Lumber Export and Import Tariffs and Duties

Canada-U.S. Softwood Lumber Dispute

From 1995 to 2006, it has been witnessed that the gross import value of softwood lumber from Canada could be up to 10 billion of Canadian dollars, which demonstrates the significance of American market for lumber industries in Canada.

The nature of the dispute can be regarded as the differences in structure of the forestry sectors. In Canada, most of the forest resources are owned by the provincial governments and, therefore the stumpage fee, which is charged to harvest the timber, is set unilaterally by the governments. In contrast, nearly 70% of forest lands in America is privately owned. In this case, the American government claims that the Canadian government is suspected of an unfair subsidy and can be subjected to the countervailing duty tariff. The assertion is denied by Canadian governments and lumber producers who believe that U.S trade actions are basically initiated from the protectionism.

In order to end the dispute, the softwood lumber agreement (SLA) was settled: the United states would impose the import duties or tariffs if only the lumber price remains above a certain range. Supposing the price is below a specific range, export tax and quota would be levied by the Canadian government.

A partial equilibrium analysis is presented in the form of the supply and demand curve regarding Canada and the U.S. lumber markets. Without any duties, the equilibrium lumber price and the equilibrium quantity of consumption and production are simply decided by the free trading marketplaces. The after-tax lumber price and quantity of consumption and production is therefore obtained, under which condition welfares of producers and consumers are influenced. Interestingly, the Canadian secondary wood industry, as a value-added processing, can be boosted by the lumber agreement in ways of creating more valuable products and generating more employments.

There are factors keeping Canada and the US from going back to the negotiation table after the last agreement expired on October 12, 2015. Though, there are also signs of sparking new conversation and deals.
China

China is one of the largest importers of wood products from Canada, and this trend is still growing (1). Different provinces in China have different demands for the use of lumber (1). In the future, China the demand of softwood lumbers exporting to China will largely be increased (1). Most of the softwood lumbers imported to China are not generally used for structural uses (1).

India

India has imported a lot of softwood lumbers from BC, and the trend has grown a lot in recent years (1). A fast-growing market in India that demand the western looks and some part of the hardwood applications can be replaced by softwood also increase demand of importing lumbers from BC (1).

South Korea

Over 90 percent of wood products used in South Korea are imported (1). In South Korea many of the single family homes are constructed with wood frame networks (1). The South Korea government also works hard to address the issue of carbon footprint, therefore, the demand for wood products in South Korea will continue to increase (1).

Duties and Tariffs on Forest Products in Japan

Japan is one of BC’s most important export markets for forest products. Forest product imports to Japan fall under two categories. The first category, which includes SPF lumber and all products made from these species, are both subject to duties and tariffs. The second category, which includes J-grade and Hem-Fir products are imported without duty fees but still subject to tariffs. (3) Japan decides on which forest products are subject to duty fees by species regardless of end use. J-grade, which is a large value-added market in Japan, is duty free to allow for economically viable post and beam construction. Panel products coming into Japan are subjected to duty also by which species is used as feedstock. The tariff rate for all forest products coming into Japan is 4.8% of import value. The duty for SPF products is 6%, making the SPF lumber less utilized in the Japanese market. (4) Another small market that is duty free is the wood pellet imports, the price paid by the Japanese is far less than the European pricing so most pellets make their way to the EU market. (5) Japan’s market share of BC’s forest product exports is approximately 8.8% as of January 2016. (6) Japan’s demand for forest products will be constant for years to come and integral to BC’s success worldwide.

EU

Canada is one of the largest extra European supplier of wood products (1). Canada has exported a lot of renewable fuel wood such as wood pellets and saw dust to EU instead of lumbers (1). In recent years, the demand for renewable fuel wood in EU has largely increased, because of the green energy policy in EU (1).
References


