



# **American Bridge**

## **Trump Policy Brief: Tariffs on Canadian Lumber**

**4.25.17**

## TRUMP ALIENATING ALLIES: CANADA EDITION

In the run up to his 100<sup>th</sup> day in office, President Trump announced tariffs of up to 24 percent on Canadian lumber, a move CNN speculated could “stoke fears of a trade war between the U.S. and Canada.” The tariffs came days after Trump made a series of remarks critical of Canada’s dairy trade practices.

Canadian leaders denounced the lumber tariff, citing concerns over the harm that would come to people on both sides of a “thickening” U.S.-Canada border. In the words of U.S. Commerce Secretary Wilbur Ross, “It has been a bad week for U.S.-Canada trade relations.” Canada is the United States’ second-largest two-way trading partner behind China.

Not only did the move damage U.S.-Canada relations, but the higher costs of Canadian lumber will be passed onto American homebuyers. The National Association of Homebuilders estimated the cost of the average new, single-family home will rise by \$1,236 due to the tariff. The NAHB also estimated that a \$1,000 increase in the median home price would result in over 150,000 households being priced out of the home-buying market nationally.

### In The Run Up To His 100<sup>th</sup> Day In Office, Trump Stoked Tensions With U.S. Neighbor And Ally Canada Over Its Trade Practices

#### TRUMP ANNOUNCED TARIFFS OF UP TO 24% ON CANADIAN LUMBER, A DECISION THAT COULD “STOKE FEARS OF A TRADE WAR BETWEEN THE U.S. AND CANADA”

**The Trump Administration Announced A New Tariff On Canadian Lumber Of Up To 24%, A Decision “Bound To Lead To A Standoff And Could Stoke Fears Of A Trade War Between The U.S. And Canada.”** According to CNN, “The Trump administration is hitting Canada with stiff tariffs of up to 24% on lumber shipped into the United States. These are the first tariffs imposed by President Trump, who during his election campaign threatened to use them on imports from both China and Mexico. The decision on Monday evening is bound to lead to a standoff and could stoke fears of a trade war between the U.S. and Canada, two of the world’s largest trade powers. Commerce Secretary Wilbur Ross said the tariffs, or taxes, announced Monday evening were being imposed after trade talks on dairy products fell through. ‘It has been a bad week for U.S.-Canada trade relations,’ Ross said in a statement.” [CNN, [4/25/17](#)]

**The Tariff Would Be Applied Retroactively And Apply To About \$5 Billion In Canadian Lumber Exports Annually.** According to The Wall Street Journal, “The Trump administration is taking retaliatory action against Canada over a decades-old trade dispute, moving to impose a 20% tariff on softwood lumber that is typically used to build single-family homes, Commerce Secretary Wilbur Ross said Monday in an interview. Mr. Ross said the tariff would be applied retroactively and imposed on Canadian exports to the U.S. of about \$5 billion a year. He said the dispute centers on Canadian provinces that have been allegedly allowing loggers to cut trees down at improperly subsidized costs and sell them at lower prices.” [Wall Street Journal, [4/24/17](#)]

#### CANADIAN LEADERS DENOUNCED THE TARIFF, CITING HARM THAT WOULD COME TO BOTH SIDES OF A “THICKENING” U.S.-CANADA BORDER

**Canadian Prime Minister Justin Trudeau: The Tariff Could Lead To A “Thickening” U.S.-Canada Border.** According to ABC News, “Canadian Prime Minister Justin Trudeau said Tuesday that Canada and the U.S. could suffer from what he called a ‘thickening’ border, a day after the Trump administration imposed new tariffs on softwood lumber and trade tensions between the two countries escalated. Trudeau was responding to the announcement of new U.S. duties of up to 24 percent on softwood lumber entering from Canada.” [ABC News, [4/25/17](#)]

**Trudeau Warned Of The Harm That Would Come To Both Americans And Canadians By Putting Up Trade Barriers Between The Two Countries.** According to ABC News, “Canada’s Liberal Party leader said the two countries are economically interconnected, but it’s not a one-way relationship. ‘There are millions of good U.S. jobs that depend on the smooth flow of goods, services and people back and forth across our border,’ Trudeau said during a press conference. He cited free trade in the North American auto sector as an example of how a typical car part can cross the border up to six times before it ends up in a finished automobile. ‘You cannot thicken this border without hurting people on both sides of it,’ Trudeau said. ‘Any two countries are going to have issues that will be irritants to the relationship. Having a good constructive working relationship allows us to work through those irritants.’” [ABC News, [4/25/17](#)]

**Canadian Foreign Affairs Ministers Chrystia Freeland: “The Government Of Canada Disagrees Strongly With The U.S. Department Of Commerce’s Decision To Impose An Unfair And Punitive Duty.”** According to CNN, “Canadian leaders also criticized the move. ‘The government of Canada disagrees strongly with the U.S. Department of Commerce’s decision to impose an unfair and punitive duty,’ Canada’s Minister of Foreign Affairs, Chrystia Freeland, and Natural Resources Minister Jim Carr said in a joint statement.” [CNN, [4/25/17](#)]

