

Supply

Mr. Caccia: The Hon. Member for Winnipeg—Fort Garry (Mr. Axworthy) in his excellent speech made a reference to national treatment, which is a very important aspect in this policy. I would like the Hon. Member to comment very briefly on the statement that has been attributed to the Prime Minister (Mr. Mulroney) when he said that national treatment means that goods from Manitoba will be treated exactly the same as goods from Minnesota. How will that affect the economy of the province where the Hon. Member comes from?

Mr. Axworthy: This partly goes back to the question that was asked before. I would refer to a study which has just been released by the Canada West Foundation. This study goes sector by sector in terms of the impact of free trade upon the western provinces. What they point out is that in a province like Manitoba the furniture industry is basically wiped out; the service industry is on a decline; the poultry, egg, turkey, chicken, and all the feather trades, are basically wiped out; and major parts of the textile industry are wiped out. I would be glad to quote from the study when they talk about the service industry. They say that,

In short, free trade offers considerable downside but little upside to Western Canada's service industries.

There is one example of a highly reputed economic organization in western Canada that says that unless the Government is prepared to make a great deal of change and maintain a system that is there, then serious problems will ensue. The problem is that under national treatment all the substructures put in place, for example marketing boards, procurement policies that protected the industries of western Canada will be wiped out, therefore, those industries will be wiped out.

[Translation]

The Acting Speaker (Mr. Paproski): Order! The period provided for questions and comments has now expired. The Minister of State (Forestry and Mines) (Mr. Merrithew).

[English]

Hon. Gerald S. Merrithew (Minister of State (Forestry and Mines)): Mr. Speaker, I am delighted to have an opportunity to make a few comments on a debate that is so important to the future of Canada.

In reading the motion of the Hon. Member for Essex—Windsor (Mr. Langdon) I was rather surprised. I would like to quote what he said here, because I think it is quite important:

That this House condemns—

1. the misguided efforts of the Minister of International Trade to present a unilateral proposal to the United States which undercut the Canadian position—

I would like to assure this House that the Hon. Member does not have his facts right, I am afraid. The decision to make an offer to the United States as the basis for a possible settlement came with the unanimous support and encouragement of the provinces, industry, and organized labour.

It was also clear from the signals that we were receiving from the United States that Secretary Baldrige and the

Administration were continuing to look for a resolution to this issue outside of following the normal routes.

It was clear that the political environment in the United States was such that it was definitely in our interest to try to find a solution to this issue. It was clear to Canadian industry and labour who urged us to pursue this course. It was certainly clear to the Canadian provinces which participated in this initiative. It was clear to the Government that this issue is of such importance that its resolution could not be left entirely to the vagaries of the U.S. quasi-judicial process.

It was clear to the most informed political commentators both in Canada and in the United States that this was a helpful initiative pursued by the Government. The provinces, industry, and organized labour thought so, and urged us to try to settle this dispute out of court, if possible. We made our best effort to do so. It is unfortunate that the U.S. industry did not accept what in our view was a fair and reasonable compromise. What is not clear is why the Hon. Member cannot see what everybody else could see at the time, that is, that it was a useful and helpful initiative on the long road to managing this threat against our \$4 billion industry trade in lumber with the United States.

Let me address the assertion that this offer undercut the Canadian position before the Commerce Department's preliminary determination. One only has to read the flawed and contrived preliminary determination brought down by the International Trade Commission to see that this contention is obviously unfounded. The Commerce Department has resorted to unprecedented and highly controversial interpretations of the law to arrive at the findings in the preliminary determination. There is no relationship between what we see in that flawed determination and our efforts to diffuse this situation in September.

To comprehend fully the background to this issue, we should pause and review the circumstances leading to this preliminary determination. Over three years ago, some U.S. lumber interests initiated a countervailing duty investigation against Canadian softwood lumber imports. They alleged that the Canadian industry was subsidized. Three years ago, the Commerce Department cleared Canada completely of wrongdoing. I was there and very much a part of that as a provincial Minister of Forestry at the time. Unfortunately, that did not put an end to the issue. The U.S. lumber interests, encouraged by growing protectionist pressures in the U.S. Congress, continued their attacks on Canadian lumber. They lobbied Congress for changes in the widely accepted rules governing trade. At the same time, they initiated another countervailing duty case. This time it was skillfully timed to capitalize on the upcoming mid-term elections in the U.S. To quote the recent comments of the Hon. Minister for International Trade (Miss Carney), in the United States:

They created a political environment that could only enhance their own narrow interest, to the detriment of the other interests in the United States. This time, although the facts were the same, the U.S. Administration has chosen to reverse its earlier decision. We in Canada find the basis for this reversal deplorable and badly flawed.