

*Softwood Lumber Products*

producers. It would give Sweden, Finland, and other countries which are beginning to produce pulp, a competitive advantage over the Canadian pulp and paper industry.

The export tax which is introduced in this agreement goes against GATT. It is illegal under the terms of the General Agreement on Tariffs and Trade. Our greatest counterweight to the American presence in our trade is being snubbed. Industry competitors such as Sweden may go to GATT and insist that we increase our prices for exports to all other countries, thus making our exports competitive in all of our markets.

With regard to keeping the money in Canada, if we had won the case that would have occurred anyway, because there would have been no money paid out. This agreement will cause great divisions between the provinces, particularly Ontario, Quebec, and British Columbia. There is no clause in the agreement which states that it will not be used as a precedent in other proceedings. The 30-day provision is ludicrous. Our competitiveness is decreasing as a result.

In the strategic context of free trade negotiations the Government of Canada could have done nothing worse than to sign an agreement on a specific sector, because it calls into question all the other sectors on which our trade depends. It defies reason for the Member for Capilano to suggest that we need a dispute mechanism after the Minister said in the House last month that we were not going for that. This agreement is a prescription for disaster, not only in Canada's forest industry, but in many other sectors of our economy.

**Mr. Keith Penner (Cochrane—Superior):** Madam Speaker, the vice-president of a lumber manufacturing company in Northern Ontario has written to me with regard to the 15 per cent export tax on Canadian softwood lumber. He said that as an elected representative from Northern Ontario my support is needed to oppose this tax which will have an adverse impact on the lumber industry and on communities like Hearst, Chapleau, Terrace Bay and Elk Lake. He writes: "I am of the opinion that the Government's handling borders on bungling", and that "the Government overrated the strength and role of the American lumber coalition opposed to Canadian lumber exports".

It is well known, as Adam Zimmerman, chairman of the Canadian Forest Industries Council has pointed out, that it is a nonsensical assertion and fallacious theory put forward by some U.S. lumber interests that stumpage can be a subsidy. In most cases in Canada wood costs are higher than they are in the United States. Costs are higher because it is so expensive to harvest trees in Canada, to bring those trees to the mill where they can be transformed into usable products. The costs are high because of the nature of the terrain where the trees are harvested, because of weather conditions, and because of long distances from the cutting site to the mills. The question is not one of the value of a tree on these stumps but, rather, what it costs to bring that tree to a place where it can be converted into a usable and marketable product.

On that point, the Alberta Forest Products Association, in a letter to the Right Hon. Prime Minister (Mr. Mulroney), said that the industry is convinced:

—that we are not guilty of receiving stumpage subsidy and this fact stands up to verification procedure. We, along with other CFIC members, have spent much time and effort, along with over ten million dollars (\$10,000,000.00) in professional fees, to research, analyze and present our position. Our attorneys assure us that our position is a win situation and legally sound.

A Washington trade lawyer, with regard to the agreement signed by the Minister for International Trade, (Miss Carney) said recently that "it must have seemed more sensible to the U.S. lumber industry to accept the Canadian settlement rather than risk getting nothing at the end of the day".

What will the effects be of the 15 per cent export tax on softwood lumber? Of course, opinions on the effects vary. For example, in *The Globe and Mail* this morning it is reported that the director of research for the International Woodworkers of America has argued that the Canadian industry can absorb the tax and remain competitive, particularly in the interior of British Columbia. I do not know whether that is so or not. However, according to him, only about 1,000 jobs will be lost in the forestry sector as a result of this tax. The loss of 1,000 jobs seems rather serious to me. However, the Canadian Forest Industries Council itself has a different estimate. According to them, about 6,000 jobs in the forest industry are in jeopardy as a result of this tax, and that another 11,000 jobs in allied industries and services are at risk.

A lumber company executive from Hearst, Ontario wrote a letter to the Minister of State for Forestry and Mines (Mr. Merrithew). This individual who is executive president of the Levesque Lumber Company says:

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Crown dues in Ontario are five to eight times higher than those in British Columbia, so the imposition of a 15 per cent increase in stumpage to Ontario lumber firms would be a prohibitive expense to Ontario producers. In addition, British Columbia has offshore markets and sells surplus lumber in the Ontario market because of low freight rates from British Columbia to Ontario. So British Columbia has three markets, (the United States, offshore, and the Toronto Montreal area) whereas Ontario only has the local market and the central United States market.

I was more than a little interested in what my Progressive Conservative neighbour, the Hon. Member for Timmins—Chapleau (Mr. Gervais) said in the debate yesterday when he let us know his views. First, as reported at page 2530 of *Hansard*, he agreed that:

—the potential ramifications of the tax on northern Ontario are serious indeed.

A little later in his speech at page 2531, he went on to say:

I do not deny that a 15 per cent export tax on Canadian softwood will hurt softwood lumber producers in northern Ontario.

Further on he said:

—I do not deny a tax increase is not altogether healthy for the softwood industry—

But quite curiously, at the end of his speech he said:

I support the Bill of the Hon. Minister for International Trade (Miss Carney).

As an even more curious afterthought, he said: