



News Release

Communiqué

No. 100

May 15, 1992

MINISTER WILSON ANNOUNCES FTA APPEAL OF U.S. SOFTWOOD LUMBER DECISION

The Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, expressed disappointment at today's subsidy decision by the United States Department of Commerce in the softwood lumber case.

The U.S. Commerce Department announced the final determination of subsidy of 6.51 per cent in its countervailing duty investigation of certain softwood lumber products from Canada, down from the rate of 14.48 per cent in the preliminary determination of March 6, 1992.

Minister Wilson announced that Canada is appealing the final determination of subsidy to a binding binational review panel under the Canada-U.S. Free Trade Agreement. "The panel will be constituted as soon as possible and will report its findings within the time frame established for such panels," Mr. Wilson said. "Only Canada has access to a binding, binational dispute settlement mechanism vis-à-vis the United States. Without it, any attempt to overturn this type of decision could be made only through the U.S. system rather than a binational system involving Canadians as well as Americans."

Mr. Wilson objected strongly to the Commerce Department's finding that log export controls confer a countervailable subsidy. "The inclusion of log export controls in this finding is particularly unjustified," Mr. Wilson said. "There is certainly no basis in international law for export controls to be considered as countervailable subsidies. The United States itself has similar controls."

"Although the rate of alleged subsidy has been reduced to 6.51 per cent, there is still no basis for the ruling that provincial stumpage programs confer a countervailable subsidy," Mr. Wilson stated.

"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.

- 30 -

For further information, media representatives may contact:

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