SOFTWOOD LUMBER SUBSIDIES REPORT TO THE CONGRESS

U.S. Department of Commerce

December 2016

TABLE OF CONTENTS

I. Background and Reporting Methodology

As an initial matter, given the large number of countries that export softwood lumber and softwood lumber products to the United States, we concluded that it was untenable to find subsidy information for every country that exports softwood lumber or softwood lumber products to the United States.[1] Instead, in order to provide a report that reflects subsidies which have a significant impact on the U.S. softwood lumber industry, we analyzed U.S. imports of softwood lumber and softwood lumber products to determine which countries were the largest exporters of such products to the United States. As a result, based on data published by the United States International Trade Commission Tariff and Trade DataWeb, we include in this report subsidies provided by Canada, Chile, and France, the only three countries with exports accounting for at least one percent of total U.S. imports of softwood lumber by quantity, as classified under Harmonized Tariff Schedule code 4407.1001,[2] during the period January 1, 2016, through June 30, 2016. In particular, Canada accounts for 94.52 percent, Chile accounts for 1.53 percent, and France accounts for 1.46 percent of total U.S. imports.

As in past reports, for this, the Seventeenth Softwood Lumber Subsidies Report to Congress (Seventeenth Report), we are relying on a six-month period to identify the countries subject to review. We will rely on U.S. imports of softwood lumber and softwood lumber products during the period July 1, 2016, through December 31, 2016 to select the countries subject to the next report.

Under U.S. countervailing duty (CVD) law, a subsidy will be found if a government authority: (i) provides a financial contribution, (ii) provides any form of income or price support within the meaning of Article XVI of the GATT 1994, or (iii) makes a payment to a funding mechanism to provide a financial contribution to a person, or entrusts or directs a private entity to make a financial contribution, if providing the contribution would normally be vested in the government and the practice does not differ in substance from practices normally followed by governments, and a benefit is thereby conferred. *See* section 771(5)(B) of the Tariff Act of 1930, as amended (the Act).

II. Identification of Subsidies

The U.S. Government investigates and monitors the provision of subsidies by other countries through various means, including the enforcement of U.S. trade laws, participation at the World Trade Organization (WTO), the implementation of bilateral trade agreements, as well as public comment. Therefore, we examined subsidies identified in those areas, specifically: A) CVD investigations and reviews; B) WTO reporting by member countries and WTO monitoring; C) subsidies identified in the course of enforcing bilateral agreements regarding softwood lumber and softwood lumber products; and D) comments from the public.

[1] For the period January 1, 2016, through June 30, 2016, forty countries had exports of softwood lumber to the United States.
[2] Imports classified under Harmonized Tariff Schedule code 4407.1001 account for the vast majority of imports of softwood lumber and softwood lumber products.

A. Countervailing Duty Proceedings

To identify subsidies on softwood lumber or softwood lumber products provided by Canada, we analyzed the most recently completed CVD proceedings involving exports to the United States of softwood lumber or softwood lumber products from Canada and have included in this report any subsidies identified in relevant proceedings.[3] The Department of Commerce (the Department) has not conducted a CVD proceeding involving imports of softwood lumber and softwood lumber products from Chile or France.

In 2006, the United States and Canada signed the Softwood Lumber Agreement (SLA), a bilateral accord between the United States and Canada, which resulted in the U.S. government terminating the most recent CVD order on imports of Canadian softwood lumber.[4] On October 12, 2015, the SLA expired. The CVD order had been established in 2002, pursuant to U.S. government determinations that federal and provincial governments in Canada were unfairly subsidizing Canadian producers, and that imports of the subsidized Canadian lumber threatened to injure the U.S. industry. We included in our first sixteen reports subsidies identified in the last administrative review of the CVD order on softwood lumber from Canada, which was completed prior to the termination of the order pursuant to the SLA. That administrative review covered the period April 2003 through March 2004. We continue to report these identified subsidies.

