

October 19, 2010

WASHINGTON, DC – Last week, Peter DeFazio called the U.S. Trade Representative (USTR) Ron Kirk to urge him to enforce the Softwood Lumber Agreement with Canada and to aggressively pursue arbitration should recently initiated talks break down between the two countries. DeFazio said the ongoing lumber trade issue with Canada has Ambassador Kirk's full attention and he's confident the Administration will take the appropriate steps to crack down on British Columbia's illegal wood subsidies.

"I told Ambassador Kirk about the recent closure of Swanson's Glendale facility, which resulted in the loss of 90 family-wage jobs," DeFazio said. "I explained how efficient the Glendale facility was and how mills like it in my district could compete with any mill in the world if the playing field is level. But they can't compete when the deck is stacked against them and the U.S. is unwilling to respond to illegal trade barriers with meaningful action."

The softwood lumber dispute between the U.S. and Canada has lingered for more than 20 years. At the heart of the issue is the importation of cheap lumber from Canada into U.S. markets, particularly into the Pacific Northwest. The two countries have signed multiple lumber trade agreements, the most recent of which is the Softwood Lumber Agreement signed in 2006. Under the agreement, the U.S. agreed to terminate the collection of anti-dumping duties on subsidized Canadian softwood. Canada agreed to impose taxes and quantitative restrictions on lumber exports to the United States.

Unfortunately, Canadian provinces have repeatedly undercut the agreement. Before 2006, British Columbia (BC) was selling 80-85% of its softwood as Grade 1 "lumber quality" wood and 15% as Grade 4, "non lumber quality" wood. Grade 4 softwood is sold to industry for \$0.25/cubic meter - about \$10 a truck load – while Grade 1 wood can be sold for many times that cost.

For the last three years, BC has sold approximately 50% of its wood as Grade 1 and 50% of its wood as Grade 4. In other words, BC is now selling half of its wood for \$0.25/cubic meter. BC says the dramatic increase in cheap wood is due to the beetle infestation, which experts say cannot account for the shift alone. The subsidies have allowed the timber industry in British Columbia to thrive by flooding U.S. markets with cheap wood during a time of low demand and

depressed prices.

“Mills are closing and hundreds of workers are losing their jobs in my district,” DeFazio said. “Meanwhile, the timber industry in Canada is booming because British Columbia is basically giving wood away to industry for free with illegal subsidies. That’s absolutely unacceptable. We’re getting killed in the trade war and its costing us jobs and infrastructure, which don’t come back once they’re gone. This Administration should use every means at its disposal to protect our industries and family-wage jobs and they can start with Canada’s subsidized lumber imports.”

On October 8, the USTR requested formal consultations with Canada, which initiates the dispute settlement process. If the dispute is not resolved in 40 days (mid-November), the U.S. or Canada can request arbitration. DeFazio said he hopes the consultations can resolve the matter quickly, but believes arbitration will likely be necessary.

“Ambassador Kirk said the lumber trade issue is priority for the USTR, which is great. But, time is of the essence. The longer this takes, the more jobs we lose. I’m going to continue to put the pressure on this Administration to make sure it fights for a level playing field for U.S. industries.”