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A Study of the Effects of the Canada-US Softwood Lumber Agreement

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Abstract

The trade of softwood lumber between the United States and Canada is one of the major forest products trade flows in the world. Since 1996, exports from the four major softwood lumber producing provinces in Canada (British Columbia, Alberta, Ontario, and Quebec) into the US have been regulated by the voluntary export restraint (VER) as defined within the "Softwood Lumber Agreement between the Government of Canada and the Government of the United States of America" (SLA). The SLA allows Canadian producers to export up to 14.7 billion board feet (bbf) of softwood lumber without export fee and imposes high export fees on volumes exceeding the limit. The SLA is a temporary resolution of the trade dispute between the two countries that has lasted for more than fifteen years and is set to expire on March 31st, 2001.

The objective of this study is to determine if the expected effects of the SLA on the US softwood lumber market during the period 1996-1999 have actually occurred. The study discussed four possible direct effects and five possible indirect effects that the SLA might have had on the US softwood lumber market from a simple economic model and a review of the literature. The expected direct effects include: 1) a regulated volume of softwood lumber imports into the US from the four major provinces in Canada, 2) an increase in the price of softwood lumber in the US, 3) an increase in US softwood lumber production, and 4) a decrease in US softwood lumber consumption. The expected indirect effects of the SLA include: 1) a shift in the composition of countries exporting softwood lumber into the US, 2) an upgrade in the quality of softwood lumber exported from the four major Canadian provinces into the US, 3) an increase in the volume of softwood logs and value-added wood products exported from Canada into the US, 4) some attempts by Canadian manufacturers to avoid the export permit requirement under the SLA, and 5) an increase in the use of alternative products (both wood and non-wood) as substitutes for softwood lumber in the US. The study also provides a discussion of the alternative solutions that might be implemented upon the expiration of the SLA on March 31st, 2001 and a discussion of desirability/undesirability of the SLA based upon future softwood resource availability in the US.

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