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The 2006 U.S.-Canada Softwood Lumber Trade Agreement (SLA): In Brief

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Introduction

Importing softwood lumber from Canada has been a persistent source of tension between the United States and Canada for decades. U.S. lumber producers are concerned they are at an unfair competitive disadvantage in the U.S. domestic market against Canadian lumber producers because of Canada's timber-pricing policies. The majority of timberlands in Canada are owned by the provincial governments, which lease the land and the right to harvest the trees to private firms. The provincial governments also set the price of timber, with some exceptions.[1] In contrast, most of the timberlands in the United States are privately owned and timber prices are determined through auction. Analyzing the merits of each side of the dispute is challenging due in part to the differences in lumber pricing by each country. Directly comparing Canadian and U.S. lumber prices is difficult and often inconclusive, however, due to major differences in tree species, sizes, and grades; measurement systems; requirements for harvesters; environmental protection; and other factors.

These tensions have resulted in five major disputes (so-called lumber wars) between the United States and Canada since the 1980s, when the U.S. industry first considered trade protection measures.[2] In Lumber I, the United States' petitions for countervailing duties were denied by the International Trade Administration (ITA). The second dispute was resolved in 1986, when the two countries signed a memorandum of understanding (MOU) establishing a 15% tax on Canadian imports. The MOU lasted six years, and the dispute resurfaced in the early 1990s. Lumber III was resolved in 1996, when the two countries entered into a five-year trade agreement establishing a quota system on Canadian imports. The dispute again resurfaced upon the agreement's expiration in 2001.

The enactment of the 2006 Softwood Lumber Agreement (SLA) ended the fourth major lumber war.[3] Both countries had been engaged in a series of domestic and international legal challenges prior to the signing of the SLA. The United States was collecting dumping and countervailing duties on Canadian imports of softwood lumber, which had impacts down the supply chain to U.S. lumber consumers and caused overall tension between the two neighboring countries. The SLA applied export charges or quota limitations on Canadian softwood lumber shipped to the United States whenever the price of U.S. softwood lumber products was below a specified level. The SLA expired on October 12, 2015, nine years after it entered into force. Under the terms of the agreement, however, trade protection claims could not be filed until after October 13, 2016. In November 2016, the U.S. lumber industry filed a new countervailing duty petition, initiating the beginning of the fifth dispute, Lumber V, according to observers.

Although SLA negotiations historically have been conducted by the executive branch, Congress can signal how it desires to see the trade relationship move forward through oversight, legislation, or resolution. Congress may seek to examine several issues relating to a potential future

[1] Quebec, for example, has established a pricing system that is based on the price generated through a sample of auctions.

[2] For a complete background of the dispute up to the 2006 Softwood Lumber Agreement (SLA), see CRS Report RL33752, *Softwood Lumber Imports from Canada: Issues and Events*, by Ross W. Gorte and Jeanne J. Grimmett, and CRS Report RL30826, *Softwood Lumber Imports From Canada: History and Analysis of the Dispute*, by Ross W. Gorte.

[3] Susan Schwab, *Softwood Lumber Agreement Between the Government of Canada and the Government of the United States of America*, Office of the United States Trade Representative, October 12, 2006, at https://ustr.gov/archive/assets/World_Regions/Americas/Canada/asset_upload_file847_9896.pdf.

agreement, including those related to the now-expired 2006 SLA. This report provides information and analysis on the 2006 SLA. See CRS Report R42789, *Softwood Lumber Imports from Canada: Current Issues*, for information on the current status of the trade relationship.

The 2006 Softwood Lumber Agreement

Leading up to 2006, both the United States and Canada had been engaged in domestic and international legal challenges, and the United States was collecting antidumping and countervailing duties on imported softwood lumber. After several unsuccessful efforts, negotiations on a new softwood lumber trade agreement resumed in early 2006. The United States was seeking a trade agreement that would protect the U.S. lumber industry, stabilize the U.S. lumber market, and maintain U.S.-Canadian relationships. On April 26, 2006, the United States and Canada announced a tentative agreement to terminate antidumping and countervailing duties and related litigation.[4] An early version of this agreement was signed on July 1, 2006, and it became the Softwood Lumber Agreement Between the Government of Canada and the Government of the United States of America, which was entered into force on October 12, 2006. The SLA was set to expire in 2013 but included a one-time option to be renewed for an additional two years. Nearly two years prior to the scheduled expiration, on January 23, 2012, the United States and Canada both agreed to the two-year extension. The SLA expired on October 12, 2015. The SLA also included an agreement by which the participating U.S. producers would not file new antidumping or countervailing duties petitions or investigations for a period of 12 months after the termination or expiration of the SLA. This one-year grace period ended on October 12, 2016.

