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**Abstract**

**Dynamics of the U.S.-Canada Softwood Lumber Trade:  
Market and Welfare Effects of the 2006 Softwood  
Lumber Agreement**

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This article examines the effects of macroeconomic variables (i.e., housing starts, disposable income, and the exchange rate), market variables (i.e., lumber price and wage rate) and the 2006 Softwood Lumber Agreement (SLA06) on U.S. lumber imports from Canada. It also looks at the welfare consequences of the SLA06. Results suggest that macroeconomic variables are more important than lumber price in determining the bilateral trade in softwood lumber. It is also found that, although the SLA06 has a significant negative effect on lumber imports from Canada, the market and welfare impacts of the trade restriction are moderate.

Keywords: exchange rates, housing starts, softwood lumber trade, trade restrictions, U.S. import demand