



Minister for
International Trade

Ministre du
Commerce extérieur

COMMUNIQUÉ

No. 190

October 31, 1986.

DIPLOMATIC NOTE ON SOFTWOOD LUMBER

COUNTERVAILING DUTY INVESTIGATION

The Honourable Pat Carney, Minister for International Trade, announced today that the Government's formal response to the preliminary subsidy determination made by the U.S. Commerce Department in the softwood lumber case was delivered to the State Department late yesterday. A copy of the Note is attached.

The Note outlines in detail the Government's view that the preliminary decision is seriously flawed both in terms of U.S. law and logic.

"We believe that the U.S. position is fundamentally wrong", said the Minister. Governments have a sovereign right to establish conditions for the management and utilization of their natural resources. "Stumpage clearly does not constitute a subsidy and the imposition of countervailing duties is therefore inappropriate." The Minister noted that Canada has asked the GATT to rule on this basic question.

The Minister went on to stress that "this decision, which reverses the 1983 determination that stumpage is generally available, is not well founded." Commerce's assertion that provincial discretion is exercised so as to favour a particular industry is wrong. Stumpage rights are available on equal terms to all companies which can exploit the resource on an economic basis. In addition, stumpage is used by several industries comprising hundreds of companies turning out quite different products. The reasoning behind this decision should be of concern to all trading partners of the United States, said the Minister. "Indeed as a major exporter of natural resource products, the U.S. itself could be adversely affected were the reasoning employed in this decision to be adopted by other countries."

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