

On March 25, 1986, the ITC determined that wood shingles and shakes were being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat thereof to industries producing like or directly competitive products. Four members of the ITC found an increase in imports in either actual or relative terms, with higher import volumes during the period under review leading to a decline in the market share supplied by U.S. producers. This finding satisfied the increasing imports requirement of section 201.

The ITC went on to determine whether there was injury to U.S. producers. The ITC looked at industry data for the period from 1978 to 1985, concentrating on the years 1983 to 1985. Within this period the market had improved and the industry experienced an upturn in the business cycle. However, the performance indicators of the domestic industry declined during the period under review. Production and employment fell significantly in the later parts of the period. Production capacity and the number of producing firms had also decreased significantly, and the decline was continuing. All these factors were taken as a clear indication of serious injury to the industry.

Next, the ITC had to determine whether the increased imports were both an important cause of serious injury and no less important than any other cause. It explored various other causes, including cyclical downturns, declining supply, increasing supply costs and other competitive products. It found that, although the demand for shakes and shingles was increasing, the performance of the domestic industry was worsening. Imports were able to undersell the domestic product by a significant amount.

As remedy, the ITC members made recommendations to the President that included tariff rate increases, adjustment assistance, and assistance to relocate and train displaced workers. The recommendations included a five-year schedule of implementation. On May 22, 1986, the President imposed a 35% *ad valorem* duty on imported shakes and shingles, effective June 6, 1986. The rate was later reduced to 20% in December 1988, 10% in December 1989, and 5% in December 1990. The action expired on June 7, 1991.

3.1 Canadian Government Activity

Wood shakes and shingles were imported into the United States from a number of countries. However, Canada was by far the largest exporter to the U.S. market in terms of both value and quantity. In response to the initial imposition of the tariff, the Canadian government prohibited exports of the raw materials used to produce cedar shakes and shingles (i.e. cedar logs, blocks, bolts, blanks and short boards). The export prohibitions remained in place for the duration of the U.S. import relief.