

## APPENDIX

### CANADA-U.S. SOFTWOOD LUMBER

#### MEMORANDUM OF UNDERSTANDING

#### REASONS FOR TERMINATION

#### A. The MOU Has Served Its Purpose

1. The Softwood Lumber MOU was intended to:
  - (a) end a bitter and highly politicized bilateral trade dispute over Canadian lumber exports to the United States; and
  - (b) provide time for Canadian provinces to implement planned changes in provincial forest policies, which included increases in charges to industry.
2. The Softwood Lumber MOU was not envisaged as a permanent arrangement. It provides for the reduction or elimination of the export charge on the basis of increased stumpage and other charges by provinces on softwood lumber production. The MOU also provides for termination on 30 days' notice by either country.
3. Since the MOU was signed, British Columbia, Quebec and Alberta, which together accounted for 92.2% (by value) of Canadian exports of softwood lumber to the United States in 1990, have implemented significant changes in their forest management policies that increase log costs to Canadian industry:
  - (a) Lumber produced in British Columbia is no longer subject to the export charge. British Columbia, which accounted for 78.4% of Canadian exports of softwood lumber to the United States in 1990, replaced the export charge with increased stumpage and other forestry charges. These changes are costing the industry an additional \$620 million annually. This compares to export charge collections of \$300 million in 1987.
  - (b) In the case of Quebec, which accounted for 10.9% of softwood lumber exports to the United States in 1990, changes in forest policies are costing the industry an additional \$52 million annually. This compares to export charge collections of \$45 million in 1987. As