



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

43rd PARLIAMENT, 2nd SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 034

Friday, June 4, 2021

Chair: The Honourable Judy A. Sgro



Standing Committee on International Trade

Friday, June 4, 2021

• (1310)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call the meeting to order.

To everyone, welcome to meeting number 34 of the House of Commons Standing Committee on International Trade. Today's meeting is televised and is taking place in a hybrid format, pursuant to the House order of January 25, 2021.

The committee is meeting today pursuant to Standing Order 108 and the motion adopted by the committee on Friday, May 28, 2021, to discuss the countervailing and anti-dumping duties on the imports of Canadian softwood lumber by the United States.

With us today we have the Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade, and her officials. They are Arun Alexander, director general, North America trade policy bureau; Rosaline Kwan, director general, trade sectors; Colin Barker, director, softwood lumber division; and Michael Owen, acting general counsel and executive director, softwood lumber litigation division.

Minister, we're thrilled that you came back and responded so quickly to the committee. I turn the floor over to you, please.

Hon. Mary Ng (Minister of Small Business, Export Promotion and International Trade): Thank you very much, Madam Chair, for inviting me here. I'm always pleased to speak to the committee. I'm very happy to provide you with an update on Canadian softwood lumber.

Canada's forestry sector supports over 200,000 jobs in communities across the country, and in 2019 contributed \$23.7 billion to our economy, or 1% of Canada's total GDP.

Let me begin today by stating unequivocally that the duties imposed by the United States on Canadian softwood lumber are unwarranted and unfair, and they hurt workers and industry on both sides of the border.

[*Translation*]

The duties imposed by the United States on Canadian softwood lumber are unjustified.

[*English*]

The United States has always relied on Canadian lumber products to meet its domestic needs for high-quality building materials, and with this year's overwhelming demand, this has never been more true.

Last month, the U.S. Department of Commerce signalled, in its second administrative review, the intention to significantly increase duties on Canadian softwood lumber later this year. While the final report and resulting tariff rates will not be in place until November, we are disappointed by this unjustified development.

U.S. duties on Canadian softwood lumber products are a tax on the American people. They make housing less affordable for Americans and hinder economic recovery. An increase would exacerbate the harm being caused to Canadian communities as well as to U.S. home builders and consumers who are dealing with soaring lumber prices.

We are not sitting idly by. I have raised these unfair duties directly at every opportunity possible with President Biden, with U.S. trade representative Tai and with commerce secretary Raimondo.

As we have always done, we will continue to vigorously defend Canada's forestry sector and the hundreds of thousands of jobs that it supports. We're taking a team Canada approach, working hand in hand with the softwood lumber industry, labour unions and provincial and territorial partners on all fronts. We have launched a series of challenges against the initial U.S. duties on softwood lumber through both the World Trade Organization and through the new NAFTA.

Our consistent and numerous legal victories clearly demonstrate that our softwood industry is in full compliance with international trade rules and that Canada is a trading partner in good standing in the multilateral rules-based system.

This year, while coping with challenges and restrictions, the forestry sector has stepped up to help keep Canadians safe. The industry has been vital to our supply chains, producing components for essential pandemic goods like PPE that Canadians have relied on. Other nations, including the United States, have also relied on Canadian exports of these components.

I would like to thank our softwood lumber industry and, as we emerge from this pandemic, we will continue to be there for them.

• (1315)

We have made sure to support our industry and workers since 2017 through the softwood lumber action plan.

Through the pandemic, we have supported our industry of around 8,500 forestry firms with a total of nearly \$600 million through our government's emergency wage subsidy program.

Our forestry sector is also playing a leadership role as we work towards an inclusive and sustainable long-term recovery. Canada's softwood lumber industry is a global leader in its commitment to sustainable development and environmental standards, helping to secure a more sustainable future for all Canadians. It is a perfect example of how the economy and the environment go hand in hand. Working together, we will be able to reach our target of net-zero emissions by 2050.

It is clear that we have so much to be proud of with our forestry sector and with softwood lumber. Our industry shows leadership on so many fronts, from environmental stewardship to innovation and global trade, while supporting hard-working Canadians and economic growth.

Allow me to reiterate here my personal commitment to use every opportunity to raise softwood lumber with my U.S. interlocutors and to defend the interests of the Canadian forestry sector and forestry workers across the country.

[Translation]

Our government will always stand up for Canada's forestry sector.

Thank you.

I look forward to answering your questions.

[English]

The Chair: Thank you very much, Minister. I appreciate that.

We will go on to Ms. Gray for six minutes, please.

Mrs. Tracy Gray (Kelowna—Lake Country, CPC): Thank you, Madam Chair, and thank you to the minister for being so accommodating in being with us here today. We appreciate it.

Minister, you met with U.S. trade representative Tai on May 17 and 18, and your readout says you discussed softwood lumber. These new tariffs were announced on May 21.

Did Ambassador Tai inform you of these tariffs, and whether they were increasing and if they were coming?

Hon. Mary Ng: I want to thank the honourable member for that question.

No, she did not. I did raise it. As I said, I always raise softwood lumber at every opportunity with U.S. interlocutors.

Mrs. Tracy Gray: Is it a concern for you that Ambassador Tai didn't give you the courtesy of letting you know that this was coming, especially since it was so soon after your meeting?

Hon. Mary Ng: To the honourable member, the process for the administrative review, I understand, takes place through the Department of Commerce. We were notified of the administrative review number two.

Mrs. Tracy Gray: Minister, have you met with or spoken with Ambassador Tai since the U.S. announced its intention to double the softwood lumber tariffs on May 21?

Hon. Mary Ng: The last meeting I had with Ambassador Tai was also with Mexico. It was at the USMCA Free Trade Commission. The three of us are committed to the successful implementation of the new NAFTA and ensuring that our efforts on global recovery, including for the environment, for labour, and for inclusive growth, are things we are all working on towards North American competitiveness.

Mrs. Tracy Gray: Minister, you're saying that this announcement came just a few days after you met with the ambassador, and you didn't call her up to say, "What is this? What's going on?" You didn't pick up the phone to call and ask what was going on.

• (1320)

Hon. Mary Ng: I stand up for the Canadian softwood forestry sector, and softwood lumber workers and businesses, as a top priority. This is a very important sector that employs many, many Canadians, and it is my commitment to always defend their interests.

Mrs. Tracy Gray: Minister, did you meet or speak with Ambassador Hillman since May 21, since this announcement?

Hon. Mary Ng: I'm in regular contact with Ambassador Hillman on a range of issues with respect to my file. I always speak to the ambassador.

Mrs. Tracy Gray: Since May 21, have you spoken on this matter?

Hon. Mary Ng: Well, I would have to look specifically at my schedule. I'm in regular contact with the ambassador on matters of Canada-U.S. relations, in particular as they relate to my file.

Mrs. Tracy Gray: Would you be able to table information as to when you were speaking with Ambassador Hillman on this matter since May 21?

Hon. Mary Ng: What I would say to the honourable member and to the forestry sector—and I appreciate all of the work that you do as a sector—is that I will always defend your interests.

We have been doing that. We will continue to do that, and to raise how unjustified these tariffs are. Indeed—

Mrs. Tracy Gray: Minister, did you meet with or speak with U.S. Secretary of Commerce Gina Raimondo since May 21?

Hon. Mary Ng: I have had the opportunity to raise the issue of softwood lumber with the commerce secretary.

Mrs. Tracy Gray: Was that since May 21?

Hon. Mary Ng: I have had the opportunity to speak to the commerce secretary about softwood lumber.

Mrs. Tracy Gray: What is the number of U.S. legislators at the federal or state level you've met with since May 21?

Hon. Mary Ng: I have had the opportunity to meet with labour representatives as well as legislators to advocate for Canada and for the softwood lumber industry. It is a top priority for me to stand up for Canadian businesses, particularly here in the forestry sector.

Mrs. Tracy Gray: Minister, May 21 wasn't that long ago. How many U.S. legislators would you have met with—it wasn't really that long ago—in your best estimation?

Hon. Mary Ng: To the honourable member, what is really important here is that Canada continues to defend our softwood lumber and forestry sector. We are very clear about the tariffs being unjustified.

We also know that these tariffs are a tax on the American people, because they make it more difficult to do the work that needs to be done around home building and affordable housing. We also know that Canadian softwood lumber has terrific products that are environmentally sound. I think there are wonderful opportunities for us to be working together, especially in the area of the environment.

