



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

43rd PARLIAMENT, 2nd SESSION

Standing Committee on Natural Resources

EVIDENCE

NUMBER 014

Friday, February 26, 2021

Chair: Mr. James Maloney



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• (1305)

[*English*]

The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)): Let's call the meeting to order.

I would like to thank everybody for arriving. We're a few minutes late.

The minister is here for an hour, but I think we'll go past two o'clock to make up the time we lost.

I want to welcome the minister.

As she pointed out, she was a member of this committee in the last Parliament. I enjoyed working with her then.

I should note that was one of the better sound checks. I have thoughts of music, monologue and doughnuts on my mind now. Thank you to those who were unique today.

I'm going to spare everybody the usual introduction about process, because there isn't a single person here today who doesn't know it. In the interest of time, I'll move on.

We are here today with Minister Ng, as a result of a motion by Mr. Zimmer that was tabled some time ago. So that we are reminded, as it gives us some context for today's discussion, the motion read as follows:

That, the Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade...be invited to appear before the committee as part of its ongoing study on Economic Recovery in the Forestry Sector...to provide critical information relating to the recent World Trade Organization ruling, as the government official who appeared...on Friday, October 30, 2020 was not able to respond to the question and suggested that Global Affairs Canada appear and answer that question at a future meeting.

That's just to contextualize our discussion today.

I will turn the floor over to you, Minister. Thank you once again for taking the time to be here.

Hon. Mary Ng (Minister of International Trade): Thank you so much, Mr. Chair.

Thank you all for the opportunity to appear today and provide you with an update on Canadian softwood lumber.

It is really terrific to be back here at the Standing Committee on Natural Resources. As I said earlier during the sound check, in 2018, I served on this committee as a member of Parliament and took part in a study on the forestry sector. It was clear to me then the importance of the forestry sector to our economy, for our workers and our environment, and that is just as true today.

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

Today I would like to touch on a few things: the ongoing softwood lumber litigation with the United States, our efforts to create greater opportunities abroad for Canada's softwood lumber and wood product exporters, and the role that this industry is playing in our trade diversification strategy.

Let me begin my appearance 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.

Earlier this week, in Canada's first meeting with President Biden, Prime Minister Trudeau, my ministerial colleagues and our cabinet counterparts in the United States, I raised the issue of softwood lumber duties directly with the president.

I will also be speaking with my American counterpart, the U.S. Trade Representative, directly about this in our first meeting, once she's officially confirmed. The importance of this issue will be front and centre as we work with the new American administration in the months and years ahead.

Canada continues to strongly believe that a negotiated agreement with the U.S. is in both countries' best interests.

• (1310)

[*Translation*]

Canada continues to strongly believe that a negotiated agreement with the United States is in both countries' best interests.

[*English*]

We are not sitting idly by. We're taking a team Canada approach, working hand in hand with the softwood lumber industry 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 WTO and the new NAFTA.

Throughout the multiple iterations of this dispute, we have consistently been awarded legal victories that clearly show our softwood industry is in full compliance with trade rules. While we will continue to pursue these legal avenues, considering our successful track record, we believe our U.S. counterparts will once again find that the most effective resolution to this dispute is a negotiated agreement.

I want all of you to know that our government's efforts go far beyond just the WTO to protect Canadian access to the U.S. softwood lumber market. In addition to U.S. softwood duties, the industry was facing other significant challenges, including fibre supply issues due to pine beetle damage and forest fires. When the pandemic struck, like many industries, the sector also saw a number of shut-downs.

Supporting the industry across government is what we had been doing over this last year. Like many other industries, the forestry sector has had to cope with challenges and restrictions. Yet through these challenges it has demonstrated its resilience and its importance for workers, the economy and, indeed, all Canadians.

It has been vital to our supply chains, producing components for essential household products, including PPE that Canadians have relied on throughout the pandemic, like medical gowns and non-medical masks.

It is heartening to know that the Canadian softwood lumber industry has almost fully recovered from the early challenges of COVID-19. Nearly all the 98 sawmills that closed last year as a result of the pandemic have restarted operations, restoring 96% of the more than 12,000 jobs affected.

Just as it stood by Canadians, our government has always stood by the sector, from emergency support measures like the business credit availability program to the softwood lumber action plan, which is an investment of \$867 million to support our softwood lumber industry in response to U.S. import duties. This program has strengthened our Canadian forest sector firms, helping grow innovative technologies, boosting diversification and supporting thousands of good jobs from coast to coast to coast.

The swift actions of this government have allowed the forest sector to better weather the challenges they are facing today.

Trade diversification is an important commitment. It's our government's commitment to the forestry industry that goes far beyond the emergency supports I just talked about.

[Translation]

Our government's commitment to the forestry industry goes far beyond emergency supports.

[English]

As the Minister of Small Business, Export Promotion and International Trade, I'm determined to ensure that our industry and businesses have the tools they need to scale up and to grow across Canada and around the world.

As we lay the groundwork for an inclusive and sustainable long-term recovery, strengthening trade ties and supporting diversifica-

tion in forestry and all our sectors will be key to generating clean growth and creating jobs.

Canada is proud to be the only G7 country holding a trade agreement with all other G7 partners. Through these agreements and others around the world, our businesses have preferential access to 1.5 billion customers globally.

Our trade diversification strategy maximizes opportunities for Canadian industry created by strengthening existing trade agreements while pursuing new ones. This strategy has set a goal of increasing Canadian exports by 50% by 2025.

For our industry partners, this means finding new and creative ways for them to forge new relationships and opportunities for growth. Through the trade diversification strategy, our government has invested \$290 million over five years to help Canadian businesses export and grow in new markets by strengthening the trade commissioner service and enhancing the support it provides to Canadian exporters, including those in the forestry sector.

This isn't just about diversifying what we trade, but also who we trade with. Diversification and inclusive trade is creating opportunities for our world-class forestry sector to access those global markets while ensuring that all Canadians can benefit from its success.

We understand the reality of the forestry-based businesses, which are actively diversifying production towards innovative products such as biofuels and sustainable packaging made from fibre. This is about strengthening traditional forestry-based products and investing in innovation.

• (1315)

The Chair: Minister, I apologize for interrupting.

In my haste, I forgot to mention one thing that has changed since you were last on the committee. Introductory remarks are supposed to be limited to five minutes. I apologize.

Hon. Mary Ng: Oh dear. Well, that means half of my remarks are done in five minutes. They were 10 minutes, so—

The Chair: Yes, that was my mistake. I should have pointed that out.

Mr. Bob Zimmer (Prince George—Peace River—Northern Rockies, CPC): I have a point of order, Mr. Chair.

The Chair: Go ahead, Mr. Zimmer.

Mr. Bob Zimmer: This gives me the great opportunity to ask the minister, since she was cut off—and I don't understand why she didn't understand how much time she had—if she would be willing to stay for the entire two hours. We could give her full time to give fulsome answers and her full opening statement.

The Chair: That is a separate issue, Mr. Zimmer, but thank you for raising it.

The question at hand is, in the circumstances, are there any objections to allowing the minister a few more minutes to finish her opening remarks?

Mr. Bob Zimmer: Mr. Chair, I'd be willing, as long as the time for questions is extended to match that, so everybody gets their chance—

The Chair: I can extend the time for questions for an extra five minutes, if that's what you're saying.

Mr. Bob Zimmer: I was asking that she stay for the whole two hours. That would certainly be better.

The Chair: I appreciate that, Mr. Zimmer.

The question I am posing is with respect to the five minutes. Are you objecting to the extension of time for the opening remarks? That's all I really need to know.

Mr. Maninder Sidhu (Brampton East, Lib.): On a point of order, Mr. Chair. I can give the minister some of my questioning time to finish her remarks, if that's okay with the minister.

The Chair: Yes, Minister, carry on, and I apologize again. That was my oversight.

Hon. Mary Ng: Thank you so much, Mr. Chair. I'll pick up where I left off.

We are committed to supporting Canadian businesses as they develop partnerships for commercial applications of their innovations, raise capital, and tap into the new global value chains for their products.

Canada's ambitious and comprehensive trade policies are bringing Canadian industry to the world and bringing the world's investment to Canada. We are working to increase international competitiveness of our natural resource industries, including forestry.

Since 2015, the trade commissioner service has facilitated numerous forest-related investment projects to Canada, including into Quebec, Ontario, Alberta, New Brunswick and British Columbia.

[*Translation*]

Companies are helping generate growth and create jobs. They're leaders in achieving our goals for a more sustainable future.

[*English*]

Take for example, Sinar Mas from Indonesia. It has invested hundreds of millions of dollars to modernize paper mills in British Columbia, Saskatchewan and Nova Scotia, employing 3,000 Canadians. There is the SONAE Group from Portugal, which announced last year that they are investing \$23 million to modernize its facility in Quebec, home of North America's largest particle board manufacturing facility.

