada's share of the U.S. market is lower today than when the previous Softwood Lumber Agreement was signed in 2006. Diversification of markets for B.C. lumber and the effects of the mountain pine beetle epidemic on timber supply mean that Canadian market share is not expected to grow.
- The U.S. needs Canadian lumber to build homes. High and variable duties lead to uncertainty of lumber access and higher prices for U.S. consumers and homebuilders.

Why it Matters

- B.C. is Canada's largest producer of softwood lumber accounting for approximately half of overall production.
- While B.C. has made great strides in opening up Asian markets, the U.S. is still B.C.'s number one market for softwood lumber. In 2016, the value of B.C. lumber exports to the U.S. was \$4.6 billion.
- Forestry is one of B.C.'s key economic drivers and key employers – providing more than 60,000 direct jobs. About 40% of B.C.'s rural communities are dependent on forestry.

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