
Canada-U.S. Current Trade Issues

Softwood Lumber

Congress and the U.S. Administration remain under very heavy lobbying pressure by elements of the U.S. lumber industry to take action which would restrict imports of Canadian softwood lumber. Some Congressmen have threatened to make the Congressional approval of the trade negotiations with Canada conditional upon "progress" on the lumber issue.

There are now about a dozen bills before Congress designed to restrict Canadian exports of softwood lumber to the United States.

Canadian and U.S. officials have recently resumed a new round of talks, at U.S. request, to review the factors affecting competition in the North American lumber industry and to clarify government policies and practices in Canada and the United States that affect lumber trade. The first meeting was held in San Diego on January 20, 1986, and a technical session took place in Prince George, February 12-14. A further meeting at the senior official level is taking place March 12 in Washington, D.C.

There is no basis for the myth that Canadian stumpage/forestry management practices represent a subsidy. Two Section 332 (fact-finding) investigations by the USA International Trade Commission (in 1982 and again in 1985) provided no evidence to substantiate any allegation of "unfair" Canadian practices. In addition, in its 1982-1983 countervail investigation, the U.S. Department of Commerce concluded that Canadian lumber was not subsidized and as such not subject to countervailing duties. An imbalance in supply and demand is depressing lumber prices and causing serious difficulties for producers in both countries. Difficulties of U.S. lumber producers can be attributed in part to U.S. policies and practices which restrict their ability to remain competitive.

Trade in lumber means jobs in both countries. Restrictions on lumber imports would push up U.S. housing costs.

Fish: Countervailing Duty Investigation

This investigation involving imports of groundfish valued at \$60 million in 1985 is quasi-judicial in nature.

On January 3 the Commerce Department made an affirmative preliminary subsidy determination of 6.85% against the Canadian industry. Unemployment insurance benefits were *not* included on Commerce's preliminary list of countervailable subsidies although they indicated that more information was needed before a final decision could be made. Government equity infusions into National Sea Products and Fishery Products International were considered to be conferring countervailable benefits along with a number of other federal and provincial programs.

The U.S. Department of Commerce is required by statute to make a final determination of subsidy by March 18. If significant subsidies are found the USITC will make a final injury determination by May 2. If either determination is negative the investigation is terminated.

Canada has argued strongly that programs subject to this investigation do not confer countervailable benefits to the Canadian industry and that difficulties of U.S. fishermen can be attributed to high costs and depleted groundfish stocks and not Canadian imports.

Sugar-Containing Products

The U.S. continues to apply quotas to certain sugar-containing products affecting adversely Canadian producers (estimated trade loss of \$16 million annually).