

Canadian Embassy



Ambassade du Canada

June 13<sup>th</sup>, 2018

U.S. House of Representatives  
Washington, DC 20515

Dear Representatives,

I write to thank you for your recent letter to U.S. Commerce Secretary Wilbur Ross and United States Trade Representative Robert Lighthizer on softwood lumber. Current lumber shortages and high prices for U.S. homebuyers could have been avoided if the Commerce Department had seized the opportunity last fall to sign a lasting agreement in this sector.

Concluding negotiations on a fair and durable solution to this dispute continues to be a priority for Canada. Contrary to misinformation from the protectionist lobby in the U.S., Canada showed great flexibility in negotiations before negotiations broke down. Notably, Canada was prepared to adopt a quota-based agreement that would have provided the U.S. industry with a high degree of predictability while safeguarding consumer interests.

It soon became clear that the U.S. Lumber Coalition was not looking for an agreement that would bring predictability and stability to the industry. Rather, its goal was to irreparably harm the Canadian industry by decreasing its market share to unreasonably low levels. Canada simply could not accept an agreement that would have wiped out thousands of Canadian jobs. To put it in perspective, the last Coalition proposal sought additional production cuts beyond those initially negotiated with the U.S. Commerce Department equivalent to the entire softwood lumber production of our four Atlantic Provinces.

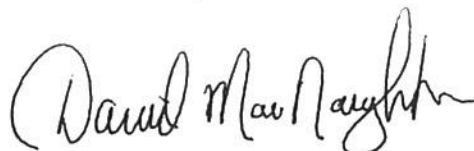
The absence of a new softwood lumber agreement has an upside for the Coalition. A hot lumber market fueled by a 20% tariff on Canadian lumber adds to their bottom line. Coalition member Weyerhaeuser Co. admitted as much in a recent interview with the *Wall Street Journal*, saying, "For every \$10 improvement in lumber prices, that's \$45 million straight to our bottom line on an annual basis".

Ultimately, it's U.S. consumers and downstream industries such as homebuilding and construction that are paying the price. The National Association of Home Builders estimates that the price of a single family home is up \$9,000 due in large part to duties. At some point, U.S. housing will no longer be able to withstand such costs and the market will slow.

My responsibility is to defend the interests of Canadians and Canadian industry. That's why Canada is forcefully pursuing legal challenges under NAFTA and at the World Trade Organization. Allegations that Canada unfairly subsidizes its lumber remain unfounded – over a period of many years, independent panels have consistently found these U.S. claims to be without basis. We are confident this will once again be the case. Past experience shows that as these proceedings continue, and Canadian arguments prevail, our industry becomes less willing to accommodate U.S. industry demands.

As the United States' closest ally and partner, no country is more invested in a thriving and prosperous U.S. than Canada. We remain open to talks for a new softwood lumber agreement that include a reasonable approach on the part of the U.S. industry.

Sincerely,

A handwritten signature in black ink, reading "David MacNaughton". The signature is written in a cursive, flowing style with a large initial "D".

David MacNaughton  
Ambassador

C.c All signatories of the letter dated June 12<sup>th</sup>, 2018, addressed to U.S. Commerce Secretary Wilbur Ross and U.S. Trade Representative Robert Lighthizer.