

In terms of the countervail, I can only quote the Prime Minister (Mr. Mulroney). As the Prime Minister has stated, in terms of the countervail if we had a choice between this agreement and perfection, we would have taken perfection. But we had a choice between this negotiated agreement on our terms, and a countervail. In this agreement we have the best settlement possible, given the alternatives which we faced.

I would like to briefly outline the options, the process, the demands, and the results achieved in this agreement. First, I wish to remind the House that this is not a new issue. Our research shows that the earliest attempts to block softwood lumber exports to the U.S. were in 1892.

In 1983, faced with a similar countervail threat, we won the preliminary determination. However, in 1986 we lost the preliminary determination, and a 15 per cent duty was declared. Therefore, under international law, and under U.S. trade law, we faced three options. We could fight and risk losing the case and paying countervail duties to the U.S. Treasury. We could plead guilty that our stumpage programs were subsidies. This is a position that Canada has always maintained is not the case. Our second option was to plead guilty that our stumpage programs were subsidies and enter into a suspension agreement to keep the additional moneys in Canada. The third option open to us was to negotiate a settlement in order to protect the thousands of Canadians who work in the industry, while protecting the right of the provinces to manage their resources, and to keep forest revenues in Canada.

The Canadian Government engaged in full consultations with the provinces, labour, and industry. We explored all the options consistent with our duty to protect Canada's interest.

A split developed between the provinces as to what approach we should take. This is important, because this Government has always maintained the constitutional right of the provinces to their natural resources, a right that the Liberal Government has ignored in the past.

Ontario wished to proceed to the final decision in the hopes of reversing it, or if that failed, challenging it in the U.S. courts. British Columbia and Quebec are the major owners with 80 per cent of the forests. They favoured negotiating a suspension agreement to keep the money in Canada.

In discussion with the U.S. Commerce officials we became increasingly convinced that notwithstanding our strong case, we would lose the final determination. Such a final determination would have been an open invitation for any special interest group in the U.S. to file a petition against our other resource exports, because that would have put on the books, through the final determination, a precedent which could be used against our other export industries. Thus, in November, I concluded that fighting the case through to the finish would almost certainly entrench a dangerous legal precedent, and see the resulting countervail duties flow to the U.S. Treasury. I may remind the opposition Parties that the duties could well have been higher than 15 per cent. The U.S. industry was asking for

36 per cent. We had no reason to believe that it would be safe to assume that we would only have a 15 per cent duty.

It is our position that we do not fight to lose cases. We fight to win cases. On the other hand, the suspension agreement approach which was favoured by B.C. and Quebec was equally unpalatable. That would have surrendered our forest management policies to the U.S. Government. That was totally unacceptable to the Government of Canada.

The proposal that I developed with Secretary Baldrige came the closest to meeting the objectives of all parties. It was presented to the First Ministers' Conference in November. The Premiers agreed to see if we could explore it. The benefits of seeking a negotiated settlement were very clear. It would meet both national and provincial objectives, increased revenues would be kept in Canada, and these could be used to replenish the forests. These revenues will be returned to the provinces and the provinces have the right to use them for silvaculture, reforestation, worker retraining, or other things within their constitutional jurisdiction.

The provinces would retain their flexibility in determining stumpage pricing, which is very important to the two provinces that had stumpage increases in their systems planned and were caught in the vice of the threatened countervail.

It would avoid the dangerous development in U.S. countervail policy by having the petition withdrawn, because it was central to this negotiation that in return for a negotiated settlement the actual petition that was brought by the U.S. intra groups, the U.S. coalition of lumber, would be withdrawn, and further conflict between the provinces on how they determine their natural resource management policies would remain unimpaired. Unlike a suspension agreement, the U.S. authorities could not infringe Canadian sovereignty by policing provincial management practices.

The agreement we reached with the United States meets all of these objectives. It is important to stress that it is supported by the nine provinces that own the resource, the union that represents the forestry workers, and important elements of the industry. For our B.C. Members of Parliament, it may be useful to note that the B.C. NDP critic, Bob Williams, was reported in the media as saying that the softwood accord was "a pretty good deal". It was the best that could be obtained in difficult circumstances. Moreover, it was reached on our terms, because the key clauses that were on the table at the start of the negotiations were on the table at the end of the negotiations.

Much has been made by the critics about the alleged infringement of Canadian sovereignty. This is really a phoney issue. All countries regularly conclude international agreements in which they agree to restrict their freedom of action, even in the Auto Pact that the NDP is so worried about.

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All agreements between countries is an exercise of sovereignty, by the very willingness and ability of countries to enter