Under the SLA, the United States revoked countervailing and antidumping orders on Canadian lumber and returned about $4 billion that was collected from the duties to the importers of record. The remaining deposits (about $1 billion) were split evenly between the U.S. lumber industry and jointly agreed-upon initiatives. In exchange, the parties agreed to terminate, or in some cases dismiss, all North American Free Trade Agreement (NAFTA), World Trade Organization (WTO), and domestic court claims filed by Canada, Canadian producers, the United States, and the U.S. industry as represented by the Coalition for Fair Lumber Imports (CFLI, now known as the U.S. Lumber Coalition, or USLC).[5] The SLA precluded new cases, investigations and petitions, and actions to circumvent the commitments in the agreement and established a third-party arbitration system to handle any disputes. The SLA is described in more detail in the following sections.

Definition of Softwood Lumber

Annex 1A of the SLA defined softwood lumber products using four tariff items under the Harmonized Tariff Schedule of the United States (HTSUS): 4407.1000, 4409.1010, 4409.1020, and 4409.1090.[6] These tariff items included essentially all the traditional softwood lumber items intended for residential construction and excluded logs, poles, wood fencing, and railway sleepers

[4] For more information, see CRS Report RL33752, *Softwood Lumber Imports from Canada: Issues and Events*, by Ross W. Gorte and Jeanne J. Grimmett.

[5] For more information on NAFTA, see CRS In Focus IF10047, *North American Free Trade Agreement (NAFTA)* or CRS Report R42695, *SBA Veterans Assistance Programs: An Analysis of Contemporary Issues*. For more information on WTO, see CRS In Focus IF10002, *The World Trade Organization* or CRS In Focus IF10002, *The World Trade Organization*.

[6] The Harmonized Tariff Schedule of the United States is maintained by the United States International Trade Commission and provides the applicable tariff rates and statistical categories of all imported goods.

(crossties). The SLA also allowed for products that were classified under certain other HTSUS subheadings but met the SLA's description of softwood lumber products.

Canadian Provinces Covered by the Softwood Lumber Agreement

The SLA applied export measures (described in the following section) to lumber products from timber harvested in the provinces of Alberta, British Columbia (BC) Coastal, BC Interior, Manitoba, Ontario, Quebec, and Saskatchewan (see **Figure 1**). The export measures did not apply to lumber products from timber harvested in the Yukon, Northwest, or Nunavut Territories. Lumber produced in the Atlantic Provinces, as well as lumber certified as originating in the state of Maine, also was exempt. In addition, 32 companies—so-called border mills primarily from Quebec but also from Ontario—were named in the SLA as being exempt, subject to certain quota limitations. At the time of negotiation, these provinces had significant private timber land holdings, so they were not seen as benefiting from a subsidy.

Figure 1. Canadian Provinces Covered by the 2006 Softwood Lumber Agreement

Sources: Map created by the Congressional Research Service (CRS) using Esri Basemaps. British Columbia Forest Region boundary files were created by Data BC, a pilot project of the British Columbian government, current as of January 13, 2005, at https://apps.gov.bc.ca/pub/geometadata/metadataDetail.do?recordUID=32891&recordSet=ISO19115. Forest cover boundaries provided by the World Wildlife Fund Terrestrial Ecoregions data, current as of 2005.

Export Charges and Quota Limitations

The SLA established export charges on Canadian softwood lumber when the Random Lengths' Framing Lumber and Composite Price fell below $355 per thousand board feet (MBF),[7] with the rate charged varying based on the prevailing composite price.[8] The export charges were significantly reduced for Canadian producing regions that also agreed to volume restraints, which

[7] $355 per thousand board feet (MBF) was the average monthly composite price for lumber between May 2002 and April 2006, as calculated by Random Lengths, Inc. See http://www.randomlengths.com.