This report again makes note of another CVD Proceeding, *Supercalendered Paper from Canada: Countervailing Duty Order*, 80 FR 76668 (December 10, 2015). In the final determination, the Department identified one program administered by the Province of Ontario that appears to be applicable to softwood lumber production; this Ontario program is included in this report. On February 1, 2016, the Department initiated an expedited review of this Order. Based on allegations from the petitioner, the Department

[3] As stated above, this report presents public information on subsidies in place during the period January 1, 2016, through June 30, 2016, as identified in the following areas, specifically: A) U.S. CVD proceedings; B) WTO reporting by member countries and WTO monitoring; C) subsidies identified in the course of enforcing bilateral agreements regarding softwood lumber and softwood lumber products; and D) comments from the public. On November 25, 2016, the Committee Overseeing Action for Lumber International Trade Investigations or Negotiations (COALITION), filed a petition with the Department of Commerce (the Department) for the imposition of countervailing duties on imports of certain softwood lumber products (softwood lumber) from Canada, following the October 12, 2015, expiration of the Softwood Lumber Agreement (SLA) between the United States and Canada. On December 15, 2016, the Department initiated a CVD investigation of alleged subsidy programs based on the petition filed by the COALITION. During the course of the proceeding, the Department will examine whether these programs constitute countervailable subsidies under Section 771(5) of the Act, specifically for the period of calendar year 2015. The Department, pursuant to section 775 of the Act, may also examine subsidy programs that are reported and/or discovered during the course of the investigation and determine if they are countervailable. The programs eventually found countervailable may or may not overlap with the subsidies contained in this report. (For the purpose of the Department's CVD investigation, countervailable subsidies are financial assistance from foreign governments that benefit the production of goods from foreign companies and are limited to specific enterprises or industries, or are contingent either upon export performance or upon the use of domestic goods over imported goods.)

[4] In January of 2012, the United States and Canada signed a two-year extension of the SLA, which extended the SLA from October 12, 2013, to October 12, 2015.

has initiated an examination of additional programs administered by the Provinces of British Columbia and New Brunswick, including the provision of stumpage and the log export restriction in British Columbia. The Department is currently scheduled to complete this expedited review in February 2017, but this date can be extended to April 2017.

B. WTO Notifications and Monitoring

We identified two sources of information from the WTO – Subsidies Notifications and Trade Policy Reviews (TPRs). The Subsidies Notification is the primary source of information under the WTO framework for each member country's subsidy programs. WTO member countries are required to notify the WTO of specific subsidies, in accordance with Article 25 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement). This portion of the SCM Agreement requires that members notify all specific subsidies, at all levels of government and covering all goods sectors, to the SCM Committee. New and full notifications are due every two years; members may also submit updated notifications at any time, but those particular notifications have been de-emphasized by the SCM Committee. These documents are available from the WTO Secretariat and may be accessed through the WTO's website.[5]

Pursuant to the WTO's Trade Policy Review (TPR) Mechanism, each WTO member country's national trade policies are subject to periodic review by the WTO Secretariat, which then publishes a report. Information on subsidy programs is also found in the TPR report of each member country. The frequency of each country's TPR varies according to its share of world trade. Canada is subject to review every four years and Chile is subject to review every six years. The TPR reports for each country are available from the WTO Secretariat and may be accessed through the WTO's website.[6]

C. Monitoring and Enforcement Related to Bilateral Trade Agreements

We have also included in this report subsidies identified in the course of administering and enforcing the SLA.[7]

D. Public Comment

On October 27, 2016, the Department published a notice in the *Federal Register* soliciting public comment on subsidies provided by Canada, Chile, and France on softwood lumber or softwood lumber products for inclusion in this report.[8] The comments received are attached as Appendix I.

[5] http://www.wto.org/english/tratop_e/scm_e/scm_e.htm.

[6] http://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm#bycountry.

[7] The SLA was particular to Canada. The United States does not have currently, or had in the past, a similar agreement involving softwood lumber or softwood lumber products from any other country.

[8] *See Subsidy Programs Provided by Countries Exporting Softwood Lumber and Softwood Lumber Products to the United States; Request for Comment*, 81 FR 74766 (October 27, 2016).