Mrs. Tracy Gray: You can't give us concrete information as to when you're actually having meetings and how you're addressing this issue with your counterparts. We don't have dates. We don't know how you're standing up for Canadians in the forestry sector. It's a little disconcerting that you can't say what the dates are when you're meeting and what future dates you have coming up.

Can you tell us how you're addressing this? What future dates have you scheduled to address this situation?

Hon. Mary Ng: I would say to the honourable member that this file is a top priority for me and for our government. We have been standing up for the forestry sector that employs so many people across this country against these unjustified tariffs.

We have also been doing other work to help the industry look into and pursue diversification into other markets, which I am very happy to also speak about.

Mrs. Tracy Gray: Minister, you can understand how concerning this is. You have given us no information.

The Chair: Thank you, Minister.

I'm sorry, Mrs. Gray. Your time is up.

We will move on to Mr. Dhaliwal for six minutes, please.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Madam Chair.

Madam Chair, I want to thank the Honourable Minister Ng. Any time we ask her to come to the committee, she is always accessible. Any time I have gone to her, whether it is on the B.C. lumber issues or any other trade issues, she has always been very professional and very accessible for help.

Madam Minister, you mentioned about sustainability and environmental consciousness in your speech today. I will give you a perfect example.

Here in British Columbia, in Port Alberni, I met with Kamal Sanghera of San Group, who announced this week \$100 million of investment in Port Alberni. It's not only the investment, but in fact they are reusing the sawdust and the shavings to create green energy. They're also using the waste from all these operations to build pallets.

Minister, could you please share how Canadian companies such as this, in this sector, can diversify? How can the government help

them diversify locally and diversify their exports so that they are not reliant on only one market?

• (1325)

Hon. Mary Ng: I want to thank the honourable member for that very important question.

As my honourable colleague knows, our government is committed to tackling climate change. We know that is the biggest long-term threat of our generation. In doing so, we can create great opportunities around green growth. That is so important during this time in the economic recovery.

I also want to say that Canada's forestry sector is one of the most sustainable in the world. I think it bears repeating that the economy and the environment do indeed go hand in hand.

Our government is committed to supporting the softwood lumber industry by promoting its reputation around the world. I know that our softwood industry takes incredible pride in being a global leader in sustainable forestry management and environmentally responsible forestry.

The honourable member talks about how there are additional opportunities for the sector. What they are doing is incredible. They are innovating and looking to diversify not only their products but to diversify opportunities in international markets. Very many of those companies that are diversifying are also small and medium-sized businesses. Whether it is biofuels or wood-based bioproducts going into other various industries—whether it be automotive, chemical, food or cosmetics—this is what we are seeing of our forestry sector.

Our government has invested in the trade diversification strategy here. We are helping our Canadian businesses pursue opportunities in the global marketplace. We are able to say that we're the one G7 country that has a free trade agreement with every other G7 country. We have 1.5 billion customers in a global marketplace and we're helping our businesses connect.

Let me just give you one concluding statistic here. Our trade commissioner service, which I think is absolutely terrific, has provided over 705 instances of referrals or connections to help 260 forestry clients make those exact connections in what they are doing here, helping them diversify and grow and then getting them into international markets.

In fact, I have a long list of businesses that are doing just that. It's terrific that there are lots of them in B.C.

Mr. Sukh Dhaliwal: Thank you, Minister.

Minister, the U.S. National Association of Home Builders has expressed concerns regarding the lumber dispute. It has urged its government to reach a long-term resolution.

Do you believe that U.S. stakeholders that support free trade with Canada in softwood lumber products can contribute to resolving the current issues?

Hon. Mary Ng: My honourable colleague is absolutely right. We need to continually and vigorously defend the interests of the Canadian softwood lumber industry. The tariffs that are imposed, or that could be imposed through the signalling of this second administrative review, will have a direct effect on American consumers and on home builders.

The approach that we are taking is a team Canada one. We're working with Canadian industries and with our provinces and territories so that we can work with the United States and get to a resolution of this issue that will benefit job creation on both sides of the border.

Mr. Sukh Dhaliwal: Madam Minister, in the absence of a functioning WTO appellate body, to what extent are the rights of Canadian softwood lumber exporters protected under the mechanisms of CUSMA?

Hon. Mary Ng: That's a really important question. This issue is precisely why it was so important that we negotiated chapter 10 of CUSMA. It replaces the former chapter 19. To have a strong dispute settlement mechanism in our trade agreement is absolutely essential. We heard that very loudly from industry, particularly the softwood lumber industry.

I want to remind colleagues that we have consistently defended the softwood lumber industry and we have been awarded victories, which demonstrates that Canada is in compliance with international trade rules. We will continue to do that at these panels through CUSMA.

• (1330)

The Chair: Thank you very much, Minister.

We'll now go to Monsieur Savard-Tremblay for six minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

Madam Chair, before I get to my questions for the minister, I want to say how shameful it is that the meeting started before I arrived. I was voting. Committees usually suspend when votes are being held. What's more, we are always told that we have to stay until all the votes have been tallied. I just want that on the record.

Good afternoon, Minister. Thank you for being here today.

According to transcripts of the calls between the Prime Minister of Canada and the President of the United States, the Prime Minister did not raise the issue of softwood lumber or try to resolve the ongoing dispute, once and for all.

Are the two leaders expected to discuss the issue? Has a conversation been scheduled?

Hon. Mary Ng: Thank you for your question.

[*English*]

Softwood lumber is an important issue for Canada. The sector is of course a really important employer that employs hundreds of thousands of Canadians.

We are certainly disappointed with the findings of the second administrative review. At every opportunity, I raise with the United States the issue of softwood lumber. Indeed, when I was in the meeting with the Prime Minister and the President, I had the opportunity to raise softwood lumber.

It is important, and we will continue to stand up for the industry and for their workers and continue to do this important work.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I will ask the question again.

Do the Canadian Prime Minister and the U.S. President have a meeting scheduled to discuss the softwood lumber dispute, among other issues?

[*English*]

Hon. Mary Ng: As I have said, we will absolutely be working as team Canada. I am certainly on the Prime Minister's team and on team Canada. I'd like the member to know that this issue is very important to our government, and we will be sure to continue to raise it with our American partners.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Since I still don't have an answer to my question and will probably not get one, I'll switch gears.

A conversation needs to happen, so what are you waiting for? You put out a statement on May 21, but what actions do you have planned in the wake of the U.S.'s announcement? What is your strategy to bring President Biden to the negotiating table?

[*English*]

Hon. Mary Ng: We have been consistently working on the softwood lumber issue in the interests of the Canadian industry. We are continuing to defend their interests and those of their workers, whether through litigation, through chapter 19 of NAFTA and chapter 10 of CUSMA or before the WTO, and we will continue that work.

We are also ensuring that the industry is supported. Well before the pandemic, and even as tariffs were levied on our sector, we were working with the sector. We're making investments so that they can diversify their products and can look at additional markets in which to pursue opportunities and customers. We have done this. We have successfully attracted foreign direct investment to invest in some of our sawmills across the country.

This work really takes a broad approach. It's about helping the sector, investing in the sector and defending our interests against these tariffs.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I gather that the plan is to diversify partners and that you are taking actions accordingly. Nevertheless, do you not have a strategy to bring the U.S. President to the negotiating table, reopen talks and end the dispute?

• (1335)

[English]

Hon. Mary Ng: We have consistently said that we are ready for a discussion at any time. We are very interested in finding a resolution to this issue. We believe it would be good for the Canadian industry but also for the Americans as well. We are ready for those discussions, absolutely. That is what we will continue to do. We will vigorously do this. We will vigorously defend the interests of the Canadian softwood lumber and forestry sector.

At the same time, we want to help those small and medium-sized businesses who are very keen on innovating and creating opportunities and products that tackle climate change as well, and getting them the support they need so that they can look at diversifying and growing their companies into the international marketplace.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: The chair is signalling that I'm almost out of time.

[English]

The Chair: You have 40 seconds.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: All right, Madam Chair.

Why not have the two leaders discuss the issue, Minister?

[English]

Hon. Mary Ng: If I can reflect on the free trade commission meeting that I had, we actually talked about the importance of labour and the importance of inclusive growth as we build back from the pandemic and as we look at the environment. There's a range of issues that are important. The President and the Prime Minister also have a Canada-U.S. road map for this economic recovery. We will work with the United States on a range of issues. I want to assure you that I will keep working hard to defend the interests of the Canadian forestry sector and softwood lumber.

The Chair: Thank you, Minister.

Mr. MacGregor, you have six minutes, please.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you, Chair.

Thank you, Minister, for appearing before the committee.

