

As you are aware, the Canadian and U.S. negotiators successfully concluded, late December 30, a government to government agreement which was initialled following withdrawal by the U.S. industry coalition of its countervailing duty petition involving softwood lumber products.

We have already sent to your officials copies of the Memorandum of Understanding and accompanying side letters.

My intention is to invite you to a meeting of Ministers on January 14, 1987, to be preceded by a meeting of officials, to put in hand the necessary work on replacement measures and to ensure that we are in a position to implement the terms of the Agreement. We need to ensure that we are agreed on the mechanics for transfer to the provinces of the net proceeds of the export charge pending implementation by the provinces of increased stumpage or other charges on softwood lumber production. We will also want to discuss appropriate uses for these funds, for example, to replenish the forests and provide benefits for workers.

You will have seen press reports of a letter to the U.S. industry coalition from the Administration, the language of which is at variance with the very specific and carefully negotiated language of the Memorandum of Understanding. I would emphasize that the text of this letter was not subject of discussion between the negotiators and this letter is not a part of the government to government Understanding.

This agreement meets the key objectives set out by First Ministers when they met in Vancouver in November. At that time, we agreed that it was preferable to negotiate a solution which met our objectives than to expose our capacity to manage this vital resource to the unilateral verdict of the U.S. system. The settlement recognizes the sovereign right of Canadian provinces to manage their resources; keeps increased revenues in Canada; and avoids an unfavourable precedent in implementation of U.S. countervailing duty law which could have been damaging to Canada's trade interests.