

UNITED STATES SENATE

WASHINGTON, DC 20510

August 19, 2003

The Honorable Grant D. Aldonas
Under Secretary for International Trade
U.S. Department of Commerce
Pennsylvania Avenue and 14th Street, N.W.
Washington, D.C. 20230

Dear Under Secretary Aldonas,

Thank you for this opportunity to comment on *Proposed Policies Regarding the Conduct of Changed Circumstance Reviews of the Countervailing Duty Order on Softwood Lumber from Canada* ("Policy Bulletin").

We supported the imposition in March 2002 of countervailing and anti-dumping duties against Canadian timber as a necessary means to offset the damage imposed upon U.S. industries by the Canadian timber regimes. Accordingly, we have urged President Bush to defend the duties zealously against Canadian challenges before World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA) dispute panels. Nevertheless, we also recognize that the status quo - that is, the continued distortions in the Canadian markets, maintenance of the duties imposed against Canadian imports in response, and the prolonged litigation associated with both - will inevitably drain the resources and spirits of both sides, unless an effective and lasting alternative is found. We do not seek a pyrrhic victory. We seek a solution.

For this reason, we support the framework of guidance your proposal represents, provided that its issuance accomplishes two goals.

First, the Policy Bulletin must clearly seek reform of specific problems associated with current Canadian practices and policies.

This means that Canadian practices that distort market responses - such as formal appurtenancy requirements and minimum processing restrictions - should be eliminated, and that tenure transfer rules and harvesting requirements do not undermine the general purpose of the reform. It also means that a reference market truly reflects fair market value.

As for the methods of ensuring that such reforms are genuine and effective, the policy bulletin should clearly assert the U.S. Commerce Department's right to examine closely all rules and necessary information, such as those related to auctions and methods of price discovery. Of course, for the reform process to be acceptable, it must necessarily be transparent to all

Letter to the Grant Aldonas
August 19, 2003, Page Two

participants.

Second, the Policy Bulletin must serve as a means to a settlement, rather than as an end in itself.

We view the legitimate purpose of the Policy Bulletin to be an incentive for Canadian reform, rather than a unilateral concession. It should be clear to all parties that the Policy Bulletin exists, without prejudice, as a good faith explanation by the United States of its "end game." We expect our friends in Canada receive it as such and respond by continuing their search for an acceptable reform that meets the precepts outlined by the Policy Bulletin. Of course, this also means the Canadians must remain at the negotiating table, in good faith, until a negotiated settlement is reached.

Should the Policy Bulletin provoke the opposite reaction in Canada - an abandonment of the pursuit of a non-litigated solution, then we would expect, and demand, a revocation of the Policy Bulletin, in order to ensure that the United States retains all negotiating options.

We sincerely hope for the former, rather than the latter.

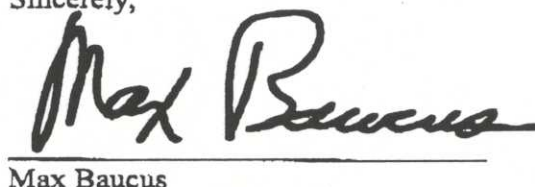
We also hope that a settlement can be reached expeditiously. Countless timber businesses and jobs in our states have been destroyed by subsidized softwood lumber imports that have flooded across the border from Canada in recent years. The devastation wrought to our state economies will take years, perhaps decades, to repair - that is, if the course of destruction is arrested as soon as possible. The longer the flood of imports is allowed to cross our border, the longer will it take our constituents to rebuild their damaged industry.

Thank you again for the opportunity to offer our thoughts on the proposed Policy Bulletin. We truly appreciate your tireless efforts to craft a negotiated settlement that would finally end an exhausting dispute between the United States and Canada. We look forward to working with you to end this decades-old dispute.



Larry E. Craig

Sincerely,



Max Baucus