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In New Trade Front, Trump Slaps Tariff on Canadian Lumber

By PETER BAKER and IAN AUSTEN



WASHINGTON — The Trump administration announced on Monday that it would impose new tariffs on Canadian softwood lumber imports, escalating a longstanding conflict with America’s second-largest trading partner.

The Commerce Department determined that Canada had been improperly subsidizing the sale of softwood lumber products to the United States, and after failed negotiations, Washington decided to retaliate with tariffs of 3 percent to 24 percent. The penalties will be collected retroactively on imports dating back 90 days.

The decision came days after President Trump complained bitterly about Canada’s dairy trade practices, and the tariffs signaled a harsher turn in his relationship with Canada, even

as he seeks to renegotiate the North American Free Trade Agreement. While he has often assailed China, Mexico and others for their trade practices, he seemed to have forged a strong relationship with Canada's prime minister, Justin Trudeau.

The United States and Canada have been at odds over softwood lumber in one form or another since the 19th century, with the current dispute tracing back to 1982. The United States imported \$5.7 billion in softwood lumber last year alone, mainly for residential home building.

At the conflict's heart is a fundamental difference in forestry ownership. In the United States, forest lands are largely held by lumber companies. In Canada, they tend to be owned by the government, and American mills contend that Canadian provinces subsidize their industries by charging low royalty rates for cutting trees. A temporary truce under President George W. Bush, which effectively limited Canadian exports to the United States, expired in 2015.

Responding on Monday to a complaint filed by American mills, the Commerce Department found that five Canadian companies received subsidies worth 3 percent to 24 percent and ordered equivalent tariffs on each of them. For other Canadian lumber companies, it set a tariff rate of 20 percent. The department will issue a final determination in September.

"The government of Canada disagrees strongly with the U.S. Department of Commerce's decision to impose an unfair and punitive duty," Chrystia Freeland, the minister of foreign affairs, and Jim Carr, the minister of natural resources, said in a joint statement. "The accusations are baseless and unfounded."

Commerce Secretary Wilbur Ross told The Wall Street Journal that the Trump administration had tried to negotiate a settlement but failed. In a separate statement on Monday, he called it "a bad week for U.S.-Canada trade relations," repeating Mr. Trump's complaints about dairy exports. "This is not our idea of a properly functioning free trade agreement," he said.

The tariffs are likely to be opposed by American homebuilders, who say they raise the cost of new houses. A study last year by the National Association of Home Builders found that a 15 percent tariff would increase new home prices by 4.2 percent and cost 4,666 full-time jobs.