



Committee On Finance

Max Baucus, Chairman

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STATEMENT OF SENATOR MAX BAUCUS

Hearing on Lumber and Steel
February 13, 2002

If you based your opinion entirely on what appears in the newspapers and television, you would have the impression that international trade was all about major international meetings and the protests surrounding them.

You might have heard of NAFTA, but would not even recognize the term countervailing duty. The World Trade Organization might sound familiar, but the term "Section 201" would just be bureaucratic gibberish.

There is no question that international summits, the NAFTA, and the WTO are important aspects of the trade debate. In my experience, however – when it comes to the public's and Congress's views on trade – the effectiveness of these trade laws actually has a much greater impact than the outcome of international summits.

Ultimately, Congress will judge the Administration's trade policy based more upon the handling of sectoral disputes regarding products like lumber, steel, and wheat, than upon the success of trade negotiations.

Two critical disputes are likely to come to a head in the next couple of months. Lumber and steel warrant special attention and are the topic of today's hearing.

CANADIAN LUMBER IMPORTS

Let me begin with the U.S.-Canada lumber dispute – a dispute which, unfortunately, has raged on for more than two decades. The fundamental issue is that Canada maintains a web of interlocking provincial policies aimed at subsidizing its lumber industry in the hopes of spurring economic development.

The first level of these subsidies concerns give-away prices – well below market rates –

on the right to cut trees from public land. Just north of the Montana border for example, Canadian companies pay as little as *six percent* of the price that Montana companies – just miles away – must pay. In addition, so-called tenure rights virtually guarantee Canadian lumber companies the right to keep harvesting at subsidized rates for years to come. Making matters worse, provincial governments require that Canadian mills continue operating even when the market suggests shutting down, forcing them to dump lumber in foreign markets.

On top of all this, there are waivers of environmental laws and a series of other policies that ensure over-harvesting of timber in Canada – and a perpetual flow of subsidized and dumped lumber into the U.S. As a result, Canadian lumber controls more than one-third of our market.

Despite the claims of the Canadian government and some of their supporters on this side of the border, Canadian subsidies have been confirmed time and time again by experts in both countries.

In the current case – thanks to sound Commerce Department enforcement of U.S. antidumping and anti-subsidy laws – a combined 32 percent duty has been preliminarily imposed on Canadian lumber imports. These decisions will be finalized next month. These investigations have been comprehensive, fair, and fully consistent with the NAFTA and the WTO. If challenged, I am confident they will survive challenge in either forum – and I reject any suggestions to the contrary.

In recent months, the United States has been in discussions with Canada aimed at reaching a *comprehensive* agreement to eliminate Canadian subsidies and dumping. If that can be achieved, that is the best possible outcome. If, however, all that can be achieved is a piecemeal stopgap agreement, it is far preferable to simply proceed with the current unfair trade investigations. As is always the case, no agreement is far better than a bad agreement.

Finally, since this is such a complex and important negotiation, I want to strongly urge Secretary Evans, Undersecretary Aldonas, and Assistant Secretary Shirzad (“Shur zod”) to remain personally involved in assisting my good friend, former Montana Governor Racicot in managing the talks. This needs to be a top priority at Commerce and throughout the Administration.

STEEL

Let me turn to the other topic of today’s hearing. Occasionally, someone will ask me why I have long been a strong advocate for the trade interests of the U.S. steel industry. After all, there may be many lumber mills in Montana, but no steel mills. Although my efforts pale compared to those of my friend Senator Rockefeller, I have often advocated the cause of the steel industry for two main reasons.

First, they have a legitimate trade complaint. There is simply no such thing as free trade in steel. The global market in steel is distorted by an untold number of government subsidies, cartels, closed markets, and other trade distortions. Only the United States – the world’s largest

importer of steel – even truly tries to play by the rules of free trade in steel. I take particular umbrage when Europe and Japan criticize U.S. trade policy in steel after decades of subsidies and cartels in their own steel markets.

Second, the course of action for relief that the steel industry is now pursuing, Section 201, is entirely appropriate. It has been used by many other industries, including lamb producers and wheat gluten producers. Due to a scheduling conflict, Senator Rockefeller will be chairing the portion of the hearing on steel today. But I want my views on the steel Section 201 complaint to be unambiguous.

The steel industry has diligently pursued their complaint, and the International Trade Commission has unanimously confirmed their claims. The relief recommended by the ITC is supported by the facts and fully consistent with international law. I urge the President to act swiftly to provide this relief.

CONCLUSION

Some in the media have given the Bush administration high grades on its trade policy in its first year because of success in launching a new round of global trade talks and winning House support for a new grant of fast track. Both those achievements, however, are tentative. And both are entirely contingent upon maintaining the support of Congress and the public for its trade policy.

I want to warn the Administration in the strongest possible terms that the support of Congress and the apparent successes of the last year could both melt away – very quickly – if issues like those facing the lumber and steel industries are mishandled.

The enforcement of trade laws and handling of sectoral disputes is the real acid test that Congress applies to an Administration trade policy. If confidence is lost over these issues, it will be impossible to rebuild.