[8] As established in the SLA, the Canadian government calculated the prevailing monthly price to determine if export measures were to apply for any given month. The prevailing monthly price was calculated as the most recent four-week average of the weekly framing lumber composite price, available 21 days before the beginning of the month that the prevailing monthly price was to be applied.

became increasingly restrictive as the average price dropped (see **Table 1**). During the first six years the SLA was in effect, the prevailing lumber prices largely remained below $315 per MBF (see **Figure 2**) and only exceeded the $355 per MBF trigger for three months in 2010. From January 2013 through March 2015, lumber prices exceeded $355 MBF every month except three (August 2013 through October 2013), meaning that no export measures were applied through much of 2013, 2014, and the first few months of 2015. Prices began to fall in each successive month starting in March 2015. Export measures were applied in April 2015 and continued through the expiration of the SLA in October 2015, with the prevailing lumber price ending at $315 MBF.[9]

Table 1. 2006 SLA Export Charges and Quota Limitations Options Based on Prevailing Monthly Price of U.S. Lumber

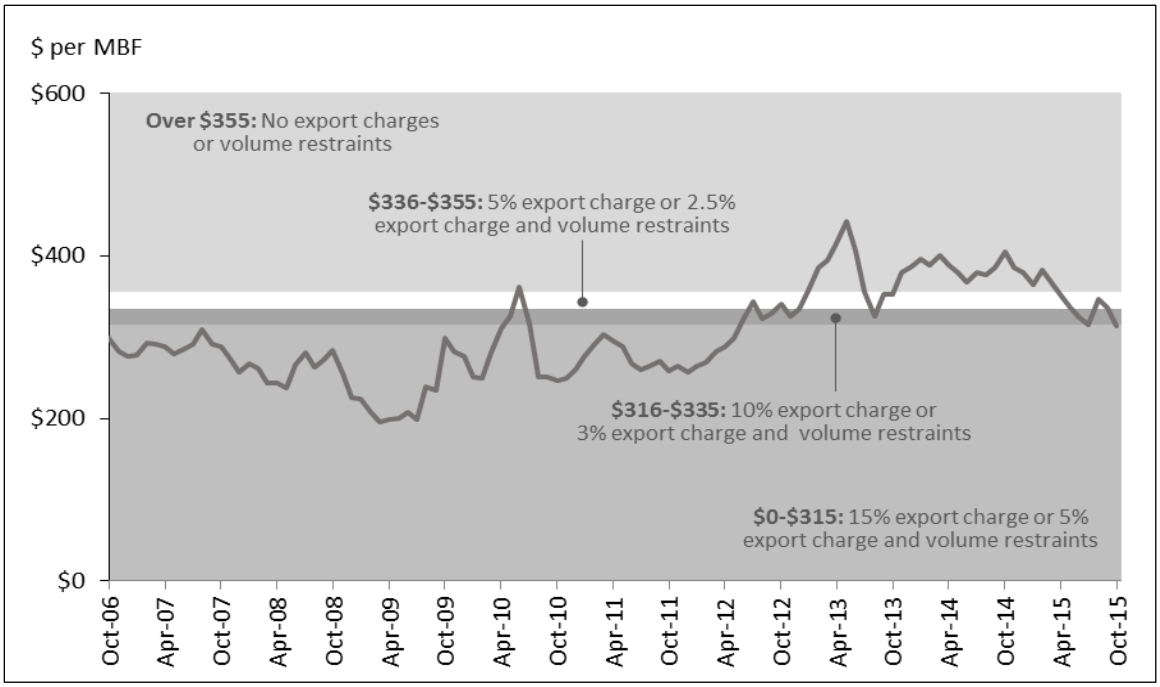
Prevailing Monthly Price per Thousand Board Feet (MBF)	Option A—Export Charge (expressed as a % of export price)	Option B—Export Charge (expressed as a % of export price) with Volume Restraint
Participating Regions	British Columbia Coastal, British Columbia Interior, Alberta	Saskatchewan, Manitoba, Ontario, and Quebec
Over $355	No export charge	No export charge and no volume restraint
$336-$355	5%	2.5% export charge plus regional share of 34% of U.S. consumption
$316-$335	10%	3% export charge plus regional share of 32% of U.S. consumption
$315 or Under	15%	5% export charge plus regional share of 30% of U.S. consumption

Source: "Article VII, Export Charge and Export Charge Plus Volume Restraint," *Softwood Lumber Agreement Between the Government of the United States of America and the Government of Canada* (Washington, DC: October 12, 2006).