I represent a riding that has a very long history with forestry. I took some time before today's meeting to consult with the local steelworkers union, which has many employees in the local mills in my riding. Coastal forestry products are a pretty specialized subgroup. We have a pretty diversified market, but we certainly are affected by what's going on in the United States as well.

I want to put my question in the context of the astronomical lumber prices we're seeing right now. Are those to some extent helping us weather this current storm with the U.S.?

Hon. Mary Ng: I want to thank the honourable member. I think this might be the first time we've had an opportunity to speak at committee. It's wonderful to have the opportunity to do this.

I think the tariffs that have been imposed are certainly causing concern for home builders and for consumers. We are, of course, concerned about it from the standpoint of our sector and our industry. Certainly, there is cause for concern. The tariffs just add to the cost. As I said, they are like a tax to the American home builder or consumer who is looking for this product. We are committed to working with the United States on this matter.

Mr. Alistair MacGregor: Minister, one thing that the steelworkers noted was that many large Canadian companies also have sizable footprints in the United States. For example, Western Forest Products, probably the biggest player in my region in terms of the mills they operate, has a much larger footprint in the United States, especially in the state of Virginia.

Are those companies playing different strategies on both sides of the border here? Are you noticing anything? That was a concern that was raised with me directly.

Hon. Mary Ng: My team and I are in constant discussion and dialogue with the industry, as you can imagine, because it's very important that we stay very connected. I too have had the opportunity to speak to the steelworkers here in Canada as well as in the U.S. so that I can be informed by the workers' perspective as well.

I think what I would say here is that keeping the supply chain open is what they said was really important to them, and continuing to defend the industry against the tariffs that have been levied, which are unjustified.

• (1340)

Mr. Alistair MacGregor: Okay, but I'm not sure I got an answer on how companies might be playing with sides, depending on which side of the border they're on.

To follow up on what Mr. Dhaliwal asked, he made reference to U.S. groups that are opposed to what's going on with the application of the duties. These are groups such as the National Association of Home Builders. We know that adding duties to already high lumber prices is going to hurt home construction, naturally.

Just for more clarification, what is the Canadian government doing to identify groups like that? Is it trying to maybe latch on to the lobbying power they have with U.S. elected officials? Is that part of the strategy? Can you inform the committee with more information on that aspect, please?

Hon. Mary Ng: The answer is yes, we are speaking with and working with both industry and workers on both sides of the border. We're very much taking a team Canada approach. My team and I are in very close contact with both workers and businesses here on this side of the border, and we continue to work at all levels of government, including through the ambassador in the United States, to make sure that we are taking a whole government of Canada approach here to see if we can get to a discussion and a resolution.

Mr. Alistair MacGregor: Thank you, Minister.

I maybe have time for one more question. How much longer can Canada afford for this perennial problem to continue? To some extent, our mills are going gangbusters right now with the high prices in lumber, but that's not going to be the case forever. Is there a point at some time in the future where lumber prices decrease to a certain point and these tariffs start applying far more hurt? At what point does Canada have to change its strategy? If you could illuminate the committee on that front, it would be greatly appreciated.

Hon. Mary Ng: We will keep doing the work to defend the industry against these tariffs and we are ready for a discussion, and we always have been, but the work for the industry, in supporting the industry, has been going on for a number of years under our government. In 2017, when the first U.S. import duties were applied, we invested \$867 million for the softwood lumber action plan so that we can help businesses in this sector with the tools to diversify and support them with employee training and so forth, so we are supporting and helping the sector.

It's really wonderful to see that the sector, whether it's in the indigenous forestry initiative or through the investments on the forest industry transformation, is really innovating. They're innovating by creating products that really are also going to tackle climate change and they are doing that here in Canada, creating new products, new innovations, and being able to export them.

The Chair: Thank you, Madam Minister. Sorry to cut you off.

We will go to Mr. Martel for five minutes, please.

[Translation]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Madam Chair.

I would like to thank the minister for being here this afternoon.

Minister, CUSMA was a golden opportunity for the government to negotiate a resolution to the softwood lumber dispute, but that did not happen.

Why did the government sign CUSMA without coming to an agreement on softwood lumber?

[English]

Hon. Mary Ng: I'm not sure I fully understood the question. What I would say is that Canada stands ready and willing to always have a discussion. We do believe that a negotiated settlement would be in the best interests of both countries.

In the meantime, we must defend against these unwarranted tariffs, which we will continue to do.

[Translation]

Mr. Richard Martel: On March 4, 2021, the U.S. Department of Commerce announced the notice of initiation of its third administrative review, or AR3, of the softwood lumber countervailing and anti-dumping duty orders.

How does the government plan to respond to this threat to Canada's softwood lumber industry?

• (1345)

[English]

Hon. Mary Ng: Thank you so much to the honourable member. I know how important the sector and the industry are to the people in his riding in Quebec.

We of course are disappointed at the announcement around the administrative review. We have clearly communicated that the duties are unjustified and that they hurt workers in both of our countries.

We will continue to defend the interests of the Canadian softwood lumber and forestry sectors through chapter 10 in CUSMA and through the WTO. We will continue to defend their interests.

[Translation]

Mr. Richard Martel: Right now, as you know, our softwood lumber industry cannot count on stability in its trade relationship with the U.S.

How you plan to secure other international markets or boost domestic demand for Canadian lumber?

[English]

Hon. Mary Ng: Right now, as we are all looking to help—well, not right now; we've been helping businesses right from the beginning of this pandemic and supporting them to get them through the pandemic, but right now there are real opportunities to help our businesses look at new and different customers.

The Canadian trade commissioner service has been doing excellent work for the last number of years because of the government's commitment to a trade diversification strategy and an investment of \$1.1 billion. We are really seeing some excellent innovations by Canadian companies.

There are a couple of examples of good wood biocomposite solutions developed by Canadian companies that are being exported to both the U.S. and Europe. Tall wood construction, which is an innovation out of British Columbia, is finding markets for its products in Australia, Japan, and the Philippines.

We are providing the opportunities to help our businesses on this economic road to recovery and to build the capability for them to diversify, in addition to defending their interests here against American tariffs.

[Translation]

Mr. Richard Martel: According to Statistics Canada, the price of softwood lumber two-by-fours has more than tripled, going from \$600 to \$2,000 per thousand board feet.

What is the government doing to stabilize prices?

[English]

Hon. Mary Ng: The tariffs that have been applied cause difficulty here for the Canadian industry, but they certainly do as well for American consumers and home builders. We will raise this issue with my American counterparts at every opportunity.

The Chair: Thank you very much, Minister.

Ms. Bendayan, please go ahead for five minutes, please.

[Translation]

Ms. Rachel Bendayan (Outremont, Lib.): Thank you, Madam Chair.

I want to start by underscoring how important the forestry industry and softwood lumber are to Quebec, which exports approximately \$10 billion a year in forest products and supports more than 65,000 direct jobs in the province, and many more. I should mention they are well-paying jobs.

It is also important to note that Canada and Quebec are at the international forefront of sustainable forest management, with some of the strictest legal and policy frameworks in the world, as the Minister pointed out.

The softwood lumber trade dispute between Canada and the U.S. is nothing new. It's a long-standing problem that goes back to the 1980s.

• (1350)

[English]

Actually, Minister, I remember studying the softwood lumber disputes while I was in law school studying international trade dispute resolution. It's really important to remember that this is a disagreement that spans many different Canadian governments and many different American administrations.

Could you let us know a bit more specifically the approach this particular government has taken, since coming into power, to defend the Canadian softwood lumber industry?

Hon. Mary Ng: Thank you so much to my terrific parliamentary secretary for that question.

My colleague is absolutely right. This is an issue that spans a very long time. We have always been very clear that the duties that have been imposed by the United States on Canada's softwood lumber are both unwarranted and unfair, and they hurt workers and industry on both sides of the border. I don't think I can underscore enough that we will continue to vigorously defend their interests.

We have certainly launched a series of challenges against the United States' duties, both through the WTO and the new NAFTA in CUSMA as well as through the original NAFTA.

As I've said before, Canada has been consistently awarded legal victories that clearly demonstrate that our softwood industry is in full compliance with international trade rules. In other words, Canada does not subsidize the softwood lumber industry.

We're going to take a team Canada approach here. We're working hand in hand with the industry, labour unions and provincial and territorial partners on all fronts. We're going to keep doing this work. It doesn't stop.

This is a sector that supports hundreds of thousands of good middle-class jobs for Canadians, and certainly in your home province of Quebec, so it's very important.

