

under Chapter 19 of the FTA. The panel is scheduled to report its findings in late July, 1993.

ISSUES BEFORE THE FTA SUBSIDY PANEL

The FTA Chapter 19 panel is reviewing whether U.S. countervailing duty law was correctly applied in the DOC investigation of softwood lumber from Canada. The DOC determined that two types of programs conferred countervailable subsidies:

- provincial stumpage programs, which are the fees charged to forestry companies by provincial governments for the right to harvest standing timber on Crown lands (in British Columbia, for example, approximately 90 per cent of timber harvested in the province is cut on Crown lands); and
- log export measures in British Columbia, which are intended to encourage the further processing of natural resources in the province.

The FTA subsidy panel examined whether the DOC's decision to countervail these two types of programs was consistent with countervailing duty law. In particular, the panel examined the special circumstances warranting the self-initiation of the CVD investigation, whether the programs were of specific benefit to the industries producing the products exported to the United States, the methodology for calculating the rate of subsidy the programs conferred on the lumber exported to the United States and the requests by a number of provinces for exclusion or the granting of province-specific rates.

THE GATT SUBSIDIES CODE PANEL

A GATT Subsidies Code panel was established in December 1991 at Canada's request to determine whether the U.S. actions were consistent with U.S. international trade obligations. The panel found that the United States had violated its obligations when it imposed the Section 301 interim bonding requirements, but that the United States possessed sufficient evidence to initiate the CVD investigation. The panel report is under discussion in the GATT Subsidies Code Committee, of which both Canada and the United States are members.

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