Note: SLA = 2006 Softwood Lumber Agreement.

[9] Government of Canada, Foreign Affairs, Trade, and Development, *Monthly Reports on Softwood Lumber Prices and Consumption*, at http://www.international.gc.ca/controls-controles/softwood-bois_oeuvre/index.aspx?lang=eng&view=d.

Figure 2. Prevailing Monthly Lumber Prices (Current Dollars) and Export Provisions Under the 2006 Softwood Lumber Agreement



Sources: CRS. Prevailing monthly price data from published reports on the Government of Canada's Foreign Affairs, Trade, and Development website, at http://www.international.gc.ca/controls-controles/prod/index.aspx.

Notes: MBF = thousand board feet. The prevailing monthly price was calculated as the most recent four-week average of the weekly framing lumber composite price, available 21 days before the beginning of the month that the prevailing monthly price would be applied.

The SLA contained several additional provisions relating to export charges and volumes. A third-country trigger would have allowed export-charge refunds if, for consecutive quarters, the third-country share of U.S. lumber consumption grew, the U.S. share increased, and the Canadian share decreased. A surge mechanism would have provided for substantially greater export charges if a Canadian region's exports exceeded 100% of its allocated share of total Canadian exports. For high-value products—those valued at more than $500 per MBF—the export charges were calculated as if they were priced at $500 per MBF.

Dispute Resolution

Article XIV of the SLA precluded either country from initiating any litigation or other dispute-settlement proceedings, such as those under NAFTA or the WTO.[10] Under the dispute-resolution process, the parties had to begin with bilateral consultation and then either party could request nonbinding mediation by a neutral third party or binding arbitration through the London Court of International Arbitration (LCIA). Three disputes were resolved through the arbitration process.

The first dispute began in August 2007, when U.S. officials requested a ruling from the LCIA on the export quota volumes and export tax levels for earlier that year. In March 2008, the LCIA

[10] Office of the United States Trade Representative, "Article XIV, Dispute Settlement," *Softwood Lumber Agreement Between the Government of the United States of America and the Government of Canada* (Washington, DC: October 12 2006), at http://www.ustr.gov/webfm_send/3254.

ruled that Canada had violated the export quota volumes for Manitoba, Ontario, Quebec, and Saskatchewan for the first six months of 2007 but was not required to collect taxes related to export surges from Alberta and BC during that period. To comply with the above ruling, Canada was ordered to collect an additional 10% ad valorem export charge from the four provinces until C$68.3 million (then valued at U.S.$54.8 million) had been collected.[11] The United States Trade Representative (USTR) rejected a Canadian offer of a compensation payment of U.S. $36.7 million and, on April 15, 2009, began collecting 10% duties on lumber from the four provinces. The United States removed its duty after Canada began collecting the 10% export charge on September 1, 2011.[12] Canada announced that it had completed collection of the C$68.3 million as of July 1, 2011.[13]

The second dispute began in January 2008, when the United States requested arbitration over 10 provincial forest sector assistance programs in Quebec and Ontario that the United States alleged violated the anticircumvention provision of the SLA. In January 2011, the LCIA found that 4 out of the 10 examined programs encouraged Canadian exports to the U.S. market and thus breached the SLA. Canada began to impose additional charges on lumber exported from Quebec (2.6%) and Ontario (0.1%) to collect an estimated U.S.$59.4 million in additional export taxes, a figure short of the U.S.$1.86 billion sought by the United States.[14] A subsequent LCIA ruling affirmed Canada's decision to terminate the export charges upon the initial scheduled expiration of the SLA on October 2013, despite the SLA's extension until October 2015.[15]

The third dispute concerns certain timber-pricing practices in the BC Interior region. On January 18, 2011, the United States filed a request for arbitration over allegations that the region was falsely downgrading lumber classifications. The United States claimed that the BC government had been classifying an increasing amount of its cut as salvage Grade 4 lumber, which is priced less than better grades, resulting in a subsidy for Canadian timber processors because the amount of lumber produced did not decrease. Canada attributed this increase to an infestation of mountain pine beetles. U.S producers disputed this claim, contending that BC changed its grading procedures and producers were heating lumber prior to grading, resulting in greater cracks and defects. In July 2012, the LCIA held that it could not conclude that the increase in Grade 4 lumber was based on specific pricing and grading policies of the BC government and that the United States did not back its claims with specific and quantifiable evidence. Thus, the tribunal could not conclude that Canada had violated the SLA.

