



October 9, 2003

The Honorable Jim Jochum
Assistant Secretary, Import Administration
Central Records Unit, Room 1870
U.S. Department of Commerce
Pennsylvania Ave. & 14th Street, NW
Washington, D.C. 20230

Re: Treatment of Section 201 Duties and Countervailing Duties

Dear Mr. Jochum:

On behalf of the Board of Directors of Consumers for World Trade (CWT), I am writing to express our opposition to the deduction of anti-dumping and countervailing duties from the "gross unit price used in anti-dumping calculations." CWT is a national, non-profit, non-partisan organization, established in 1978 to promote the consumer interest in international trade and to enhance the public's awareness of the benefits of an open, multilateral trading system to everyone's daily life. CWT is the only consumer group in America whose sole mission is to educate, advocate and mobilize consumers to support trade opening legislation.

We strongly oppose the proposal, which would increase the current duties on softwood lumber—a hidden sales tax on U.S. homebuyers. Instead, we urge the Department to prepare an analysis of the financial impact this proposed rule would have on U.S. consumers of softwood lumber. In addition, we expect the Department to fully implement the decisions of the World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA) dispute resolution panels regarding this dispute.

Financial Impact Analysis – Impact of this Proposal on Consumers

In May, 2001, the United States imposed an average countervail and antidumping duty of 27 percent on Canadian softwood lumber imports. The duties were based on a finding by the Department that the Canadian industry was dumping lumber and receiving subsidies from its government, and a determination by the International Trade Commission (ITC) that imports from Canada posed a "threat of injury," to the United States industry. The Department's findings have since been called into question by WTO and NAFTA

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panel decisions and the ITC's determination was similarly remanded by both WTO and NAFTA panels.

The continued imposition of antidumping and countervailing duties on Canadian lumber is especially troubling for the U.S. housing sector. Currently the housing sector represents one of the only strong segments of the U.S. economy. However, it is dependent on Canadian lumber imports to meet demand. Indeed, the United States must secure more than one-third of its lumber for housing construction from imported lumber. ***Since there is no appropriate substitute grown in the United States, the demand cannot be met through domestic production.***

U.S. consumers and lumber-dependent industries are already experiencing the harmful effect of these trade restrictions. The lumber tariffs have resulted in increased price volatility in the market, forcing U.S. purchasers to make provisions to incorporate what amounts to a 27 percent tax. It is estimated that these tariffs could add as much as \$1,000 to the price of a new home, thus excluding as many as 300,000 U.S. households from mortgage eligibility. This is especially problematic for senior citizens, first-time homebuyers, and low-income Americans. It is anticipated that under the proposed rule, duties would increase from their current levels and further harm U.S. lumber consumers.

We urge the Department to act responsibly and not cave in to protectionist interests. It is unjust to protect a domestic industry at the expense of consumers, particularly when no threat of injury from imports has been proved. The impact on consumers and the economy at large should first be weighed before ***any*** action is taken against Canadian lumber imports.

We urge the Department to act responsibly and comply with NAFTA and WTO dispute panel decisions without delay. To date the decisions rendered by those panels have ruled illegal many of the actions taken by the Department in imposing antidumping and countervailing duties on Canadian softwood lumber.

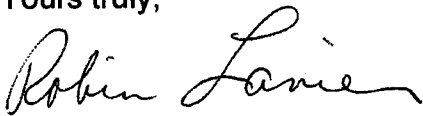
In particular, the Department must recalculate countervailing duties using methodology that complies with our international obligations under the Agreement on Subsidies and Countervailing Measures. WTO panels ruled that methodology used to calculate the current countervailing duties was contrary to U.S. international obligations in that the Department improperly relied on U.S. prices to determine the "benefit" to Canadian producers from alleged subsidies. Furthermore, the Panels determined that the U.S. improperly assumed that subsidies were passed on to downstream producers. Both of these errors resulted in an overestimation of the countervailing duty amount and have caused serious harm to U.S. consumers. Similarly, a recent NAFTA panel ruled that the Department's calculation of antidumping duties overestimated those duties and therefore overcharges American consumers.

Since we anticipate that future decisions of WTO and NAFTA dispute panels will find similar flaws in the duties, we ask that the Department make every effort to comply with future decisions as well. The antidumping and countervailing duties currently imposed on Canadian Softwood lumber are not only inconsistent with U.S. international obligations and U.S. law but also impose an unfair burden on U.S. consumers.

Finally, we urge the Commerce Department to act responsibly and refrain from distributing improperly collected duties to the U.S. lumber industry under the U.S. Continued Dumping and Subsidy Offset Act of 2000. This Act was recently ruled illegal by the WTO. American consumers have already been fleeced once by the unjust imposition of these duties on softwood lumber. Please do not add insult to injury by turning these revenues over to the industry that did the fleecing.

We urge you and your colleagues in the Administration to remember the interests of U.S. consumers and lumber-dependent industries that employ seven million workers. They, too, vote and pay taxes in this country. It is therefore extremely important that you find a long-term solution that does not harm American lumber consumers and housing affordability.

Yours truly,

A handwritten signature in cursive script that reads "Robin Lanier". The signature is written in black ink and is positioned above the typed name.

Robin Lanier
Executive Director
Consumers for World Trade