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Canada

Solid Wood Products

Agreement in Principle Over Rougher Headed

Lumber Reached

2000

Approved by:

Kathleen M. Wainio

U.S. Embassy

Prepared by:

Matthew A. Cahoon

Report Highlights:

International Trade Minister Pierre Pettigrew announced that Canada has reached an agreement in principle to settle the rougher headed lumber dispute under the Canada-U.S. Softwood Lumber Agreement. The settlement proposed by the United States entails an additional 72.5 million board feet of fee-free lumber shipments to the U.S. to be used by March 31, 2001, in return for Canada agreeing to withdraw arbitration proceedings under the Agreement.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

CANADA AGREES IN PRINCIPLE TO SETTLE ROUGHER HEADED LUMBER DISPUTE

The following is based on a Department of Foreign Affairs and International Trade new release from October 6, 2000. Begin text.

International Trade Minister Pierre Pettigrew announced that Canada has reached an agreement in principle to settle the rougher headed lumber dispute under the Canada-U.S. Softwood Lumber Agreement. The settlement proposed by the United States entails an additional 72.5 million board feet of fee-free lumber shipments to the U.S. to be used by March 31, 2001, in return for Canada agreeing to withdraw arbitration proceedings under the Agreement.

"We believe that this agreement in principle will provide relief to companies that have been adversely affected by the unilateral U.S. Customs Service reclassification of rougher headed lumber," said Minister Pettigrew. "It also brings certainty to those firms exporting this lumber product to the United States from now to the end of the Agreement."

Rougher headed lumber is typically roughened on one or more sides to appear rough-sawn or rustic and is primarily used for fascia and trim applications. The dispute originated in early 1999, when the U.S. Customs Service unilaterally reclassified the products under the quota requirements of the Agreement. Canada invoked dispute settlement proceedings in June 1999. The resolution of the dispute does not prejudice Canada's view that the U.S. acted unilaterally to extend the scope of the Agreement. The agreement in principle is subject to Canadian regulatory approvals.

Background

On March 10, 1999, U.S. Customs published a notice proposing to revoke its 1992 and 1994 rulings that state that rougher headed lumber (RHL) falls under HTSUS 4418 and to reclassify it into HTSUS 4407. The U.S. Customs' reclassification of RHL, effective August 9, 1999, unilaterally placed this product under the scope of the 1996 Canada-U.S. Softwood Lumber Agreement. As a result, RHL shippers were required to obtain export permits and pay export permit fees where necessary to ship these products to the U.S.

Canada invoked the dispute settlement provisions of the Agreement in April 1999. When consultations failed to resolve the dispute, Canada initiated arbitral proceedings pursuant to the Agreement on June 9, 1999.

There had been a strong preference on the part of the B.C. industry, which accounts for about 95 percent of the Canadian RHL production, to seek a settlement that would preclude the political and economic consequences of a Panel ruling. To this end, representatives of the B.C. Lumber Trade Council and the U.S. Coalition for Fair Lumber Imports held discussions to seek a settlement of the dispute.

On July 27, 2000, Canada was informed by the Office of the United States Trade Representative

that the United States wished to discuss the possibility of a settlement, based on the results of the industry-to-industry discussions. After careful consideration of advice and comments from Canadian lumber producers and provincial governments on the proposed settlement, the Government of Canada determined that, subject to regulatory approvals, the acceptance of the proposed settlement would be in the country's best interest.

The Government of Canada will be inviting qualified rougher headed lumber producers to complete a questionnaire which would assist the government in determining the proper allocation of the additional 72.5 million board feet of fee-free quota. End text.

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