Canada and the BC provincial government welcomed the ruling. USTR, by contrast, expressed disappointment and noted that the tribunal "did not sanction pricing practices in British Columbia" and criticized the tribunal's "flawed approach to evaluating evidence before it."[16] The U.S. Lumber Coalition maintained that the ruling "clearly defined the limitations" of the SLA and that the industry would need to "assess the value of the SLA at the appropriate time."[17] Others

[11] An ad valorem export charge, or tariff, means that the duty is calculated as a percentage of the value of the product.

[12] "USTR Lifts Duty on Softwood Lumber from Provinces as Canada Begins Collection," *International Trade Reporter*, September 9, 2010.

[13] "Expiry of the Application of Section 12.1 of the Softwood Lumber Products Export Charge Act, 2006 Regulations," *Canada Gazette*, July 6, 2011, at http://www.gazette.gc.ca/rp-pr/p2/2011/2011-07-06/html/sor-dors130-eng.html.

[14] "U.S. Prevails on Lumber Dispute with Canada, But Falls Short on Remedy," *Inside U.S. Trade*, January 28, 2011.

[15] "Tribunal Upholds Canada's Position on Termination of Softwood Lumber Charges," *International Trade Reporter, April 3, 2014.*

[16] Office of the United States Trade Representative, "Statement by the Office of the U.S. Trade Representative in Response to Decision in Third Softwood Lumber Arbitration," July 18, 2012.

[17] U.S. Lumber Coalition, "U.S. Lumber Coalition Disappointed by Arbitral Decision Regarding British Columbia (continued...)

observed that the tribunal's burden of proof exercised in this proceeding made it difficult to pursue other allegations that Canada had violated the SLA, which may have dampened enthusiasm among U.S. lumber producers to advocate for the United States to negotiate a new agreement.[18]

Exit Ramp Commission

The SLA included an "exit ramp" provision (Article XII), which allowed for the creation of a commission to determine the circumstances under which a province could be removed from the export measures under the SLA to encourage the adoption of market-pricing mechanisms. In April 2013, the Province of Quebec's Sustainable Forest Development Act came into effect,[19] which created a timber-marketing board to sell a portion of the lumber from provincial land by auction.[20] Quebec's government and its producers contended that this change satisfied the requirements to be exempted from the SLA and asked the Canadian federal government to push for the activation of this commission to consider Quebec's system. However, the commission was not created prior to the expiration of the SLA.

Reporting Requirements

In Article XV, the SLA set forth information collection and exchange requirements that both the United States and Canada submit monthly reports aggregated to the Canadian regional level, along with quarterly data-reconciliation requirements. The SLA required that these reports be made publicly available.[21]

Initiatives Funded by the 2006 Softwood Lumber Agreement

Prior to the enactment of the 2006 SLA, the United States collected approximately $5.3 billion under the antidumping and countervailing duty orders on Canadian softwood lumber imports. As part of the SLA, the United States returned $4 billion to the importers of record. The remaining deposits were split evenly among the U.S. lumber industry, a binational panel to advance softwood lumber, and three types of initiatives in the United States. The initiatives were to provide (1) promotion of sustainable forest-management practices; (2) assistance for timber-reliant communities; and (3) low-income housing and disaster relief.[22] The recipients of the

(...continued)

Softwood Lumber Agreement Timber Pricing Violations," July 18, 2012, at http://www.uslumbercoalition.org/doc/press_release_07-18-12.pdf.

[18] "U.S. Loses Softwood Lumber Case; Ruling Could Impact Future of SLA," *Inside U.S. Trade*, July 20, 2012.

[19] Sustainable Forest Management Act, CQLR c A-18.1, at http://canlii.ca/t/ks3n.

[20] The timber marketing board replaced a system in which processing mills in Quebec held long-term contracts for all provincially harvested lumber from public forests. The board sells 25% of the annual allowable crown harvest at auction, and the price received at auction is then factored into the timber agreements covering the remaining 75% of the harvest.

