

Supply

Many U.S. producers have operated in Canada under our regulations without protest over the last two decades. The sudden concern over Canadian stumpage practices is directly related to the imbalance of currencies and the enhanced efficiency of Canadian producers who undertook extensive modernization in the late 1970s and early 1980s. Comparing U.S. stumpage systems to the Canadian models really is like comparing apples and oranges. Canadians pay a low rate of stumpage on average, but must contend with much more difficult terrain, longer hauling distances, higher labour rates and a completely different forest than our U.S. competitors. The important comparison is the price at which a producer can get the logs to his mill. We believe that Canadian and American producers come out approximately equal in this measurement.

The motion calls for the Government of Canada to assist in every way possible the softwood lumber industry as it makes its defence before the International Trade Commission of the U.S. Department of Commerce. I can assure the House that the close co-operation and team work which has characterized the Canadian defence to this point will continue. Our industry will be the primary defendant. The federal Government will play a key role in ensuring that the necessary data is collected and that all the involved parties are kept well informed so that they can work as an effective team.

We should note in passing that the petition against the Canadian lumber industry has implications beyond even that huge sector. Because the main element of the U.S. case relates to Canadian stumpage practices, a decision against Canada would have a negative impact on any sector dealing with wood products and, of course, the various service sectors supporting that sector. When we consider that some 350,000 people work in forestry-related occupations in Canada, we realize that this proposed tariff is a direct assault upon the well being of our national economy.

The Government has pledged to do anything it can to avoid this frightening possibility. But, as concerned as we are, we should not indulge in undue pessimism or defeatism. Two major factors are working in our favour. The first is the historical relationship between Canada and the United States, characterized most recently by the warm and cordial relations between the President and the Prime Minister (Mr. Mulroney). As John Kennedy said in the early 1960s:

Geography has made us neighbours. History has made us friends. Economics has made us partners.

What the U.S. coalition is proposing to do to Canada will not sit well with the average American citizen when he or she begins to fully understand what is happening.

A second major factor working to our advantage is simply self-interest. The major beneficiary of low Canadian lumber prices has been the American consumer. The U.S. has had over 14 quarters of uninterrupted growth with increasing employment, decreasing interest rates and inflation. A significant player in this prosperity has been historic levels of new housing starts and home renovations.

Despite the persuasive public relations effort of the U.S. coalition, Americans understand that restrictions on Canadian

lumber will benefit only a few of them while increased lumber prices will harm millions of consumers. Estimates prepared by U.S. sources suggest that the average American home contains some \$7,000 worth of lumber. The same sources indicate that every time the value of a new home rises by \$1,000, some 300,000 families are pushed out of the housing market. In the case of lumber, where domestic U.S. sources are simply unable to supply adequate volumes of lumber to meet overall U.S. demand, the U.S. consumer will be over a barrel. Prices will have to rise with the resultant loss of jobs.

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We see, therefore, that the United States' best interests lie in continued free trade of lumber. We must wonder what would make them act in a way which was against their best interests. What would make them impose tariffs which raise the price of a product they so badly need? One of the real dangers for Canada in this issue is an escalating round of rhetoric which fuels small-minded nationalism and creates differences between people who should be friends.

One of the leaders of the U.S. coalition said recently:

We are not accusing the Canadians of anything except subsidizing their stumpage. This is not protectionist legislation; all we are asking for is relief from foreign subsidies. We want to make it where our kids can once more go to college, eat apple pie, and sing about Mom. It just so happens that we have truth and right on our side.

What a ridiculous statement; what a ridiculous frame of mind. Is it any wonder that we have problems dealing with people with such a mentality?

On our own side of the border we have people, such as members of the Opposition, who demand that the Prime Minister phone the President and threaten and bluster, the way certain members of the previous Government do. To take that sort of action is to fan the fires of protectionism and nationalism. We can see very clearly what Canada's fate would be in such a configuration.

Canada is one of the few industrialized nations which does not belong to a major trading block. No matter how difficult our relationship with the United States might become, we can see clearly that no warmer reception awaits us in the Pacific Rim, South America or Europe. For a small nation dependant on trade these are dangerous times. The Progressive Conservative Party, aware of Canada's vulnerable position in a world where protectionism is once again held up as a solution for every nation's problems, has taken a dramatic step toward securing our future. We have initiated a bilateral trade negotiation which could secure access to one of the largest and most vibrant markets in the world. At the same time we want to put behind us various forms of trade harrassment such as the continuous assault on Canadian lumber we are facing again today.

One of the major objectives of the negotiations opened by Ambassador Reisman is to design a system of trade conflict resolution which avoids the heavy-handed and expensive procedures now in use. We go into these negotiations with our eyes open. We have no illusions about our neighbours; they are tough businessmen. However, proper rules can only benefit both parties.