

GATT COUNCIL STATEMENT

At the last Council meeting (May 22) we advised you of our concern that United States authorities might initiate another countervailing duty investigation into softwood lumber products from Canada. On 06 June, the United States International Trade Administration decided to again investigate softwood lumber products from Canada, exports valued at over \$3.6 billion (Cdn.) in 1985. Over 60,000 Canadian jobs are directly dependent on these exports. As we noted in our statement to Council on May 22, the same basic issues were addressed in an exhaustive fashion by the U.S. Department of Commerce in the 1982-83 countervailing duty action against imports of softwood lumber from Canada. With respect to the primary issue at stake, namely provincial stumpage (the price for government-owned standing timber), the International Trade Administration rejected the allegation that they conferred either an export or a domestic subsidy to Canadian lumber producers.

We believe there are two aspects to this matter: the specific issues involved in this case, and the much broader question of GATT rights and obligations related to natural resource development. The decision to re-examine Canadian provincial stumpage practices represents unjustifiable trade harassment. There have been no material changes in Canadian practice since the 1983 decision and no relevant changes in US countervail law. The re-examination could also lead to the unjustifiable application of countervailing duties. The Canadian government is deeply concerned about these specific issues and will be requesting a special meeting of the Subsidies and Countervailing Duties Committee to review the facts of this case on an urgent basis.

We believe that all GATT Contracting Parties have an interest in the broader issues raised by this case. Natural resource pricing policies, because they relate both to matters of national sovereignty as well as comparative advantage are of fundamental importance to GATT Contracting Parties. All GATT members, be they producers or consumers have an interest in ensuring that the sovereign right to develop natural resources and maintain the general comparative advantage of resource producing countries continue to be recognized. Canada believes, in particular that the unilateral right to countervail granted under GATT Article VI and the GATT Subsidies and Countervailing Duties Code was not intended to be used to negate a country's general comparative advantage. We believe that a considerable body of opinion exists within the GATT that the issue of natural resource policies and removal rights extends beyond the frontiers of the GATT Code on Subsidies and Countervailing Duties.