## **THE MOVE CAME DAYS AFTER TRUMP TOOK AIM AT CANADA’S DAIRY TRADE POLICIES**

**At A Memo Signing, Trump Criticized Canada For Its Protectionist Dairy Trade Policies That He Said Hurt Wisconsin And New York Dairy Farmers.** According to CNN, “President Donald Trump ratcheted up his criticism of Canada on Thursday, slamming the country for protectionist measures it has taken with its dairy industry that Trump says have negatively affected US dairy farmers. Reading from handwritten notes during an Oval Office signing for an unrelated memorandum, Trump called Canada’s actions a ‘disgrace’ and said the Canadian measures have hurt dairy farmers in Wisconsin and New York.” [CNN, [4/20/17](#)]

- **Trump: “Canada, What They’ve Done To Our Dairy Farm Workers, It’s A Disgrace.”** According to CNN, “‘Canada, what they’ve done to our dairy farm workers, it’s a disgrace,’ Trump said. ‘Farmers in Wisconsin and New York state are being put out of business.’” [CNN, [4/20/17](#)]

**At An Event In Wisconsin, Trump Said, “In Canada, Some Very Unfair Things Have Happened To Our Dairy Farmers And Others [...] And It’s Not Going To Be Happening For Long.”** According to ABC News, “Trump made similar remarks in Wisconsin last Tuesday, calling the dairy trade relationship between the United States and Canada ‘very, very unfair.’ ‘We’re also going to stand up for our dairy farmers in Wisconsin,’ Trump told the crowd. ‘I’ve been reading about it and I’ve been talking about it for a long time and that demands, really, immediately, fair trade with all of our trading partners.’ ‘That includes Canada, because, in Canada, some very unfair things have happened to our dairy farmers and others,’ Trump continued. ‘It’s another typical one-sided deal against the United States and it’s not going to be happening for long.’” [ABC News, [4/25/17](#)]

**Trump Tweet: “Canada Has Made Business For Our Dairy Farmers In Wisconsin And Other Border States Very Difficult. We Will Not Stand For This. Watch!”** According to a Tweet by Donald

Trump, “Canada has made business for our dairy farmers in Wisconsin and other border states very difficult. We will not stand for this. Watch!” [Twitter, @realDonaldTrump, [4/25/17](#)]

## **COMMERCE SECRETARY WILBUR ROSS: “IT HAS BEEN A BAD WEEK FOR U.S.-CANADA TRADE RELATIONS”**

### **Commerce Secretary Wilbur Ross: “It Has Been A Bad Week For U.S.-Canada Trade Relations.”**

According to CNN, “Commerce Secretary Wilbur Ross said the tariffs, or taxes, announced Monday evening were being imposed after trade talks on dairy products fell through. ‘It has been a bad week for U.S.-Canada trade relations,’ Ross said in a statement.” [CNN, [4/25/17](#)]

## **CANADA IS THE UNITED STATES’ SECOND-LARGEST TWO-WAY TRADING PARTNER**

**Canada Is The United States’ Second-Largest Two-Way Trading Partner.** According to The Wall Street Journal, “President Donald Trump’s heightened rhetoric over Canadian treatment of U.S. lumber and dairy producers in recent days marked a sharp pivot for the president on America’s northern neighbor and second-largest two-way trading partner, after China, with nearly \$545 billion in goods and services crossing the border in 2016.” [Wall Street Journal, [4/25/17](#)]

## **Not Only Did The Tariff Damage U.S.-Canada Relations, But The Costs Will Be Passed Onto American Homebuyers**

## **AMERICANS CAN EXPECT THE PRICE OF THE AVERAGE NEW, SINGLE-FAMILY HOME TO INCREASE BY \$1,236**

**According To The National Association Of Home Builders (NAHB), The Trump Administration’s Duty On Canadian Lumber Would Increase Costs By 6.4 Percent.** According to CNBC, “A new duty imposed by the U.S. Commerce Department on Canadian softwood lumber is designed to level the playing field between Canadian and U.S. lumber producers, and just the anticipation of it has pushed lumber prices higher by about 22 percent since the start of this year. [...] The cost of this new duty will increase Canadian lumber costs for U.S. customers by 6.4 percent, according to the National Association of Home Builders, and that will be passed on to homebuyers.” [CNBC, [4/25/17](#)]

- **The NAHB Estimated That The Duty Would Increase The Price Of An Average New Single-Family Home By \$1,236.** According to CNBC, “The cost of this new duty will increase Canadian lumber costs for U.S. customers by 6.4 percent, according to the National Association of Home Builders, and that will be passed on to homebuyers. The NAHB estimates it will increase the price of an average new single-family home by \$1,236.” [CNBC, [4/25/17](#)]

**According To Raymond James Vice President Buck Horne, Prices For Finished Residential Lots Had Inflated By “High Single Digits” In Anticipation Of A Canadian Lumber Tariff.** According to CNBC, “Lumber is about 10-15 percent of the sticks and bricks cost of a house,’ said Buck Horne, vice president of equity research in housing and real estate at Raymond James. Horne notes, however, that a lot of the tariff’s impact was already baked into market expectations over the past few months, so lumber costs should not go up much more. That said, builders are already facing big cost challenges. ‘The materials prices are adding another layer to the surge in the replacement costs of housing. Labor shortages continue. Finished lot prices are inflating in high single digits.[.]’ [CNBC, [4/25/17](#)]