These investments are coming from around the globe, from Finland, Japan, Belgium and Indonesia. The entire world is investing in Canadian softwood lumber and its innovative by-products.

The investments we are attracting from around the world and the growth those investments are bringing with them are no surprise.

Canada's forestry sector's reputation is world renowned for its versatility and innovation, and perhaps most notably, in our current context, for its leadership in sustainability. Canada's forestry sector is the most sustainable in the world.

As I said earlier, and it bears repeating, the economy and the environment go hand in hand. Our government is committed to supporting our softwood lumber industry and protecting and promoting its reputation.

Our softwood lumber industry takes great pride in being a global leader in sustainable forest management and environmentally responsible forestry. Its commitment to sustainable development and environmental standards is going a long way to secure a more sustainable future for all Canadians. Working together, we will be able to reach our environmental target of net zero emissions by 2050.

Our forestry sector knows what we all know. The time to take action to protect the environment is now. It is not just the right thing to do; it is the smart thing to do.

A great example is the leadership in British Columbia. It has the tall wood building at UBC, the first mass wood, steel and concrete hybrid project in the world. It is taller than 14 storeys.

● (1320)

[*Translation*]

Another example is in Quebec, where the provincial government is the first in North America to support the construction of a tall mass timber building.

[*English*]

These kinds of projects offer incredible economic and environmental benefits. This project alone was equivalent to taking 500 cars off the road.

In conclusion, it is clear that we have so much to be proud of with our forestry sector and 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.

Through all of the challenges facing the industry, our government has committed to continuing our work supporting this vital industry and standing up for the interests of Canadian workers.

We will continue to work closely with provinces, territories, industry and other stakeholders to support and grow the Canadian forestry sector.

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

Thank you so much again for the invitation to appear today. I'm looking forward to your questions.

[*Translation*]

Thank you.

[*English*]

The Chair: Thank you, Minister, for your remarks. Again, I give my apologies. In my haste to move things along quickly, I failed to acknowledge and thank the members of the department for attending today, as well. I'd like to express my thanks to them.

Mr. Zimmer, you now have the floor for six minutes.

Mr. Bob Zimmer: Thank you.

I'd like to first ask the minister if she would be willing to stay for the entire two hours to answer questions.

Hon. Mary Ng: I thank the honourable member for that invitation. I am certainly very pleased to respond to questions in the time that we had scheduled for me to be here. I think—

Mr. Bob Zimmer: Okay. I'll get right to my questions, then. Thank you, Minister.

It's been a long time coming since my initial questions in October 2020 were unanswered regarding the softwood lumber agreement. In 2015, your government stated it was going to get a softwood lumber agreement signed within its first 100 days. We then saw then-president Obama attend our Parliament, but there was no agreement. We have since seen record tariffs on our Canadian lumber producers of up to 20%—and over 20%, actually.

From an article in December 2019, that inaction cost Canada over 140,000 jobs. That was pre-COVID. They're logging, trucking and mill jobs, including many in my own northern B.C. communities of Mackenzie, Prince George, Fort St. John and many others. It cost \$4 billion in revenue for B.C. alone. We saw that in August 2020, which you referred to, the WTO unanimously ruled with Canada, then the U.S. appealed that decision in September 2020.

I questioned the bureaucrats in October 2020 if they could update us on this important file. Now I'm going to be more specific, understanding that you recently had a bilateral meeting with the new Biden administration. Was the softwood lumber agreement or tariffs on softwood lumber specifically brought up in the bilateral meeting between you, the Prime Minister and President Biden? There was no public mention of that, or that our forest sector at all had been discussed publicly, for that matter.

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

Let me start by saying how important the forestry sector is, as you rightly pointed out. Whether it is sawmills, trucking or logging and all of the incredible businesses, Canadians and workers that this sector supports, it's very important. I want the industry to know how important they are to our government—

Mr. Bob Zimmer: Minister, the question is whether the softwood lumber agreement was discussed in the bilateral meeting.

My time is very short. That's why I need you to answer the question.

Hon. Mary Ng: I raised softwood lumber.

• (1325)

Mr. Bob Zimmer: Okay. Did you talk about the softwood lumber—

[*Translation*]

Mr. Mario Simard (Jonquière, BQ): Sorry, Mr. Chair. Mr. Zimmer's microphone isn't working properly. There's no interpretation at this time.

[*English*]

The Chair: Is the interpretation working, Mr. Simard?

What do you have your setting on, Bob?

Mr. Bob Zimmer: I'm set on English. We checked it before. I can hear that it's on.

[*Translation*]

Mr. Mario Simard: I selected the French channel. The issue is that the interpreter can't fully understand what's being said.

[*English*]

The Chair: We can hear you in English without any difficulty. It's the translation, apparently, that's the challenge.

Okay, we're getting the thumbs up now. Carry on. I won't take away from your time.

Mr. Bob Zimmer: Minister, you referred to talking about softwood lumber. Did you specifically talk about a softwood lumber agreement and that being renewed?

Hon. Mary Ng: Let me assure the honourable member that Canada firmly believes that a negotiated settlement to this dispute is in the best interests of Canadians and the Americans. We know that the duties are hurting businesses on the Canadian side as well as on the U.S. side. I'm looking forward to speaking to the U.S. trade representative—

Mr. Bob Zimmer: Was the softwood lumber agreement specifically discussed in that bilateral meeting?

Hon. Mary Ng: I'm looking forward to speaking with the new U.S. trade representative upon her confirmation, and this will be an item that is a priority for me to raise. There are synergies between our two countries, as all have seen in the road map for a renewed U.S.-Canada partnership.

Mr. Bob Zimmer: Thank you, Minister.

It sounds great that you're working in this direction, because frankly, we haven't seen much support for the forest sector from this government. We saw the promises of a softwood lumber agreement within the first 100 days, but again, since then, crickets. We hear just more talk and no specific commitments from you to get a softwood lumber agreement across the table and signed by both countries. I've heard no commitment in what you just said.

My other concern is there are over \$4 billion in softwood duties that are being held currently. This is money that's been held from Canadian producers. I'm going to ask you another question. Has there been a discussion about when this money will be returned to Canadian producers?

Hon. Mary Ng: As I said to the honourable member, I intend to work with my U.S. counterpart to find a solution to this issue. I am hopeful that we can reach a mutually accepted outcome.

I would point out, in response to his question, that the Canadian government has provided tremendous support to the sector. It is incredibly important. Helping the sector innovate, diversify and find access to markets so that we can create terrific jobs across the country is something that we are absolutely doing hand in hand with working with the Americans on what we think a negotiated settlement would be in our best interests.

Mr. Bob Zimmer: Let me just finish, because my time is probably done after my comments.

Again, a lot of that is a great word salad. It sounds great that you're working with our counterparts to the south. It's all talk until we see actual commitments to renewing that particular agreement. When we were in government—

The Chair: Thank you, Mr. Zimmer. That's all your time.

Mr. Bob Zimmer: —we saw the agreement renewed and we're looking at—

The Chair: Mr. Zimmer, thank you. Your time is up.

Mr. Weiler, you have the floor for six minutes.

Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for taking the time out of your busy schedule to join your former committee, the natural resources committee, today to discuss an issue that's of critical importance not only to Canada's economy but also, as we just talked about, for B.C.'s economy.

As you mentioned, the U.S. regrettably has continued down a path of punitive and unfair tariffs on this critical export. Canadians are frustrated that our neighbours are continuing down this path, in spite of the sound case I know you're making and our government's been making for some time about the mutual economic cost in going down this path. We're forced to challenge these rulings in different fora to get the relief that we're entitled to, where we've been successful just about every step of the way.

With this in mind, I was hoping you could outline at a very high level what the next steps are legally that we can take to get such relief from these tariffs if we're not able to come to a negotiated solution.

Hon. Mary Ng: Thank you so much to the honourable member for that important question.

All the way along, our government has been absolutely steadfast at standing up for the softwood lumber industry. It is a positive result that we have seen where consistently it's been reaffirmed that Canada is trade compliant. We will need to continue to vigorously defend the industry, but at the same time, we also want to create the right conditions to support, to invest and to attract investment to this important sector and many of the new small and medium-sized businesses that absolutely are being created.

Through the trade commissioner service, we're working with business certainly in British Columbia and across the country, where they're finding markets to export into. We are finding some really promising opportunities in countries where we already have trade agreements, like in Japan or in Vietnam through the CPTPP, in Germany through CETA, as well as South Korea, where we have a bilateral agreement with that country for our extraordinary wood products, for our innovative forestry products.

We're going to continue doing that work in investing in our Canadian businesses so that we can help them diversify and help them grow, anchored with jobs in Canada so that we can have that continued vibrant forestry sector, while at the same time, defending them through the other channels, whether it be through the dispute settlement mechanisms or at the WTO.

● (1330)

Mr. Patrick Weiler: Thank you for that. Maybe I'll pick up on your comments there.