III. Subsidies Provided

In the First Report, we listed all known subsidies, identified using the methodology described above, provided by Brazil, Canada, Chile, and Germany on softwood lumber or softwood lumber products exported to the United States. In the Second Report, we listed all known subsidies, identified using the methodology described above, provided by Canada, Chile, and Germany. In the Third Report, we listed all known subsidies, identified using the methodology described above, provided by Brazil, Canada, Chile, Germany, and Sweden. In the Fourth, Fifth, Sixth, Seventh, Twelfth, Fourteenth, Fifteenth, and Sixteenth Reports, we listed all known subsidies, identified using the methodology described above, provided by Canada and Chile. In the Eighth, Ninth, Tenth, Eleventh, and Thirteenth Reports, we listed all known subsidies, identified using the methodology described above, provided by Canada.[9]

For the period January 1, 2016, through June 30, 2016, in this Seventeenth Report we have applied the methodology described above with regard to Canada, Chile, and France. New subsidies and new information on old subsidies were identified for Canada, Chile, and France. The subsidies identified for Canada, Chile, and France are as follows.

Canada

Below, we identify subsidies provided by Canada on softwood lumber and softwood lumber products through examinations of the most recently completed CVD proceedings, WTO notifications, and the implementation and enforcement of the SLA.

Subsidies Identified in CVD Proceedings

The Department determined that the following programs benefited Canadian softwood lumber producers in the second administrative review of imports under the CVD order, which was the last administrative review completed before the order was terminated. The second administrative review investigated Canadian subsidy programs in effect between April 2003 and March 2004.[10]

A. Provincial Stumpage Programs (provision of lumber for less than adequate remuneration)

    1. Alberta
    2. British Columbia

[9] Our previous reports are posted on our website at www.trade.gov/Enforcement under the "Trade Agreements" link. *See* http://enforcement.trade.gov/sla2008/sla-index.html.

[10] During the conduct of the investigation and three subsequent administrative reviews, the Department investigated a large number of programs, not all of which were in use, or evaluated, during the second administrative review. Because the second administrative review was the most recently completed administrative review with a final determination, we have used it as the most current and accurate measure of our findings.

3. Manitoba
4. Ontario
5. Quebec
6. Saskatchewan

In Canada, the vast majority of standing timber used by softwood lumber producers originates from lands owned by the Crown. Each of the Canadian provinces reviewed in the last administrative review completed under the most recent CVD order, *i.e.*, Alberta, British Columbia, Manitoba, Ontario, Quebec, and Saskatchewan, has established programs through which it charges certain license holders "stumpage" fees for standing timber harvested from Crown lands. In the underlying investigation of the most recent CVD order and in subsequent administrative reviews, the Department found that the provincial governments provided a countervailable subsidy to softwood lumber producers by selling the key input for softwood lumber production, timber, to the Canadian producers in each of the provinces listed above for less than adequate remuneration.

B. Non-Stumpage Programs Determined To Confer Subsidies

Programs Administered by the Government of Canada

1. Western Economic Diversification Program (WDP): Grants and Conditionally Repayable Contributions

Introduced in 1987, the Western Economic Diversification Program (WDP) is administered by the Government of Canada's (GOC's) Department of Western Economic Diversification headquartered in Edmonton, Alberta, whose jurisdiction encompasses the four western provinces of Alberta, British Columbia, Manitoba, and Saskatchewan. The program supports commercial and non-commercial projects that promote economic development and diversification in the region.

During the 2003-2004 period covered by the most recently completed administrative review of the CVD order, the WDP provided grants to softwood lumber producers or associations with two "sub-programs," *i.e.*, the International Trade Personnel Program (ITPP) and "Other WDP Projects." Under the ITPP and "Other WDP Projects," companies were reimbursed for certain salary expenses in Alberta, British Columbia, Manitoba, and Saskatchewan.

2. Natural Resources Canada (NRCan) Softwood Marketing Subsidies

In 2002, the GOC approved a total of C$75 million in grants to target new and existing export markets for wood products and to provide increased research and development to supplement innovation in the forest products sector. This total was allocated to three sub-programs: Canada Wood Export Program (Canada Wood), Value to Wood Program (VWP), and the National Research Institutes Initiative (NRII). The programs were placed under the administration of NRCan, a part of the Canadian Forest Service.

The VWP is a five-year research and technology transfer initiative supporting the value-added wood sector through partnerships with academic and private non-profit entities. In particular, during the 2003-2004 period of review, NRCan entered into research contribution agreements with Forintek Canada Corp. (Forintek) to do research on efficient resource use, manufacturing process improvements, product development, and product access improvement. The VWP is still available. See below under "Subsidies Identified from Canada's WTO Notification" for additional information.

