

Ottawa, Ontario  
January 2, 1988

The Honourable Clayton Yeutter  
United States Trade Representative  
Washington, D.C.

Dear Mr. Yeutter,

I have the honour to confirm the following understanding reached between the delegations of Canada and of the United States of America in the course of negotiations regarding Article 2008 of the Free-Trade Agreement between our two Governments signed this day:

1. No later than March 15, 1988, the Canada Mortgage and Housing Corporation (CMHC), or its successor, shall evaluate C-D grade plywood and decide whether to approve its use in housing financed by CMHC.
2. If the CMHC grants approval for the use of C-D grade plywood in CMHC-financed housing, the Parties shall begin tariff reductions on January 1, 1989 for plywood tariff linkage categories.
3. If the CMHC does not grant approval for the use of C-D grade plywood in CMHC-financed housing, or grants approval only in part, the Parties shall not begin tariff reduction for plywood tariff linkage categories until completion of a review of the CMHC evaluation by an impartial panel of experts acceptable to both Parties.
  - a. The review shall examine whether the findings in the CMHC report and its evaluation of the American Plywood Association's application for CMHC approval of C-D grade plywood are unbiased and technically accurate.
  - b. If the panel agrees that the CMHC findings and evaluation are unbiased and technically accurate, the Parties shall begin tariff reductions on January 1, 1989 for plywood tariff linkage categories.