I often remark at just how innovative this sector is and what a leader it is, particularly in terms of both the environment and economic growth. It is exactly that which we are delighted to support through having the trade diversification strategy, making sure our

resources in the trade commissioner services are working hand in hand with the sector to help them with market analysis in different international markets and helping businesses pursue both investments and opportunities for their products.

In fact, it's the green products they're taking. It's the biofuels. It's the inputs into PPE and inputs into new fibres that are going into automobiles. There's a real range of innovations that the sector has pursued, which we are supporting through our efforts and our investments.

Ms. Rachel Bendayan: Thank you very much for that, Minister.

I know we will have the opportunity, perhaps later with officials, to ask questions about Canada's position and the legal analysis behind the government's position. I understand that we as a government are fully in compliance with our CUSMA obligations.

Of course, though, these legal disputes do have a tendency to drag on. With regard to diversifying the market for our forestry sector, do you feel as though there are any particular markets this government can help the sector diversify to in terms of new trading opportunities?

The Chair: Can we get a brief answer, Minister?

Hon. Mary Ng: The answer is that there are 1.5 billion customers in the global marketplace because of the trade agreements Canada has with countries around the world.

What I would also say is that the opportunity to grow not only green but inclusive is very much what I see happening here, meaning women-led businesses, indigenous-led businesses and racialized-led businesses. Providing opportunities for them to grow and supporting that growth through, for example, the CanExport program, are things we are very committed to for the sector.

The Chair: Thank you, Minister.

We now go to Mr. Savard-Tremblay for two and a half minutes.

Go ahead, please.

• (1355)

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

Two bills have been brought forward in the U.S., one in New York State and one in California. The idea is to ensure the states no longer procure products that contribute to boreal forest degradation. That is the terminology used.

We are not against protecting forests, far from it. However, "degradation" is a broad term, so these bills could lead to new barriers to lumber exports. British Columbia and Quebec, in particular, would be affected.

Do you have any details on what constitutes forest degradation?

Hon. Mary Ng: Thank you for your question.

[English]

Canada's forestry sector is sustainable. They're a leader here. Canada's forest laws are among the strictest in the world. We very much collaborate closely with the United States on forest management. We certainly are again taking a team Canada approach and monitoring the situation in the legislation in these other jurisdictions in the U.S. and making sure that we're working with our provincial colleagues, as well as the industry, to register our views. We're making sure that we are keeping a close eye on this.

Our forest management practices and our sustainability are among some of the strictest in the world, and this is really important to us.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: You do not think, then, that the newly introduced legislation in the states of New York and California could have any repercussions on our exports. Is that right?

[English]

Hon. Mary Ng: We are monitoring them, and we will stay in very close touch with our industry and with our workers as these bills make their way through the legislative process. Of course, our team in the U.S. is also monitoring this situation very closely, because our job is to make sure we continuously defend the interests of our Canadian forestry sector.

The Chair: Thank you, Minister.

We move on to Mr. MacGregor for two and a half minutes, please.

Mr. Alistair MacGregor: Thank you, Chair.

Minister, I wanted to ask you about the WTO appellate body and the fact that we don't have a functioning body at present. I wanted to ask you how that's impacting the Government of Canada's strategy. Right now we do have the binational review mechanism under CUSMA, but can you inform the committee on how the fact that the WTO's body is not functioning is impacting our approach in all of this?

Hon. Mary Ng: Thank you for that question.

Canada, of course, and I as the trade minister, lead the Ottawa group with many of our international partners in looking at working together on WTO reform. We've been clear that one area that needs reforming is ensuring a fully functioning appellate body at the WTO, as it's very important to the multilateral rules-based trading system. That is the work that we have contributed to as Canada. Of course, the WTO is a consensus-based organization, but I'm very pleased to be leading the effort among a number of countries as part of the Ottawa group's work.

We've been clear that a binding system, a two-stage dispute settlement system at the WTO, is necessary. We will continue this very important work with our international colleagues.

Mr. Alistair MacGregor: I have a final question, Minister. What are the anticipated costs of our litigation, both under the WTO and CUSMA, and how might that compare with previous efforts?

Hon. Mary Ng: Perhaps that might be a question that I may have the officials answer, if that's quite all right. I don't have the information, but I know the officials are here for the second half, and perhaps they might be able to provide that to you.

• (1400)

Mr. Alistair MacGregor: Okay. No worries.

The Chair: Thank you, Minister, and thank you, Mr. MacGregor.

We will go to Mr. Aboultaif for five minutes, please.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you, Minister, for appearing today.

I have a good question. Do you think we are at the point of no return with the United States on the softwood lumber industry or trade?

Hon. Mary Ng: Not at all. The United States is a partner to Canada, and they're our largest trading partner. We've always said that we are ready to be in discussions, and I'm going to work with Canadian industry and Canadian workers and with the Americans on this.

I think it's very important to Canadian industry to not say that there isn't a way forward, so we must work at it.

Mr. Ziad Aboultaif: It looks like you're optimistic moving forward. Would you be able to advise us on what is the basis for that, other than a traditional relationship and the long history between Canada and the U.S., the CUSMA and everything else? Can you be specific, please? What makes you so optimistic?

Hon. Mary Ng: My optimism has to do with my absolute commitment to the industry here in Canada, in the forestry sector, and the hundreds of thousands of jobs—

Mr. Ziad Aboultaif: That covers our side, Minister. I'm talking about the American side. There must be something, some indication there, that tells you that we're going to overcome this situation. This is devastating for the industry, as you know, and this didn't come out of nowhere. It's not in CUSMA. That means this was planted a long time ago.

Hon. Mary Ng: The softwood lumber issue has been going on between Canada and the United States, as I think we said earlier, for many decades. I'm very committed to working to defend the interests of the Canadian forestry sector and softwood lumber. I work with the Canadian industry and our workers to do so. We defend the interests against the unjustified tariffs through our legal means, but at the same time, we have always said that we're always ready for a discussion.

Mr. Ziad Aboultaif: Minister, on the impact on jobs in Canada throughout this whole issue, do you know by number how many jobs will be affected as a result of what's going on?

Hon. Mary Ng: I want to thank the honourable member for asking me those specific statistical questions, as some of his other colleagues on his side have done too. What I might refer you to is... There are employment statistics as well as production volumes and price information at Statistics Canada. Perhaps that might be the best way in which you might get that information.

Mr. Ziad Aboultaif: Okay.

You've mentioned throughout your remarks that this is impacting the cost of lumber inside the United States and the cost of new buildings and so forth. Why are lumber prices going up in Canada, then?

Hon. Mary Ng: I appreciate the honourable member for that question. What I would say here is that the tariffs that could go up as a result of the finding of the second administrative review of course are concerning, and we will need to vigorously defend the Canadian industry's interests, and I'll do that, along with our industry and our workers—

Mr. Ziad Aboultaif: What can we tell Canadians? For the average Canadian who wants to buy lumber for building a house or doing anything, what can we tell them? What can you tell them?

Hon. Mary Ng: I think you can tell them both that my commitment is sincere and that I continue to work hard on behalf of the industry—

Mr. Ziad Aboultaif: But sincerity and commitment don't put food on the table. I'm asking: If we need to give Canadians some answers, some facts, what can we say to them? If the U.S. is imposing tariffs on the product going their way, that means it makes it expensive there. Why is this also reflecting on the Canadian consumer? Why?

Hon. Mary Ng: I appreciate the honourable member's question. What I would say to Canadians, and particularly those workers in the forestry sector, who are middle-class Canadians, is that we will continue to work very hard on their behalf. We will do that with our American partners, and I will continue to pursue this work with the Canadian industry, just as we have done from day one.

The Chair: Thank you, Minister.

Mr. Ziad Aboultaif: Thanks.

The Chair: I'm sorry, Mr. Aboultaif. Your time is up.

The last questioner for the minister—we thank you for staying the full hour, Minister—will be Mr. Sarai for five minutes.

• (1405)

Mr. Randeep Sarai (Surrey Centre, Lib.): Thank you, Madam Chair.

Thank you, Minister, for coming again.

As you have heard, for British Columbians, softwood is a huge deal. It's \$12 billion in our economy and one in 16 jobs. My father worked in the sector. Every uncle in my family has worked in that sector, especially in the first generation that migrated to this area. I believe that my riding has the largest number of softwood lumber employees in the country, and along the entire Fraser River, we have tons of mills.