The NRII is a two-year program that provides salary support to three national research institutes: the Forest Engineering Research Institute of Canada (FERIC), Forintek, and the Pulp & Paper Research Institute of Canada. In the 2003-2004 administrative review, the Department found that research undertaken by FERIC constitutes a government financial contribution to commercial users of Canada's forests. Further, the Department found that FERIC's research covers harvesting, processing, and transportation of forest products, silviculture operations, and small-scale operations and, thus, the Department determined that government-funded R&D by FERIC benefits, *inter alia*, producers of softwood lumber. Similarly, the Department found that Forintek's operations, done in collaboration with the GOC under NRII, which pertain to resource utilization, tree and wood quality, and wood physics,[11] also constitute a government financial contribution. The Department also reconfirmed its earlier determination that because grants offered under the NRII are limited to Forintek and FERIC, institutions that conducted research related to the forestry and logging industry, the wood products manufacturing industry, and the paper manufacturing industry, the program is specific to that industry. The NRII is periodically reinstituted and is currently in effect.

Programs Administered by the Government of British Columbia

1. Forestry Innovation Investment Program (FIIP)

The Forestry Innovation Investment Program came into effect on April 1, 2002. On March 31, 2003, FIIP was incorporated as Forestry Innovation Investment Ltd. (FII). FII funds are used to support the activities of universities, research and educational organizations, and industry associations producing a wide range of wood products. FII's

[11] The area of wood science is concerned with the physical and mechanical properties of wood and the factors which affect them.

strategic objectives are implemented through three sub-programs addressing: research, product development and international marketing.

The Department reconfirmed its earlier finding that the FII grants are provided to support product development and international marketing for Canadian softwood lumber producers.

2. British Columbia Private Forest Property Tax Program

British Columbia's property tax system has two classes of private forest land -- Class 3, "unmanaged forest land," and Class 7, "managed forest land" -- that incurred different tax rates from the 1990s through the 2003-2004 period of review. In the second administrative review, the Department reaffirmed its earlier finding that property tax rates for Class 7 were generally lower than for Class 3 land at all levels of tax authority for most, though not all, taxes. The Department further reaffirmed its finding that the various municipal and district (a.k.a. regional) level authorities imposed generally lower rates for Class 7 than for Class 3 land. The tax program is codified in several laws, of which the most salient is the 1996 Assessment Act (and subsequent amendments). Section 24(1) of the Assessment Act contains forest land classification language expressly requiring that, *inter alia*, Class 7 land be "used for the production and harvesting of timber." Additionally, Section 24(3) or 24(4) of the Assessment Act, depending on the edition of the statute, requires the assessor to declassify all or part of Class 7 land if "the assessor is not satisfied. . . that the land meets all requirements" for managed forest land classification. Amendments to the provision, enacted from 1996 through 2003, retained the same language stating these two conditions. Thus, the law as published during the 2003-2004 period of review required that for private forest land to be classified, and remain classified, as managed forest land, it had to be "used for the production and harvesting of timber."

The Department also found that because the British Columbia tax authorities impose two different tax rates on private forest land, the governments are foregoing revenue when they collect taxes at the lower rate, and the program thus provides a government financial contribution to the British Columbia lumber industry. Further, the Department determined that because the Assessment Act expressly requires that Class 7 land be "used for the production and harvesting of timber," and additionally requires the assessor to declassify any Class 7 land not meeting all of the Class 7 conditions (of which timber use was one), the British Columbia private forest land tax program is specific to the industry as a matter of law. The Department considered the sum of the tax savings enjoyed by Class 7 sawmill landowners at the provincial, regional, and sub-provincial (or local) levels of tax authority in British Columbia to represent the value of this subsidy.

Programs Administered by the Government of Quebec

1. Financial Aid for the Development of Private Woodlots[12]

The program provides grants and technical assistance to certified forest producers to carry out logging activities in privately owned forests, with a view to protecting and enhancing registered forest land.

Canada reported in recent WTO notifications that this program was created in 1995 under the authority of *Ministère des Forêts, de la Faune et des Parcs*, and that it remains an ongoing program.[13] Canada reported that the assistance is limited to 80 percent of the costs of eligible initiatives, but the aggregate value of assistance and identity of beneficiaries are not provided in the notification. *See Canada N253* at page 48 and *Canada N284* at page 50.