[21] The United States' monthly reports are available from the U.S. Census Bureau website, at http://www.census.gov/foreign-trade/Press-Release/softwood_index.html. The Canadian monthly reports are available from the Foreign Affairs and International Trade Canada website, at http://www.international.gc.ca/controls-controles/softwood-bois_oeuvre/index.aspx?lang=eng&view=d. The monthly data-reconciliation reports also are available from the Foreign Affairs and International Trade Canada website, at http://www.international.gc.ca/controls-controles/softwood-bois_oeuvre/other-autres/other-info-supp.aspx?lang=eng&menu_id=71&view=d.

[22] Office of the United States Trade Representative, "Schwab Announces Plans for Disposition of Funds for Meritorious Initiatives under the United States-Canada Softwood Lumber Agreement," press release, September 12,
(continued...)

initiative funds include the United States Endowment for Forestry and Communities ($200 million); the American Forest Foundation ($150 million); and Habitat for Humanity ($100 million).

Analysis of the 2006 Softwood Lumber Agreement

Prior to the enactment of the 2006 SLA, the United States and Canada had been engaged in domestic and international trade challenges. The United States was collecting dumping and countervailing duties on Canadian imports of softwood lumber, which had impacts down the supply chain to U.S. lumber consumers and caused overall tension between the two neighboring countries. Given that context, the primary goals of the 2006 SLA were to protect the U.S. lumber industry, stabilize the U.S. lumber market, and maintain U.S.-Canadian relationships.

The following sections of this report will analyze the extent to which the SLA has achieved those goals.

Protecting U.S. Lumber Producers

One of the primary aims of the U.S. negotiators to the 2006 SLA was to protect the U.S. lumber industry in the domestic market. U.S. lumber producers were losing market share to Canadian producers, who were believed to have an unfair competitive advantage due to provincially subsidized pricing practices. Prior to the 1996 Softwood Lumber Agreement, Canada's market share peaked at 35%, whereas the domestic U.S. market share was 63% (see **Figure 3**).[23] From 2001 through 2006, Canada's market share averaged 33%, whereas the U.S. share averaged 63%. When the 2006 SLA went into force, the Canadian market share declined to a low of 26% in 2011 and averaged 28%, whereas the U.S. market share averaged 71%. Therefore, in terms of market share, the SLA appears to have contributed to increasing the U.S. lumber producers' share of the U.S. market and decreasing the Canadian competition's share.

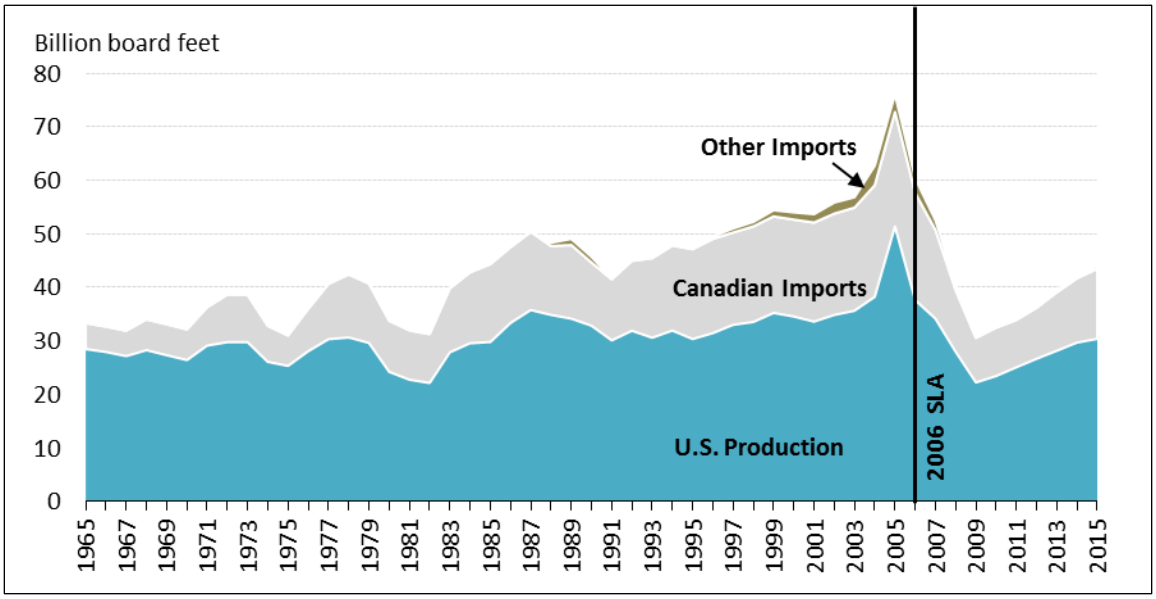
During the first 75 months the agreement was in effect (through December 2012), lumber prices were so low that the highest export measures applied during 68 of those months (see **Figure 2**). Lumber prices then rose above the trigger for 24 of the next 27 months (through March 2015), meaning that goods flowed freely across the border for most of those years. Over the last seven months of the agreement, lumber prices dropped and fluctuated below the trigger, with the price dropping to a three-year low ($313 MBF) during the last month of the agreement (October 2015). Therefore, in terms of shielding the U.S. lumber industry from allegedly subsidized and unfair Canadian competition, some observers claim the SLA appears to have worked, at least when the U.S. lumber market was in a downturn.