You mentioned in your earlier testimony that our government has invested \$290 million into the trade commissioner service. Personally, I had the pleasure of working with and receiving excellent help from the Vancouver office in my prior professional capacity before becoming an MP. I want to give a specific shout-out to Mylan Savjord and Warren Senkowski, who help in the mining and forestry sector respectively. It's important that all sectors be able to take advantage of Canada's trade agreements and to scale up and export to new markets. It's also important for them to know about this great service that we offer.

Minister, I was hoping you could explain how the trade commissioner service assists our forest sector businesses in their efforts to export to new markets.

Hon. Mary Ng: Absolutely, I'm happy to.

They are Canada's best business development and sales force all around the world, operating in a total of 1,100 offices. For this sector in particular, let me just share with you some of the activities they've already pursued in an effort to open up markets for Canadian businesses in the forestry sector.

They have had to pivot, just as many businesses and industries have, and have gone virtual. The trade commissioner service has taken businesses to Spain, actually attending the wood-building and bioeconomy webinar and showcasing Canadian low-carbon energy-friendly wood-building solutions and bioproduct development. We've also gone virtually into Brazil, attending the international workshop on a bioeconomy. This is helping some of the most advanced and promising bioproducts and bioprocessing technologies—Canadian innovations, Canadian forestry and wood product innovations—into commercialization and deployment in Brazil and elsewhere in South America. We are also going to Japan in March of this year to promote the use of wood-building systems in hotel construction in that country.

These are but a few things. If I had more time, I would keep talking about the terrific work that our trade Canada team is doing to help Canadian businesses start up, scale up and access those new markets.

Mr. Patrick Weiler: That's really great to hear.

I'm curious about that. What does a virtual trade mission look like in this day and age? How can the forestry sector participate in that to help expand their market?

Hon. Mary Ng: We're absolutely reaching out. The trade commissioner service, through its SME program, through its innovation program, and through its core programs reaches out to the sector and has a very close working relationship with it. I will speak about just two of the virtual trade missions that I, as the minister, have led.

Typically you have about 35 companies physically going with the minister. In the virtual trade mission to South Korea, we had over 200 companies, and to the three-day business summit in the European Union, celebrating the three-year anniversary of CETA, we had over 1,100 businesses.

Looking at how we can continue to do business and support Canadian businesses looking to grow and export is what we are committed to do and what this government is committed to, and I want to thank the trade commissioner service for all of its terrific work.

• (1335)

The Chair: That's perfect.

Thank you, Minister.

Thank you, Mr. Weiler.

Mr. Simard, we go over to you now, sir, for six minutes.

[*Translation*]

Mr. Mario Simard: Thank you, Mr. Chair.

Thank you, Minister Ng, for your presentation.

Honestly, I get the impression that softwood lumber is often used as a bargaining chip in trade agreement negotiations. I'll tell you why I get that impression.

Not too long ago, as part of the Canada-U.S.-Mexico agreement, or CUSMA, Canada's chief negotiator appeared before our committee. I asked him why the softwood lumber issue hadn't been ad-

ressed. He told us that it wasn't a priority for them at that time. Canada's chief negotiator told us this.

Also not too long ago, when I was talking to him about softwood lumber, the Parliamentary Secretary to the Leader of the Government in the House of Commons, as part of the study of Bill C-18, told me personally that trade agreements involve compromises. This leads me to believe that, when Canada negotiates trade agreements with the United States, compromises are often made with regard to softwood lumber.

I get the impression that you've never really fought to ensure that our American neighbours respect this industry. I'd like you to tell us more about this.

[*English*]

Hon. Mary Ng: Thank you to the honourable member for that question.

I know how important this industry is to Quebec and how important it is to the families, the workers and the many sawmills and businesses that this industry supports, so I want to be clear about our commitment to those workers and to this sector of how important they are. I want to be on the record to indicate that absolute priority.

We absolutely agree that the best way forward would be a negotiated settlement with the Americans. I'm looking forward to working with the new administration on this. It will be an issue that I will absolutely raise in my very first meeting with the new U.S. trade representative after she is confirmed.

The dispute really is hurting industries on both sides of the border. We have common interests around helping our workers and this sector recover after coming out of COVID-19. If you take a look at the construction sector as one, and the need for affordable housing in both countries, I mean, this is really, really important.

I want to assure the honourable member that we will work very hard on this.

[*Translation*]

Mr. Mario Simard: Thank you, Minister Ng.

I want you to express your wishes. However, I don't want wishes, I want measures. Measures can be introduced immediately.

In 2006, there was a completely unacceptable ransom demand, where \$1 billion in the agreement with the United States was left on the table. This \$1 billion was paid by Quebec's forest industries.

However, the forestry sector is now calling for a better liquidity program. Unfortunately, right now, the major players must be close to technical bankruptcy to access the program in place. All the forest industry representatives that I've met with have told me that this program is almost obsolete.

Without getting into negotiations with the United States, you can implement measures right now. I'm wondering why you aren't doing this.

The forestry sector is legitimately calling for a proper liquidity system. Why aren't you getting this done?

[English]

Hon. Mary Ng: Thank you for that question.

During the pandemic, we know that the forestry sector has been hit, just like others. The broad-based programs have been available. Certainly, the liquidity program in the business credit availability program is available to the sector. The wage subsidy program, which is saving hundreds of thousands of jobs—well, millions of jobs—across the country, certainly including the forestry sector, is there and available.

I would also point out that this government is absolutely supporting the forestry sector in Quebec with, this year alone, almost \$13 million for the forest innovation program, almost a million dollars for the strategic partnerships initiative and more than \$2.3 million through the expanding market opportunities. We are supporting the Quebec sector, and we continue to support Quebec's workers—very, very important.

As I said earlier, our commitment, my commitment, to raise this with the U.S. interlocutor will be done once my counterpart is confirmed. I'm looking forward to that conversation.

• (1340)

The Chair: You have 30 seconds, Mr. Simard.

[Translation]

Mr. Mario Simard: I understand.

You spoke briefly earlier about the construction of wood buildings.

Some simple measures can be implemented to promote wood construction. Several stakeholders have come to see us in order to list these measures. To this end, the government could easily include, in the public contracts awarded, the carbon footprint criterion. That way, it could promote all wood products and wood construction.

Would you support this type of measure?

[English]

Hon. Mary Ng: I think the forestry sector is an absolute leader. Their contribution to building more sustainably is I think what the opportunity is, in addition to the range of forest-related products that are innovative. That is really going to help us tackle both the environment and the growth of the economy.

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

Mr. Cannings, we'll go over to you, sir.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you, Minister Ng, for coming back to the natural resources committee. It's like old times. It's good to see you here.

As you mentioned, the forestry industry is so important. It's important in my riding, in my province of British Columbia, and of

course, across the country. This softwood lumber dispute has been going on, I wouldn't say all my life, but for a long, long time. In 2017, I went down to Washington, D.C., with Tracey Ramsey, who was the NDP's critic for international trade at the time. We met with a lot of senators and congressional representatives about this. What struck me, first of all, was that some of the strongest, most strident voices of protectionism down there came from Democrats, so I'm wondering what difference, if any, this new administration can make.

I also heard from representatives who were concerned about the softwood lumber dispute because it was hurting their industries, as you mentioned. Right now we have lumber prices north of a thousand dollars per thousand board feet. That's hurting not just Canadians—I have a friend who's building a house and the price just went up dramatically—but it's also hurting American businesses, retail businesses, wholesalers and consumers. John Fowke, who's the chair of the U.S. National Association of Home Builders, said that these prices are just unsustainable. He's really pressing the administration down there to get this solved.

This would be my first question. What pressure are you exerting on the administration, using those people who are with us in the United States, to solve this?

Hon. Mary Ng: Thank you so much. It's terrific to be here with you. It does feel like old times around the committee, although I'm looking forward to the day when we can once again see each other in person.

What I would say is that I think there is an opportunity and I fully intend to raise it. I think that the issue you have rightly pointed out, which is an area of common interest, is in economic recovery—the workers who depend on those jobs and the affordability of construction.

Just as we do, the Biden administration has an ambitious agenda around providing affordable housing. It's people, the cost of lumber and the cost of construction. I think there is a mutual interest here for us to work together. It is good for workers and it is good for businesses.

I'm very heartened to work with the U.S. administration, who have indicated their preference to work with allies to resolve disputes. Our road map for a renewed U.S.-Canada partnership, I think, is a perfect signal of that. I absolutely intend to work with my U.S. counterpart to find the solution to this issue, and I hope we will be able to achieve a mutually acceptable outcome for both of our countries.

• (1345)

Mr. Richard Cannings: As I said, it's been going on for so long and what I've been hearing from the industry and from everyone is, "Why can't we settle this once and for all?" Monsieur Simard mentioned the billion dollars that was left on the table. It's not just getting these illegal tariffs returned to us. It's language in an agreement that will stop these frivolous, vexatious tariffs from happening again. It's language that says what Canada is doing in the forest industry is correct and okay. Maybe it's even penalties for frivolous suits and actions against the Canadian forest industry.