[12] This program was originally titled Private Forest Development Program (PFDP) as translated unofficially from the French used in *New & Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures*, G/SCM/N/220/CAN (7/14/11) (*Canada N220*), at 44.

[13] *See New & Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures*, G/SCM/N/253/CAN (7/19/13) (*Canada N253*), at 48; and *New & Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures*, G/SCM/N/284/CAN (7/9/15) (*Canada N284*), at 50.

Subsidies Identified in the CVD Investigation of Supercalendered Paper

Program Administered by the Government of Ontario

1. Ontario Northern Industrial Electricity Rate Program[14]

The Government of Ontario (GOO) established the Ontario Northern Industrial Electricity Rate program on April 1, 2013. The program's purpose is to assist Northern Ontario's largest qualifying industrial electricity consumers that commit to developing and implementing an energy management plan to manage their energy usage and improve energy efficiency and sustainability. Specifically, participants receive a rebate of two cents per kilowatt-hour, capped at 2011-12 consumption levels or C$20 million, whichever is lower. The program is administered by the GOO Ministry of Northern Development & Mines. Companies eligible for assistance are industrial facilities located in Northern Ontario. The program has been extended indefinitely. Accepted companies can expect to receive rebates based on the amount of eligible electricity consumed.

Additional Subsidies Information from Canada's WTO Notifications

The following programs were reported in *Canada N220* and/or *Canada N253*.

1. Pulp and Paper Green Transformation Program[15]

On June 17, 2009, Canada announced a $1 billion Pulp and Paper Green Transformation Program (PAPGTP) to support its pulp and paper producers. The stated purpose of this program was to improve energy efficiency and renewable energy production technologies. Canada reported in its WTO Notification that the program provided contribution funding, capped at CAD $1 billion, to pulp and paper companies for environmental upgrades to Canadian facilities, based on a credits system. As of March 31, 2012, when the program ended, 38 pulp and paper mills across Canada, representing 24 companies, generated credits under the PAPGTP based on their 2009 production levels of black liquor. [16] The GOC confirmed on its website that the program ended on this date. *See* http://cfs.nrcan.gc.ca/pages/231.[17]

2. Value to Wood (VWP)

As explained above in the "Subsidies Identified in CVD Proceedings" section, the VWP was one of three softwood marketing subsidy programs administered by NRCan. Canada reported in its WTO Notification that the VWP funded pre-competitive research and technology transfer activities in support of secondary wood products

---

[14] *See Supercalendered Paper from Canada: Final Affirmative Countervailing Duty Determination*, 80 FR 63535 (October 25, 2015) and accompanying Issues and Decision Memorandum at 27 ("*Supercalendered Paper*").

[15] This program was listed in the Sixth Report under the heading "Additional Subsidies Identified in Connection with the SLA."

[16] Source: http://www.nrcan-rncan.gc.ca/media/newcom/2009/200961a-eng.php.

[17] *See Supercalendered Paper* and accompanying Issues and Decision Memorandum at 26.

manufacturers. Canada reported that the VWP expired in March 2011. *See Canada N220* at page 27 and *Canada N253* at page 27.

3. Investments in Forest Industry Transformation Program (IFIT)

Launched in August 2010 as part of Economic Action Plans implemented since the 2009 global recession, the IFIT provides targeted investments in the form of non-refundable contributions for projects that implement new technologies leading to non-traditional high-value forest products and renewable energies. Eligible recipients are companies that produce forest products and own at least one existing forest product manufacturing facility located in Canada. Projects were selected for funding through a competitive process. The program is funded under the *Department of Natural Resources Act* and the *Energy Efficiency Act*. *See Canada N284* at page 29. In 2014, the program was continued with new funding in the amount of CAD $90.4 million over the next four years. *See Trade Policy Review of Canada, Report by the Secretariat*, WT/TPR/S/314/Rev.1, dated September 30, 2015, Section 1, pages 15-16, para.1.7. (*Canada TPR314/R1*).

4. Transformative Technology Program (TTP)

The TTP provides funding under the *Department of Natural Resources Act* and the *Forestry Act* in the form of contributions for pre-competitive, non-proprietary R&D for development and adaptation of emerging technologies such as forest biomass, forest biotechnology and nanotechnology. The program was created in April 2007 and was set to expire on March 31, 2014.[18] Funded research focuses on the development of breakthrough technologies related to forest biomass utilization, nanotechnology, and next-generation forest products, as well as addressing on-going productivity challenges facing the industry.