Canada has been struggling with this issue for decades. It's not a new problem. Softwood lumber agreements come. They have a short time of stability, and then they break apart and tariffs come up. This takes years, and then it's resolved again. This time we won, just recently, in August of last year. Why is the U.S., despite losing at the WTO, coming back again and raising tariffs from 10% to 19%, almost doubling them? What's their argument? I'm trying to think of what the rationale is for what they're trying to do.

Hon. Mary Ng: Thank you so very much for that question.

In response to this latest review, we have certainly said to the United States that an increase would really be equivalent to a tax on the American consumer and the American home builder. We will continue to make this argument, while at the same time defending the industry through the appropriate channels.

It's also really important to highlight that while we are defending these actions, we are also working with the industry, and have been, starting from when we first got here as government. When the first U.S. duties were imposed in 2017, we invested \$867 million on a softwood lumber action plan, and in budget 2019 we added another \$250 million over three years. During COVID-19, 8,500 firms in the forest sector benefited from the Canada emergency wage subsidy so that they could keep workers on the payroll. That was about a \$600-million support.

We're also helping accelerate the adoption of transformative technologies and products that the sector itself is working on. This is through an \$82-million investment to help the sector accelerate and to transform through the forest industry transformation program. There's another \$12 million specifically for economic opportunities for indigenous communities in the forest sector.

We're working whole of government, certainly with the sector—

Mr. Randeep Sarai: Minister, I'm trying to see whether it is the department that's doing it or whether the industry in the U.S. is really pushing them hard.

We've now had a regime change, a government change, and still this has happened again. Is it the industry that's pushing hard?

With that, I have a follow-up question.

Are we looking at retaliatory tariffs or measures if this continues? Is that an option that's on the table, or a tool in the tool chest?

Hon. Mary Ng: I want to thank you for that. The administrative review, of course, is done by the Department of Commerce, and they do this through a regular cycle.

It is encouraging to hear Secretary of Commerce Raimondo say that she understands how the review and its potential increase in tariffs will actually affect American consumers and home builders. She has publicly said that she would work with Canada, so that's encouraging.

Our job here is to make sure that we are defending the interests of our companies and the sector against this review and against the tariffs that have been applied.

The Chair: Thank you very much, Minister. Thank you so much for giving us that extra 12 minutes after we started late.

Your officials will remain and we will continue our work as a committee.

Thank you again, Minister.

The Chair: Have a wonderful weekend.

Hon. Mary Ng: Thank you, Madam Chair.

Hon. Mary Ng: Yes. You too.

The Chair: We'll move on to Mr. Lobb for five minutes, please.

• (1410)

Mr. Ben Lobb (Huron—Bruce, CPC): Thank you.

To our officials, you likely heard the last hour and a bit of discussion. The one thing I don't think the minister really discussed at all was the difference in stumpage rates. I think that's the core of the issue.

Is the difference from province to province, and the difference in monthly, quarterly and annual rates, not the core of the issue we're talking about here today?

Mr. Arun Alexander (Director General, North America Trade Policy Bureau, Department of Foreign Affairs, Trade and Development): Honourable member, thank you very much for that question.

Madam Chair, I think—

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I have a point of order, Madam Chair.

There is a problem with the sound, so the interpretation has stopped.

[*English*]

Mr. Arun Alexander: Should I continue?

The Chair: No, Mr. Alexander. Hold on a minute until we make sure we have translation.

The Clerk of the Committee (Ms. Christine Lafrance): Madam Chair, I think we need to suspend for a couple of minutes.

The Chair: We will suspend for a few minutes. Please hold your place there.

• (1410)

(Pause)

• (1415)

The Chair: Thank you, everyone, for your patience here.

Mr. Lobb, we're going to start over with you, so you have your five minutes.

Mr. Ben Lobb: Thank you, Madam Chair.

Maybe I'm wrong here, but everything I read talks about stumpage rates. I think Alberta's rates are about five times what New Brunswick's rates are. Some are set yearly and some are set quarterly and some are set monthly.

I'm for Canada, obviously, but in the U.S., is this not really the heart of the issue?

Mr. Arun Alexander: Madam Chair, as the minister noted, the softwood lumber dispute with the United States has been going on since probably the early 1980s, and I think the honourable member did hit at the crux of the dispute, which is a difference in forest management practices.

The majority of forest land in Canada is Crown-owned land, publicly owned land, while the majority of forest land in the United States is privately owned. The U.S. Lumber Coalition, which is the main driver in the United States industry for this dispute, contends that the difference in stumpage fees between what is charged in Canada for harvesting on public land and what is charged in the United States for harvesting on private land is a subsidy. We do not agree with this whatsoever, so I think that is the crux of the issue.

Mr. Ben Lobb: Right, but when you see what the rate is in Alberta versus New Brunswick.... You've talked to some of your counterparts in both provinces. Have you ever had the discussion about why there's a difference of \$130 per cubic metre?

Mr. Arun Alexander: Madam Chair, I think the price for stumpage fees is dependent very much on the circumstances in each province. What the United States Department of Commerce has done—

Mr. Ben Lobb: I'm sorry to interrupt you, but this is a North American market, and the contention is not from each province. The contention is not on how each premier or minister views it. We are in a North American market here, so I can't imagine the trade commission in the United States has much sympathy for that argument, do they?

Mr. Arun Alexander: The argument is—and our contention is—that it should be based on the circumstances of each province, and that's what we argue to the Department of Commerce.

The United States is using a Nova Scotia benchmark for all provinces from Atlantic Canada to Alberta, and using a Washington state benchmark for lumber produced in British Columbia, so we totally disagree with the use of a Nova Scotia benchmark and argue vehemently with the Department of Commerce that the benchmark that should be used should be individual for each province. That would adjust for the circumstances in each province.

• (1420)

Mr. Ben Lobb: What's the price of a cubic metre of a comparable in Louisiana versus Saskatchewan or Alberta? I know there are a million different varieties, but what is it on average here?

Mr. Arun Alexander: I'm sorry. I don't know that. Maybe I'll ask Colin if he has any information on pricing, but I'm sorry: I don't know the answer to that.

Mr. Colin Barker (Director, Softwood Lumber Division, Department of Foreign Affairs, Trade and Development): No, I don't have that off the top of my head either, but I can say that the comparator that the U.S. Department of Commerce chooses to use in this instance, as my colleague mentioned, is what we feel is inappropriate, because there are different market conditions, different species in each province and different local markets for those species, so that really does impact the stumpage price in those provinces.

Mr. Michael Owen (Acting General Counsel and Executive Director, Softwood Lumber Litigation Division, Department of Foreign Affairs, Trade and Development): If I may add something, it's important to recognize that markets for stumpage or standing timber are inherently local. Standing timber, like a lot of natural resources, is inherently a residual value good. To give you a very practical simple example, a tree that's 200 kilometres away from a mill is going to be worth less than the exact same tree if it's 50 kilometres away from a mill, and that's because hauling costs are going to be less expensive because the distance is shorter.

Other dynamics play into this, as my colleague Mr. Barker touched on. Certain species are worth more than other species. If you have a stand that has a lot of western red cedar, for example, which is a high-value product, that stand is going to be worth more than stands with other species, and local demand....

I think one of the very important things to know is that stumpage markets in each province.... Even within British Columbia, for example, you have a coastal market and you have an interior market, and even within the interior market, you have a lot of sub-markets, so the pricing is very idiosyncratic and dependent on the local circumstances. That's a position that we've taken and tried to explain, frankly, to the U.S. Department of Commerce.

Mr. Ben Lobb: Doesn't the U.S. have the same challenges?

Mr. Michael Owen: Absolutely it does, and one of the things that we pointed out—

The Chair: I'm sorry, but Mr. Lobb's time is up. We are going on to Mr. Sheehan for five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much for the opportunity to ask some questions today on this very important matter.

Picking up on what the minister was talking about on how this is a tax on Americans, I want to know if any of our witnesses might have a sort of calculation for us. We used to kind of figure it out, and it's a little bit of a déjà vu, with the steel tariffs. When this trade committee was down in the United States, we mentioned that there would be a tax and that it hits hardest the middle class and those trying to join it.

I just want to know, through you, Madam Chair, if one of our witnesses would have a current calculation. I heard different numbers through time, but right now, what would this equate to for a middle-class American?

Mr. Arun Alexander: Madam Chair, the latest statistics and data that I have are from the National Association of Home Builders, which did a study and brought it to the attention of the U.S. administration. Their statistics indicate that for an average middle-class house in the United States, the price has increased by between \$35,000 and \$40,000 because of the tariffs. Also, for multi-unit housing, which is probably used more by lower-income persons, the increase in price is around \$19,000.

