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Canadian Softwood Lumber Agreement Compliance

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Ninety-five percent of Canadian timberland is owned by the government, and timber sales are administered through the provincial governments. Since the Canadian government's goal for its landholdings is full employment of its citizens, they sell the timber to manufacturers at one-half to one-quarter of the price it would bring in the U.S.'s competitive timber market. The 1996 U.S.-Canada Softwood Lumber Agreement limited Canadian imports into the U.S. to historic levels, and imposed tariffs on shipments above those levels. Its intended effect was to minimize the impact of Canadian subsidies on U.S. lumber manufacturers and forest landowners. That agreement expired on March 31, 2001. After the agreement expired, it was determined that a competitive market for timber and logs in Canada is the only long-term solution to this decades-old trade dispute. But, Canada has refused to move towards what the U.S. government maintains is a competitive marketplace, U.S. trade laws have addressed the issue of subsidies and, if fully enforced, would protect U.S. forest landowners from Canada's unfair trade practices. But enforcement has been lax or non-existent.

The Forest Landowners Association has been the only forest landowner organization actively seeking an acceptable settlement to the Canadian softwood lumber import situation. Hundreds of FLA members called, wrote, and visited with federal delegates about this problem of Canadian lumber dumping in the U.S. As a result, in 2006, what was in effect a new Canadian Lumber agreement settlement was signed.

Under the deal, the U.S. revoked the countervailing and anti-dumping duty orders, and Canada imposed a 15 percent export tax on lumber shipments to the U.S. All provinces covered under the SLA will be subject to taxes at the higher Option A level. However, new documents show that Quebec, Ontario, Manitoba, and Saskatchewan have chosen Option B, which includes a lower tax and quota restrictions. That quota system will not be in place until January of 2007, but those provinces under Option B will be entitled to a refund of a portion of the tax if they do not exceed their monthly quota volumes. While initially paying a 15 percent tax, provinces under Option B could end up paying a 5 percent tax after their refund. The British Columbia Coast and Interior and Alberta have chosen Option A.

However, earlier this year, problems arose with the application of this Softwood Lumber Agreement. The deal is still in effect, but Canada appears to be playing fast and loose with the tenets of the agreement. That is, the Canadian government is not presently applying export measures, under 'surge' provisions, as required by the agreement and provinces are paying forbidden subsidies. So, the matter has been taken to formal arbitration, and FLA members have been encouraged to write their Senators for help to end Canada's non-compliance with the Softwood Lumber Agreement.