Is there an appetite for that? That's what we're really looking for here, to get this done. I would really like an agreement that would be the last one we need.

Hon. Mary Ng: For sure, Canada's position is that a new softwood lumber agreement is in the best interests of both countries. In this area, in this arena, I really am looking forward to taking a team Canada approach to working with the industry and the workers here in Canada. I do think there are synergies there that are as much in the interests of Americans as they are in the interests of Canadians. My commitment, absolutely, is to raise this at the first opportunity and to work very hard on this file.

Mr. Richard Cannings: I hope I have time for one last question in this round.

Quickly, you mentioned mass timber or engineered wood, which two companies in my riding have really pioneered, not just in Canada but in North America. They are Structurlam and Kalesnikoff. That product is shipped into the United States tariff-free because it doesn't meet the requirements for the softwood lumber tariffs, thank goodness. I am hoping it will remain that way, because these companies can provide really good value-added work in Canada. However, they're suffering too now because of the high prices of the two-by-fours and two-by-sixes they use to create that. They're hoping for these prices to come down and a new agreement to be in place.

Hon. Mary Ng: I would agree that Structurlam and...I'm remiss on the other one. They are terrific, terrific companies. Those are the exact examples of companies that are innovating in the sector and creating the kind of new and different value-added products. Indeed, it is those very products that also will help us achieve another objective that both administrations, our government and the American administration, are very keen to work very aggressively on, and that is climate change.

I am very much looking forward to helping our Canadian businesses. On Structurlam, not only are they going into North America—

The Chair: Thank you, Minister. Again, I apologize. You'll recall from your time on the committee that it is my job to do that from time to time, as unpleasant as it may be. I apologize.

Thank you, Mr. Cannings.

Mr. McLean, it's over to you, sir. We're into a five-minute round now.

Mr. Greg McLean (Calgary Centre, CPC): Thank you, Mr. Chair.

Minister, welcome to the committee. It's a pleasure to have you here.

I really appreciated all your comments delivered in all earnestness about how we're going to pay attention to our trade relationship going forward, but we watched in dismay while we saw a release this week that said all the important matters that were raised with the U.S. administration this week regarding how we're going to work hand in hand with the new U.S. administration.... We also had a CUSMA negotiation happen not so long ago. This industry, again, was left out of that whole negotiation.

As my colleague Mr. Cannings was saying, at what point in time will we actually come to a real agreement here and this government will actually put forward the steps required to come to a solid agreement that will last with the United States in this industry?

Hon. Mary Ng: Thank you so much, Mr. McLean. It's wonderful to see you and to be here at committee.

We absolutely believe that a negotiated settlement to this dispute is for sure in the best interest of both Canada and the U.S. Just as we pursued the negotiations in CUSMA, the new NAFTA, it is taking a team Canada approach, working with industry, working with workers and making sure that we are advocating and working together with the Americans in areas where it is good for them and it is also good for us.

I think I've already shared the examples of where that will be. I am heartened to know that the new U.S. administration wants to work with its allies in resolving issues. I am very much looking forward to raising this at the first conversation I have with my new U.S. counterpart.

• (1350)

Mr. Greg McLean: Thank you, Minister. I hope we can get to some timelines here on when that actually will happen, because it seems to continue to get pushed forward.

I have some questions about the biomass we have. It's the largest biomass per capita, in Canada. I'm wondering if you believe this biomass can be used as a carbon sink in our negotiations with other countries when we come to environmental considerations.

Hon. Mary Ng: I think the biomass we have in our country is a testament to the industry, to the manner in which it is innovating and the way in which we are finding new environmentally sound and good products. They will make it into value chains and production to help with Canada's climate goals as well as those of our friends south of the border. Indeed, in many of the export markets there is an opportunity. We will work with those businesses to grow.

Mr. Greg McLean: Thank you, Minister Ng. I appreciate that.

The government is committed to actually planting two billion trees over the next handful of years, increasing the Canadian wood stock by about 0.5% as a carbon sink. How do you think this will be viewed by our trade partners as a potential trade subsidy if we're going to spend, as the Parliamentary Budget Officer says, at around \$3 a tree, \$6 billion to actually accomplish a 0.5% increase?

Hon. Mary Ng: Well, it's a really important question, and I think this is something that we are always sensitive to. Canada is a country that is trade compliant.

Canada is also a country that is committed to supporting our businesses, and certainly here, in a really important sector like the forestry sector and the wraparound and the range of products that are emerging. Certainly, the products that are contributing to climate action here but literally around the world is what we are doing to support the innovation and the new products that are coming online.

It is a balance that we've always been sensitive to, and to be trade compliant—

Mr. Greg McLean: Thank you, Minister. I have one final question. I think I probably have a little extra time here for a final question.

The Chair: Sure.

Mr. Greg McLean: How are we going to have our industry compete with the United States forest industry when we have a carbon tax increasing in Canada versus no carbon tax in our main trading partner, the United States?

Hon. Mary Ng: I think our commitment to climate action in Canada is what makes us competitive. The forestry industry should be applauded for its leadership in sustainability. Absolutely, the environment and the economy can go hand in hand. The way in which the new emerging opportunities that we are supporting in that development and in that growth is going to stand Canada's industry steadfast precisely because we have a plan on tackling climate change.

The Chair: Thank you, Minister.

Thank you, Mr. McLean. Unfortunately, that is all your time.

Mr. Sidhu, you are up next for five minutes.

[Translation]

Mr. Mario Simard: Sorry, Mr. Chair.

[English]

The Chair: Yes, Mr. Simard.

[Translation]

Mr. Mario Simard: I was under the impression earlier that Mr. Sidhu had given up his turn to allow the minister to finish her remarks.

[English]

Mr. Maninder Sidhu: Mr. Chair, I did say that at the beginning.

The Chair: You did say that. That's right.

Mr. Maninder Sidhu: Yes.

The Chair: Thank you for the reminder, Mr. Simard.

If you gave up five minutes, then Mr. Simard—

Mr. Maninder Sidhu: I gave up four minutes, but I'd love to have my one minute with the minister if you don't mind.

The Chair: I'll give you one minute, yes.

• (1355)

Mr. Maninder Sidhu: Perfect.

The Chair: Make it a good question.

Mr. Maninder Sidhu: Awesome.

Thank you, Minister, for being here with us today. I want to take this opportunity to thank the whole department for the hard work they're doing.

I know that you've been working hard through our trade agreements and working hard to support the forestry sector because it's an extremely important sector here in Canada. As you mentioned, it's \$23 billion of our GDP.

Minister, how are we helping the forestry sector tap into the 1.5 billion customers globally through our trade agreements? Can you answer quickly and provide some insight on that?

Hon. Mary Ng: Well, I already talked about the trade commissioner service, so I won't go there, but CanExport is a terrific program. It's a program that actually helps our Canadian companies get the support they need to grow into international markets, helping those companies, particularly small and medium-sized businesses. There are so many of these businesses that are being created and that are innovative, that are developing new products, new bioproducts. Take a look at PPE during this pandemic and how important this sector has been in providing for those products.

Helping those businesses grow and get access into those international markets—a billion and a half customers in the international markets—is what we are absolutely committed to doing. In fact, not only are we committed, we've taken action on it, and we are seeing businesses growing. We're seeing businesses grow in places like Taiwan, Japan, the Philippines, Australia and Italy. We're seeing investment come in from Belgium and from—

The Chair: Thank you, Minister.

In fairness to Mr. Simard, he's right. We have to honour the commitment.

Hon. Mary Ng: Yes.

The Chair: Thank you for the reminder, Mr. Simard.

I apologize again for interrupting, which means the floor is yours, Mr. Simard, for two and a half minutes.

[Translation]

Mr. Mario Simard: Thank you, Mr. Chair.

Minister Ng, I just want to describe a scenario that thoroughly illustrates the issue with trade agreements.

A company that engages in primary wood processing can't access the Canada Economic Development for Quebec Regions, or CED, programs because this activity is deemed non-compliant with trade agreements. As a result, if the company applies for a grant from CED, it must turn to Global Affairs Canada. However, the company's application is consistently denied.

Some companies that engage in primary and secondary processing are also denied CED assistance. I don't know whether you're aware of this situation. However, for the economy of several regions of Quebec, this has a devastating impact on the forestry sector.

Would you be willing to discuss this issue in order to find a solution?

[*English*]

Hon. Mary Ng: Thank you for that important question.

As an example, we provided \$4.5 million of investments in Sherbrooke to develop new products in the bioenergy from our forests. We have announced more than \$600,000 in Abitibi to promote further economic opportunity for indigenous communities in the forest sector in Quebec.

