

"International Canada" is a paid supplement to International Perspectives sponsored by External Affairs Canada. Each supplement covers two months and provides a comprehensive summary of Canadian government statements and of political discussion on Canada's position in international affairs. It also records Canadian adherence to international agreements and participation in international programs. The text is prepared by International Perspectives.

Bilateral Relations

USA

Softwood Exports

The dispute over Canadian softwood lumber exports to the US continued during this 2-month period (See "International Canada" for August and September 1986). On October 9, while waiting for a decision from the US Commerce Department on whether Canadian softwood was subsidized, International Trade Minister Pat Carney said that "Canadians would be angry" if the US imposed a new tariff on Canadian lumber, and support for free trade negotiations "would be eroded" by such a move. Ms Carney also denied in the House that the government was putting forward any offer besides its "once only" offer at the end of September to increase stumpage fees, an offer that was called an "insult" by US lumber producers (*Ottawa Citizen*, October 10).

When the US announced it would impose a preliminary 15 percent tariff on softwood from Canada (a final decision would be forthcoming on December 30), the Minister said the Canadian government "deplores" and "will fight [the decision] all the way." Ms Carney also stressed that free trade negotiations were the solution to US protectionism. "Today it's lumber, tomorrow it could be any number of issues. . . . We must change the rules in order to stop the harassment by US interest groups against competitive and fairly traded Canadian exports," she said. Prime Minister Brian Mulroney said that the government would "take strong and vigorous action, hopefully to reverse this action," but dismissed the suggestion that Canada might retaliate in some way (*Globe and Mail*, October 17). As far as the impact of the 15 percent tariff was concerned, Michael McCracken of Infometrica Ltd., economic consultants, said that the result could be a 10 percent reduction in forest industry employment and up to a 12.5 percent loss in total exports.

Ms Carney met in Toronto on October 20 and 21 with industry, union and provincial government officials. The outcome of the talks was an agreement that Ottawa would "be taking steps both in the course of the judicial process and diplomatic trials to bring home to the [US] Administration why we consider this decision to be untenable," said Ms Carney. The *Globe and Mail* reported on October 22 that the decision to fight the ruling rather than negotiate

meant the Canadian government would not take advantage of an option available to it under US trade law — that of coming up with some concessions within thirty days that would enable it to avoid paying the full tariff.

The Canadian decision was met with support from Liberal trade critic Lloyd Axworthy, who said that he had been worried the government would make a compromise offer to raise prices, as they did before the Commerce Department ruling. However, NDP trade critic Steven Langdon said that the government should have taken immediate retaliatory action, to show the US how tough Canada could be (*Ottawa Citizen*, October 23).

In a Boston speech on October 22, Ms Carney spoke strongly of the effects the lumber tariff could have. "Many Canadians will perceive — wrongly in my view — that this action of one US industry is an indication of the general view of Americans toward their northern neighbor. . . . Protectionist action poisons the atmosphere surrounding a trade negotiation which is intended to free trade between us. . . . We view it as an unacceptable attempt to impose US views on how other governments should manage their natural resources. This is an attack on our sovereignty," the Minister told the Canada-New England Business Society (International Trade statement, October 22).

In an October 27 interview on PBS, Prime Minister Brian Mulroney blamed the "electoral ambience" in the US, caused by the upcoming congressional elections, for the imposition of protectionist measures by the US, and warned that the "pernicious" lumber tariff would hit Americans in the pocket book (*Globe and Mail*, October 28).

During the week of October 27, a team of six US investigators from the Department of Commerce arrived in Canada to seek information from the federal and provincial governments and lumber companies, in an effort to either verify or dispute the preliminary ruling which led to the 15 percent tariff on lumber from Canada. A US embassy spokesman said, "These fellows are not in anyone's pocket. They take great pride in being very objective about these things." And a Canadian lumber industry spokesman expressed optimism about the result of the investigation, claiming there were "definitely some problems with