

The final alternative, which Commerce acknowledged to be the least desirable, was to compare the price charged with the price paid for the same good in an outside jurisdiction. Petitioners have continued to claim, as they did in the previous investigation, that the proper benchmark for stumpage prices in Canada should be those charged in the United States. It will be recalled that, in its earlier determination, Commerce dismissed the notion of any such cross-border comparisons as "arbitrary and capricious". This judgment was based on a number of considerations. Timber in the two countries differs significantly with regard to size, quality, accessibility and a wide range of other factors. There are differences in forest policies as well in that Canadian holders of timber rights are, as noted above, generally subject to certain in-kind costs which their counterparts in the United States are not. Thirdly, buyers in the United States operate on the basis of a competitive bidding system which has encouraged speculation and distorted prices. U.S. prices have been further distorted, Commerce noted, by restrictions on timber supplies as a result of both U.S. Forest Service policies and Congressional budgetary restraints.

This case has already involved great uncertainty and expense to all parties concerned and has created serious strains in our trade relations. The Canadian authorities strongly believe that the use of countervailing duties to impose a unilateral solution would constitute a violation of United States obligations under the GATT and would greatly exacerbate the situation. Moreover, a unilateral departure from current GATT rules would be counterproductive in terms of the strong U.S. interest in renegotiating the Subsidies Code, as well as undermining the Administration's opposition to proposals in the Congress to change the ground rules on natural resource pricing. More broadly, a positive finding in this case would constitute an unfortunate precedent for other imported resource products with adverse implications for U.S. users and consumers, and if adopted by other countries could adversely affect U.S. exports.

On the basis of the facts and arguments outlined above, the Canadian authorities would urge that the Department of Commerce reaffirm its earlier findings and bring the investigation promptly to an end.

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