

Canadian companies are boosting lumber production to meet rising North American demand. Export volumes rose by 14 per cent in the first 11 months of 1992 and Canada enjoys a roughly 29 per cent share of the U.S. market. However, the ability of Canadian producers to offset decreased U.S. lumber production in the United States will be limited. The allowable cut on some major British Columbia timber management areas was reduced last year, with further reductions expected by the mid-1990s.

At the April 2, 1993 Portland Forestry Conference, both the U.S. National Association of Home Builders and National Lumber Dealers and Building Material Dealers Association advocated the elimination of the U.S. countervailing duty on Canadian lumber.

#### THE COUNTERVAILING DUTY INVESTIGATION

During the countervailing duty investigation, the U.S. DOC investigated provincial stumpage programs and Canadian log export control measures. An affirmative preliminary determination of injury was made on December 16, 1991, by the United States ITC.

On March 5, 1992, the U.S. 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 per cent *ad valorem* (stumpage at 6.25 per cent plus log export controls at 8.23 per cent). Effective March 12, 1992, importers of softwood lumber from Canada were required to make cash deposits or post bonds of 14.48 per cent 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 per cent *ad valorem* (stumpage at 2.91 per cent plus log export controls at 3.60 per cent). The Department 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 is scheduled to report its findings on May 6, 1993.

On June 25, the United States International Trade Commission, 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 decisions in the United States CVD investigation. On July 24, 1992, the Government of Canada, the affected provinces, and the Canadian industry appealed the final determination of injury to a binding binational review panel