- **Lumber Prices In The U.S. Went Up By About 22 Percent Between January And April 2017 In Anticipation Of A Trump Administration Duty Imposed On Canadian Lumber.** According to CNBC, “It takes a lot of lumber to build a house, and the price of that wood is going way up. A new duty imposed by the U.S. Commerce Department on Canadian softwood lumber is designed to level the playing field between Canadian and U.S. lumber producers, and just the anticipation of it has pushed lumber prices higher by about 22 percent since the start of this year.” [CNBC, [4/25/17](#)]
- **Horne: The Cost To Build A Single-Family Home Was Rising By Up To 9 Percent.** According to CNBC, “The materials prices are adding another layer to the surge in the replacement costs of housing. Labor shortages continue. Finished lot prices are inflating in high single digits. Lumber is one component, but we're also seeing gypsum drywall higher and concrete and cement,” added Horne, who estimates that the cost to build a single-family home is rising at up to 9 percent.” [CNBC, [4/25/17](#)]

## **NAHB: A \$1,000 INCREASE IN THE MEDIAN NEW HOME PRICE WILL PRICE-OUT 152,903 HOUSEHOLDS FROM THE HOME-BUYING MARKET NATIONALLY**

**NAHB: A \$1,000 Increase In The Median New Home Price Will Price-Out 152,903 Households From The Home-Buying Market Nationally.** According to the NAHB, “NAHB Economics recently released its 2016 ‘Priced Out’ Estimates showing that, nationally, a \$1,000 increase in the median new home price (triggered, for example, by additional regulation) will leave 152,903 households priced out of the market. This means that 152,903 U.S. households could qualify for a mortgage on the median-priced new home before, but not after, the price increases.” [NAHB, [12/9/16](#)]

## **AVERAGE SINGLE-FAMILY HOME PRICES IN DETROIT HAVE RISEN \$3,600 SINCE THE BEGINNING OF THE YEAR, PRICING 9,000 POTENTIAL HOMEBUYERS OUT OF THE MARKET**

**Between January And April 2017, Lumber Prices In Michigan Increased By 22 Percent Due To A Lack Of A Softwood Lumber Agreement Between The U.S. And Canada.** According to Crain’s Detroit Business, “The Trump administration announced Tuesday it will impose a 20 percent tariff on imported softwood lumber from Canada following the expiration of an agreement between the two nations. The U.S. claims Canada is subsidizing its lumber industry by dumping excess production in to the U.S., which allows the U.S. to trigger the tariffs, called countervailing duties. [...] The most recent softwood lumber agreement between the U.S. and Canada expired on Oct. 12, 2015, but a one-year cooling period was worked into the agreement, which expired on Nov.25, 2016. With the two parties unable to reach a new trade agreement on the products, the Trump administration triggered the countervailing duties. Experts predict additional cost increases due to the tariffs. The lack of an agreement has already increased lumber costs 22 percent in Michigan since the beginning of the year, said Bob Filka, CEO of Lansing-based Home Builders Association of Michigan.” [Crain’s Detroit Business, [4/25/17](#)]

**According To Home Builders Association Of Michigan CEO Bob Filka, The Spike In Lumber Prices Added \$3,600 To The Cost Of A New Home.** According to Crain’s Detroit Business, “Experts predict additional cost increases due to the tariffs. The lack of an agreement has already increased lumber costs 22 percent in Michigan since the beginning of the year, said Bob Filka, CEO of Lansing-based Home Builders Association of Michigan. The average single-family home requires 15,000 board feet of softwood lumber and the recent spike in prices has added \$3,600 to the price of a new home, Filka said.” [Crain’s Detroit Business, [4/25/17](#)]

**According To Pratt Building Co. President Lynne Pratt, Approximately 2,400 Potential Home Buyers In Detroit Are Priced Out Of A New Home For Every \$1,000 Increase In The Home's Price.** According to Crain's Detroit Business, "Lynne Pratt, president of Huntington Woods-based Pratt Building Co., said that 2,400 potential home buyers in the metro Detroit market are priced out of a new home for every \$1,000 increase in the price of a home. This translates to nearly 9,000 potential buyers exiting the new home market in the region since the start of the year." [Crain's Detroit Business, [4/25/17](#)]

- **As Of April 2017, Approximately 9,000 Potential Homebuyers In The Detroit Market Exited The Market Due To Increased Prices Since The Beginning Of 2017.** According to Crain's Detroit Business, "Lynne Pratt, president of Huntington Woods-based Pratt Building Co., said that 2,400 potential home buyers in the metro Detroit market are priced out of a new home for every \$1,000 increase in the price of a home. This translates to nearly 9,000 potential buyers exiting the new home market in the region since the start of the year." [Crain's Detroit Business, [4/25/17](#)]