



News Release

Communiqué

No. 220

October 4, 1991

CANADA TERMINATES SOFTWOOD LUMBER MEMORANDUM OF UNDERSTANDING

The Honourable Michael H. Wilson, Minister of Industry, Science and Technology and Minister for International Trade, announced this afternoon that the 1986 Softwood Lumber Memorandum of Understanding (MOU) has been terminated by Canada, effective today. The Canadian government notified the United States on September 3, 1991 of its intention to terminate the Understanding. Termination by either party was explicitly provided for in the MOU.

Mr. Wilson also said that the Canadian government has been informed by the U.S. government that it intends to launch a countervailing duty investigation of softwood lumber products from Canada. Effective today, as an interim measure, the U.S. Customs Service will also require bonds to be posted for exports of Canadian softwood lumber, pending the preliminary determination in the countervailing duty investigation. This requirement will not affect softwood lumber produced in Atlantic Canada or British Columbia. In other provinces, the bond will vary according to the level of tax previously being collected.

"There is no basis for a countervailing duty investigation by the United States," Mr. Wilson said. "While countervailing duty investigations are provided for under international rules, there is no subsidy of Canadian softwood lumber. The Government of Canada will work closely with the provinces and industry to fight this action."

Minister Wilson noted that the termination of the 1986 Softwood Lumber Memorandum of Understanding puts Canada-U.S. lumber trade back on a normal basis, subject to the rules of the Free Trade Agreement (FTA) and the General Agreement on Tariffs and Trade (GATT). The results of the U.S. countervailing duty investigation will be subject to binding binational panel review under the FTA. This option was not available to Canada in the 1986 countervailing duty investigation.

The Minister added that Canada will call for the immediate establishment of a GATT panel to confirm the Canadian view that timber pricing practices (stumpage) do not constitute a countervailable subsidy to Canadian lumber producers.

With regard to the bonding requirement, the Minister said, "The Administration has obviously yielded to pressures from U.S. industry and Congress. This measure violates U.S. obligations under international trade rules. We are examining the responses available to us."

The countervailing duty investigation is expected to result in a preliminary determination by late December and a final determination by mid-March.

Minister Wilson said the government is confident that Canada's position will be upheld under the rules of the FTA and the GATT. "With the termination of the MOU, these rules will now apply."

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