The agreement essentially maintains exemptions from the export charge for some Canadian companies operating in British Columbia, Quebec, Ontario and New Brunswick. In addition, the export charge will not apply to the value added in the remanufacturing process. This will be a significant advantage for companies engaged in further processing of lumber into products such as wall panelling and furniture components.

We are communicating the agreement to the Provinces and the lumber industry. There is a strong concensus with the Provinces to meet at an early date to develop replacement measures to offset the export charges.

The federal government embarked on this latest round of talks with the support of nine provinces. The successful approach to the long-standing problem was suggested in discussions between International Trade Minister Pat Carney, and Malcolm Baldrige, the U.S. Secretary of Commerce.

Withdrawal of the U.S. industry's petition and the consequent termination of the countervail process maintains Canada's control over its resources.

We also want to add that under the agreement, the U.S. government will refund bonds and deposits made by Canadian exporters pursuant to the preliminary countervail decision.

This process has been long and difficult. The government of Canada objected to the initiation of the countervail investigation in June, both directly with Secretary Baldrige and in the GATT Council. The Canadian lumber industry should not have been subjected to a second countervail duty case in three years.

We worked closely with the provinces, industry and labour in developing a strategy to fight the case and a detailed response refuting the allegations was submitted by Canada.

In September, the provinces, industry and labour, urged us to explore with the U.S. whether the issue could be resolved in advance of a preliminary determination. We made a good faith proposal aimed at an out-of-court settlement. It was rejected.

Following the preliminary determination in October, we stated our view that the preliminary determination was flawed in law, inconsistent with established U.S. practice and, in some important respects, based on erroneous assumptions.

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