(...continued)

2006, at http://www.ustr.gov/archive/Document_Library/Press_Releases/2006/September/Schwab_Announces_Plans_for_Disposition_of_Funds_for_Meritorious_Initiatives_under_the_United_States-Canada_Softwood_Lumber_Agree.html.

[23] James L. Howard, *U.S. Timber Production, Trade, Consumption, and Price Statistics 1965– 2002*, Res. Pap. FPL–RP–615 (Madison, WI: USDA Forest Service, December 2003), Table 28, p. 52 and Table 31, p. 55. Data update provided via personal correspondence.

Figure 3. U.S. Lumber Consumption by Source



Sources: CRS; James L. Howard, *U.S. Timber Production, Trade, Consumption, and Price Statistics 1965– 2002,* Res. Pap. FPL–RP–615 (Madison, WI: USDA Forest Service, December 2003), Table 28, p. 52 and Table 31, p. 55. Data update provided through personal correspondence with the United States Department of Agriculture (USDA).

Stabilizing the Lumber Market

U.S lumber producers and consumers are both interested in having a stable lumber market, in terms of price and supply. Lumber consumers have argued that the overall softwood lumber dispute, and the enactment of trade protection measures, has harmed them by increasing the volatility of lumber prices. Relative volatility can be assessed by examining the average and standard deviation of lumber prices. **Table 2** shows the annual average and standard deviation for the weekly Random Lengths Framing Lumber Composite Price, and the ratio of standard deviation to average, to allow comparison of years with different averages.

Table 2. Annual Average and Standard Deviation for the Random Length's Framing Lumber Weekly Composite Price

Year	Average	Standard Deviation	Ratio	Year	Average	Standard Deviation	Ratio
1977	$820.97	$91.91	11.2%	*1997*	*$636.04*	*$47.33*	*7.4%*
1978	$857.51	$15.92	1.9%	*1998*	*$524.65*	*$26.99*	*5.1%*
1979	$845.73	$71.82	8.5%	*1999*	*$591.91*	*$52.12*	*8.8%*
1980	$609.47	$64.32	10.6%	*2000*	*$462.44*	*$66.65*	*14.4%*
1981	$528.29	$61.74	11.7%	*2001*	*$434.03*	*$53.81*	*12.4%*
1982	$444.13	$26.23	5.9%	2002	$408.75	$32.96	8.1%
1983	$561.82	$62.23	11.1%	2003	$408.48	$36.88	9.0%
1984	$480.61	$53.93	11.2%	2004	$515.89	$52.32	10.1%
1985	$455.40	$37.51	8.2%	2005	$478.40	$31.51	6.6%
1986	*$480.65*	*$31.61*	*6.6%*	*2006*	*$391.43*	*$52.18*	*13.3%*

Year	Average	Standard Deviation	Ratio	Year	Average	Standard Deviation	Ratio
1987	*$517.48*	*$27.39*	*5.3%*	*2007*	*$330.33*	*$18.66*	*5.6%*
1988	*$482.45*	*$28.69*	*5.9%*	*2008*	*$282.18*	*$21.45*	*7.6%*
1989	*$469.26*	*$22.60*	*4.8%*	*2009*	*$249.67*	*$21.87*	*8.8%*
1990	*$425.35*	*$43.80*	*10.3%*	*2010*	*$314.30*	*$40.81*	*13.0%*
1991	*$418.39*	*$44.43*	*10.6%*	*2011*	*$292.30*	*$20.07*	*6.9%*
1992	$493.62	$41.18	8.3%	*2012*	*$338.87*	*$27.16*	*8.0%*
1993	$658.99	$114.00	17.3%	*2013*	*$397.70*	*$36.11*	*9.1%*
1994	$669.10	$73.98	11.1%	*2014*	*$390.36*	*$12.87*	*3.3%*
1995	$534.69	$44.97	8.4%	*2015*	*$336.51*	*$23.43*	*7.0%*
1996	*$626.26*	*$60.88*	*9.7%*	2016	$345.50	$17.70	5.1%

Source: CRS calculations using data from Random Lengths, Inc.