I work as the minister responsible for Crown corporation agencies that are there to support the growth of Canadian companies through capital, whether it's through the Business Development Bank or Export Development Canada. We put a team trade approach for our Canadian businesses. I see that helping wood pellet manufacturers in Quebec—

[*Translation*]

Mr. Mario Simard: Yes, I understand.

[*English*]

Hon. Mary Ng: —to distribute and to grow into Italy.

These are a variety of supports, but my commitment to put team Canada trade to our businesses to grow and create jobs in Canada, and certainly in Quebec, is absolutely my top priority. In fact, it's the mandate given to me by the Prime Minister.

[*Translation*]

Mr. Mario Simard: I understand, Minister Ng.

Let me give you a quick example. There's a market development program—

[*English*]

The Chair: Mr. Simard, I hate to tell you, but your time is up.

[*Translation*]

Mr. Mario Simard: Okay. I can come back to this later.

[*English*]

The Chair: Mr. Cannings, it's over to you.

Mr. Richard Cannings: Thank you.

I'll start off by reiterating the importance of the damage that the high tariffs are doing, and the resulting high prices in North America because there's such demand. The tariffs are not just damaging businesses here in North America, but they're also stimulating imports from Europe, from Romania, Germany and Scandinavia. They are now finding their products are cheaper so that they can bring them to North America.

There's a company in Penticton that builds pine shelving. When it's servicing the eastern part of its market in North America, it im-

ports from Romania. This is something we have to deal with very quickly.

When a deal is signed—let's hope—will there be a mechanism to bring not just the tariffs back to Canada, but also some way to help those small companies, not just the big companies that had to actually pay the tariffs? It's the small companies that work for them that have been really suffering off and on over the years as things go up and down. Those companies really have been hit hardest. A lot of them have gone out of business or have suffered. Is there a mechanism to help them?

• (1400)

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

As the minister responsible also for small business, I have an absolute commitment and priority to ensure the viability of Canada's small businesses in all sectors, and particularly here in the forestry sector, to ensure that, certainly during COVID-19, they have the supports they need.

Underlying that, we have an opportunity to also help those businesses grow and anchor that growth in Canada, to create really good jobs in Canada and to access those international markets.

Yes, we have a commitment to work with the United States so that we can pursue a negotiated settlement, defend the interests of Canadian softwood lumber with vigour, and certainly help with that diversification in supporting the growth of this incredible Canadian technology and environmentally sustainable capability for these Canadian small businesses.

I think it's all of those things that will ensure a competitive and vibrant sector. That can only be good for Canadian workers.

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

Mr. Richard Cannings: Thank you.

The Chair: Mr. Patzer, I believe you're next for five minutes.

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Minister, for coming here today. I really appreciate it.

Before we get going into the softwood issue, I have another quick question for you.

We heard from witnesses at our last meeting about another emerging problem. They said the environmental assessment can take at least three, and up to 10 years for new mineral projects. Under the CUSMA deal, we only have a three-year grace period before there's a requirement to regionally source 75% of lithium for our batteries. At this rate, with your government's plan for electric vehicles, how will Canada not get hit with more tariffs for another developing industry?

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

You've touched on something that is really important and, in fact, a key cornerstone of the renewed U.S.-Canada partnership, particularly around the environment and the importance of working on critical supply chains, the one for minerals being one of them. Certainly, those minerals are needed for the development of products that will power our new green industries.

This is absolutely a commitment, and I think you'll see that in the renewed road map between Canada and the United States. This is certainly an area where there is a real opportunity for the two countries, in building back better if you will, to work together, because there are opportunities for growth, economic growth and environmental leadership growth in those sectors.

Mr. Jeremy Patzer: What are you doing, then, within the government to make sure that we don't get hit with these tariffs at that three-year mark? The environmental approval process takes up to three years, so we're basically hooped. What are you doing to make sure that doesn't happen, that Canada isn't punished with more tariffs from our key trading partners?

Mr. Patrick Weiler: Mr. Chair.

The Chair: Mr. Weiler.

Mr. Patrick Weiler: As much as it would be very interesting to talk about critical minerals, our other study, we're here today to talk about the forestry sector and specifically the softwood lumber agreements. I was hoping we could stick to that today.

The Chair: Thanks, Mr. Weiler.

Mr. Patzer, I think that's a fair comment considering the minister is here for only you and one more person, and given Mr. Zimmer's concern, which he expressed earlier, that we need to ask her questions. I would hate to see us talking about something that's outside the scope of the reason she's here.

• (1405)

Mr. Jeremy Patzer: For sure. It's just that we have an emerging issue. I was hoping to pick her brain on that quickly while we have her here. I appreciate the comments.

Minister, yesterday your counterpart, the incoming U.S. trade representative, said we often fall into a pattern in which one sector of our economy and one segment of our workers feel as though their livelihoods and their opportunities are sacrificed for another part of our economy. She said trade policy should break this pattern. In similar terms, many Canadians would say your government's trade policy is sacrificing certain sectors of our economy, including softwood, along with all the rest of Canada's natural resources.

As trade minister, how will you break this pattern?

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

Let me just be clear about how important the forestry sector is to Canada's economy and to my work. As I said earlier, I certainly intend to be speaking to the new USTR once she is confirmed.

I think something we certainly would both agree on is that Canada's trade relationships and agreements, certainly with the United States, have a really strong provision around inclusive trade and ensuring that all people in our economy benefit from our agreement. That is an area that I intend to pursue as well. Coming out of

the meeting with the President earlier this week, the renewed U.S.-Canada relationship includes the opportunity to implement and to work on CUSMA and particularly on benefits for small and medium-sized businesses.

I think there are certainly many areas on which both of our countries can work to ensure that we get on that road to economic recovery that will enable more job creation for people on both sides of the border.

Mr. Jeremy Patzer: Quickly, the Senate hearing for the new U.S. trade representative made it very clear that Canada is on their radar in a few different areas, including softwood. What trade issues with the U.S. are specifically on your radar?

Hon. Mary Ng: I'm looking forward to my first meeting with the U.S. trade representative. The meeting that we had with President Biden and the Prime Minister earlier this week laid out a very robust road map for many areas of collaboration.

Critical supply chains are something that we are going to steadfastly work on. Solving COVID-19 and beating COVID-19 is an area that we must steadfastly must work on. That is connected to trade insofar as solving COVID-19 is directly connected to the health of our economic recovery. There are many areas on which we can work together. I'm looking forward to that working relationship and to my first conversation, during which I will certainly raise softwood lumber.

The Chair: Thank you, Minister.

Thank you, Mr. Patzer.

You are next, Mr. Lefebvre, and then the minister will have to be on her way following your questions.

Mr. Paul Lefebvre (Sudbury, Lib.): How much time do I have, five minutes?

The Chair: You have five minutes, yes.

[*Translation*]

Mr. Paul Lefebvre: Thank you, Mr. Chair.

[*English*]

Thank you Minister, for being here. I'm happy you were able to join us.

I'm the MP for Sudbury, which is in mining, obviously. I'm from Kapuskasing, a pulp and paper town. My dad was a welder there. I'm a bit like Mr. Cannings in that I grew up with trade disputes with the U.S. being something that affected us very often.

It's a challenging file. As we all know, we need a partner on the other side to sit down with. When they're not there it's hard to negotiate with an absent partner. I know that's what happened in the last four years. I know we were ready, willing and able to engage, but when there's no partner to engage with it's quite impossible.

I want to congratulate you and thank you for your trade diversification strategy. We understand that because of the challenges, certainly with the one major trading partner, we need to diversify. That's something I've been hearing for a long time.

The measures and the team you put in place are very promising. I think really good things will come from that for all of Canada.

I want you to touch on your views of the importance of this trade diversification strategy, the significant amount of funding and supports that you have put in, and why you believe this will give us the results we're looking for.

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

This sector is really important to so many communities coast to coast to coast across Canada, including Kapuskasing and northern Ontario. We know this sector is also an incredible leader in responsible forest management and sustainable products.

Canadian businesses, particularly small and medium-sized businesses of which there are many in this sector, especially those that are emerging, make up 99% of all businesses in Canada. Today, 12% of those businesses are exporting. There is the opportunity not only to export more, but also to grow more into those markets we have access to. Canada is very enviable as the only G7 country with a free trade agreement with the other seven countries, and has access to a billion and a half customers around the globe.

We need to help our businesses and make the investments in them for this growth. Whether it's getting access to capital, or access to the supports and market research into where they may grow, is what team trade Canada is doing. Whether it is the trade commissioner service and the investments of \$290 million, whether it's CanExport....

We have pivoted, by the way, as well, during the course of COVID-19 to make sure that businesses have access to that support to help them grow. This means attending virtual trade shows. It's dealing with some of the barriers that might have come up as a result of exporting in this COVID environment and helping them deal with those kinds of costs. It's for the innovative forestry sector with the IP they are developing, and paying for their IP and their patents.

There is a range of supports to help our businesses grow into those international markets.

