



# Committee On Finance

Max Baucus, Ranking Member

---

## NEWS RELEASE

<http://finance.senate.gov>

For Immediate Release  
Wednesday, November 17, 2004

Contact: John Gilliland  
202-224-4515

### **Baucus Introduces Bill to Distribute Canadian Softwood Duties to U.S. Industry** *Legislation Would Liquidate Duties Collected by Customs*

(WASHINGTON, D.C.) Today, U.S. Senator Max Baucus (D-Mont), Ranking Member of the Senate Finance Committee, joined Senator Larry Craig (R-Idaho), to introduce legislation to liquidate funds collected from duties on imports of Canadian softwood and to distribute the money to U.S. timber industries, as allowed under current U.S. law.

In May 2002, the U.S. Commerce Department and the International Trade Commission determined that Canadian timber policies created unfair subsidies allowing artificially cheap Canadian lumber to flood the U.S. market creating a disadvantage for U.S. lumber producers. To level the playing field, the Commerce Department imposed antidumping and countervailing tariffs of Canadian imports by more than 29%.

“Free trade must be fair trade,” Baucus said. “Over two years have passed since negotiations began on lumber trade between our two countries, and still no end is in sight. This dispute needs to be resolved soon for our U.S. producers. Canadian timber policies are inconsistent with a free and integrated North American market. The timber subsidies provide Canadian timber producers with an unfair advantage, and until this basic issue is resolved, the litigation and tariffs will continue.”

Under current U.S. law, antidumping and countervailing duties entered into Customs can be distributed to affected industries that filed for relief. However, the duties collected on Canadian softwood lumber are not accessible for U.S. lumber producers because of on going discussions of the legality of the U.S. duties before North American Free Trade Agreement (NAFTA) and World Trade Organization (WTO) panels. The bill introduced today would direct the Commerce Department to instruct the Bureau of Customs and Border Protection to distribute the funds collected from the antidumping and countervailing duties imposed in May 2002.

“In my judgment, the most effective, durable, and fair resolution to this decades-old problem will be found only through a negotiated settlement. This means both parties sitting down at the table and finding a mutually acceptable solution that provides for timber policies that are consistent and compatible,” said Baucus. “But until then, U.S. timber producers should assert all legal rights available to them. This legislation sends a strong message that Congress will do what is necessary to defend the rights of the U.S. timber industry.”

Senator Baucus’ floor statement issued today on the Canadian softwood lumber negotiations follows:

“Mr. President, I rise today in disappointment, but also with resolve.

After more than two years of negotiations between the U.S. and Canada, there is still no agreement on how to manage softwood lumber trade between our two countries. This is disappointing, particularly given the importance of the issue. Perhaps what is most disappointing, though, is that the negotiations appear to have fallen off, despite the fact that parties last year seemed close to an agreement.

There might be some who think the recent NAFTA decisions signal an imminent conclusion of the litigation, and that deposits collected by U.S. Customs will be returned soon. As one who has seen this dispute wax and wane for nearly thirty years, this seems to me a naive expectation. The fact is that the recent NAFTA decisions had more to do with a bitter disagreement between the NAFTA panelists and the U.S. International Trade Commission about investigative methodologies than whether or not the Canadian timber policies are consistent with NAFTA obligations. The bottom line – and this is the issue at the root of this dispute – is that the Canadian policies are deeply inconsistent with the notion of a free and integrated North American market. The timber subsidies provide Canadian mills with a significant, artificial advantage. Until this basic issue is resolved, this dispute – including this litigation and the duties imposed on importers – will continue.

In my judgment, the most effective, durable, and fair resolution to this decades-old problem will be found only through a negotiated settlement. This means both parties sitting down at the table and finding a mutually acceptable solution that provides for timber policies that are consistent and compatible. However, pulling away from the negotiating table and relying on litigation isn't going to get us there.

Under current U.S. law, the deposits sitting in escrow will be eligible for liquidation. As I have said, I would prefer a negotiated settlement – one that resolves all matters of disagreement, including the disposition of these deposits. But some involved in the negotiation appear to have decided upon litigation as their preferred method of resolution. If it is necessary for me and my colleagues to assert the legal rights available to the U.S. industry as a way of reminding the parties of the stakes that are still very much on the table, then that is what we will do.

Today, my good friend, Larry Craig and I have introduced a bill that would order the Commerce Department to begin the process of liquidating the approximately \$3 billion sitting in escrow, as a result of the antidumping and countervailing duties imposed upon imports of Canadian softwood lumber since March 2002. Further, these deposits are to be distributed to the U.S. lumber industry, which have been seriously injured by Canada's timber policies and which petitioned for these duties in the first place. If enacted, I expect the U.S. government to defend it to the hilt.

I hope that our action today will spark a return – by both sides – to the negotiating table. However, if it does not, and if a settlement is not reached, I will not hesitate to push forcefully for enactment of this legislation.”

###