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# U.S. International Trade Commission Hearing on Importation of Softwood Lumber

Max S. Baucus

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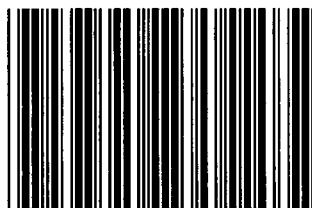
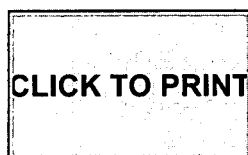
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(2) Subject\* **U.S. International Trade Commission.**

DOCUMENT DATE\*: **07/23/1985**

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\* "required information"



BAUCUS

STATEMENT BY SENATOR MAX BAUCUS  
BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION  
DURING ITS HEARING CONCERNING THE CONDITIONS  
RELATING TO IMPORTATION OF SOFTWOOD LUMBER INTO  
THE UNITED STATES

JULY 23, 1985

INTRODUCTION

MADAM CHAIRWOMAN AND MEMBERS OF THE  
COMMISSION, I APPRECIATE THE OPPORTUNITY TO TESTIFY  
AT THIS IMPORTANT HEARING.

YOUR SECTION 332 STUDY WILL BE EXTREMELY  
USEFUL. NOT ONLY TO THE US TRADE  
REPRESENTATIVE, BUT ALSO TO THE SENATE FINANCE  
COMMITTEE AS WE CONSIDER LEGISLATIVE SOLUTIONS TO  
THE CANADIAN SOFTWOOD LUMBER PROBLEM.

THE PLIGHT OF THE FOREST PRODUCTS INDUSTRY

IN MY HOME STATE OF MONTANA, THE PROBLEM IS  
SEVERE.

THE FOREST PRODUCTS INDUSTRY HAS BEEN A MAINSTAY OF MONTANA'S ECONOMY SINCE 1845, WHEN FATHER ANTHONY RAVALLI ERECTED OUR FIRST SAWMILL AT ST. MARY'S MISSION IN THE BITTERROOT VALLEY.

THAT FIRST MILL HAS DEVELOPED INTO ~~TODAY WE HAVE~~ HUNDREDS OF LOGGING OPERATIONS AND LUMBER MILLS. THEY ACCOUNT FOR THOUSANDS OF JOBS, AND ABOUT HALF THE INCOME IN WESTERN MONTANA.

WE'RE PROUD THAT OUR AMERICAN SAWMILLS ARE THE MOST EFFICIENT IN THE WORLD!

U.S. SAWMILL WORKERS HAVE MADE GREAT SACRIFICES TO MAINTAIN THAT COMPETITIVE EDGE. IN FACT, OUR WORKERS ALLOWED THEIR WAGES TO BE FROZEN DURING 1981 AND 1982 SO THAT THEIR MILLS COULD SURVIVE THE RECESSION.

NEVERTHELESS, THE U.S. INDUSTRY FACES HARD TIMES.

BETWEEN 1979 AND 1983, LABOR INCOME IN THE MONTANA FOREST PRODUCTS INDUSTRY FELL BY 17%.

DURING ROUGHLY THE SAME PERIOD, NINE MONTANA SAWMILLS CLOSED AND 2,700 FOREST PRODUCTS WORKERS LOST THEIR JOBS. THIS APRIL, LOUISIANA PACIFIC CLOSED ITS TROUT CREEK MILL AND MANY MORE WORKERS BECAME UNEMPLOYED.

THE SAME FATE HAS BEFALLEN FOREST PRODUCTS WORKERS ALL OVER THE COUNTRY, FROM MAINE TO GEORGIA TO OREGON.

#### THE STUMPAGE PROBLEM

THIS DISRUPTION RESULTS FROM A DIRECT ATTACK, BY THE CANADIAN PROVINCES AND THEIR SUBSIDIZED LUMBER MILLS.

CANADIAN IMPORTS NOW ACCOUNT FOR 30% OF U.S. SOFTWOOD CONSUMPTION. IN MONTANA, THEY ACCOUNT FOR ABOUT 40%.

