sides agreed that this matter was a classic illustration of how effective cooperation could resolve difficulties.

U.S. investigation of hog and pork imports

The discussion on this topic took place against the background a few days earlier of the action of three U.S. states to ban the import of Canadian hogs on the grounds that producers in Canada used an anti-biotic banned in the United States. The discusssion was particularly lively because several Canadian participants had close personal connections with the industry and a detailed knowledge of its problems.

The U.S. side opened the discussion by describing the rapid growth in Canadian exports to the United States—a doubling in 1983 followed by a 169 per cent growth in 1984. This flood of new imports was very disturbing to U.S. producers, who blamed Canadian stablization programs.

The first Canadian speaker to respond asked the Americans to think back only 13 years earlier when the U.S. had had 25 per cent of the Canadian market. At that time there had been strong pressure within Canada to block imports, which had been resisted, and free trade in hogs and pork had continued. The recent turn-about in this market was a result of three factors: first, the overvalued U.S. dollar; secondly, the superior quality achieved through careful breeding of Canadian hogs, which were sought after by U.S. packers; and thirdly, in relation to major U.S. markets in the north-east, the superior location of south-western Ontario as compared with the American mid-West.

Another Canadian participant observed that the Canadian price is set in Chicago. Canadian producers could not therefore undercut the U.S. price. He also noted that Canadian hog producers indirectly benefited the United States since, for example, 60 per cent of the feed used for hogs in Manitoba was produced in the United States. He acknowledged, however, that some provincial stabilization programs in Canada had encouraged excessive hog production and that this had been a concern to the federal government.

Yet another Canadian participant observed that the domestic price to producers had fallen from 70 cents to 58 cents a pound and many Canadian farmers were suffering. This prompted a U.S. Senator to point to the economic distress in the mid-West where schools were closing, banks were failing and people were moving out. There were even threats of vigilante action. Canadian participants acknowledged that shipments of live hogs were especially provocative and recollected that U.S. shipments to Canada had always been in the form of cuts of meat, which were much less disturbing to competing producers.

Review of Foreign Investment

A U.S. speaker made a brief opening remark to the effect that he did not believe controls on investment were in the interest of Canada or even of the United States and suggested that FIRA had deterred U.S. investment in Canada. The Canadian spokesmen replied that during the last election the new government had sought and received a mandate to reduce the barrier to foreign investment in Canada which FIRA represented. It had given priority to new legislation in this field, and he proceeded to indicate the main provisions of the Investment Canada bill.

Another Canadian speaker representing an opposition party asked Americans if they would be prepared to accept the high levels of foreign ownership which prevailed in Canada. In his opinion some controls were necessary, but he noted that even so $4 billion of foreign investment had been approved in 1984. The main objective for Canada should be to achieve some bargaining leverage with foreign investors.

Another American speaker wondered how transparent the new process would be. He asked how "net benefit" would be determined, remarking that "substantial benefit" as used in the FIRA legislation had been difficult to judge. He questioned whether there would be "national treatment".

Discussion on this item closed with two remarks by Canadians. One noted that the United States had a substantial number of specific limitations on investment by foreigners that taken together represented a substantial barrier. Another spoke of the situation in Quebec when, during the height of the debate on sovereignty-association, there was a consensus among Quebeckers that increased U.S. investment was quite compatible with independence.

Export of Canadian Fish Products

A Canadian spoke with concern of the threat of countervail against imports of fresh cod and pollock. Canadians saw this pressure as arising out of a reduction in fish stocks, a build up of the U.S. fishing fleet and the loss of fishing rights on part of the Georges Bank. There was no response on the U.S. side.

Softwood Lumber

This subject aroused such widespread interest that it was discussed in two successive sessions of the committee and attracted visitors from the two other committees. Together participants devoted over two hours to this one topic. The discussion was particularly intense because it involved on the U.S. side two sponsors of major bills relating to imports of softwood lumber from Canada, namely Senator Max Baucus, the author of a bill to place a tariff surcharge on Canadian lumber imports if voluntary restraints were not agreed upon and Congressman Sam Gibbons, the principal author of a bill to enlarge the application of countervail to cover a natural resource subsidy.

The first discussion was opened by Senator Baucus who acknowledged that the lumber industry of both countries was in bad shape. Nevertheless, during the previous decade, he claimed Canada had increased its share of the market for softwood lumber in the United States from 18 per cent in 1974 to 31 per cent in 1984. Since overall demand for lumber had actually fallen, the result for the Pacific north-west had been devastating.

He blamed this Canadian incursion on three factors: the high dollar, lower transportation costs and lower stumpage