Mr. Mazankowski: Tell the truth. Tell the truth, Lloyd.

GOVERNMENT POSITION

Hon. Lloyd Axworthy (Winnipeg—Fort Garry): Mr. Speaker, the fact is, as Mr. Rawson has said, that the Government is already making decisions on applications under Western Diversification based upon a perception of what it thinks the trade agreement means, how the Americans will react, and how they will define a subsidy. It has nothing to do with our international obligations. According to Mr. Rawson and the Minister himself, it is clearly based upon their reading of the trade agreement which has not even been passed by this House yet.

If it is happening in western Canada, is it happening in other parts of Canada as well? How many other regions are being penalized and how are our other regional development programs already being dictated to by the Americans through this trade agreement?

Hon. Bill McKnight (Minister of Indian Affairs and Northern Development and Minister of Western Economic Diversification): Mr. Speaker, the Hon. Member asks why a Department of a Government of Canada would be cognizant of international obligations. I do not quite understand it.

The predecessor Department of Western Diversification and other regional development Departments, probably since 1947, have been cognizant of their responsibilities in international agreements.

The Hon. Member is trying to put forward to the people of Canada an untruth that countervail is only because of the free trade agreement. The Hon. Member knows that we are subject to countervail under GATT. When any country takes a decision that we are harming it, that country has the opportunity to countervail.

I will repeat that there are no obligations under the free trade agreement that are not there under GATT.

Mr. Axworthy: All I can say is that the Minister shows an abysmal ignorance of the difference between our obligations under GATT and the kind of judgments they are making on the trade agreement.

UNITED STATES OMNIBUS TRADE BILL

Hon. Lloyd Axworthy (Winnipeg—Fort Garry): Mr. Speaker, is the Minister now agreeing that because of the passage of the U.S. omnibus Trade Bill, which substantially broadens the definition of subsidy according to U.S. law but not by GATT, that we are now making decisions in relation to that U.S. law because it is entrenched as part of the Canada-U.S. trade agreement? In other words, is the Government now saying to all western Canadians who make applications that it will make decisions on the veracity, credibility, and legitimacy of those applications according to U.S. trade law, before it even signs the agreement or has it passed in the Parliament of Canada?

Hon. Bill McKnight (Minister of Indian Affairs and Northern Development and Minister of Western Economic Diversification): Mr. Speaker, I do not understand the Member's concern about developing the economy of western Canada. I would have thought that he would have been in favour of it.

Mr. Rawson has issued a statement that states: "Recent press reports quoting me as saying that the free trade agreement will adversely affect regional development assistance in western Canada are not true".

Mr. Axworthy: He also says he is afraid of being fired.

Some Hon. Members: Oh, oh!

Mr. Axworthy: He also said that.

Mr. McKnight: I wish the Hon. Member would make that statement outside the House of Commons where public servants, who served several Governments of several political stripes, do not have the opportunity to have recourse against statements made in this House that impugn their integrity.

Mr. Axworthy: Thank God they tell the truth because you don't know how to tell the truth.

Mr. McKnight: I suggest to the Hon. Member that he take to heart what the *Free Press* said, and tell the truth.

His Leader was wrong on the Quebec investment plan. His Leader was wrong on fish processing.

Mr. Axworthy: Mr. Rawson is right about free trade.

Mr. McKnight: The Hon. Member is wrong about what he impugns to this development agreement rather than the agreements that we have had in the past.

• (1130)

GOVERNMENT FOREST INDUSTRY POLICY

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, my question is directed to the Acting Minister for International Trade, or perhaps to the Deputy Prime Minister. It concerns the trade deal and its effects on regional development. On August 29 the Minister for International Trade said, and it was repeated today by another Minister, that this deal has nothing to do with regional development programs.

Caron Fine Wood Products applied under the IRDP to establish itself in my constituency in Alexandria, Ontario, and was told that under the Canadian forest industry policy established as a result of the Memorandum of Understanding regarding softwood lumber, which is incorporated in the trade deal, it could no longer get grants because its project is inconsistent with the Canadian forest industry policy.

Will the Deputy Prime Minister now admit what we have known all along, that in fact regional development programs right across the country are being abandoned as a result of this trade deal? That is happening right in the riding that I represent.