

*Softwood Lumber Products Export Charge Act*

replacement measures within the meaning of paragraph 6 of the Understanding.

It then cites item 7, awarding contracts for silviculture, roadbuilding, recreational and other foresting activities on a non-competitive basis. It is that letter, signed by both the U.S. Secretary of Commerce and the U.S. Trade Representative, sent to Stanley Dennison, Chairman of the Coalition for Fair Lumber Imports, we are trying to overcome. We want to ensure that Canada says to these two representatives of the United States that regardless of how acquiescent the Government is, regardless of the fact that the United States snaps its fingers and we have higher drug prices in this country, and regardless of whatever other actions have been taken in the past year, this legislation will not bypass the laws of Canada and tell the provincial Governments what they can or cannot do.

I thought Premier Peterson of Ontario put it very succinctly in an article reported in *The Globe and Mail*, on January 6, 1987 that "they—the U.S. Government—will have the thumbscrews on us at all times and if we do not behave they will put the blocks to us. I do not like a deal like that". In an article in the *Ottawa Citizen* on January 6 he stated:

We've turned not only our resource and taxation policies but in a sense our regional development and employment policies over to another sovereign country. It is a dangerous precedent.

I think that is what Hon. Members from Northern Ontario are extremely concerned about. We have seen a pro-active Government during the last two years in Ontario. It has tried every possible device to develop roads, and our tourism potential because we have not shared in the tremendous growth of economic activity of southern Ontario, for instance.

Since January 1, in my constituency alone, every month \$1 million dollars from one company alone goes to the federal Government. It does not get anything for it. It just gets the incompetence of the Government in negotiating this arrangement. If the Government had fought it all the way in the United States trade tribunals, if the Government had fought it in the GATT, this company would not have to send a cheque every month to the Government of Canada.

What this motion seeks to do is to say no to Mr. Yeutter and Mr. Baldrige. It is saying: "We are the sovereign nation. If this export tax is passed on to the provinces, it can be used for roadbuilding, recreational development and for all those other uses". Obviously, the Government of Canada is extremely concerned that the agreement is binding, and it intends to knuckle under to the threats and intimidation of the U.S. Secretary of Commerce and the U.S. Trade Representative.

I would like to read a paragraph of a legal opinion concerning the Dennison letter, and I quote:

The Dennison letter is a contemporaneous expression of the understanding of one of the parties to the Agreement. Therefore, to the extent the language of the Agreement itself fails to resolve any disagreement between the parties, the letter may be used to construe the Agreement. If the U.S. industry were to file a Section 301 case it almost certainly would submit the Dennison letter as evidence of the meaning of the Agreement, and the Administration would be hard pressed, both legally and politically, to disavow its own interpretation as

expressed in the letter. Even before a more objective body, such as a GATT panel, the letter would be strong evidence of the meaning of the Agreement.

Thus, to the extent the Canadian Government's interpretation of the Agreement differs from the interpretation expressed by the U.S. government, it should seriously consider stating publicly the Canadian position, perhaps in a letter to the Department of commerce and the United States Trade Representative.

● (1710)

The Government has not taken that action. The House of Commons can take such action. I believe that as a sovereign nation we are obligated to take this action by adopting the amendment to the Bill and by placing it right in the legislation. In this way it will be clear to the Americans, to the Provinces of Ontario, B.C., Alberta and Quebec, that they will not be bound by that United States letter. In this way we will know, and everyone will know, that we are masters in our own house and that we will not be intimidated by that letter from United States cabinet Ministers. It is essential that the Parliamentary Secretary accept the amendment.

**Mr. John McDermid (Parliamentary Secretary to Minister for International Trade):** Mr. Speaker, I will be brief. I have been sitting listening to the debate this afternoon on this particular amendment brought forward by the Hon. Member for Winnipeg—Fort Garry (Mr. Axworthy). I would first like to make a couple of points, if I might, just to cover the sovereignty issue.

I think a country loses its sovereignty when laws of another country are brought forward to force a country to do certain things within one's country. Had the countervailing duty proceeded it would have allowed the American Government to come into Canada to check the books of the Government. It would have been able to check the books of individual exporters. To my way of thinking that would have damaged the sovereignty of Canada.

When two sovereign nations such as the United States and Canada sit down to negotiate an agreement that is not losing sovereignty, that is putting into practice sovereign rights. That is exactly what the Government did. It negotiated an agreement with the United States which allowed Canada to place an export tax on lumber and to keep the money in Canada, money which will go to the provinces.

In our federation the provinces own the resources, that is, the lumber. In co-operation with the provinces, and with the consent of the provinces with the exception of one, we proceeded in this manner. We have agreed with the provinces that the money from the federal Government will go to them, with the exception of a small administration charge.

There was a great deal of talk about who can spend the money and what can be done and so on. I enjoy members of the Opposition quoting Clayton Yeutter and Malcolm Baldrige's letter to Dennison which has nothing to do with the memorandum of understanding whatsoever. It has no legal status whatsoever. It may be their interpretation of what they think the memorandum of understanding states. But we have