

*Softwood Lumber*

Why did this government bend to U.S. pressure? They used the old the devil made me do it excuse, explaining that the Americans would have levied the tax anyway and that it would be better for Canada to collect the money instead.

• (2150)

Let me assure you that this is little consolation for our forestry industry. Why did it accept the allegation of subsidy at face value without challenging it after it had vowed to fight? Can you imagine what would have happened if the government did not fight? No doubt our forestry policy would be coming out of Washington.

In trying to answer these questions the only answer that comes to mind is that the government wanted to smooth the progress of the free trade talks which were on the Canada-U.S. agenda at the time. It did this by taking a two by four to our forestry industry.

At the time most trade experts felt that Canada would have won this lumber dispute if it had taken it to the GATT, the body governing world trade, for a ruling. Even people like Adam Zimmerman, who is president of Noranda Forest, publicly stated that we should have taken our chances at the GATT.

What has the MOU done for Canada? It has caused countless mill closings and tens of thousands of people to be thrown out of work. It has seen Canadian market share of softwood lumber in the U.S. decline from 33 to 25 per cent, its lowest level in 13 years. But wait, just when you think its bad, it gets worse.

The most important aspect of the MOU and its most dire consequence is that Canada's sovereignty has been directly threatened. Under the terms of the MOU the 15 per cent duty called for could be reduced or rescinded only with American approval. This effectively meant that a piece of Canadian tax legislation reflecting Parliament's sovereign right to levy taxes could only be amended with the consent of a foreign power, in this case the United States.

Somehow in its drive for free trade this government managed to set the most disturbing and dangerous precedent in Canadian history. Big Brother to the south is alive and well and he is watching very closely after all.

There can be little doubt that provincial forestry practices have changed significantly over the five years.

Our industry is picking up a greater share of the cost. For example, British Columbia has increased its stumpage fees by 156 per cent. Thank goodness that the leader of the Liberal Party in B.C. has been pushing the government toward action while we still have a softwood lumber industry to rely on. It concerns me that in an effort to move to a more market-based pricing system for timber it is the Americans dictating the pace and our practices. When their practices do not suit them they change them unilaterally. However, it seems we do not have the same luxury.

U.S. companies bid for their timber rights in three to five year contracts. If they guess wrong on what the price of timber will be in the future, and they quite often do, it can be very costly for them. Consequently, in 1984 the Timber Contract Modification Act came into being in the United States to give lumber producers some relief. I wonder if this will be considered a subsidy.

On September 3 of last year the Conservative government formally notified the U.S. administration that it was cancelling the MOU. It took the government five years, after bleeding our softwood industry for almost one billion dollars in additional taxes, to find the spine to cancel an agreement that should never have been in place. All of a sudden, out of the blue our government was talking tough.

On the other hand, the Americans wasted no time in taking action against Canada in response to this decision. They wasted no time in playing domestic politics with international trade. The day that the memorandum of understanding was scheduled to be terminated the Bush administration announced that it would impose provisional countervailing duties on the provinces of Ontario and Quebec and the prairies. After all, the U.S. administration had to be seen to be tough on trade issues if it were to gain the necessary approval to enter into the North American free trade talks with Canada and Mexico. With its latest decision, which slaps on duties of 14.48 per cent, the U.S. administration has reaffirmed that it is more important for it to pander to special interest groups than to honour international trade agreements.

Unfortunately, these acts of political bravado were taken at Canada's expense by giving our already battered forest industry a black eye.