We are arguing vehemently, just as the National Association of Home Builders is, that the tariffs on Canadian softwood lumber are having a significant impact on the price of housing in the United States, especially in light of the recovery and with regard to affordable housing.

• (1425)

Mr. Terry Sheehan: Well, I think that highlights and underlines just how foolish these punitive tariffs are and have been since the 1980s, and I know that, but it's very difficult now in particular.

Madam Chair, one of the things this committee was really good at was kind of getting in the face of American politicians. I think it behooves us.... I am not going to delve into it now, but we can discuss it, perhaps during a virtual meeting, with some of our American counterparts through the embassy just so that we can pound in that message.

The members who are on this committee know full well how difficult it is to get Americans' attention with so many things competing for attention, but when you bring this to them, a lot of times they do not know about it, and a lot of times they greet it with shock. They say, "What?" when we say, "Your constituents are paying \$35,000 to \$40,000 more for a middle-class home", and for the lower-class people, the \$19,000 is like a million bucks. They can't afford it. It's just silly.

Thank you. I just wanted to make that point, Madam Chair.

I also want to thank you for that work. What kinds of other programs are available to the forestry sector to help them deal with this new tariff? We had the SIF program before. I know that Domtar in northern Ontario and its Espanola mill got an investment of about \$57 million in 2019. What kinds of programs are there in the budget or out there that these companies that are affected by this situation can use to continue to support themselves and the industry?

Through you, Madam Chair, that is for one of the witnesses.

Mr. Arun Alexander: Thank you very much. Maybe I'll ask my colleague Mr. Barker to respond to that question.

Mr. Colin Barker: Thank you.

As has been noted by the minister, we did institute a softwood lumber action plan shortly after the initial duties of over \$800 million were implemented, and that was supplemented in 2019 by a further \$250 million. Primarily those funds go to the projects that look at innovative products and export strategies to other markets overseas beyond the United States. That's the type of funding that has been provided.

Of course, during the pandemic, forestry companies were also able to access all of the COVID response programs that were available to all companies in Canada, and those certainly also helped the forestry sector get back on its feet quite quickly after the initial pandemic shutdowns back a year ago. Within a very short period of time, mills were able to get back to open and running once they made their facilities secure for their workers, and they are now almost completely back up to their pre-pandemic production levels.

The Chair: Thank you, Mr. Barker.

We now go to Mr. Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

I'd like to ask you about your internal read on the situation. Luc Bouthillier, who teaches forest policy at Université Laval, said he doubts that the U.S. will actually impose the duties given that the home building and renovation craze is even hotter in the U.S. than in Canada.

He did say, though, that if the duties were to materialize, they could have an interesting impact on Canadian producers and consumers. It would make more financial sense for Canadian producers to sell in Canada because they wouldn't have to pay a 20% tax. They could sell their products on the Canadian market with 20% more in their pockets. Even though the domestic market is smaller than the U.S. market, more lumber would be available for domestic use, including in hardware stores.

That was Mr. Bouthillier's take, which is up for debate, of course. Do you think the Biden administration really intends to significantly raise tariffs?

[*English*]

Mr. Arun Alexander: Madam Chair, it is our hope and it is our expectation that continued litigation under the WTO, the NAFTA,

and the CUSMA will bring the United States back to the negotiating table in good faith. This has been a strategy that Canada has used successfully in previous lumber disputes, and we believe it will be successful this time as well.

With regard to the administration, all I can say is that lumber disputes between Canada and the United States have occurred during both Republican and Democratic administrations. We are hopeful that we can have some victories in the litigation, and also that our strong advocacy in the United States, especially with regard to the increase in prices for U.S. consumers and the tax that these duties put on U.S. home purchasers, will bring the U.S. back to the negotiating table.

• (1430)

The Chair: You have 30 seconds, Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I want to make sure I understand what you said.

You are saying there is still a real possibility—a probability, even—that the U.S. will impose the tariffs. Is that right?

[*English*]

Mr. Arun Alexander: I'm assuming you're referring to the second administrative review of tariffs.

We will do our best through advocacy and working with our strong allies in the United States, including the National Association of Home Builders, to ensure that the tariffs are not imposed. If they are by chance imposed, we will take strong litigation measures to challenge those tariffs under CUSMA.

The Chair: Thank you very much.

We go to Mr. MacGregor for two and a half minutes, please.

Mr. Alistair MacGregor: Thank you, Chair.

To the officials, I'd asked the minister previously about how much longer Canada can afford for this dispute to go on. I wanted to put that in the context of lumber prices. I believe the price today is hovering around \$1,327 per thousand board feet, compared to January, when it was \$649. That gives you a sense of where we're at in the lumber price world.

Does the department have a sense of at what price point—assuming lumber goes down in the foreseeable future—these duties will start to cause more harm on our industry? With the high lumber prices right now, our mills are doing very well. They've had to take on more shifts and hire more people. There's a huge demand for the product right now. At what price point will we see these duties start to levy more harm on our industry? Do you have any information on that point?

Mr. Arun Alexander: Madam Chair, it's difficult for us to say at what point that would start to affect Canadian industries. It would probably vary for each mill and each individual circumstance.

At this point, I think the increased prices are—from what I understand from the National Association of Home Builders—very demand-driven. There's been some pent-up demand during the pandemic as people do work on their houses and build new decks. Also, there was some pent-up demand because the housing construction market hit a lull during the height of the pandemic, and there is some rebound from there. It's difficult to say if the prices will go up or down or how long this demand will stay, but it is something that we are monitoring very closely.

Mr. Alistair MacGregor: I've heard reports anecdotally that people are using their vacation money to do renovations.

I asked the minister about the anticipated cost of our litigation, both under the WTO and under CUSMA. Do you have any figures on that, and how it compares with previous amounts that we've spent?

Mr. Arun Alexander: I don't have exact figures on that on hand. I can say that the litigation before the WTO is done by government counsel, so there is no added cost to it. Some of the litigation before the CUSMA and the NAFTA panels is done by private sector law firms that work for the Government of Canada. There's a litigation cost associated with that, but I'm sorry—I don't have the exact numbers.

I might ask Mr. Barker if he knows that.

The Chair: The time is up. If Mr. Barker gets to answer another question, maybe he can throw that information in if he has it with him.

We'll go on to Mr. Lewis for five minutes, please.

Mr. Chris Lewis (Essex, CPC): Hello, Madam Chair. It's really a pleasure to be back here at international trade. Thank you so very much.

I have a few comments. First and foremost, I remember all the time we spent on CUSMA and all the discussion around softwood lumber and how we were going to keep that out of CUSMA.

I do recall Deputy Prime Minister Freeland coming to committee. Subsequent to that, four of us—four Conservatives—actually wrote an open letter to her and gave her a couple of questions and/or suggestions.

This is quoted from the letter that I personally signed. It said:

Further, we recommend that you appoint a panel of experts to evaluate softwood lumber products not included on the Export Control List, including finished wood products under codes 4407 and 4409.

I wonder if any of the witnesses could perhaps enlighten me and tell me if that expert panel has happened and/or if the government is part of that.

• (1435)

Mr. Arun Alexander: Thank you very much for that question, honourable member.

Madam Chair, I think I may once again turn to Mr. Barker, because I'm not aware of that.

Mr. Colin Barker: Thank you for the question.

I'm not aware of a specific expert panel that has been formed to look at those particular HS codes.

We do work on behalf of specialty product producers. In fact, we did have a recent victory for cedar shake and shingle producers in which we were able to get their products excluded from the duty orders completely by working closely with the industry on that issue. That was one recent victory in which we were able to exclude an entire category of products from the duty orders.

Mr. Chris Lewis: Thank you, Mr. Barker.

Madam Chair, through you to either witness, please, it was a little bit disconcerting for me when I heard the minister say that they are looking at other opportunities such as Australia and offshore.

This is for either witness. Does that mean perhaps there's really no hope for the Canada-U.S. softwood lumber agreement? Could they perhaps expand on that and let us know if they have personally received direction from the minister's office and the Prime Minister's Office to look at further opportunities for Canadian lumber?

Mr. Arun Alexander: Thank you very much for that question, honourable member.

Madam Chair, the United States is the largest single market for Canadian softwood lumber exports, and I expect that it will remain so. We will work very hard to reach an agreement to remove these unwarranted tariffs from Canadian softwood lumber exports.

I think we also work hand in hand to look for other markets for Canadian softwood lumber and forestry products to export to. I'm talking about markets in Asia and Europe.

