

Canadian Statement to GATT Council

Re. U. S. Lumber CVD

I wish to bring to the attention of the Contracting Parties a potential problem which could put at risk Canada's lumber products exports to the U.S.A. which last year were valued at about Canadian \$3.5 billion, and which also has serious implications for the trade of other Contracting Parties.

On May 19 a group of U.S. lumber producers filed a countervailing duty petition alleging that four Canadian provinces set stumpage (the price for government owned standing timber) at preferential prices, which in their view confers a benefit on a particular industry and therefore constitutes a countervailing subsidy. The petition asserts that the duty required to offset this benefit is about 27% of the average price of imported Canadian lumber in 1985. The petition also alleges that certain Canadian federal and provincial industry assistance programs constitute countervailable subsidies.

This initiative is striking since these same issues were exhaustively examined in a countervailing duty action concluded in 1983. At that time the Commerce Department held that Canadian stumpage practices were neither export nor domestic subsidies; moreover, they were held not to constitute