• (1410)

Mr. Paul Lefebvre: You mentioned another very important aspect of the investment you made with respect to the trade commissioners and that growth. I've seen it first-hand from a mining perspective, having been at a PDAC round-up in Vancouver, and the importance of those individuals around the world. It really helps Canadian businesses.

Can you touch on the importance of those trade commissioners?

Hon. Mary Ng: I can do even better. I can share some examples.

There's a great New Brunswick company that is commercializing its wood biocomposite solutions in packaging. It's substituting plastic, so it's sustainable packaging. They use e-commerce platforms, and the trade commissioner service is helping them get into the U.S. and the European markets.

Another manufacturer of wood-sourced polymer from Alberta is benefiting from the trade commissioner service. They're helping them look for commercial partners in European companies so they can integrate some of those materials into car parts and interior finishing in manufacturing.

There are B.C. companies that are specializing in wood construction, like the ones in Richard's riding. They're innovating. The TCS is helping them get into markets not only in North America, but also in Taiwan, Japan, the Philippines and Australia.

Wood pellet manufacturers in Quebec are being helped to expand their distribution into Italy.

These are only a handful of opportunities. We know that markets in Japan, Vietnam, Germany, South Korea, Indonesia.... These investments are coming into Canada, but they're also opportunities for growth for exactly those companies that are going to create jobs anchored in Canada, and help to grow middle-class jobs.

This is the road to recovery, but it's actually long-term growth in this very important sector of our economy.

The Chair: Thank you, Mr. Lefebvre.

Minister, thank you very much. We're going to let you go now. On behalf of the committee, I want to thank you for coming out today, and thank you for indulging us with 15 more minutes than was scheduled. We appreciate it. It was good to have you back. We hope you'll be back soon.

Hon. Mary Ng: It's a pleasure, and it's terrific to be back at the committee. It feels like old times.

Happy weekend to everyone. I wish you all the very best, and I'll see you next week.

The Chair: Mr. Lloyd, go ahead.

Mr. Dane Lloyd: On a point of order, Mr. Chair, out of respect for the minister's time, I wanted to wait until the minister was gone to address this issue. I am a bit concerned about a decorum issue in relation to Mr. Weiler's intervention and interruption of Mr. Patzer's line of questioning.

I have been consulting O'Brien and Bosc on committee procedures on this matter. It says that it is the sole prerogative of the chair to interrupt members if their observations or their questions are off topic.

Mr. Chair, I would encourage you to state to the committee that it is not the job of other members to use points of order, and in this case, the inappropriate use of a point of order. The purpose of a point of order is to raise an issue regarding the violation of a standing order of a committee, or not usual practice of the committee.

However, it is the practice of a committee that if somebody is asking a question that's off topic or making an observation, that is the sole prerogative of the chair. I would not want to see any member of this committee usurping the role of the chair in making that decision. You can imagine a situation where any member of this committee could raise repetitive points of order about members stating things off topic. The Speaker of the House of Commons has granted a great deal of leeway in speeches on topics to get back to the point.

I would encourage you, Mr. Chair, to not allow your position to be usurped by members. Maybe in this case, it was an honest intervention, but it is your role, Mr. Chair, not the role of members, to interrupt our fellow members when they have very limited time to ask questions.

• (1415)

The Chair: Mr. Lloyd, thank you for that intervention. Had you gone on longer, I suspect you would have met the definition of a monologue, so I'm glad you stopped when you did.

If it makes you feel any better, if Mr. Weiler hadn't said it, I was about to. In the context of a meeting, relevance is always important, but when a witness is appearing before the committee, pursuant to the specific wording of a motion brought by one of your colleagues, I remind you that the context becomes even more important.

Thank you, and I will agree with you this much, in that I would hate to think anybody on this committee would try to usurp the functions of the chair. We all appreciate that reminder.

Mr. McLean, is this on the same issue?

Mr. Greg McLean: Yes, it is, Mr. Chair. As much as I appreciate your comments, I'd like to acknowledge that Mr. Lloyd's point is well taken, and you'll enforce that better next time, because the ability of other members to step in and usurp your role needs to be clearly defined as a non-starter.

Also, I noticed that if you're going to cut off members when they're asking questions off topic, I'd like you to also cut off witnesses when they're equally off topic.

The Chair: We're on the record and I'll say this. My practice, if we hit the time on the button, is to not interrupt witnesses if they appear to be close to finishing an answer. I did it when you asked your last question. I try to do that with everybody regardless of

who's asking the questions. Sometimes it doesn't work out as precisely as I would like. I plan to continue that practice unless the will of the committee is that I stop people no matter what, right on the button. If you were to check the blues for this meeting and other meetings, they would reflect that I'm pretty fair with everybody's time regardless of which party they are with.

But again, I thank you. I will admit that sometimes it blows up in my face when I let them go on, and I regret it, but that's my burden to bear.

Mr. May, go ahead.

Mr. Bryan May (Cambridge, Lib.): Mr. Chair, I would seek some guidance, maybe from the clerk, if we're suggesting that members of Parliament do not have the right to call a point of order on relevance. First of all, that's a misinterpretation of the rules, and for the future, yes, the chair should be jumping in, but if the chair isn't jumping in, members should have the right to call relevance on an issue.

The Chair: Mr. May, I thank you again for the comments.

I'm not a fan of frequent and repetitive points of order. Relevance is always a guiding principle at this committee and everywhere that we are carrying on our business. I don't intend to let anybody on this committee usurp my decision-making, but if people want to raise a point of order, they are within their rights to do so. It's then up to me to rule on whether it's appropriate or not.

I don't know that we need a ruling.

I see Mr. Cannings' hand is up. I'm going to let him speak, of course, but I would like to move on to questions because we do have witnesses who are sitting here patiently watching this. As much as they may be enjoying it, I'm sure they would rather have questions from us.

Mr. Cannings.

Mr. Richard Cannings: Mr. Chair, when we have the minister before us to question about the estimates, most of the questions that are put to the minister at that time have very little to do with the estimates. Basically we can ask the minister anything and that's what we do.

I'm siding with Mr. Patzer. I think it was fair game, as much as I thought the minister did face a lot of questions about forestry. I wanted to point that practice out. It's probably not in Bosc, but I think it should be considered.

• (1420)

The Chair: It reminds me of that scene in *A Few Good Men*. Not everything's in the book, but people follow certain practices.

I don't see any more hands up, so let's move on to carry on the discussion with our witnesses.

Mr. Lloyd, I believe it is your turn, appropriately.

You have the floor for five minutes to ask questions of our remaining witnesses.

Mr. Dane Lloyd: Thank you.

I'm not sure exactly which witness would be best suited, but here's one of the questions I had. There is a new U.S. administration. We know the previous administration was refusing to fill key WTO roles, which was really gumming up the works for the appeals process on softwood lumber. Is there any line of sight on where the new U.S. administration is going in terms of filling these vacancies?

Mr. Arun Alexander (Director General, North America Trade Policy Bureau, Department of Foreign Affairs, Trade and Development): Thank you, honourable member, for the question. It's a very good question.

My name is Arun Alexander. I'm the director general for North American trade policy.

As you stated correctly, the previous U.S. administration had created issues with respect to creating a quorum for appellate body members. The new U.S. administration under President Biden has displayed a willingness to work with allies, as the minister stated. With respect to the WTO, it has been supportive of filling the director-general position that had been vacant.

We see that as a good sign that the new administration is willing to engage on WTO issues. I would just state that both Democratic and Republican administrations have raised concerns about the appellate body and dispute settlement process at the WTO, but we take this sign that the U.S. has engaged on the filling of the director-general position as a positive sign that they would be willing to engage with partners at the WTO and to resolve the quorum issue at the appellate body.

Mr. Dane Lloyd: Thank you.

Maybe this would be also appropriately guided to you as it's on North American trade policy.

In our negotiations with the United States, they made claims about our stumpage rates being below market value. This is the justification for their countervailing duties and tariffs.

We have carbon taxes in Canada. We're talking about a clean fuel standard. It's quite clear that our government has more taxes on industry. Particularly, I was speaking to a sawmill owner in my riding. They have kilns, which they use to dry the lumber. Their trucks are burning a lot of diesel and gas to move these products. The cost of the carbon tax and the soon-to-be-announced clean fuel standard will represent yet another increase in the cost of their inputs.

Is this being used at the trade negotiation level to show the Americans that our cost of doing business is higher because of taxes? Is this bearing at all on the negotiations?

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

As you noted, the U.S. takes issue with the difference in our stumpage rates because our system is based on a public land owner-

ship system versus the United States, which is based on a private land ownership question. In our minds—and I think it's a state of fact—our market rates are fair.

With respect to environmental issues, the Biden administration has shown a very keen interest in addressing issues like climate change and environmental issues in general. I think that the Canadian green forestry practices are a selling point for the forest industry.

