



## Who's right and who's wrong in the softwood lumber dispute?

Stuart Thomson

May 14, 2017

The United States has imposed duties up to 24 per cent on Canadian softwood lumber exports, causing concern about job losses in communities across Alberta. Here's some background on the feud.

### What's the dispute all about?

The United States has argued for decades that Canada is unfairly subsidizing its lumber industry. Most Canadian logging happens on Crown land, while in the U.S., it is almost entirely on private land. The U.S. loggers claim Canadian logging companies aren't paying market value for the rights to harvest on the Crown land.

### Well, are they right?

That depends who you ask. Canadian politicians — from municipal, to provincial, to federal — say Canada is not subsidizing the lumber industry. They're very keen to point out the previous four times this dispute went to a tribunal and Canada triumphed.

### Well, that's that then.

Not so fast. Lawyers representing the United States not only have to prove there is a subsidy, they also have to prove damages. The burden of proof is on the U.S. and it's a high bar to clear. "You have to establish that it is the Canadian government policies that caused losses to American industry," said University of Calgary economist Trevor Tombe. "That's a very hard thing to identify precisely."

### No, really. Who's right and who's wrong?

Tombe said he has some sympathy for the U.S. position and recommended auctioning off the timber rights in a free market, the same way Quebec does. That process satisfied the U.S. and, if you look at the tariffs that were imposed, they get much smaller the further east you go, where

the U.S. sees the auctions as more fair. Some environmentalists agree with the U.S. position and say low stumpage fees in B.C. are leading to over-harvesting.

The right-leaning Cato Institute has argued that the U.S. position is hypocritical, pointing to all the under-the-radar subsidies it offers the forestry industry. The Cato report says the tariffs hurt U.S. consumers as much as the Canadian producers.

### **But this new fight is all thanks to Donald Trump, right?**

Not really. U.S. President Donald Trump has seized on the issue for political purposes, but it pre-dates him by about 35 years. Everyone in the industry expected tariffs to be imposed when the old agreement expired, whether Trump was in charge or not.

### **Why has this dispute dragged on for so long?**

The U.S. and Canada just emerged from about 10 years of relative peace on the softwood lumber front under the 2006 Softwood Lumber Agreement. That's been the trend: Both governments have settled for short-term deals and trade flare-ups happen when they expire.

### **So can we solve it?**

The major problem is that softwood lumber — like the dairy industry — is not included in the North American Free Trade Agreement. With Trump arguing for a renegotiation of NAFTA, Tombe thinks the timing could be an advantage.

“Because it's wrapped up in the NAFTA renegotiation, this is potentially an opportunity for us to once and for all put this issue to bed,” said Tombe.