

Relying on the statute's explicit provision that programs providing "indirect" benefits can be countervailed, Commerce rejected the respondents' argument that a program must involve some kind of a financial contribution to be countervailable.

### 3.6.1.2.3 Effect of Export Restrictions on Domestic Log Prices

Having established that export restrictions can be considered domestic subsidies under U.S. law, Commerce next considered whether there was a correlation between the B.C. export restrictions and the domestic price of B.C. logs. Commerce determined that the Margolick and Uhler study<sup>170</sup> established that the B.C. program had a "direct and discernible effect" on domestic log prices.

By reducing the demand for B.C. logs that otherwise would exist in the absence of the export restrictions, the B.C. measures had the effect of reducing the price of logs sold in the B.C. market. Commerce noted that, although the study did not establish a correlation with absolute certainty, it provided a "high probability" that B.C. export restrictions were primarily responsible for the price differential that existed between domestic and export log prices. Commerce found the log export restrictions to be *de jure* limited to a specific group of industries using B.C. logs, namely the solid wood products industry and the pulp and paper industry.

### 3.6.1.2.4 Measurement of the Benefit

Commerce determined that the B.C. log export restrictions depressed domestic log prices only on the coast and in the tidewater and border interior areas of British Columbia. Only cutting-right tenure-holders in these areas could respond to a lifting of the restrictions by increasing log exports. The tenure-holders located in the north-central interior of the province could not economically export and would not experience a price effect.

Commerce rejected the respondents' arguments that any differential between export and domestic log prices could be accounted for by quality and transportation differences. Commerce also found unpersuasive the respondents' assertion that British Columbia's log export restrictions were not distortive because they merely offset the distortive effects of Japanese and U.S. policies on the coast and in the tidewater interior of British Columbia. Commerce noted that it was concerned with the effects of a program within the foreign government's jurisdiction, not the effects of policies in other political jurisdictions.

While conceding that a significant volume of logs were exported from British Columbia, Commerce maintained its preliminary finding that the B.C. regulations effectively restricted exports, which would otherwise be more significant, resulting in an artificially high domestic supply of logs.

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170 Margolick and Uhler, "The Economic Impact of Removing Log Export Restrictions in British Columbia," April 1986 (Margolick).