I can speak personally. I was the head of the Canadian trade office in Japan. I can say that Canadian green forestry practices were a huge selling point in Japan when people were looking to purchase lumber. This differentiated us from our competitors.

I think our positive environmental practices will hopefully be seen as another positive with the Biden administration in negotiations.

Mr. Dane Lloyd: Thank you.

I don't want to get into a political debate on this one, because I know you're a bureaucrat, but a bit of an observation is that when we're dealing with our trading partners to the south, they might appreciate that we're putting on more taxes and being more green in our industry, but whether or not that's reciprocated by them raising similar taxes so that our industries can be on a competitive playing field with each other is a whole other matter.

One of the other concerns that has been raised—and maybe you're not the appropriate person—is that we have sky-high lumber rates right now in Canada, and I know the industry is happy about this, but they're concerned about the future. What actions are we planning in the future to ensure that this industry can remain sustainable?

• (1425)

Mr. Arun Alexander: I'm not sure that I'm best placed to answer the honourable member.

Maybe I'll ask Colin Barker, who is the director for the softwood lumber division, if he can speak to that.

Mr. Colin Barker (Director, Softwood Lumber Division, Department of Foreign Affairs, Trade and Development): Hello and thank you. I'm Colin Barker and I'm the director of the softwood lumber division at Global Affairs Canada.

The high lumber prices at the moment are insulating companies against the impact of the duties, certainly, so that is helping companies weather the current situation. Obviously there are negative impacts on consumers and the homebuilding sector as a result of those high prices, so it's not sustainable in the long term, and eventually prices will come back down as supply is increased. Certainly, the lower the price goes, the more impact the duties have. Over the past few years, the price has been at a favourable level, but we can't assume that will always be the case.

As the minister pointed out, it certainly will be our priority now that the new administration is taking shape to investigate ways that we can perhaps arrive at a new negotiated agreement to this dispute. Certainly, our efforts on the litigation side will also help to increase the pressure on the U.S. to come to the table, as will our cooperation with groups in the U.S. such as the home builders association. Their press release was pointed out earlier in the discussion. They're an important advocacy ally in the U.S. to convince the administration and Congress that it's time to come back to the table on this issue.

Mr. Dane Lloyd: Thank you.

The Chair: Thank you, Mr. Lloyd. I gave the witness a bit of extra time there. I hope you don't mind.

Mr. Sidhu, I believe you are next.

Mr. Maninder Sidhu: Thank you, Mr. Chair.

Thank you to the department for being with us today.

We all understand the importance of the forestry sector. It supports over 200,000 jobs across Canada and it's 1% of our GDP. I'm happy to hear that most of the sawmills that closed during the early days of the pandemic are now back up and running and to see communities back to support their mills and the industry in general.

I'd like to hear from the department about how they are supporting the forestry sector in diversification. What are their thoughts on that?

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

Supporting the forestry sector is a key priority of the department, and we look at it in probably three ways. I'll turn to my colleague Rosaline Kwan, who works directly in the trade commissioner service, to provide more detail.

We look at it in these three ways. One, we look to diversify markets and look for new markets internationally for Canadian forest products. Two, we look to promote new innovative products. The minister made reference to high-rise buildings. There's the 14-storey Brock Commons wood structure at the University of British Columbia, which we promote very much as new technology that is safe and green. Three, we try to attract investment from foreign investors into the Canadian forestry sector.

Those are our three priorities in promoting diversification, but I'll turn to Rosaline to provide more detail.

Ms. Rosaline Kwan (Director General, Trade Sectors, Department of Foreign Affairs, Trade and Development): Thank you, and thank you, honourable member, for your question.

Mr. Chair and members of the committee, I'm Rosaline Kwan, the director general for trade sectors at Global Affairs Canada. I myself am a trade commissioner and part of the trade commissioner service. I'll quickly say thank you to those of you who have expressed your appreciation for our service in your work with us and in the work of your companies with us. We're always very happy and committed to supporting Canadian companies in the forestry sector.

As my colleague, Arun Alexander, mentioned, trade diversification is our priority, and as very well elaborated by Minister Ng, we

look at trade diversification in a number of ways. She mentioned the markets, whether they're in Europe or Asia or elsewhere. We also work with Canadian companies to look at the wonderful and new innovations that they have and that they're working on to help them take advantage of those opportunities in the marketplace globally. I should also mention that as part of the trade commissioner service, we have regional offices across Canada as well as over 160 missions around the world. Our regional offices across Canada work with companies in their regions to be able to support their businesses.

In the forestry sector, of course, our trade commissioners work very closely with those you might know in the sector from your areas or constituencies. That's more general on trade diversification in terms of markets.

I also wanted to touch a little bit on looking at new and innovative products using Canada's innovation capacity through our forestry sector, which has been impressive, as the minister mentioned, not only through the pandemic but also in terms of looking at biopolymers and bio-based composites, biofuels, to be able to take advantage of the growing opportunities around the world. Part of our job is to help support them to identify those opportunities and to be able to tap into those opportunities so they themselves can get into the supply chains of opportunities around the world.

Through that, the minister also talked about some of the work that we do, whether it's virtual trade missions, whether it's working directly with companies, whether it's through the CanExport program, through a number of tools that we have to be able to help further the objectives and support the important companies in this sector across Canada. Of course, we continue to place this as a priority, as it was clearly stated, in terms of how we help to support trade diversification for the forestry sector regarding Canadian companies.

● (1430)

Mr. Maninder Sidhu: Thank you for that.

Mr. Chair, how much time do I have left?

The Chair: You have about 15 seconds, so you're essentially done.

Mr. Maninder Sidhu: Okay.

Thank you for that insightful answer.

The Chair: Thank you.

We'll go now to Mr. Simard for two and a half minutes.

[*Translation*]

Mr. Mario Simard: Thank you, Mr. Chair. I'll ask my questions quickly because I have two and a half minutes.

I spoke to the minister earlier about the fact that some forestry companies were having trouble receiving funding from CED. When these companies engage in primary wood processing, they're told that they can't receive funding from CED because of the trade agreements. The companies are referred to Global Affairs Canada. However, the companies have told me that it's almost impossible to receive funding.

Can you explain this to me?

[English]

Mr. Arun Alexander: Mr. Chair, the government has made available numerous funding programs both in response to the tariffs themselves, the softwood lumber action plan, or SLAP, as we call it, as well as in response to the COVID pandemic crisis. In devising these programs we have to be very careful to ensure that they are consistent—

[Translation]

Mr. Mario Simard: Sorry, Mr. Alexander. I don't have much time. I simply want to know whether it's impossible for forestry companies that engage in primary processing to receive support from CED, even if they do business only in Canada.

[English]

Mr. Arun Alexander: The very short answer, then, honourable member, is no, it is not impossible. Such industries can receive financial support from Canada as long as the financial support that they receive is consistent with our international trade obligations. Just to be clear, yes, they can receive support from Canada.

[Translation]

Mr. Mario Simard: I was told that most applications were rejected by Global Affairs Canada. We can verify your response.

What seems contentious is that, even if the company is engaged in secondary and tertiary wood processing, as long as it also engages in primary wood processing, Global Affairs Canada refuses to allow CED to support this type of company.

Is this statement correct?

[English]

Mr. Arun Alexander: I don't know the specifics of the example you're giving. What I can say is that as long as our funding mechanisms are consistent with our international trade obligations, Canada is able to, and will, provide funding to the softwood lumber sector.

It's difficult for me to address specific examples without knowing the background.

• (1435)

The Chair: Thank you, Mr. Simard.

Mr. Cannings, we'll go over to you.

Mr. Richard Cannings: Thank you.

My main question that I want answered is this business of, as Katherine Tai, who is going to be the new trade representative in the United States, said, these issues seem to go back to the beginning of time.

Are there any examples out there in international trade agreements, with Canada or not, that offer a way for us to stop this treadmill of constant softwood lumber disagreements? I wonder if there's a way to put in language something that says what Canada does, the stumpage system we use and the public land ownership we have, is okay, some language that says the United States cannot bring these actions forward if that system remains the same. We need something to stop this whole cycle of dispute.

I don't know who might want to try to answer that.

Mr. Arun Alexander: Thank you, honourable member. Perhaps I will begin, and then I might turn to my colleagues to add to my response.

I understand your point that it seems as though there has been an interminable cycle of lumber disputes with the United States. I think softwood lumber one goes back to the early 1980s and we're now in the fifth iteration. I've been involved, and I know Michael Owen has been involved, at least since the early days of softwood lumber six. It is a difficult issue.

What I can say is that, in negotiations, Canada is always open and willing to enter into discussions and negotiations with the United States for any agreement that is fair to our industry and which will bring benefits to our industry, our workers and our communities.

In negotiating such an agreement, we would put everything on the table, including the possibility of recognizing Canada's stumpage system, which as you say is based on public lands, as a key priority. We would like to end these interminable softwood lumber disputes as well, so anything we can do to resolve this issue on a longer term basis is a key priority for the government.

