



COALITION FOR FAIR LUMBER IMPORTS

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WTO: Canadian Subsidies Exist, Subsidy to be Recalculated

U.S. lumber industry applauds WTO subsidy vindication

Washington, D.C. -- The WTO reported in a ruling issued today that the Canadian softwood lumber industry is indeed subsidized by the Canadian provincial governments and that countervailing duties against Canadian softwood lumber are permitted under international obligations. The WTO also called for a new methodology in calculating the amount of the lumber subsidy that is consistent with the United States' WTO commitments, although that issue should be appealed. The interim report only applies to the U.S. preliminary countervailing of 19.31 percent that expired on December 15, 2001, and does not affect the current countervailing duty rate of 18.79 percent. The WTO ruling on the preliminary countervailing duty is subject to appeal by the U.S. government.

“The Coalition for Fair Lumber Imports is very pleased about the WTO’s recognition that the Canadian lumber industry receives a financial contribution from their government, affirming the U.S. lumber industry’s charge of unfair trade,” said Rusty Wood, Chairman of the Coalition for Fair Lumber Imports and President of Tolleson Lumber Company. “The WTO panel’s finding that the U.S. may impose countervailing duties against subsidized Canadian softwood lumber is a fundamental victory for the United States. The only question remaining is how to calculate the amount of the subsidy.”

Wood added, “The Coalition will encourage our government to appeal the WTO finding regarding the methodology of calculating Canada’s subsidy rate and we are confident the Appellate Body will correct the calculation. Since the Canadian government controls the domestic market, the panel's conclusion that domestic prices must be used to measure the subsidy is ridiculous; this would allow Canada to subsidize with immunity. The European Community, the environmental community and Canadian Natives all joined the United States in opposing that position. Most importantly, duties will continue to be collected at the border until Canada reforms allow an open and competitive market, rather than Canadian governments, to set the price of timber.”

In its most recent softwood lumber countervailing duty investigations, the U.S. government used a cross-border comparison of administered Canadian timber prices and competitive U.S. timber prices to measure the amount of subsidies provided to the Canadian lumber industry, a methodology which had been utilized by the WTO in prior cases. The cross-border comparison of stumpage prices was used to establish a market price because the Canadian government administratively sets the price as much as 95



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percent of the harvestable timber in Canada. All parties agree that the provincial governments sell nearly all of the public timber used to manufacture lumber at prices determined by law and administrative rules, not competition. The remaining five percent of timber is competitively sold in restricted markets that are greatly influenced by the low prices of government timber. The WTO ruling suggests that the U.S. government use a different methodology to measure the countervailing duty rate as it did in its previous findings of Canadian softwood lumber subsidies.

“Today’s report goes should send a strong and very clear message to Canadian officials. The Canadian government practice of giving its timber to the Canadian lumber industry at prices far below open and competitive market prices is an actionable subsidy. The Canadian tenure system, stumpage system, and mandates that require the companies harvest trees and process lumber irrespective of market demand distort the trade of lumber to the disadvantage of U.S. workers and Canadian taxpayers,” concluded Wood. “Canada should solve this problem now: just sell the timber in an open and competitive market.”

The Coalition for Fair Lumber Imports represents hundreds of large and small lumber producers across the United States, accounting for 75 percent of U.S. lumber production, and forest landowners. For more information on the Coalition for Fair Lumber Imports, visit our website at www.fairlumbercoalition.org