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HOCKIN CRITICIZES U.S. FINDING ON SOFTWOOD LUMBER

The Honourable Tom Hockin, Minister for International Trade, today criticized the U.S. Commerce Department's response to the Canada-United States Free Trade Agreement (FTA) panel currently reviewing the Department's earlier subsidy finding on softwood lumber.

"We consider that Commerce has failed to revise its earlier determination with due regard for the FTA panel's instructions," Mr. Hockin said.

The FTA binational panel will now review, for a second time, the opinion of the Department of Commerce (DOC). The panel has 90 days, or until Dec. 16, 1993, to make its second ruling.

On May 6, 1993, the FTA binational panel reviewing the DOC's original subsidy determination unanimously instructed the Department to re-examine its determination on the major issues in the case. Today, the DOC reaffirmed its original view that provincial stumpage programs and British Columbia's log export measures do confer a countervailable subsidy.

Despite today's response by the DOC, which seeks to increase the subsidy rate, the present cash deposit rate of 6.51 percent remains in effect for softwood lumber shipments to the United States until such time as this issue has been finally resolved through the FTA dispute settlement process. Final results of panel reviews are binding.

In a parallel process, another FTA binational panel is reviewing the injury determination made by the U.S. International Trade Commission (ITC). On July 26, 1993, this second panel ruled that the United States did not possess sufficient evidence to conclude that imports of lumber from Canada injured the U.S. industry. The ITC has until October 25, 1993 to respond.

A countervailing duty can only be imposed when an exporting country's government programs are found to confer a subsidy and the alleged subsidized imports cause or threaten injury to the domestic industry of the importing country. Canada is using the FTA dispute settlement process to challenge the U.S. countervailing duty on both grounds.

"Today's DOC finding does not affect our access to the U.S. market," Mr. Hockin stressed. "The Canadian government remains committed to fighting the countervailing duty through to the end. We will continue to work closely with our provincial and industry partners in rebutting the Commerce opinion before the FTA panel."

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For further information, media representatives may contact:

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Chronology

SOFTWOOD LUMBER

1982-83

The United States conducts the first countervailing duty investigation of softwood lumber from Canada. The Department of Commerce (DOC) concludes that Canadian programs do not confer subsidies to Canadian lumber producers.

1986

The United States conducts the second countervailing duty investigation of softwood lumber from Canada. The DOC reverses itself and concludes that provincial stumpage programs confer subsidies of 15 percent to Canadian lumber producers.

December 30

Canada and the United States resolve the bitter and highly political trade dispute by entering into the Softwood Lumber Memorandum of Understanding (MOU). Canada agrees to impose an export charge of 15 percent on softwood lumber exports to the United States in return for the U.S. industry withdrawing its countervailing duty petition and the U.S. government terminating the investigation.

1987-1991

The MOU is amended on several occasions to exempt the Atlantic Provinces from the Canadian export charge and to reduce the export charge for British Columbia and Quebec as a result of replacement measures implement by the provinces.

1991

September 3

The Government of Canada serves a Diplomatic Note on the Government of the United States, advising of Canada's intent to terminate the 1986 Softwood Lumber Memorandum of Understanding, effective October 4, 1991.

October 4

Canada terminates the Softwood Lumber Memorandum of Understanding.

The United States announces its intention to self-initiate the third countervailing duty investigation and to impose interim bonding requirement on imports of Canadian softwood lumber.