THE PRIMARY REASON CANADIAN IMPORTS HAVE RISEN SO HIGH IS CANADA'S STUMPAGE PRACTICES.

AS THIS COMMISSION FOUND IN 1982, CANADIAN LUMBER MILLS HAVE BEEN ABLE TO EXPAND THEIR SHARE OF THE U.S. LUMBER MARKET BY PAYING CHEAP PRICES FOR THE RIGHT TO CUT TIMBER ON GOVERNMENT-OWNED LAND.

IN THE U.S., THIS STUMPAGE PRICE IS SET BY EITHER AN OPEN AUCTION OR COMPETITIVE BIDS.

IN CANADA, NEARLY ALL THE TIMBERLAND IS OWNED AND CONTROLLED BY PROVINCIAL GOVERNMENTS. THEY SET THE PRICE AT WHATEVER LEVEL THEY THINK NECESSARY TO KEEP CANADIAN LUMBER MILLS OPEN AND CANADIAN WORKERS EMPLOYED.

THIS POLICY HAS A DRAMATIC IMPACT ON THE U.S. INDUSTRY.

CANADIAN PRODUCTION LEVELS ARE HIGH. AND U.S. CONSUMPTION LEVELS ARE HIGH.

IN THIS SITUATION, THE FREE PLAY OF ECONOMIC FORCES SHOULD RESULT IN HIGH CANADIAN STUMPAGE PRICES.

BUT THAT'S NOT HAPPENED. TO THE CONTRARY, CANADIAN STUMPAGE PRICES HAVE FALLEN DRAMATICALLY SINCE 1982, ALLOWING THE CANADIAN MILLS TO EXPAND THEIR U.S. MARKET SHARE EVEN FURTHER.

WHAT'S MORE, THIS HAS UNDERMINED U.S. LUMBER PRICES, REDUCED THE PROFITABILITY OF U.S. LUMBER COMPANIES, AND INCREASED FOREST PRODUCTS INDUSTRY UNEMPLOYMENT.

#### THE COMMISSION'S STUDY

WHEN THE COMMISSION LAST STUDIED THIS ISSUE IN 1982, THE PICTURE WAS CLUTTERED.

WE WERE MIRED IN A DEEP RECESSION.

HOUSING STARTS WERE DOWN.

LUMBER CONSUMPTION WAS DOWN.

IT MAY HAVE BEEN DIFFICULT TO IDENTIFY THE DIRECT DAMAGE THAT CANADIAN STUMPAGE PRACTICES WERE IMPOSING ON OUR INDUSTRY.

BUT TODAY, THE PICTURE IS CRYSTAL CLEAR.

U.S. SOFTWOOD CONSUMPTION REACHED RECORD HIGH LEVELS IN 1984 AND REMAINS STRONG NOW.

BUT U.S. SOFTWOOD PRICES HAVE FALLEN EXTRAORDINARILY LOW.

AND THE U.S. INDUSTRY CONTINUES TO OPERATE WAY BELOW CAPACITY.

LATER ON, OTHER WITNESSES MAY TRY TO PERSUADE YOU THAT THE RISE IN CANADIAN IMPORTS IS CAUSED BY OTHER FACTORS, LIKE THE HIGH VALUE OF THE DOLLAR OR THE QUALITY OF THE CANADIAN PRODUCT.

THOSE ARGUMENTS SHOULDN'T DIVERT YOUR ATTENTION FROM ONE FUNDAMENTAL POINT: THE CANADIANS ARE BASICALLY GIVING THEIR TIMBER AWAY.

AND THAT'S THE PRIMARY REASON THE U.S. INDUSTRY CAN'T COMPETE.



ONCE YOU EXAMINE THE CONDITIONS IN THIS IMPORTANT INDUSTRY, I AM CONFIDENT THAT THIS COMMISSION WILL RECOGNIZE THE HARM THAT CANADA'S STUMPAGE PRACTICES ARE CAUSING TO THE U.S. INDUSTRY, AND WILL REPORT ACCORDINGLY TO THE USTR AND THE FINANCE COMMITTEE.

THANK YOU.