5. Forest Innovation Program (FIP)

The FIP provides non-repayable contributions to support pre-competitive research, development and technology transfer in the forest sector, to help position the sector for growth and participation in areas such as bioenergy, biochemicals, nanotechnology and advanced construction materials. Funding is provided under the authority of the *Department of Natural Resources Act* and the *Forestry Act*. The program started on April 1, 2012, and is set to expire on March 31, 2018. *See Canada 284* at page 29.

6. Export Restrictions to Promote Further Processing in Canada

Information in *Canada TPR314/R1* indicates that under the *Export and Import Permits Act*, Canada imposes export controls on logs, pulpwood and red cedar products to promote further processing in Canada. *See Canada TPR314/R1*, Section 3.2.3, pages 72-73, paras.3.99 and 3.100, Table 3.11.

[18] This program is no longer reported in *Canada N284*.

7. Quebec Forestry Financing Program

Ongoing since 2004, under the Québec Ministère des Forêts, de la Faune et des Parcs, the program supports certified forestry producers in acquiring wooded lots, with assistance provided in the form of loan guarantees for loans of up to $750,000. *See Canada N284* at page 50.

8. Ontario Tax Credit for Manufacturing and Processing

Canada reported in its WTO Notification that this program provides a tax credit under the Ontario Taxation Act 2007 against Ontario taxable income for eligible Canadian profits from manufacturing and processing, farming, fishing, logging, mining, the generation of electrical energy for sale, or the production of steam for sale. Canada did not report the amount or rate of the credit. *See Canada N220* at page 41.

9. Quebec Private Forest Property Tax Refund

Canada reported in its WTO Notification that this program provides refunds of up to 85 percent of property taxes for certified forest producers that log in privately owned forests. The program was created in 1998 to encourage producers to undertake projects to increase the value of their privately owned forests and remains an ongoing program. *See Canada N284* at page 51.

<u>Subsidies Identified in Connection with the SLA which have been Reviewed by an Arbitration Panel</u>[19]

1. Ontario Forest Sector Loan Guarantee Program

This program was announced in 2005 to make available C$350 million in loan guarantees over five years to stimulate and leverage investment in the forest industry. These loan guarantees could be for a term of two to five years and generally range from C$500,000 to a maximum of C$25 million.

2. Ontario Forest Sector Prosperity Fund

This grant program was announced in 2005 to provide grants to the forest sector that would support and leverage new capital investment programs.[20]

---

[19] The first five of these programs was listed in each of the first five reports under the heading "Subsidies in Connection with the SLA upon which Arbitration has been Requested." The sixth program was listed in the sixth, seventh, and eighth reports under the heading "Subsidies in Connection with the SLA upon which Arbitration has been Requested."

[20] *See Supercalendered Paper* and accompanying Issues and Decision Memorandum at 28.

3. Forest Industry Support Program

This program was announced in 2006 to make available C$425 million in financing to foster investment and modernization projects to improve the productivity and competitiveness of Quebec's forest products industry.

4. 15% Capital Tax Credit

This program was announced in 2006 to provide a 15% tax credit to Quebec's forest products industry on investments in manufacturing and processing equipment through 2009.

5. Quebec's Road Tax Credit[21]

This program was announced in 2006 and allowed the Government of Quebec to incur costs previously borne by the forest products industry. The program includes C$100 million for a refundable tax credit of 40% for the construction of and major repairs to access roads and bridges.

6. British Columbia Sales of Grade 4 Timber

Since 2007, British Columbia has sold increasing amounts of publicly-owned timber in its interior for salvage rates, providing a benefit to softwood lumber producers. While the mountain pine beetle infestation has caused extensive damage to forests in British Columbia, the majority of the damaged timber is usable for softwood lumber products.

Additional Subsidies Identified in Connection with the SLA[22]

1. Wood Promotion Program

The Government of Ontario provides C$1 million per year in funding to the forest products industry to enhance value-added manufacturing.

