

"When Canada terminated the Memorandum of Understanding we made it clear that the main producing provinces had implemented significant changes in their forest management policies that increased log costs to Canadian industry. This fact had been recognized by the U.S. administration. How then can there be a subsidy to the Canadian industry?"

"The Prime Minister will raise this issue when he meets with President Bush on May 20."

"When this investigation was self-initiated by the Commerce Department last fall, the Canadian Government made it clear that it was prepared, with the provinces and industry, to fight the case to the end. That commitment remains. The harassment of Canadian exports in this sector must stop. Industry, the provinces and the federal government are all convinced that a panel will rule in our favour in the end," Mr Wilson said.

As well, Canada has referred the lumber case to the General Agreement on Tariffs and Trade (GATT) on the basis that the United States had no evidence of subsidy or injury when it initiated the investigation. Canada is also arguing that neither log export controls nor provincial stumpage programs confer countervailable subsidies. Finally, Canada contends that the United States violated its international obligations when it imposed the interim bonding requirement last fall. A Panel established under the Subsidies Code Committee of the GATT has been reviewing these issues since January, 1992, and is scheduled to report its findings this summer.

Countervailing duties will not be applied unless the United States International Trade Commission (ITC) determines that the U.S. industry is being "injured" by imports from Canada. The ITC is scheduled to vote on this matter on June 26, 1992. If necessary, that decision can also be appealed to a binational review panel under Chapter 19 of the Free Trade Agreement.

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For further information, media representatives may contact:

Media Relations Office  
External Affairs and International Trade Canada  
(613) 995-1874