

Edward English, a professor of economics at Carleton University, also stated in the *Ottawa Citizen* on January 3:

Natural resources are a birthright that should not be surrendered to any foreign government.

He goes on to say:

They are taking the same attitude that they do with the Soviets. That shows that the atmosphere of suspicion in Washington isn't restricted to East-West relations.

The Hon. Member should also take note of the comment by Robin Neill, an economic historian who said in the *Ottawa Citizen* on January 3, 1987:

Even if Canada lost the case it would be better to take its hit now rather than gamble with the country's sovereignty for years to come.

If the Hon. Member does not believe those eminent individuals, he may want to listen to what Alberta's Don Getty said on January 5:

Any tax on a provincial resource we feel very strongly must be the result of a federal-provincial agreement and we won't be part of any agreement that is not.

If the Hon. Member for Portneuf read those quotes he might not have been nearly as certain that our sovereignty is not being impaired.

We should also consider the letter from Malcolm Baldrige, Secretary of Commerce in the United States and Clayton Yeutter, the U.S. trade representative, which was obviously prepared and ready to be sent the day of the signing of the agreement. In their joint letter to Stanley Dennison, chairman of the Coalition for Fair Lumber Imports—perhaps unfair pricing for Canadians—they make it clear that Canada does not stipulate how the funds to be raised by this export tax will be spent. Any arrangements to transfer those funds to the provincial Governments or to transfer tax from a federal export tax to a provincial stumpage tax must be approved by the U.S. Government. Item four of the letter from Mr. Yeutter and Mr. Baldrige states that the United States:

—would have to approve any changes in the export charge or calculation of the value of any replacement measures. Any changes made without U.S. Government approval would be considered a violation of the Understanding.

Does that sound like a sovereign country that will call its own shots with regard to natural resources?

● (1150)

Our natural resources, under our Constitution since about 1931, are the property of the provincial Governments.

The letter signed by Mr. Baldrige and Mr. Yeutter goes on to say that under this agreement the export charge which is being collected for Canada must not be used for any purpose such as a rebate, remission, deferral or non-collection of the export charge. It must not reduce in any way the price of stumpage or other charges on softwood lumber harvested from provincial Crown lands. The letter points out that the awarding of contracts for silviculture, road-building, recreational and other foresting activities is on a non-competition basis.

That is frightening enough, but the United States has made it very clear that not only is it going to control how that money

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collected is spent under this agreement—and there will be some \$550 million to \$600 million—but it is also going to control how that export charge is transferred to a stumpage charge.

The forest products industry in my constituency, and we have some of the largest mills in eastern Canada, asks how it can operate. It does not make \$550 million or \$600 million. How can it pay the tax and still have any profit without making cut-backs? I think the Tories are going to find that the export level to the United States will be severely dampened by this export tax. Although the Canadian forestry companies want to maintain their market share in the United States, they will not maintain it indefinitely if they are losing money. A few companies in my constituency have said they are switching to more hardwood operation and laying off shifts in the softwood operation. They want to monitor the situation but are not going to ship nearly as much to the U.S.

There are two factors over and above this development. Although the present situation is bad, it may very well get a lot worse. The Hon. Member for Portneuf is obviously not aware of this. The United States is demanding that when the export tax is transferred to a stumpage charge, the stumpage fees charged by the provincial Governments will match the percentage or volume of softwood lumber which goes into exports to the United States. We cannot impose a stumpage charge just on the trees which are used for export to the United States, the stumpage charge will be applied right across the board on all trees, including the lumber from those trees which ends up being used domestically and for export to the European countries and so on.

If the industry is feeling poor today because it does not make \$550 million to \$600 million in profits, which is the export charge it will have to pay, it is going to feel even worse because it is going to pay a lot more. The United States has indicated it estimates that when the tax is transferred from an export tax to a stumpage charge, the actual amount of tax which will have to be imposed as a stumpage charge will increase from the \$600 million to about \$870 million. It is little wonder that the forest products industry is devastated by this deal. It has not only spent \$10 million fighting this in the United States trade courts and tribunals, but it is now facing an export tax and then an even larger stumpage charge which will absolutely devastate that industry. It will not be able to function or make a reasonable profit.

I see this legislation as devastating. It is a bad decision by the Government and it will live to rue its decision. It will take years to make an agreement with the provincial Governments, and in the meantime our softwood lumber industry will suffer dramatically and intensively for many, many years due to this agreement.

**Mr. Nelson A. Riis (Kamloops—Shuswap):** Mr. Speaker, it saddens me to think that this is the last opportunity we will have at this stage to speak to Bill C-37, an Act to impose an export tax on exporting softwood lumber to the United States,