2. North Ontario Grow Bonds Program

The Government of Ontario provided approximately C$13 million in bonds to new and growing businesses in the North. For example, in September 2006, a C$250,000 loan to the Manitou Forest Products Limited for expansion of its sawmill was among the projects funded.

[21] In each of the first five reports, this funding was included in the program description "Forest Management Measures," which was listed under the heading "Subsidies in Connection with the SLA upon which Arbitration has been Requested."
[22] These programs were listed in the Thirteenth Report.

3. Forest Industry Long-Term Competitiveness Initiative

This program provides government funding for research and development that benefits the forest products industry.

4. Ontario Forest Access Road Construction and Maintenance Program[23]

This program was announced in 2006 to make available C$75 million to reimburse forest companies for costs incurred for constructing and maintaining primary and secondary forest access roads.

5. Reductions in Operational and Silvicultural Costs[24]

This program was announced in 2006 and allowed the Government of Quebec to incur costs previously borne by the forest products industry. The program includes C$210 million in measures to reduce the cost of operations and silvicultural investments.

Chile

We identified subsidies provided by Chile that potentially benefit softwood lumber and softwood lumber products through an examination of WTO monitoring reports on Chile (TPRs), as indicated further below. Chile's most recent WTO Subsidies Notification (N284) does not contain new information regarding programs related to lumber, timber, or other forest products industries.[25]

- Native Woodland Management Financing supports lumber, non-lumber and conservation activity costs pursuant to *Law No. 20.283* (July 30, 2008), providing indexed interest-free loans of between 2- and 4-year terms, per *Institute for Agricultural Development (INDAP) General Credit Regulations, Resolution No.286* (December 20, 2003). *See Chile TPR315/R1* at Table A4.1, page 160.[26]

- Incentive Payments for Forestry Development Financing supports reforestation and soil reclamation, with emphasis on smallholders, pursuant to *Decree Law No. 701 of 1974*. *See Chile TPR315/R1* at Table A4.1, page 160.

- ProChile Agriculture and Forestry Fund provides non-reimbursable financing to exporters to boost the export of, *inter alia*, forestry products. The program is administered by the Directorate of Export Promotion (ProChile), providing

[23] This program was listed in each of the first five reports under the heading "Subsidies in Connection with the SLA upon which Arbitration has been Requested."
[24] In each of the first five reports, this funding was included in the program description "Forest Management Measures," which was listed under the heading "Subsidies in Connection with the SLA upon which Arbitration has been Requested."
[25] *See New and Full Notification Pursuant to Article XVI.1 of the GATT 1994 and Article 25 of the SCM Agreement: Chile*, G/SCM/N/284/CHL (4/4/16) (N/284/CHL).
[26] *See Trade Policy Review of Chile, Report by the Secretariat*, WT/TPR/S/315/R1, dated October 7, 2015 (*Chile TPR315/R1*).

approximately US$47 million in financing during 2009-2014. *See Chile TPR315/R1* at page 71, para. 3.135 and page 98, para. 4.16.

France

We identified one subsidy program provided by France that potentially benefits softwood lumber and softwood lumber products through an examination of France's most recent WTO Subsidies Notification (N284/EU).[27]

- French Overseas Departments Tax and Duty Exemptions – Pursuant to the *General Taxation Code*, Article 1655*bis*, the incentives are intended to contribute to the promotion of the Overseas Departments and, more generally, to encourage their economic development. These are in the form of exemptions from corporation tax on reinvested profits and from import and export duties and fees on certain products. Forestry companies in Guyana are eligible. The maximum term for benefits is 25 years per project. In 2013 and 2014, the total amount provided program-wide was less than EUR 500,000.

IV. <u>Conclusion</u>

We note that this report is limited to all subsidies identified following the reporting methodology described above and does not constitute a finding regarding the countervailability of the listed subsidies under U.S. law or the WTO SCM Agreement. We also note that this report only includes subsidies identified pursuant to the described reporting methodology. A subsidy's presence in or absence from this report is not an indication of whether the subsidy is countervailable under U.S. law, is in accordance with the relevant WTO agreements, or is actionable under any other international agreement.

[27] *See New and Full Notification Pursuant to Article XVI.1 of the GATT 1994 and Article 25 of the SCM Agreement* : European Union (France Addendum), G/SCM/N/284/EU/Add.10 (9/18/15) (N284/EU), pp.8-9.

Appendix I