

*Softwood Lumber*

Mr. Speaker, two factors can account for the difficulties of the American industry, especially the softwood lumber industry: the diminishing demand, which was aggravated by the economic recession, and the shortage of softwood lumber supplied to the western states.

In conclusion, the United States apply a very simple standard to locally produced softwood lumber. When their softwood lumber industry needs a subsidy, it gets it. When it needs export controls on raw logs, it gets them, but it applies a different standard to softwood lumber imported from Canada. What is fair trade one day can become unfair trade the next.

Testimony given under oath to the American Congress in February about the absence of subsidy was the excuse for instituting an inquiry for the purpose of establishing a countervailing duty in October.

Canada is the first ally and main trading partner of the United States. Both countries have signed the most encompassing Free Trade Agreement that exists in the world. It is not surprising therefore that the way it conducts this inquiry would worry Canadians since Canada is considered more a foe than friend.

Loyal trade implies a respect for equivalent and uniform rules applied equally to everyone.

Mr. Speaker, we must ensure the survival of the forest industry in Abitibi, in Quebec and in Canada. We must fight this American measure which is a disgrace; we must fight it all the way and win the case for the lumber producers of Quebec and Canada.

[*English*]

**Mr. David Kilgour (Edmonton Southeast):** Mr. Speaker, let me stress for a moment how important forestry is to many Canadians. In Alberta alone there are 66 forestry manufacturing companies. A spokesman for the B.C. Council of Forest Industries today told me that there are 333 larger softwood sawmills in the province and hundreds more smaller ones. In normal conditions the B.C. mills employ about 28,000 persons directly and another 25,000 in logging operations.

The viability of all sectors of our forestry industry must be preserved at all costs because there are about 350 Canadian communities which are forestry dependent. The total forested area of our four western provinces alone equals the combined land area of France, West Germany, Spain, Austria and Hungary.

It is, of course, a vital industry in Ontario and Quebec and the Atlantic provinces as well.

As of this week, Canadian mills outside Atlantic Canada shipping softwood products to U.S. consumers must pay an import bond equivalent to 14.5 per cent of the shipment's value. Competitors in the U.S. thus reap an overnight price advantage of whatever tariff amount is eventually decreed to apply. Keep in mind, sir, that in the case of, say, B.C. the provincial stumpage fees have gone up about 15 per cent as a result of the infamous Washington-Ottawa memo of understanding of 1986. Keep in mind also that the B.C. mills have seen their revenues on U.S. exports drop by an estimated one-fifth since 1986 as a result of the rise in the exchange rate of the Canadian dollar.

A mining engineer friend of mine puts the point here quite well, and I quote: "Those running the Government of Canada are now dumping about 300,000 ounces of the Bank of Canada's gold reserves monthly in an effort to keep the dollar above 84 cents U.S. The high dollar has wrecked our manufacturing exports and is now doing the same thing to our natural resource exports." The situation which has now developed could result in the closing of B.C. and other softwood mills across Canada.

At the end of the Tokyo round of GATT I am told that approximately 90 per cent of the lumber products entered the United States duty free. In 1983 U.S. lumber producers instigated a countervail action against our products but the U.S. commerce department held that the exports at issue were not subsidized by the stumpage arrangements of the provincial governments in place. I am told by Mel Clark, who has been professionally involved in trade issues for successive Canadian governments for three decades, that one reason for the favourable ruling was because the American officials worried that the Canadian government of the day could have won the issue before the GATT tribunal. That GATT tribunal had previously held that stumpage is not an export subsidy.

In 1989 the Canada-U.S. Free Trade Agreement of course began to apply, thus taking us out of GATT for purposes of countervail. Under the FTA if Canadians have a complaint about U.S. countervail, article 1902 of the FTA provides that panels must decide the legality of U.S. countervailing duties on the basis of U.S. law. They are limited to deciding whether the U.S. government has correctly applied American law. Under GATT, the legal-