Maybe I will ask Rosaline Kwan, who is with the trade commissioner service, to speak very briefly about what we're doing to find other markets to help Canadian exporters.

Ms. Rosaline Kwan (Director General, Trade Sectors, Department of Foreign Affairs, Trade and Development): Thank you, Arun, and thank you, Madam Chair and honourable member.

Of course, as part of the trade diversification strategy, the trade commissioner service works very hard to help Canadian companies, including those in the forest industry who are so vital to our economy, to be able to look at markets—whether in the U.S. or around the world—to bring all the opportunities that they could tap into and link them up with these opportunities.

In that regard, of course, we have the established traditional products. As you may have heard, we also help the Canadian forest industry companies tap into the innovative side of bio-based and wood-based products for markets around the world, including in Europe, Asia and the United States.

Mr. Chris Lewis: Thank you very much.

Madam Chair, again through you to either of the witnesses, it has been roughly 18 months since I sat on the international trade committee. Basically, we were told not to worry about it, to leave it out of CUSMA, and that we were going to get a deal done. I understand from my other colleagues that this has been since the early 1980s, and I'm not here to throw blame; I'm here to get a job done.

I have a final question, please, through you, Madam Chair, to our witnesses.

When was the last time government officials actually sat at the table with our U.S. government officials—and I don't mean politicians—to hash this out and give direction back? Could I please get that answer?

Mr. Arun Alexander: Canada has been very clear, right from the Prime Minister to the minister and senior officials, that Canada is always open to having discussions to settle the softwood lumber issue. We've made this very clear to the Americans.

The minister last raised softwood lumber when she had the Free Trade Commission meeting with Ambassador Tai about two weeks ago. I understand the Prime Minister has made this very clear in meetings with President Biden. The avenues of discussion are always open, and we welcome the United States to join us in a discussion to settle this dispute.

The Chair: Ms. Bendayan, you are next for five minutes.

Ms. Rachel Bendayan: Thank you very much, Madam Chair. It's a pleasure to see Mr. Lewis back at the international trade committee.

I would like some clarification from our officials. I did not catch the minister identifying Australia in particular as a market for diversification of this particular sector. I did ask a question about what markets we might be looking at for our forest industry.

Could officials clarify? Are there specific countries we are looking at, or are we looking at all options?

● (1440)

Mr. Arun Alexander: The answer is that we are looking at all options. We look everywhere to find markets for Canadian forestry products, and that could be in Asia and Europe. We are very open to finding avenues in order to help Canadian exporters export their products to anywhere in the world, and we look for key markets that can be most successful for Canadian exporters.

Ms. Rachel Bendayan: From a legal perspective, I understand that lawyers at international trade, representing the government, have been studying this issue very closely for some time now, and believe that Canada has nothing to be concerned about in terms of respecting our obligations under CUSMA.

Even though our preference, of course, would be for a negotiated settlement with the United States, our government is prepared to use the tools that are available to us under CUSMA's chapter 19 in order to advance our position and resolve the matter.

Could you take us through what a chapter 19 dispute would look like?

Mr. Arun Alexander: I'll ask Michael Owen, our lead litigator, to answer that question.

Mr. Michael Owen: A CUSMA chapter 10 binational panel essentially takes the place of a court in the first instance under U.S. law. That court is the U.S. Court of International Trade. The CUSMA panel, which is formed with three members from one country and two members from another, essentially steps into the shoes of the U.S. court and determines whether or not the U.S. Department of Commerce's determinations are supported by substantial evidence, or otherwise, in accordance with U.S. law.

If they are not—if the CUSMA panel finds there is insufficient evidence to support the U.S. findings or that they run afoul of U.S. statutes or regulations—the panel will remand the decision back to the U.S. Department of Commerce for correction.

It's a type of judicial review under U.S. law. There may be a series of determinations and remands between the panel and the U.S. Department of Commerce before we have a final outcome.

Ms. Rachel Bendayan: Of course, I said chapter 19, but that was under NAFTA, and now it is chapter 10 under CUSMA.

Mr. Owen, obviously this is a question hated by lawyers, but how long, approximately, do you think that this type of dispute would take before arriving at a decision?

Mr. Michael Owen: It's really difficult to say. There's a separate record for each segment of a proceeding and investigation, and then an administrative review. There is an evidentiary basis the panel has to review.

Typically, we would expect maybe two to four remands, with the period growing shorter with each remand and redetermination. An agency might receive a fair amount of time the first time issues are sent back to it, and usually the agency returns with a determination the second time. It's then challenged anew by the Canadian parties. There are probably fewer issues, so it's also given a shorter amount of time by the panel to comply with the decision.

Based on—

Ms. Rachel Bendayan: During that time, are the measures in place? The measures continue to be in place, I assume.

Mr. Michael Owen: The measures continue to be in place.

The one big advantage of a CUSMA review is that, to the extent that the duty is ultimately reduced at the end of the process of the remands and redetermination, the money is refunded with interest to the Canadian industry.

Ms. Rachel Bendayan: Thank you very much.

The Chair: You have 50 seconds, if you're quick.

Ms. Rachel Bendayan: Thank you.

As a result of that short but complete explanation of the process, I wonder if you could let us know your best advice in the circumstances. Is it to conclude a negotiated settlement or, should we need to, would you be pushing for litigation under CUSMA?

Mr. Michael Owen: I think we've consistently approached this issue through litigation and attempted to secure wins through litigation to build pressure on the United States to return to the negotiating table, to be at the negotiating table, but we're always open to negotiations and discussions.

I think the high price of lumber potentially may lead to that in the future, but there's no one-size-fits-all way to resolve this long-standing dispute with the United States.

• (1445)

The Chair: Thank you very much.

We will move on to Mrs. Gray for five minutes, please.

Mrs. Tracy Gray: Thank you, Madam Chair.

Thank you to all of the officials for being here today.

We know the facts are that since October of 2015, when our last softwood lumber agreement expired, production in Canada decreased almost proportionate to increases of production in the United States. This is a real concern when you look at these trend lines, because mills have closed and we're losing jobs to the United States.

We heard today from officials and from the minister that they've been raising the issue with the U.S. and that they're open for discussion with the U.S., but I will go back to a question that my colleague Mr. Lewis was asking. To any of the officials who can answer this, by direction of the government, how many softwood lumber negotiating meetings have you had since 2015, since we haven't had a softwood lumber agreement?

Mr. Arun Alexander: Thank you for the question, honourable member.

From the Prime Minister to the minister to senior officials, we take every opportunity to raise the softwood lumber issue with the United States. At any opportunity we have to raise the issue and to indicate our willingness to enter discussions on a fair and equitable negotiated deal, we take that opportunity.

The last time I understand the issue was raised was by Minister Ng herself with U.S. trade representative Tai, and that occurred on the margins of the Free Trade Commission meeting. I believe that was on May 17.

Mrs. Tracy Gray: Through you, Madam Chair, raising the issue is not the same as having a meeting where you sit down, go through all of the details, hash it out and have a negotiation. Are you saying that there have been no meetings, no sessions like that, since we've last had a softwood lumber agreement expire?

Mr. Arun Alexander: Thank you for the second question, honourable member.

We take every opportunity to indicate our willingness to engage in meaningful discussions on this issue. We've made it clear to the United States through the Prime Minister, through the minister and through senior officials that we are willing to engage in fruitful discussions that will result in an agreement that's fair to Canadian forestry workers, Canadian forestry communities and the Canadian forestry industry, and we will maintain those open channels for discussion.

Mrs. Tracy Gray: If I can just clarify through you, Madam Chair, are you saying that you've asked for those meetings and those meetings have been denied? It's one thing to say that you want to have a discussion and you're open for conversation. It's another to say, "Look, we need to sit down this week, this month, on these dates and really get serious about this." Are you saying that you've requested that kind of meeting and that the U.S. has denied it, or are you saying that you haven't requested in that way?

Mr. Arun Alexander: Thank you for the question, honourable member.

Madam Chair, Canada has made it very clear to the United States and to the most senior levels of the United States that we are open to having a discussion with the United States about reaching a fair and equitable agreement. That's been at every opportunity that we have, from the Prime Minister to the minister to senior officials.

Mrs. Tracy Gray: Thank you.

Through you, Madam Chair, as of right now, looking forward, has the government directed you or any member of your department to schedule meetings to negotiate a softwood lumber agreement? Have you made that specific request to schedule meetings on this matter?

Mr. Arun Alexander: Thank you for the question, honourable member.

Madam Chair, we are open and we have indicated to the United States at every level possible—including senior officials—that we are open to a discussion to settle this matter through an equitable agreement that would be of benefit to both the United States and to Canada.

