

# The case against trade sanctions in the North American newsprint market



**Q**: Why is the Department of Commerce involved? And what has it done?

**A**: DOC's job, along with the International Trade Commission, has the duty of creating a "level playing field" for US producers and protecting American jobs. It does not take much to kick off an investigation alleging unfair trade practices. In January, it announced a preliminary finding of a range of subsidies with a high of nearly 10 percent against Kruger Trois Rivieres of Canada; 4.42 percent against Resolute FP of Canada; and a variety of rates against other Canadian producers with most set at 6.53 percent. The Commerce secretary ordered US Customs and Border Protection to begin requiring cash deposits at these levels at the border. It will proceed with its investigation, expected to conclude in about May. A separate inquiry on "dumping" or selling paper at prices unfairly lower than it is sold in Canada has resulted in an additional duty.

**Q**: Why is the International Trade Commission involved? And what has it done?

**A**: After a complaint of unfair trade practices is filed, various statutory requirements dictate the proceeding. ITC issued a preliminary determination of a violation in September 2017. The proceedings differ

slightly for a countervailing duty investigation and an anti-dumping investigation, but in both cases, after preliminary determinations of likely harm occur, ITC issues a final injury determination, usually about a year after the initial complaint.

**Q**: Does it affect all paper?

**A**: DOC defines UGW paper as follows: Certain uncoated groundwood paper includes but is not limited to standard newsprint, high bright newsprint, book publishing, directory, and printing and writing papers. The scope includes paper that is white, off-white, cream, or colored.

**Q**: How much newsprint do the US?

**A**: About 2.3 metric tons, which is roughly 75 percent of the US newsprint supply.

**Q**: Are Canadian shipments depressing the price for US newsprint, to the detriment of US producers?

**A**: Industry economists say the prices for newsprint are dictated by the usual rules of supply and demand. Because US demand for newsprint has shrunk dramatically over the last 20 years, many US producers have simply left the

business—either closing mills or converting them to produce more paper for which there is more demand, such as packaging for e-tailers' shipments.

**Q**: If a tariff resulted in much higher prices, would more producers enter the market?

**A**: Unlikely. First, demand for newsprint continues to fall. Second, siting and constructing a new newsprint mill in the US is extremely difficult and takes years to complete. Investors are unlikely to take this long-term risk in the face of falling demand. Also, because of the challenges of shipping across the US, the eastern and western markets work as sub-markets. The eastern market contains the greatest population and more newspapers. Even if more production were to be initiated, it is unlikely to be in the western market, which NorPac serves.

**Q**: What would be the result then, if a 50-percent tariff were initiated?

**A**: Newspapers paying roughly \$700/metric ton today would see their prices soar to more than \$1,000 a ton, with most of the increase going to the US government. Without more US supply, they would have no choice but to pay the prices producers demand. Producers have already alerted US buyers that they would have to pass along the full measure of a tariff cost. For all newspapers, economic markets are extremely tough. Publishers would cut production, print fewer pages, lay off employees and downsize even more to stay in business.

**Q**: Would jobs be lost?

**A**: Jobs would be lost not only in newspapers, but in the supply chain around newspapers, such as ink

suppliers, fuel producers, equipment manufacturers and office suppliers. If a newspaper's page count were reduced, advertising prices would be effectively higher for small businesses in the market. If newspapers were forced to close down, advertisers would lose an important outlet for promoting goods and services. In most small towns, the printed newspaper is the only effective advertising medium. Locally-owned broadcasting is extremely limited and digital advertising is largely unavailable or does not reach many homes because of an absence of broadband. The loss of jobs would be difficult to model without more detailed Census data on small town economies, but it is easy to anticipate that if even a few newspapers were lost, far more jobs would be sacrificed than the approximately 250 jobs that NorPac claims to have at risk.

**Q**: What can be done to stop this disaster?

**A**: First, Secretary Wilbur Ross of the Department of Commerce must hear from all stakeholders: publishers, printers, members of Congress, mayors, governors and anyone who understands the anchoring role that community newspapers play in smaller communities. Second, influential members of Congress can help by offering to provide testimony before the ITC as it proceeds with its investigation to express concern about job loss in their districts and states. The appropriate time for such requests would be in early April. The Commerce Department's mission is to protect the American economy. Eliminating the jobs supported by newspapers is not the way to do it.



*It's not too late to join the fight against a tariff on Canadian newsprint. If you haven't already, PLEASE contact your congressman or congresswoman and both U.S. senators from Texas.*

*It's even helpful to have letters from local and state officeholders opposing the tariff.*

*Here are some helpful talking points.*

**Q**: Why is this issue current?

**A**: On August 29, 2017, a petition by a single newsprint mill in Longview, WA, to the Department of Commerce resulted in an investigation of Canadian imports of uncoated groundwood paper (UGW) to determine whether paper production was subsidized and/or shipments were being "dumped" into the United States.

**Q**: Which newsprint producer made the complaint and why?

**A**: The producer is North Pacific Paper Company, NORPAC, Longview, WA. It was recently acquired by a NY hedge fund, One Rock Capital Partners. NORPAC alleged that the Canadian government unfairly subsidizes newsprint production by allowing forestry on federal lands, and providing financial support in other ways that benefits Canadian production. It asked for duties up to 50 percent of the purchase price on the Canadian paper.