

Softwood Lumber

call an indirect subsidy to producers as a result of logged export restrictions in British Columbia.

Now, what is this? The Americans are saying to us: "You won't ship raw logs to the U.S. or Japan or wherever. You restrict them and, as a result, you should be countervailed". We are shocked that the United States would allege this. We find it ridiculous. They say that the subsidy is alleged to result from the following: By not shipping raw logs you depress domestic log prices as a result of artificially reduced demand. That is their argument.

The fact is that both Canada and the United States have restricted the export of logs from public lands for decades. This is not something new. We have done it for decades. We do not do it alone, the Americans do it. As a matter of fact, they do it for conservation reasons. They have got the spotted owl for example that they want to protect and they do not allow the export of raw logs in certain areas because of that. These restrictions have never been a problem up until now. In fact, log export restrictions were explicitly acknowledged and accepted as part of the Canada-U.S. Free Trade Agreement.

Why do we not export raw logs? The reasons are that we want to conserve a valuable natural resource to meet multiple uses that the public increasingly demands of our forests such as wilderness for hunting, tourism and timber supply. In fact, sawmilling interests in the Pacific northwest want increased controls on log exports. They recognize that the United States' actions against Canada could undermine any efforts to strengthen domestic controls.

In conclusion, in this part 57 per cent of their whole case is based on an absolutely ridiculous contention. We are absolutely positive we are going to win this. It is ridiculous that the Americans have taken this to the stage they have taken it. I am confident that we may not even have to reach a bi-national panel because of the strength of our position.

Mr. Réginald Bélair (Cochrane—Superior): Mr. Speaker, I too welcome the opportunity to say a few words on this very important issue not only for northern

Ontario but also for northern B.C. and Quebec where the industry holds a very special place.

Before going any further, I would just like to bring a correction to what the forestry minister said in his opening remarks. He said that in 1982 the Coalition of Lumbermen's Associations in Canada was centred and came mostly from B.C. He forgot to mention that the Ontario Lumbermen's Association was directly and very actively involved in this action in Washington as well as *La fédération des manufacturiers de bois du Québec*.

Just to give you a little background, the issue and the problem go back to 1982 where the industry fended off by itself an attempt by the American lumber producers to have a duty put on Canadian lumber. It should be mentioned that at that time the industry spent some \$7 million and won its case. The government did not help. In 1986, the Americans started again and this time the government negotiated, on behalf of the industry, the softwood lumber agreement where it bowed to American pressure instead of letting the Americans impose the duty on Canadian softwood lumber and go immediately to GATT. Then the second error had not been made yet. The memorandum of understanding was grandfathered into the free trade agreement. Like other speakers have said, the free trade agreement was there to abolish tariffs and barriers, not to increase them.

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Of course, there have been serious consequences to this memorandum of understanding. In my riding alone six sawmills have been closed and 2,500 jobs have been lost. Exports to the U.S. plunged from a high of 88 per cent in 1986 to a mere 5 per cent in 1991. The remaining sawmills are operating at half capacity, not only because of the recession, but primarily because of the 15 per cent export surtax.

At the national level, from 1988 to 1991 Canadian exports have declined steadily, 12 per cent between 1988 and 1991 and 5 per cent in 1991 alone. The share of the U.S. market has dropped from 33 per cent in 1987 to 26 per cent in 1981. When one considers that lumber exports to the United States account for \$4 billion a year, 7 per cent is the equivalent of \$280 million a year less that the industry is making. This explains the thousands