

can manage [supply] both ways. You can close the tap, or you can open the tap We have tremendous excess capacity that is sitting there. We're not prepared to lose the market because of this situation. So we can manage supply either way, and we're quite prepared to do both" (*Globe and Mail*, September 15).

On September 23, after meeting with Prime Minister Brian Mulroney, Mr. Devine said, "The potash thing will take care of itself." He said the US reaction to the duties would help resolve the issue in Canada's favor: "I cannot find an American who thinks it's a bright idea Only two worn-out old mines" would benefit from the duties, he said. The same day in Washington, a spokesman for the US Commerce Department said that a final ruling had been postponed to January 8, 1988, at the request of the Canadian industry (*Ottawa Citizen*, September 24).

Softwood Lumber

The issue of Canadian softwood lumber exports to the US continued to be of interest during this 2-month period (See "International Canada" for June and July 1987). US Commerce Department statistics published in August showed that in the first six months of 1987 — the softwood export tax was imposed on January 8, 1987 — the value of taxable Canadian softwood shipped to the US declined, while the value of products subject to more lenient treatment increased dramatically, in some cases by more than 100 percent. Canadian officials said that this situation resulted from more precise classification of exports by Canadian exporters, made worth their while by the imposition of the 15 percent export tax. However, a US industry source said that a 50-percent increase in certain products might be legitimate, "but when you get into 150-percent jumps, you begin to have doubts and feel there could be hanky panky going on." While the value of the exempted products shipped was small (US\$109.5 million) compared with the value of the taxable softwood shipped during the 6-month period (US\$1.48 billion), the figures were presenting problems to US and Canadian negotiators, who were still trying to solve some problems in the softwood dispute (*Ottawa Citizen*, August 21).

While the free trade negotiations approached the October 3 deadline, International Trade Minister Pat Carney asked British Columbia Premier Bill Vander Zalm during a meeting with Prime Minister Brian Mulroney and the other provincial premiers, to wait until the deadline had passed before making any decision about increasing stumpage fees in British Columbia. Premier Vander Zalm, however, announced in mid-September that the province would be imposing higher stumpage fees as a means of replacing the federal government's 15-percent export tax. A September 17 *Globe and Mail* report said that Canadian and US free trade negotiators had yet to agree on how, or whether, the 15-percent export tax should be eliminated in a general tariff reduction expected in a free trade agreement. The report also said that there was no guarantee that the federal government would remove the tax for British Columbia producers, and quoted one External Affairs official as saying, "Provided we are prepared to go to a provin-

cially variable tax, we must now have discussions with British Columbia, evaluate their program and then initiate discussions with the United States It is for British Columbia to decide how to manage its forest resources." The official conceded, however, that taxing exports from different provinces at different rates would be administratively difficult. He also said that Canada had "not yet seen the light at the end of the tunnel" on the issue of exempted softwood products, which was being negotiated still. This would make it even more complicated to reopen at that time the January 1987 memorandum of understanding with the US to adjust the export tax for some provinces.

Steel

Figures reported in early August showed an improvement in the Canadian steel industry's position in the US market. Stelco Inc., Dofasco Inc., and Algoma Steel Corp. Ltd. all showed solid gains in profit and sales in the first half of 1987, an August 4 *Toronto Star* report said. "Access to the US market for fairly traded Canadian-produced steel continues to be of vital importance to the Canadian steel industry," said the Algoma Steel financial statement. "The corporation supports Canadian government initiatives to maintain access to the US market, whether through a free trade agreement or otherwise" (See "International Canada" for June and July 1987).

In mid-August, June figures from the US Commerce Department and the Canadian Department of External Affairs for Canadian steel exports to the US were almost identical: the US figure was 304,000 tonnes, the Canadian 304,980 tonnes. A spokesman for External Affairs said that 4,267 tonnes of the Canadian figure were shipped on temporary import bonds, and were returned to Canada after partial processing in the US (*Toronto Star*, August 15).

On August 17 the American Iron and Steel Institute (AISI) complained that, while overall steel imports to the US were down, imports from Canada "continued to rise sharply." The lobby group said that increased January to June imports from 22 countries who had not signed voluntary restraint agreements (VRAs) with the US "kept the 6-month total substantially above the target level of the VRA program [The increase in shipments by non-VRA countries] is almost exactly the margin by which imports exceeded the [VRA program's] target." Sheldon Wesson of the AISI said that Canada's share of the US steel market amounted to 4.21 percent in the period from January to June. AISI chairman Thomas Graham said that the VRA program "can never bring imports under adequate control as long as so many countries increase their shipments at will." Canadian steel makers continued to insist that they were trying to hold their market share at the traditional 3 percent, despite heavy demands by US manufacturers. The August 28 *Globe and Mail* report also said that an unpublished Canadian government document showed that the three largest Canadian steel producers — Stelco, Dofasco and Algoma — had turned down almost 94 percent of the requests made for steel by US companies in the first quarter of 1987, and 81 percent of the requests made in the last quarter of 1986.