

Supply

The Gibbons Bill and a companion Senate Bill sponsored by Senator Baucus would modify U.S. countervail law to deem that a subsidy existed where Canadian stumpage prices, the price a lumber company must pay the Government for cutting down a tree on Crown land, fell short of an arbitrary figure based on American stumpage prices.

I can assure you, Mr. Speaker, that the Government is taking the threat posed by these Bills very seriously. One of the things we have been doing is dealing directly with the author of the Gibbons Bills. I first met with Representative Gibbons in Washington in June of last year and set out our position with respect to his proposed legislation and the situation facing the North American lumber industry. At my invitation, Mr. Gibbons and a Congressional delegation visited Vancouver for a briefing by industry and Government, both federal and provincial, on Canadian forest management policies. The Hon. Member for Skeena (Mr. Fulton) is well aware of this meeting. He was there along with other Members of the House.

In response to a suggestion made by Representative Gibbons at the conclusion of the meeting, I provided him with detailed written comments on his proposals. That critique clearly demonstrated the basis of our opposition to the concepts embodied in his proposed amendments to U.S. countervailing duty law.

In addition, a comprehensive and well co-ordinated Canadian campaign of private and public diplomacy has been mapped out and has been under way for some time. This strategy runs along the following lines. First we are trying to neutralize the U.S. campaign of misinformation. We are doing this by actively disseminating in the United States the Canadian perspective on this issue, by ensuring that the administration understands our position and by conducting a co-ordinated campaign in Congress.

We are also gaining allies in the U.S. by alerting American constituencies that would suffer from restrictions on lumber imports. Among those, of course, is the housing industry. The campaign involves the co-ordination of a large number of players including the Embassy, all 13 Canadian Consulates and the Washington representatives of Canadian industries and federal and provincial government Departments.

The Canadian message in the U.S. has been a firm one. Our arguments are that we are fair traders, that we are not benefiting at U.S. expense and that our success in the U.S. market is based on competitive market factors including a favourable exchange rate, consumer preference for Canadian wood products and superior productivity. These arguments, by the way, were essentially supported by the U.S. International Trade Commission's recent Section 332 report. This message has been and continues to be communicated through slide presentations to Congressional staffers, press briefings, speeches, testimony to Congressional committees, information kits and briefing sessions with Congressmen and administration officials.

The strategy we have been employing has enjoyed a number of successes. For example, we have received strong editorial

support from major newspapers across the U.S. We have an excellent organization in place that links the federal Government, industry and the provinces. We have mobilized U.S. interest groups including transport interests, lumber dealers, home builders and the like, and they have coalesced in clear and vocal opposition to restraints on Canadian softwood lumber. We have, in other words, succeeded in stalling the momentum for Congressional legislation that would affect Canadian lumber exports.

We also have the support of the administration in resisting linkage between the lumber issue and bilateral trade negotiations. Nevertheless, there still remains a very real threat of Congressional action or a trade remedy petition. The Canadian Government is working with the administration to help manage the lumber issue. To that end, Canadian and U.S. officials have recently resumed a new round of talks at the request of U.S. trade representative, Ambassador Yeutter, to review the factors affecting competition in the North American lumber industry and to clarify Government policies and practices in Canada and the U.S. that affect lumber trade. The first meeting was held in San Diego on January 20, 1986. A technical session took place in Prince George on February 12 and 14 and discussions took place again in Washington on March 12. A further meeting will be held in Ottawa next month.

The Canadian Government will continue to commit the resources that are required until this, our number one trade problem with the U.S., is resolved. The Prime Minister is addressing this issue in his discussions this week with President Reagan and the Congressional leadership. I can say with some confidence that no Canadian Government has ever mounted a campaign as broad, as intense and as persistent on any previous Canada-U.S. trade issue.

Some Hon. Members: Hear, hear!

Mr. Kelleher: I am equally confident that our softwood lumber campaign is yielding results. The American lumber industry has been trying to restrict our exports for several years and the Gibbons Bill itself has been before Congress for more than a year. Yet our lumber still crosses the border unrestricted and we believe that talks between our two Governments on the matter will, in the long run, produce a satisfactory resolution to this issue.

The Opposition is quick to criticize but offers no concrete alternatives other than the *status quo* and *ad hoc* responses to rising American protectionism. Unlike the Opposition, the Government believes that it is neither very self-respecting nor very sovereign for Canada to run down to Washington hat in hand every week to appeal against yet another protectionist threat. We believe that the best way to resolve the trade dispute with the United States is to negotiate a binding agreement backed up by a joint dispute settlement mechanism, a mechanism in which we will have an equal voice.