

October 30, 1986

Note

The Canadian Embassy presents its compliments to the Department of State and has the honour to refer to the preliminary determination by the Department of Commerce in the countervailing duty investigation of certain softwood lumber products imported from Canada and to its note of September 30 as well as to its aide-memoire of June 4, 1986 which strongly urged rejection of the petition filed by the U.S. lumber coalition. This investigation places at risk the mutually beneficial trade in softwood lumber products valued at Cdn \$3.8 billion in 1985, and has serious adverse implications for employment, in the U.S. as well as in Canada, and for U.S. lumber consumers. In Canada, there are 80,000 jobs directly related to our softwood lumber industry and every region of the country stands to be affected.

It will be recalled that the same basic issues were addressed in an exhaustive fashion by the Department of Commerce in the 1982-83 countervailing duty investigation involving imports of softwood lumber from Canada. With respect to the primary issue at stake, namely provincial stumpage, the International Trade Administration rejected the allegation that it conferred either an export or a domestic subsidy on Canadian lumber producers. All countervailable Canadian programmes were also found in that investigation to be de minimis. It is significant that the petitioner in the previous investigation did not exercise its rights to appeal the 1983 decision of the Department of Commerce to the courts.

It is the position of the Government of Canada that, as governments have a sovereign right to establish conditions for the management and utilization of their natural resources, stumpage cannot properly be considered to constitute a subsidy and that use of the countervailing duty remedy is therefore inappropriate. In the view of the Government of Canada it is clear, based on the drafting history of the GATT and the Subsidies/Countervail Code, that it was never intended that policies regarding access to natural resources, including pricing, were to be covered by the subsidy and countervail provisions of the GATT or the Code.

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