

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 in some major British Columbia timber management areas has already been decreased, with further reductions expected in coming years.

#### THE COUNTERVAILING DUTY INVESTIGATION

During the countervailing duty investigation, the 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 export 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.

On May 28, 1992, the Government of Canada, the provincial governments and the Canadian industry appealed the final determination of subsidy to a binding binational review panel under Chapter 19 of the FTA. The panel reported its findings on May 6, 1993, unanimously instructing the DOC to re-examine its determinations on virtually all of the key issues in the case, reflecting in large part the arguments made by the Canadian government, provincial governments and industry.

On September 17, 1993, the DOC responded to the FTA panel with a new subsidy determination, reaffirming its original conclusion. The new determination, in fact, sought to increase the subsidy rate. The panel reviewed the DOC's conclusions and made its second ruling on December 17, 1993, to make .

On June 25, 1992, the United States ITC, in a four-to-two vote, determined that subsidized imports of Canadian lumber materially injured U.S. lumber producers. This was the last of four