

Minister of Industry,  
Science and Technology and  
Minister for International Trade



Ministre de l'Industrie, des  
Sciences et de la Technologie et  
ministre du Commerce extérieur

## News Release

## Communiqué

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### WILSON CRITICIZES U.S. SOFTWOOD SUBSIDY RULING

The Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, today objected strongly to the U.S. Department of Commerce's (DOC) preliminary subsidy determination on Canadian exports of softwood lumber. The DOC made a preliminary determination that Canadian stumpage programs and log export measures confer a subsidy of 14.48 per cent on exports of softwood lumber to the United States.

"This ruling is totally unfounded and unjustified. Canadian softwood lumber exports to the U.S. do not benefit from subsidies, let alone countervailable subsidies," said Mr. Wilson. "This case was initiated for political reasons. There is simply no basis for the countervailing duty investigation or for the application of preliminary countervailing duties."

"We have argued strenuously that Canadian 'stumpage' practices and log export restrictions do not constitute subsidies. We will continue making that argument to the DOC and, if necessary, to an impartial binational panel provided for under the Free Trade Agreement (FTA)," said Mr. Wilson. He added that the U.S. maintains its own log export restrictions. By attacking Canada's log export restraints, the U.S. is inviting closer scrutiny by its trading partners of its own log export restrictions, and their consistency with international trade rules.

"We are concerned about the heavy-handed manner in which the Commerce Department is conducting this investigation," said Mr. Wilson. The DOC has put excessive demands on the federal and provincial governments by requesting responses to four massive questionnaires with short filing deadlines, and has granted only minimal extensions.

Today's preliminary determination of subsidy is the second of four decisions to be made by U.S. authorities in this case. If the preliminary determination is confirmed by the DOC when it makes its final determination of subsidy on May 19, it will be followed by a final determination on the question of injury by the U.S. International Trade Commission on July 3. Final determinations of subsidy and injury can be appealed by either party to binational panel review under the Canada-United States FTA.

"This is only the second stage," said Mr. Wilson. "If the final decisions are unfair, we will request the establishment of a panel under Chapter 19 of the FTA. This was an option not open to us during the last case against softwood lumber in 1986." A ruling by a panel under Chapter 19 of the Agreement is binding on both parties.

In addition, a General Agreement on Tariffs and Trade (GATT) Subsidies Code Panel has been established to confirm Canada's view that the United States had no basis on which to initiate this case. The Panel will hold its first meeting the week of March 16.

This preliminary determination does not mean that duties will be collected at the border. Exporters will, however, have to post bonds to cover this provisional countervailing duty of 14.48 per cent -- an additional financial liability for the companies.

Minister Wilson concluded that "the Canadian government is resolved to exercise all our rights in defence of our trade interests. The federal government, provinces and industry remain committed to fighting this case to the end, and winning."

- 30 -

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