

*Supply*

On May 21 as reported in *Hansard* on page 13478 I asked the Prime Minister what was going on in the relations between himself and the fast-track free trade negotiations and the U.S. Government. On May 8 a letter went from President Reagan to Senator Robert Packwood, the Chairman of the Senate Finance Committee. That was a very telling letter, because in the days leading up to the vote in the Senate Finance Committee on whether or not to have fast-track free trade talks, a number of lumber state Senators in particular, also Senator Natsunaga from Hawaii and Senator Danforth, all made it clear that they wanted to cut a deal. In the U.S. system where you are making a trade deal there is always the exchange of currency. These members of the U.S. Senate decided at that time that the thing highest on their agenda that they wanted to extract from the President of the United States was some unilateral action from the President in relation to the North American softwood industry.

● (1530)

On May 8 the President wrote Senator Packwood and indicated that he was prepared to move independently. Let me read the question that I put here in the House before either the shake and shingle action was taken or before the decision was made just last Friday to pursue countervailing duty action against Canadian softwood. I said the following:

Mr. Speaker, my question is for the Prime Minister. I think he is aware that on May 8 President Reagan wrote a letter to Senator Packwood regarding Canadian softwood lumber in which he stated: "I intend to press for an expedited resolution to this problem independent of comprehensive negotiations".

I am sure the Prime Minister is aware that President Reagan controls the acceptance or rejection of the countervailing action through Secretary of Commerce Baldrige. Has the Prime Minister himself, through his office, by phone or by letter, contacted President Reagan and asked that this countervailing action be stopped?

RIGHT HON. BRIAN MULRONEY (PRIME MINISTER): Mr. Speaker, no.

Mr. Speaker, we know now that the Prime Minister (Mr. Mulroney) was not prepared to take any action even though that letter had become public. He knew that the President of the United States had written to the Chair of the Senate Finance Committee and said that he will take unilateral action. That is the deal that has been cut. In a story by Greg Weston, who is down in Washington having a look at the U.S. side of this, we see the headlines, "Lumber tariff 'price' for trade talks Reagan promised to cut softwood imports, trade adviser says". It goes to say the following:

Len Santos said in an interview that President Ronald Reagan has made a "clear deal" to take action against Canadian lumber imports in return for the powerful senate finance committee giving a green light to free trade negotiations.

"The president is on the hook—he clearly tipped his hat on lumber and said essentially "I'll protect your flank". It's like an insurance policy".

The events that have transpired are very clear. There is direct linkage between Canada's request for the fast track free trade negotiations and the fact that the members of the U.S. Senate Finance Committee extracted a written guarantee from the President of the United States that he would take unilateral action, regardless of the ITC rules, regardless of the Gibbons omnibus Bill that is before Congress. The President

could, in fact, go ahead and take the same kinds of actions that we saw in 1971 when the United States unilaterally slapped 10 per cent and more tariffs against products coming into the United States.

One of the Government's arguments has long been that it did not know. The shake and shingle tariff came as a surprise. The President had to do something by May 24, the Saturday. As it happened, the President decided to do it on the Wednesday, a couple of days in advance. That is how much of a shock and surprise it was.

There is also the Arnold and Porter Report called the United States Trade Remedy Law, Canada United States Trade Initiative Research Papers, Department of External Affairs, Ottawa, January, 1986. This is one of the documents released by the Government under the access to information provisions regarding these so-called free trade talks. Under the section called resolution of the dispute over lumber imports on page 51 it says, "The present large-scale effort by some U.S. lumber companies to secure legislation limiting imports of Canadian lumber suggests that some in Congress may try to link progress on the free trade agreement to agreement by Canada to restrain lumber exports. However, the substantive argument for making such linkage is weak".

Then it lists, "—lumber imports are already duty free and would not be facilitated by an FTA. (2) the U.S. Commerce Department in its 82-83 investigation established that imports of lumber from Canada were not benefiting from countervailable subsidies. Thus the U.S. industry and its congressional supporters have little basis for arguing that an FTA would facilitate lumber imports either by reducing tariffs or by reducing U.S. restraints on Canadian subsidies".

Then, of course, the key section, as we tended to find from this Government, is written in felt pen and says "Exempt, Section 15(1) of the Access to Information". It goes on page after page, "Exempt, Section 15(1)".

All of the arguments that were given by Arnold and Porter, the law firm, to the Government of Canada was that the U.S. would likely take some unilateral actions in relation to lumber. So the Government has known at least since January that this was coming, and it has known since long before that. The Minister for International Trade (Mr. Kelleher) is fully aware of the views that I have expressed for more than a year in this House. We should have been dealing with the grass roots issue in the United States. We should have been dealing with Georgia, North and South Carolina, Washington, Oregon, Idaho, northern California, getting out there to deal with the grass roots disinformation and misinformation being put forward by members of the U.S. Congress, people like Mr. Yonkers and Mr. Craig, Senator Mattingly and Senator Baucus and others who were clearly intending to use this issue over the past year as an electoral strategy. Both the Democrats and the Republicans were waving the flag saying that it was patriotic for Americans to oppose large importations of Canadian lumber.