

*Softwood Lumber*

which was the time mentioned in the motion passed earlier in the day?

**Some hon. members:** Agreed.

[*English*]

**Mr. Benno Friesen (Parliamentary Secretary to Secretary of State for External Affairs):** Mr. Speaker, the United States is the bastion of free enterprise, right?

**Mr. Angus:** What century?

**Mr. Friesen:** It all depends on how you define free enterprise in American terms. We have seen plenty of examples on how they modified the definition of free enterprise in the United States.

In the agricultural industry, if they are short of water, they bring in the army corps of engineers. They level the land, they bring in the water and it is free to the farmers. Of course, that is not a subsidy, the Americans have the power to do that without billing the farmer.

Then they can produce cheaper products and ship them into Canada. However, that is not a subsidy, it is free enterprise. I have seen it all too often. They impose non-tariff barriers at the border and simply allow trucks to sit there for a while while the customers wait for the product. The merchant in Canada is waiting for a product and finally cannot wait any longer and gets a different supplier. However, they believe in free enterprise.

There are land banks in the United States which reduce the amount of acreage which they put into crop and therefore create an artificial supply. They pay the farmer to keep that land in a land bank. They create that artificial shortage and thereby keep the price up. However, that is not a subsidy, no, no. That is free enterprise in the United States. Who says that they are fair traders?

For them, might makes right. They think they can get away with it. Many times they do and it encourages them to do it some more.

The background to this particular issue, the counter-vail on softwood lumber in Canada which probably hits my province the hardest, is not the last few years. The U.S. department itself agreed that this is not a subsidy. It goes back several years to the practices of the U.S. forest industry. U.S. forestry companies bid on the price of the

woodlots which supply their logs. In the late 1970s the U.S. timber companies engaged in a speculative bidding war for stumpage on U.S. forest lands. That drove the cost of these cutting rights far above their appraised values because there was a short supply.

They have fear in their free enterprise system. They were afraid that they would have a shortage of logs and therefore the price went up.

In the intervening years between the end of the seventies and the beginning of the eighties there was a slump in the market and they had bid far too high for their timber rights, for their logs, for their supply. They could not sell, the market was depressed and the timber companies were in trouble. In 1984 the U.S. Congress had to buy out \$2.8 billion worth of these purchases at a net cost to the taxpayer of over \$400 million. Of course, that is not a subsidy. When the U.S. timber companies are in trouble and are bailed out by the U.S. taxpayer, that is not a subsidy. However, a stumpage based on fair price is a subsidy.

Somehow there was a redefinition of the free market system and free enterprise by the Americans. The trouble goes back to the mid-seventies when they were bidding too high and they could not afford to pay those prices in a depressed market in the early 1980s.

That continues to the present day. One of the issues is the supply of timber for the American companies. Oddly enough, they refuse to export logs outside their states or outside their country because they need them all. I do not blame them. They need them all for their industry.

However, the same provision holds true for Canada and that is deemed to be unfair. They need our logs to keep their mills going. There is a shortage of supply. One of the reasons is because of the spotted owl decision in the United States which resulted in thousands of square miles of land being taken out of production. The U.S. court system took it out of production and the timber companies cannot get at it. Therefore they need timber. If they cannot get at theirs they want to get at ours. If they do not export logs, that is okay. However if we do not export logs, that is wrong.

The problem with the American free enterprise system is that if they cannot beat their competitor they beat up their competitor.