

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 programs 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 DOC also excluded 15 companies from the investigation.

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

FTA SUBSIDY PANEL

On May 28, 1992, the Government of Canada, the provincial governments and the Canadian industry appealed the final determination of subsidy by the DOC 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 ruled that the DOC, under U.S. trade law, should not have found a countervailable subsidy on either provincial stumpage programs or British Columbia log export restrictions.

On January 6, 1994, the DOC accepted the December 17, 1993, ruling by the Canada-United States Free Trade Agreement Subsidy Panel.

On February 23, 1994, the FTA Subsidy Panel affirmed the DOC's decision. As a result, on March 7 the FTA binational panel secretariat issued a Notice of Final Panel Action. (A Notice of Final Panel Action is a statement issued by the binational secretariat when a panel ruling has been adopted.) From the date that the Notice of Final Panel Action is issued, the FTA rules provide for a 30-day period in which an Extraordinary Challenge Committee can be requested either by Canada or the United States.