

damaging consumer confidence, exports and economic recovery.

When is the Minister of Finance going to change this insane policy, or is this simply proof that those who say there is a secret understanding in the free trade deal to keep the dollar high are absolutely correct?

Hon. Don Mazankowski (Deputy Prime Minister and Minister of Finance): Mr. Speaker, the hon. member is aware that the Bank of Canada intervenes on behalf of the Government of Canada to smooth out any erratic fluctuations in order to maintain an orderly and stable market.

I remind the hon. member that monetary conditions have eased dramatically over the last 18 months both on the interest rate side, almost 7 per cent, and on the exchange rate side by more than five cents. Both these conditions provide for economic activity and provide the opportunities for businesses to be more competitive in the international marketplace.

• (1440)

Given the fact that the fundamentals are right, I believe that we can expect this kind of moderation can continue. Obviously there are times when there is certain volatility in the financial markets. We are going through that now, but I think the hon. member will agree that the policy of the government, the Bank of Canada, is indeed sound.

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SOFTWOOD LUMBER INDUSTRY

Mr. Brian L. Gardiner (Prince George—Bulkley Valley): Mr. Speaker, my question is for the Prime Minister on the softwood lumber tariff.

Friday's ruling by the U.S. commerce department that Canada unfairly subsidizes our softwood lumber exports is unfair and unjustified. The allegations about B.C. log export restrictions are hypocritical. Just because a province wants to pursue a policy that keeps jobs at home is no reason to apply this tariff. Washington state does it, Oregon state does it, and Washington D.C. approves it.

Why punish B.C. and Canada?

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Hon. Tom Hockin (Minister of State (Small Businesses and Tourism)): Mr. Speaker, I have to agree with the hon. member that the American case is ridiculous. He has put his finger on one of the more ridiculous aspects of it.

Raw lumber exports have been treated in a silly way by the American decision. This affects other provinces, not just British Columbia. They export raw logs themselves.

There is no doubt in my mind, as the Prime Minister has made very clear, that this is vexatious harassment. In fact when we take this to an instrument we have never had before until we had the free trade agreement, the dispute settlement mechanism, we will win and we will win for reasons the hon. member educes as well as many others.

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TRADE

Hon. Roy MacLaren (Etobicoke North): Mr. Speaker, the United States customs service has ruled that Canadian built Honda automobiles do not meet the North American content requirements of the Canada-U.S. Free Trade Agreement.

The agreement which was intended to liberalize trade between the two countries is now being manipulated by the United States government to harass, and I use the Prime Minister's own phrase: "to harass foreign investment in Canada".

Since the agreement is evidently open to manipulation by the United States, what does the government now intend to do to ensure the secure access to the American market which was its original justification?

Hon. Tom Hockin (Minister of State (Small Businesses and Tourism)): Mr. Speaker, I will remind my hon. friend that in fact the Americans seem to be doing this sort of thing to all sorts of countries, not just to us.

In this particular case, the determination by the customs officials in the U.S. is totally unacceptable to us. We have many allies on this issue not just in the provinces across Canada but in the U.S. as well. We are in a situation whereby we can continue to fight this vigorously. We have already indicated that we are going to pursue our rights under section 18. We have had meetings. Officials on both sides of the border have been