Mrs. Tracy Gray: It sounds like there's nothing planned. We haven't had anything planned in the past and we don't have anything specifically planned in the future, so I'm sure that's going to be very concerning to Canadians and to the industry.

On a different topic, can you table with the committee the analysis your department has conducted on the U.S. commerce department's softwood announcement from May 21?

Mr. Arun Alexander: Maybe I will turn to Mike Owen, who's our legal counsel, to respond to that question.

Mr. Michael Owen: Of course, we've reviewed the U.S. Department of Commerce's determination thoroughly, and we've been consulting with my team, which is responsible for analyzing it under international law and also with our U.S. counsel, so we have conducted that review. Of course, that review would be privileged.

Mrs. Tracy Gray: Then there's no information from—

The Chair: Thank you very much—

Mrs. Tracy Gray: Madam Chair, I still have a little bit of time, if that's okay.

The Chair: Be quick.

Mrs. Tracy Gray: Can you table for this committee the number of times and dates since November 2015 that the Prime Minister and cabinet ministers have brought up softwood lumber with the U.S., and who brought it up to whom, and the response that they received? Are you able to table that information with this committee?

• (1450)

Mr. Arun Alexander: What I can tell you, honourable member, is that my understanding is that at every opportunity the Prime Minister, the Deputy Prime Minister, the minister and senior officials have raised the issue of softwood lumber with U.S. counterparts—

Mrs. Tracy Gray: What is “every opportunity”? Is that like once a year, or—

The Chair: I'm sorry; your time is up, Ms. Gray.

Mrs. Tracy Gray: Thank you, Madam Chair.

The Chair: We move on to Mr. Sarai, please.

Mr. Randeep Sarai: Thank you, Madam Chair.

I would like to know if exports of our softwood lumber to the U.S. have increased in the last five years.

Mr. Arun Alexander: Honourable member, I am not certain. I don't have the statistics in front of me, but I might ask Mr. Barker if he knows the answer to that question.

Mr. Colin Barker: I don't have the exact numbers in front of me either, but in general, in terms of our exports, I think they've held reasonably steady. Of course, the value of those exports has shot up quite a bit, given the price of lumber. In the past six months we've had the highest-ever recorded value of Canadian exports of softwood lumber products to the United States. As was mentioned before, mills are working flat out to make as much lumber as possible and ship it to customers both here in Canada and in the U.S.

That's why I would say that certainly the value of those exports is quite high, and I think the overall amount is also consistent.

A question previously had asked about production in Canada and production in the U.S. Of course, production also depends on availability of the raw material, the trees themselves. As the honourable members who are from B.C. might know, with the pine beetle epidemic and forest fires, the availability of trees in British Columbia has declined over the past few years—at least, the harvestable trees.

While B.C.'s production is impacted by that fundamental reason, we've seen production in the U.S. south increase simply because they have many more trees available for harvesting. That's why you're also seeing some Canadian investment in that region as companies seek to ensure that they can keep their production numbers up by investing where the resource is available at the current time.

Mr. Randeep Sarai: Has there been any reduction in the exports to other markets, such as Southeast Asia, China, Japan, Korea and India? Due to the prices, have we seen any decrease there, or have the exports been steady?

Mr. Arun Alexander: I don't have the exact statistics in front of me, so I can't provide you with a statistical answer, but I imagine that the pent-up demand in other countries may be similar to what's happening in the United States and Canada, so demand for Canadian

softwood lumber in foreign markets probably is still holding steady, if not increasing.

Mr. Randeep Sarai: I think a colleague of mine asked the minister about this. The goal of the diversification, in my understanding, is that we never get locked down to just one market. That's so that we're not susceptible to just American tariffs or Asian tariffs or any one country's tariffs. If we ever get hit with economic issues or trade issues or slowdowns in different economies, the sector is diversified so that we can sell to other sectors. Is that the goal of diversifying the forestry sector in Canada?

Mr. Arun Alexander: I think that's one of the objectives. It's to ensure that Canadian suppliers always have markets for their products, whether that's in Asia and Europe or in the United States. Finding new markets and selling new products like cross-laminated timber and lumber for high-rise buildings increases the number of value-added products that Canadians produce and creates good-paying jobs in Canada. I think that finding more markets is good for the Canadian lumber and softwood lumber industries.

Mr. Randeep Sarai: When we get the tariffs refunded, has the department looked at ways to leverage them? I'm pretty confident that we'll win at the tribunal or any appellate bodies on this matter. Those tariffs don't belong to us, but to the sawmills that paid them. Could they leverage the money to invest more in the industry for more value-added goods, by multiplying every dollar of theirs by three from the government? Has there been any thought given to things like that, or to incentives? Could we leverage the more than \$5 billion in tariffs that is sitting there and growing?

• (1455)

The Chair: Can we get a brief answer, if that's possible?

Mr. Arun Alexander: Certainly. Thank you, member.

As you said, the money belongs to the mills and the companies that paid the duties. The government is committed to helping the softwood lumber industry expand its range of products, especially the value-added products, and find new markets, so we would look at any opportunity to help our companies do so.

The Chair: Thank you very much.

We will go on to Mr. Savard-Tremblay for two and a half minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I want to follow up on a previous question to get a more fleshed-out answer.

I had asked the minister a question about new bills that were making their way through two state legislatures in the U.S. She said that she was keeping an eye on the situation and that, at first glance, we had no reason to be worried.

Mr. Alexander, what are you seeing? What should we be watching for when it comes to these potential new laws, especially in terms of how they define boreal forest degradation?

[English]

Mr. Arun Alexander: The Government of Canada is watching the progress of these bills in California and New York very, very closely. We have consulates general in both California and New York. We're monitoring the situation very carefully. They're also engaged in advocacy to key decision-makers in those states to make them aware of Canada's good forestry practices and ensure they know that Canada has some of the most advanced forestry and environmental practices in the world and that there is no risk in Canada. We have very well-managed forests in Canada, and there is no risk that they will diminish.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

I take it that you are keeping a close eye on the situation. I'm glad to hear it.

That said, have you reached out to your American counterparts regarding the issue? Do you plan to take any action? Do you have any more information on what constitutes forest degradation?

[English]

Mr. Arun Alexander: I understand that our consulates and our consulates general and our embassy in the United States are in contact with key decision-makers in both New York and California to ensure that any definition of "diminishing forest" takes into account Canada's responsible forest management practices and Canada's environmental stewardship of our forests.

The Chair: Thank you very much.

The remaining two minutes will go to Mr. MacGregor, please.

Mr. Alistair MacGregor: Thank you, Chair.

I'm not a regular member of this committee, so I don't have as much expertise as regular members do, but I'm just wondering about.... The duties are applied to, say, raw logs or to dimensional lumber heading down to the United States. Duties are applied at the border, and the product enters the U.S. markets. I guess Canadian consumers could suffer if that product were then manufactured into

something more valuable and then shipped back to Canada. Am I correct?

Mr. Arun Alexander: Maybe I'll ask Colin Barker to respond.

Mr. Colin Barker: Thank you for the question.

Duties only apply to lumber. Logs are not yet a lumber product, so there are no duties. However, Canada also has a log export process by which we monitor the export of logs. The B.C. government has a similar process for logs on provincial Crown lands. Requests for log export permits are usually approved. We have an over 99% approval rate, but they do go through a process to ensure a balance between domestic needs and export needs.

Mr. Alistair MacGregor: To that question, if the lumber is manufactured into a new product in the United States and then shipped back to Canada for sale, does that have a detrimental impact? Will Canadian consumers feel the impact of duties through that process?

Mr. Colin Barker: I'm not aware of any significant reimportation of Canadian lumber back into Canada from Canadian logs that have been exported to the U.S. I assume transportation costs back and forth might make that prohibitive. That's my view.

To your question about litigation costs, I'll note briefly that the costs have been in line with those of previous years. Our counsel does a very good job of maintaining a cap on expenditures so that they are in line with those of previous years. Of course, any expenditures are, in our view at least, well worthwhile, given the high value of exports and the large amount of duties that are being held at the border. The return on investment is certainly good, in my personal view.

• (1500)

Mr. Alistair MacGregor: Thank you.

The Chair: Thank you very much to all of our witnesses for the valuable information on something that, as you can see, is an important issue for all of us.

To all members, our next meeting will be on Monday. I hope you all have a wonderful, sunny, hot weekend in your area. Thank you all.

The meeting is adjourned.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :
<https://www.noscommunes.ca>