

Canadian Embassy



Ambassade du Canada

July 20, 2016

The Honorable Ron Wyden
United States Senate
Washington, D.C. 20510

Dear Senator Wyden,

I have reviewed the July 19 2016 public letter that you and some of your colleagues sent to Ambassador Froman regarding imports of Canadian softwood lumber. I appreciate your engagement on this file and welcome your support for an effective, sustainable and long term solution to manage our trade in this sector. At the same time, mischaracterizations in the letter do cause me concern.

Your letter states that “the adverse impacts” of Canadian imports have been well documented for decades and that Canadian lumber is “subsidized and unfairly traded.” In fact, despite repeated investigations and litigation in this sector over the past 35 years, there has never been a countervailing subsidy finding or an adverse impact (injury or threat of injury) determination by the U.S. government that has survived legal challenge.

In the most recent round of trade remedy litigation (2001 to 2006), Canada again prevailed in its challenges to unfair U.S. trade actions. As a result, the U.S. International Trade Commission was required to issue a “no threat of injury” finding (See Third Remand Opinion, August 31, 2004, Inv. Nos. 701-TA-414 and 731-TA-928). Likewise, in 2005, the U.S. Department of Commerce issued a determination, after five legal remands, that there were no countervailable subsidies to Canada's softwood lumber industry (See Fifth Remand Determination, November 22, 2005). Canada then entered into the 2006 Softwood Lumber Agreement (SLA 2006) to put an end to the dispute, but only after having disproved the unfounded subsidy and injury allegations from the U.S. industry.

No countervailable subsidy investigations took place during the nine years that the SLA 2006 was in effect. However, the U.S. Government did go to arbitration in 2011 under the SLA to claim unfair timber pricing in Canada. Again, an impartial arbitral panel dismissed these allegations “in their entirety.”

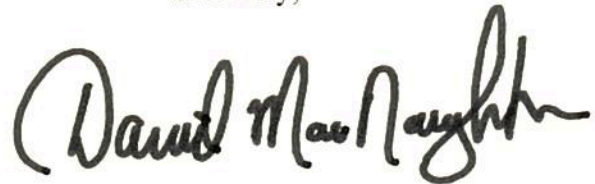
We now find ourselves with an opportunity to move beyond litigation and reach a new agreement that will provide a long term solution to this chronic dispute. To that end, Canada has put forward proposals to the U.S. administration that are responsive to the concerns expressed by U.S. industry stakeholders. These proposals also ensure security of supply at fair prices to U.S. consumers and U.S. companies that rely on Canadian imports.

We are committed to working with the U.S. Administration to achieve a durable solution that creates greater predictability with respect to the share of Canadian imports in the U.S. market. However, for an agreement to secure sufficient support within Canada, it must be flexible enough to reflect the commercial realities of the softwood lumber industry in every Canadian region.

A successful negotiation is not guaranteed. It is clear to me that inflated rhetoric can only complicate efforts to reach a solution. It is for this reason that I am disappointed with some of the inaccurate language that is contained in your letter to Ambassador Froman. I hope you will work with me going forward to seek a resolution to this issue that is commercially workable and gives predictability to the sector. A successful negotiation requires good faith on both sides and ultimately compromise by both parties.

Together, Canada and the United States have developed an integrated North American market that has contributed to our joint prosperity. We are truly a model to the world for how trade can be both free and fair and support well-paying jobs. Softwood lumber does not have to be an exception to this rule.

Sincerely,

A handwritten signature in black ink, reading "David MacNaughton". The signature is fluid and cursive, with the first name "David" being the most prominent part.

David MacNaughton
Ambassador