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TRANSPORTATION AND
INFRASTRUCTURE
RANKING MEMBER



Congress of the United States

House of Representatives

September 12, 2017

U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

WRITTEN TESTIMONY OF:
The Honorable Peter A. DeFazio
Member of Congress

BEFORE:
The U.S. International Trade Commission

REGARDING:
Certain Softwood Lumber Products from Canada
Inv. Nos. 701-TA-566 and 731-TA-1342 (Final)

Dear Chairman Schmidlein, Vice Chairman Johanson, and the distinguished members of the U.S. International Trade Commission:

Thank you for the opportunity to share my views as you make your final determination in this case. Heavily subsidized Canadian imports are having such a negative impact on my district that I had intended to testify at today's hearing in person. Unfortunately, due to the major wild fires burning throughout my state I traveled to Oregon this weekend with the Chief of the United States Forest Service to survey the damage and response operations and hence my return to D.C. was delayed.

I am hopeful that you will follow up the preliminary determination by the Department of Commerce that Canadian softwood lumber imports are heavily subsidized and dumped in the U.S. market, with your own finding that those unfair trade practices have devastated the U.S. softwood lumber industry.

As someone who represents a very substantial portion of Oregon's softwood lumber production, I know how devastating underpriced imports and unfair trade practices can be on vulnerable timber-dependent communities. My district, the southwest corner of the State of Oregon, covers a large percentage of Oregon's more than 30 million acres of timber land and includes many of the 40,000 timber jobs Oregonians rely on for their livelihood. For many of

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the timber communities I represent, the local lumber producer is the single largest—and potentially only—source of employment.

These jobs are crucial to the livelihood of my constituents, yet they are continually threatened by the flood of cheap softwood imports flowing over the border from Canada. Timber communities in my district have consistently high rates of unemployment. Despite having a skilled workforce, despite being surrounded by forests, and despite the fact we have some of the most state-of-the-art mills in the world we are still losing market share. We Oregonians know exactly why this is happening—our mills face a fundamental disadvantage. While U.S. timber, whether from private or government land, is sold in a competitive free market system, Canadian timber is heavily subsidized by their government and sold or contracted at pennies on the dollar.

Canadian lumber subsidies provide an artificially low cost of production, which in turn gives Canadian producers increased ability over U.S. mills to invest and grow their business. As a result, Canadian mills have undue protection from natural market fluctuations enabling them to further take advantage of U.S. suppliers. Market down cycles accelerate and deepen for U.S. producers while Canadian producers are protected from normal variations in market demand. The resulting low lumber prices force U.S. mill closures—in effect, Canada exports its mill closures to the U.S.

To make matters worse, Commerce has confirmed what we've long suspected—Canadian suppliers have been dumping their lumber into the U.S. to further steal market share. This dumping comes at the direct expense of our U.S. producers. In 2013 and 2014, despite an increase in softwood lumber demand, Canadian imports caused prices to fall directly resulting in the closure of U.S. mills and loss of American jobs.

There is no doubt in my mind that if given a level playing field the U.S. softwood lumber industry would flourish and grow to meet market demands. In 2005, the U.S. produced enough softwood lumber to meet 85 percent of demand, yet Canadians have managed to take over roughly one-third of our domestic market. Our domestic industry ranks among the most efficient lumber industries in the world, thanks to our state-of-the-art technology, expertise, and skill. There is absolutely no reason to restrict Americans' access to these high-skilled, high-wage jobs.

This case represents not only fairness in trade, but economic stability for some of our most vulnerable communities. The U.S. timber industry supports more than 350,000 direct and indirect jobs across the country. Protecting the U.S. softwood lumber industry against unfair competition will promote good manufacturing jobs for Americans, investment in our local communities, and economic growth for our country. I am hopeful the Commission will uphold this decision and put an end to unfair trade practices that have devastated the U.S. softwood lumber industry.

Thank you.