

anticipated timber shortage in the Pacific Northwest has become a reality, mills in the southern U.S. and eastern Canada have been able to boost production to make up for losses in production elsewhere. Since mid-March 1993 lumber prices have dropped significantly. The average Western spruce-pine-fir price for two-by-fours had dropped to US\$232 by the end of June 1993.

Canadian companies took advantage of the increased demand for lumber in the latter half of 1992 and the first quarter of 1993. Overall, lumber exports to the United States in 1992 increased by 14 percent over 1991. The market for the remainder of 1993 is uncertain. The U.S. Administration's plan to resolve the Pacific Northwest timber supply problems has been announced. There will be significant reductions in timber sales from this region. The U.S. Forest Service announced on July 16, 1993 that annual federal timber sales in the region must be limited to between 200 million and 1.7 billion board feet over the next two decades to protect threatened species. In addition, the allowable cut on some major British Columbia timber management areas was reduced during 1992, with further reductions expected by the mid-1990s. The anticipated increase in housing construction has not yet materialized.

THE COUNTERVAILING DUTY INVESTIGATION

During the countervailing duty investigation, the U.S. Department of Commerce (DOC) investigated provincial stumpage programs and Canadian log export control measures.

An affirmative preliminary determination of injury was made on December 12, 1991, by the United States International Trade Commission (ITC).

On March 5, 1992, the DOC announced its affirmative preliminary determination that stumpage programs and log export restrictions in British Columbia conferred subsidies to softwood lumber exported to the United States at a national rate of 14.48 percent *ad valorem* (stumpage at 6.25 percent + log exports controls at 8.23 percent). Effective March 12, 1992, importers of softwood lumber from Canada were required to make cash deposits or post bonds of 14.48 percent on the value of the imported merchandise.

In its final affirmative determination on May 15, 1992, the DOC confirmed its March 5, 1992 decision that Canada's provincial stumpage mechanisms, and log export restrictions in British Columbia provided countervailable subsidies to softwood lumber imported from Canada. The overall country-wide subsidy rate was reduced to 6.51 percent *ad valorem* (stumpage at 2.91 percent + log export controls at 3.60 percent). The DOC also excluded 15 companies from the investigation.