

In discussion with U.S. Commerce officials, we became increasingly convinced that notwithstanding our strong case, we would lose the final determination.

Thus, in November I concluded that fighting the case through to the finish would almost certainly entrench a dangerous legal precedent, see the resulting countervailing duties flow to the U.S. Treasury and the duties might well be higher than 15%.

On the other hand, the suspension agreement approach favoured by B.C. and Quebec was equally unpalatable. That would surrender control over 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 all parties' objectives. It was presented to the First Ministers' Conference in November and the premiers agreed to it.

The benefits were clear: (1) Increased revenues would be kept in Canada. (2) The provinces would retain their flexibility in determining stumpage pricing. (3) A dangerous development in U.S. countervail policy would be avoided by the withdrawal of the petition. (4) Further conflict between the provinces would be avoided. (5) The ability of the provinces to determine their own natural resource management policies would remain unimpaired. (6) Unlike a suspension agreement, U.S. authorities would not infringe Canadian sovereignty by policing provincial management practices.

The agreement we have reached with the U.S. meets all of these objectives. It is important to stress that it is supported by nine provinces who own the resource, the union which represents the forestry workers, and important elements of the industry.