Note: The ratio was calculated by dividing the standard deviation by the annual average. Figures were adjusted to 2016 dollars using the Consumer Price Index for All Urban Consumers from the Bureau of Labor Statistics. Italicized entries indicate years when a trade agreement was in place.

These data indicate no obvious trend. Volatility (measured by the standard-deviation-to-average ratio) was higher during some of the years that Canada and the United States were negotiating the start of an agreement or at the end of a trade agreement (2001, 2006) or when an active dispute was ongoing (1993). However, volatility also has been high during years when an agreement was in place (2000, 2010), and it has been lower when an active dispute was ongoing (1982, 1998, 2005). These variances suggest that changes in volatility likely are affected by factors other than the SLA and trade restrictions. The demand for softwood lumber, which relies heavily on the U.S. housing market, arguably also contributes to volatility and could explain the 2010 spike.

Opposition to the 2006 SLA

The National Association of Home Builders (NAHB), representing many U.S. lumber consumers (e.g., home builders, home-building supply stores, home buyers), opposed the original 2006 SLA and opposed extending the SLA to 2015.[24] As the end users of softwood lumber, consumers' interest is in access to affordable softwood lumber, which is best achieved through unrestricted free trade, according to the NAHB. The NAHB argues that home builders largely assume the costs of the trade protection measures but, due to the structure of U.S. trade law, are not able to participate directly in the trade-remedy process.[25] To further support the position of the U.S. lumber consumers, one analyst argues the position of most economists: that unrestricted free trade benefits the overall U.S. economy whereas trade protections decrease overall welfare.[26]

[24] Gerald Howard, *Comments Submitted to the Office of the United States Trade Representative on Behalf of the National Association of Home Builders Regarding the Two-Year Extension of Softwood Lumber Agreement*, National Association of Home Builders, October 14, 2011.

[25] Ibid.

[26] Zhang, *The Softwood Lumber War*, 2006.

Expiration of the 2006 Softwood Lumber Agreement

The SLA expired on October 12, 2015, without any formal negotiations between the United States and Canada taking place. Under the terms of the agreement, neither country could file claims until October 13, 2016, which effectively provided another year for negotiations. On March 10, 2016, then-President Obama and Prime Minister Trudeau announced the start of discussions to "explore all options" regarding the dispute, charging their trade representatives with reporting back within 100 days (before June 18, 2016).[27] Those discussions were unsuccessful, and U.S. lumber producers (through a group known as COALITION, the Committee Overseeing Action for Lumber International Trade Investigations or Negotiations) filed antidumping and subsidy trade remedy cases before the U.S. International Trade Commission and the International Trade Administration (ITA) of the Department of Commerce on November 25, 2016. In a preliminary determination on April 24, 2017, the ITA determined that the Canadian industry was subsidized and imposed countervailing duties upward of 20% on Canadian lumber. Final determinations are due by September 2017.

While the softwood lumber litigation plays out, Congress may seek to influence any settlement of the softwood lumber dispute through potential renegotiation of NAFTA.[28] During the campaign and in office, President Trump has vowed to renegotiate or withdraw from NAFTA. However, under Trade Promotion Authority,[29] the President must give advance notice to Congress for any renegotiation and must consult with Congress before and during the negotiations. This process affords Congress the opportunity to influence and direct the course of negotiations.

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[27] White House, "Fact Sheet: US-Canada Relationship," press release, March 10, 2016.

[28] For more information on NAFTA, see CRS Report R42965, *The North American Free Trade Agreement (NAFTA)*, by M. Angeles Villarreal and Ian F. Fergusson and CRS In Focus IF10047, *North American Free Trade Agreement (NAFTA)*, by M. Angeles Villarreal.

[29] Bipartisan Comprehensive Trade Promotion and Accountability Authority (P.L. 114-26). For more information, see CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by Ian F. Fergusson.

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