

Backgrounder

SOFTWOOD LUMBER

HISTORICAL BACKGROUND

For the past 40 years, the United States has consumed more softwood lumber than it has produced. Canada has been an important and dependable supplier of quality lumber products. As a result of the need to import softwood lumber, Canada has had a relatively constant share of the U.S. market over the last 10 years.

Softwood lumber has been the subject of a difficult trade dispute for Canada and the United States for over a decade.

In 1982-83, the United States conducted its first countervailing duty (CVD) investigation of softwood lumber from Canada and concluded that Canadian programs did not confer a countervailable subsidy to lumber producers.

In May 1986, the United States initiated its second CVD investigation of softwood lumber from Canada. The U.S. Department of Commerce (DOC) reversed itself in October 1986, making a preliminary determination that Canadian programs did confer a countervailable subsidy of 15 percent on lumber producers. To resolve this contentious trade dispute, Canada and the United States entered into the Softwood Lumber Memorandum of Understanding (MOU). Under the MOU, Canada agreed to collect an export charge of 15 percent on the value of softwood lumber exported to the United States. In return, the U.S. industry agreed to withdraw its CVD petition and the United States terminated the investigation.

The MOU provided for elimination or reduction of the export charge as a result of changes in provincial forest-management regimes, particularly stumpage programs, and other forest-management charges. As a result of subsequent amendments to the MOU:

- Atlantic Canada was exempted from payment of the export charge;
- the export charge was reduced to 0 percent for exports of British Columbia lumber; and
- the export charge had gradually been reduced for exports of Quebec lumber, to a rate of 3.1 percent by late 1991.

In addition, Alberta and Ontario made various changes in their forest-management regimes that would have almost certainly reduced the rate of export charge for these provinces. The MOU