



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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For Immediate Release
Thursday, October 20, 2005

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BAUCUS URGES COMMERCE DEPARTMENT TO KEEP DUTIES ON SUBSIDIZED CANADIAN LUMBER

(WASHINGTON, D.C.) Senator Max Baucus (D-MT), ranking member of the Senate Finance Committee, and Senator Larry Craig (R-Idaho) led the effort to send a letter today to Secretary of Commerce Carlos Gutierrez urging him to implement a recent NAFTA panel decision in a manner that keeps duties on subsidized Canadian lumber. The Commerce Department is due to issue a decision in the case by October 28, 2005. The letter was signed by 21 senators from both sides of the aisle. Upon sending this letter, Senator Baucus issued the following statement:

“Today, 21 senators urged Secretary Gutierrez to use all permissible means to maintain duties on subsidized Canadian lumber imports. Time and again, U.S. agencies, upheld by the World Trade Organization, have found that unfair Canadian subsidies have injured producers in Montana and elsewhere in the United States.

“The recent NAFTA decision in no way requires the Commerce Department to lift the duties. Rather, that decision affords the Commerce Department sufficient flexibility to comply with the ruling in a way that retains duties on subsidized Canadian lumber.

“Canada’s determination to continue litigation is not working for anyone. It has hardened attitudes on both sides of the border and is having a negative effect on U.S.-Canada ties. Both sides must get back to the table now to negotiate a durable solution. Litigation and heated rhetoric will not settle this dispute.”

The letter follows:

October 20, 2005

Secretary Carlos M. Gutierrez
Department of Commerce
Office of the Secretary
14th and Constitution Ave., N.W.
Washington, D.C. 20230

Dear Mr. Secretary:

We are writing to express serious concern about recent decisions by North American Free Trade Agreement (NAFTA) binational panels in the ongoing dispute over Canada's subsidized softwood lumber imports. Most recently, one such panel remanded to the Department of Commerce its calculation of the countervailing duty on Canadian lumber imports. In addressing the panel's concerns, the Commerce Department must ensure that it calculates the duties in a way that sufficiently offsets pervasive Canadian subsidies.

There is no question that Canada subsidizes its lumber industry. The Commerce Department has repeatedly found significant countervailable subsidies, and the International Trade Commission (ITC) has repeatedly confirmed that Canadian lumber imports threaten the lumber industry with injury. Such findings have also been upheld by the World Trade Organization (WTO). Nevertheless, in reviews of Commerce and ITC determinations, NAFTA panels have overstepped their limited standard of review and have declared the methodologies employed by U.S. agencies unacceptable.

In the past, the Commerce Department has measured the extent of these subsidies by reference to prices in U.S. markets, particularly given the pervasive price effects of Canadian subsidy programs on private Canadian timber prices. This methodology remains appropriate and legally defensible. In fact, the WTO specifically rejected Canada's complaint that such a cross-border methodology under such circumstances was inconsistent with U.S. WTO commitments.

NAFTA panel decisions cannot and should not force the Department to deny legitimate relief under U.S. law to the domestic lumber industry and its workers. Adopting a methodology that does not adequately measure these subsidies is contrary to the Department's statutory responsibilities, as the Department must offset fully any subsidies in place. As such, we urge the Department, in responding to this flawed NAFTA decision, to fully consider and utilize any legal and appropriate alternative that would allow for this essential trade law relief to stay in effect.

Sincerely,

Senator Max Baucus
Senator Larry Craig
Senator Ron Wyden
Senator Conrad Burns
Senator Olympia Snowe
Senator Mike Crapo
Senator Saxby Chambliss
Senator Blanche Lincoln
Senator Susan Collins
Senator Mark Pryor
Senator Gordon Smith
Senator Thad Cochran
Senator Mike Enzi

Senator Trent Lott
Senator Lindsay Graham
Senator Norm Coleman
Senator Craig Thomas
Senator Jeff Sessions
Senator Richard Shelby
Senator Mark Dayton
Senator Mary Landrieu

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