Minister for International Trade

Ministre du Commerce extérieur

# STATEMENT
# DISCOURS

CHECK AGAINST DELIVERY

87/74

Statement in the House of Commons by the Honourable Pat Carney, Minister for International Trade.

OTTAWA

December 16, 1987.

Canada

I am pleased to report that we have successfully renegotiated the Memorandum of Understanding on Softwood Lumber which was concluded a year ago with the United States. As a result, all softwood lumber products milled in five provinces - British Columbia, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and representing close to 75 percent of Canada's softwood lumber exports to the U.S. - will be exempt from the 15 percent export charge.

Discussions are continuing with the U.S. on the value of Quebec replacement measures and I am optimistic that we will be in a position to announce shortly a reduction in the export charge for softwood lumber milled in Quebec. The Government of Saskatchewan has recently advised me of that province's interest in seeing the export charge eliminated for Saskatchewan producers on the basis of changes in Saskatchewan forest management policies.

Clearly we are well on our way to achieving the objectives we set for ourselves a year ago to move away from this export charge.

Our key objectives in signing the Memorandum of Understanding last year were to retain in Canada revenues which would otherwise have gone into the U.S. Treasury and to protect the ability of the provinces to manage their resource. Faced with the prospect of a countervailing duty imposed by the U.S., nine out of ten provinces and the International Woodworkers fully supported the government's decision to seek a negotiated solution to the dispute with the U.S. over softwood lumber. As a result of that agreement, approximately $335 million has already been remitted to the provinces. The provinces have been able to proceed with planned changes in forest management policies which would have been, for all practical purposes, precluded if the U.S. had imposed a punitive countervailing duty.

I have today reminded the governments of Ontario, Manitoba and Alberta that we are prepared, as soon as each province is ready, to discuss with the U.S. the value of their replacement measures.

We were criticized for our decision to seek a negotiated solution to this dispute and there were dire predictions from our critics that the export charge would result in shutdowns and layoffs in the industry. Our critics were wrong.

A study issued November 20, 1987, by Doug Smyth of the IWA-Canada provides an authoritative assessment of the impact of the export charge on employment in the Canadian lumber industry. This study concludes that "the massive job losses which many Canadian observers believed would surely result from the imposition of the 15 percent export tax on softwood lumber shipments to the United States during 1987 simply have not occurred". Altogether 600 new jobs were added in British Columbia alone between January and September 1987.

The IWA study also shows that during the first eight months of 1987 Canadian lumber production exceeded comparable 1986 output by more than five percent. After noting that the few sawmill closures announced throughout Canada during 1987 were caused by a number of factors, the study concludes that "in no instance that we know of can the export tax be directly blamed as the sole cause of the closure".

Overall, the study concludes: "It is clear, therefore, that the dire predictions of declining profits, production cutbacks and sawmill job losses ranging from 5,000 to 20,000 positions during 1987 have simply not come to pass".

The main elements of the agreement which I am tabling today are as follows:

The value of B.C. replacement measures constitutes full replacement of the export charge on softwood lumber products milled in B.C. and exported to the U.S. after November 30, 1987. Termination of the export charge for lumber milled in British Columbia eliminates the unfair burden on lumber remanufacturers in that province. B.C. will be able to rebate to remanufacturers any export charge paid with respect to softwood lumber products shipped after October 31.

Secondly, effective January 1, 1988, all softwood lumber products milled in the four Atlantic provinces will be exempt from the export charge.

Thirdly, lumber produced in Canada from logs harvested in the U.S. will also be exempt from the export charge subject to a ceiling of 365 million board feet per year. This will be of particular benefit to a number of Quebec mills close to the U.S. border.

Fourthly, additional further manufactured products will be exempted from the export charge with respect to the value added. This will be of particular benefit to mills in Alberta, Ontario and Quebec.

Finally, all individual company exclusions will be terminated. As a result, the 20 companies which have enjoyed the benefits of this exclusion over the past year will now be competing in the U.S. market on the same basis as other softwood lumber producers in their respective provinces. As a practical matter, for most of the companies affected, the loss of their exclusion will be offset wholly or in part by the concessions we have gained.

In conclusion, I want to acknowledge the significant investment of time and effort on the part of my colleague, The Honourable Gerry Merrithew, and the Canadian Council of Forest Ministers, concerning provincial replacement measures. Finally, I want to make particular mention of the extraordinarily close and effective working relationship with the governments of British Columbia and Quebec during these most recent negotiations.