



Minister for  
International Trade

Ministre du  
Commerce extérieur

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# STATEMENT DISCOURS

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87/02

Letter on Softwood Lumber  
Sent to the Provinces by the  
Honourable Pat Carney,  
Minister for International Trade

OTTAWA

January 2, 1987.

Canada

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As you are aware, the Canadian and U.S. negotiators successfully concluded, late December 30, a government to government agreement which was initialled following withdrawal by the U.S. industry coalition of its countervailing duty petition involving softwood lumber products.

We have already sent to your officials copies of the Memorandum of Understanding and accompanying side letters.

My intention is to invite you to a meeting of Ministers on January 14, 1987, to be preceded by a meeting of officials, to put in hand the necessary work on replacement measures and to ensure that we are in a position to implement the terms of the Agreement. We need to ensure that we are agreed on the mechanics for transfer to the provinces of the net proceeds of the export charge pending implementation by the provinces of increased stumpage or other charges on softwood lumber production. We will also want to discuss appropriate uses for these funds, for example, to replenish the forests and provide benefits for workers.

You will have seen press reports of a letter to the U.S. industry coalition from the Administration, the language of which is at variance with the very specific and carefully negotiated language of the Memorandum of Understanding. I would emphasize that the text of this letter was not subject of discussion between the negotiators and this letter is not a part of the government to government Understanding.

This agreement meets the key objectives set out by First Ministers when they met in Vancouver in November. At that time, we agreed that it was preferable to negotiate a solution which met our objectives than to expose our capacity to manage this vital resource to the unilateral verdict of the U.S. system. The settlement recognizes the sovereign right of Canadian provinces to manage their resources; keeps increased revenues in Canada; and avoids an unfavourable precedent in implementation of U.S. countervailing duty law which could have been damaging to Canada's trade interests.

The federal government will, on the basis of this agreement, collect an export charge on exports of softwood lumber exported to the U.S. on or after January 8, 1987. The charge will be equal to 15 percent ad valorem of the f.o.b. final mill price of the exported product. The export charge will not be imposed on the value added of specified further manufactured lumber products. The necessary legislation will be introduced when Parliament reconvenes on January 19, 1987.

The agreement maintains the exemptions for the twenty Canadian companies excluded by the October 16, 1986 preliminary determination in respect of their own production of softwood lumber products.

The agreement preserves the sovereign right of Canadian governments to manage their resources. Any assertions to the contrary are false and completely without foundation.

The agreement with the U.S. explicitly provides for the reduction or elimination of the export charge on the basis of increased stumpage or other charges by provinces on softwood lumber production. Any such modifications in the export charge will be made by the Canadian Government. Calculation of the value of any replacement measures in relation to the export charge will be subject to further consultations and agreement between the two governments.

I want to emphasize that, as a result of this agreement, governments in Canada have retained exclusive responsibility to determine how, when and what changes are made in forest management policies. Only the calculation of the value of any changes is a matter for consultation and agreement with the U.S. government. As you know, the U.S. industry coalition had sought, through the Administration, a direct role in determining changes in Canadian forest management systems. They demanded specific changes in provincial stumpage systems within a specific time frame with a joint supervisory committee. These demands were unacceptable to Canada and were rejected.

At our request, the agreement has a thirty day termination clause which we have served notice may be exercised by Canada in the event of legislated restrictions or further investigations under U.S. trade law involving softwood lumber.

This has been a long and difficult process and I have appreciated your close cooperation in pursuing our shared objective of achieving, having regard to the circumstances, a satisfactory resolution of this issue.