Maybe I'll ask my colleague, Mike Owen, the lead litigator, to add to this.

Mr. Michael Owen (Acting General Counsel and Executive Director, Softwood Lumber Litigation Division, Department of Foreign Affairs, Trade and Development): Sure. Thank you, Arun.

It's a great question. It's something that the department has thought about over numerous cycles of softwood lumber, since I've been involved in the file, since 2001.

I can tell you that it's very difficult, what we're doing here, with our U.S. domestic proceedings, the countervailing duty investigations, the anti-dumping investigations that any U.S. industry has a right under U.S. law to bring.

I think one of the impediments we face in coming to a final conclusion is that the U.S. coalition, the U.S. lumber industry, has a right to sue under U.S. law. In order to even reach a softwood lumber agreement like the one we had the last time, they have to suspend that right or at least come to the table and indicate perhaps that there's going to be no injury or that they're not going to move forward with duties.

That has always been one particular difficulty in trying to reach a final solution where we wouldn't have to go back to softwood lumber six or softwood lumber seven. I don't even like thinking of that.

To answer your question, it's one of the key problems—

The Chair: Thank you. I'm going to have to stop you there.

Mr. McLean, I believe you're next, for five minutes.

Mr. Greg McLean: Thank you, Mr. Chair.

Mr. Alexander, you raised the point here that the Japanese, you say, gave us a lot of credit for the fact that we had green types of lumber. Let me say that I don't think they're paying one cent more per million board feet because we're green. If you have different information that we're being paid more, or that we're doing more business because we're green, could you please send that me? To date, I haven't seen that.

I've also noticed that since 2008, the industry has been stagnant; that is, there is no more money being earned in the industry. Therefore, all the extra money we seem to be spending in trade agreements and everything else associated with the industry we're getting less and less return for.

Perhaps you could comment on that, please.

• (1440)

Mr. Arun Alexander: I can tell you that when I was in Japan in discussions with Japanese lumber purchasers, one of the key issues they would raise with me was the green aspect of our Canadian forestry practices. It was something they saw as very positive. If you know Japan, you know that they are very concerned about the environment and nature. They made a point of pointing out to me that Canada's green practices were a very positive aspect of our lumber industry in the decisions they made with respect to sourcing lumber.

Did I miss part of your question? I'm sorry.

Mr. Greg McLean: Yes. I asked you whether we're actually making any more money or if in fact it's virtue signalling without any tangible results, where we're spending more money at it and getting no results for it.

Mr. Arun Alexander: Sorry, but just to be clear, are you speaking about the green practices or about free trade agreements in general?

Mr. Greg McLean: I'm speaking about what you raised, about Japan patting us on the head because we're more green than they are.

Mr. Arun Alexander: I didn't say we're more green than they are. They took into account our green forestry practices when making purchasing decisions. I don't have statistics on whether they paid more for it, but I can tell you that in discussions with major

forestry companies in Japan, this was an issue they spoke very positively about.

Mr. Greg McLean: Yet you have the minister looking at border carbon adjustments on certain countries in the world right now, including India, China, Australia, Mexico and Japan. Somehow their virtue is paying us more, in some respects. I'm a little lost on this disconnect here.

Mr. Arun Alexander: I'm sorry if I'm not making myself clear. I think one of the virtues or one of the considerations that Japanese lumber purchasers take into account is Canada's green forestry practices. In making their decisions, it's a positive aspect.

Mr. Greg McLean: Okay. Thank you.

I'd like to go back to something the minister raised. Maybe one of the officials can talk about it.

We are currently at a state in the industry where we are getting top dollar for the product, and yet we don't have all of the mills that were closed pre-COVID back open yet. It shouldn't be just those mills that are reopened. It should be all the mills that have closed down because of this border tariff situation we have with the United States. Why hasn't that happened? Where are the jobs flowing to at this point in time, and can you please tell us why? We are at record production and record financing in this industry.

Mr. Colin Barker: Arun, maybe I can jump in.

Mr. Arun Alexander: Yes, please. Thanks.

Mr. Colin Barker: I think it's fair to say that all of the mills that closed due to the initial shutdowns because of the COVID-19 pandemic back in April and May have reopened. Employment is back up to pre-pandemic levels. There were shutdowns and curtailments at different mills in British Columbia. Those were largely due to fibre supply issues. It's an adjustment the industry is making to the supply of their input in British Columbia. It's unrelated to the COVID-19 pandemic or the duties. Those curtailments and shutdowns and shifts in production have not been reversed, because those decisions were taken with regard to the very specific supply issue in British Columbia.

Mr. Greg McLean: Thank you.

I have another question with regard to the actual mill closures pre-COVID. Can you tell us how many jobs were lost in Canada and if there was a correlating number of jobs gained in the United States because of those closures?

Mr. Colin Barker: I don't have the statistics related to the job losses in front of me, but I understand there were job losses, primarily in British Columbia, due to those fibre supply issues. The jobs were not replaced with jobs in the United States per se, because not all of those mills would have opened operations in the U.S. to compensate. Sometimes production was increased at other mills that had better access to fibre. That internal adjustment within B.C. is very much a local B.C. market condition that is, as I said, playing out.

• (1445)

The Chair: Thank you, Mr. Barker.

Thank you, Mr. McLean.

Mr. Greg McLean: Thank you.

The Chair: Mr. Weiler, you are up again for five minutes.

Mr. Patrick Weiler: Thank you, Mr. Chair.

I'd like to get back to a question that my honourable colleague brought up earlier. I think it's a very salient point for our discussion today. This is likely a question for both Mr. Alexander and Ms. Landry. It is with respect to having effective environmental regulations and policies.

As the U.S. and the EU have mused or are starting to pursue bringing in carbon border adjustments, does your department, both from the private sector buyer's point of view for our natural resource products such as forestry but also in terms of trade policy, see it as a risk if Canada does not have effective measures in place for climate action? Does it see that as a risk that may impede market access into those countries or perhaps lead to those countries putting a tariff on those goods entering those countries?

Mr. Arun Alexander: Thank you very much. It's a very good question.

I understand the Europeans and the United States are both considering carbon border adjustment measures. The level of policy development in each is probably in the earlier stages.

Canada also is taking very strong measures with respect to carbon and climate change. I think we have an opportunity to work together with the United States, the European Union and other allies to address the challenges of climate change and carbon border adjustment measures multilaterally. I think Canada should seize this opportunity and work with our allies to make sure we develop a system that recognizes the strong green practices of the Canadian economy, Canadian companies, Canadian provinces and the federal government.

I'll ask if any of my colleagues would like to add anything to that.

I'd be happy to answer any other questions.

The Chair: It sounds like the answer was no.

Mr. Patrick Weiler: Thank you for that, Mr. Alexander.

Maybe this next question is for Mr. Owen.

We've talked about it already, but the World Trade Organization ruled that U.S. tariffs on Canadian softwood lumber exports were unjustified. The U.S. is now appealing that decision to the U.S. ap-

pellate body, but there isn't quorum right now because the U.S. has been blocking the mechanism to appoint new judges. Without the appointment of new judges to this appellate body, what recourse does Canada have before the World Trade Organization?

Mr. Michael Owen: That's an excellent question. Thank you.

I didn't introduce myself the last time. I'm Mike Owen. I'm the director of the softwood lumber litigation division in the trade law bureau at Global Affairs Canada. That's not to be confused with Mr. Barker's softwood lumber division. The names are similar.

In terms of moving the WTO litigation forward, all of the WTO litigation, regardless of whether it has been brought by Canada against the United States or it involves other countries, is currently awaiting a multilateral discussion about the future of the appellate body and the resolution of that with the new U.S. administration. I don't really think there is a way to move things forward without first getting the appellate body back up and running.

I will say, importantly, that the WTO obligations—

[*Translation*]

Mr. Mario Simard: Excuse me, Mr. Chair, but we can't hear the interpretation anymore. Perhaps the witness can bring the microphone closer to his mouth.

[*English*]

The Chair: If you could adjust your mike boom and speak a bit louder, Mr. Owen, that might solve the problem.

Mr. Michael Owen: Certainly. I am very sorry.

One important thing to bear in mind with respect to the litigation is that the World Trade Organization's obligations under the WTO Agreement on Subsidies and Countervailing Measures, which the U.S. was found to have violated, are very similar in some respects to the obligations in U.S. law. The United States implemented those obligations in U.S. law when it adopted the WTO agreements. The decision at the WTO is, I think, persuasive, analogous and on point. It is something we can bring before the NAFTA and CUSMA panels to argue that the decision is also equally inconsistent with United States law. There are different standards of review in the two systems, but there is a lot of parallel between the legal obligations.

• (1450)

Mr. Patrick Weiler: Thank you, Mr. Owen.

With this and some of the challenges with this in mind, I'm wondering if one of the witnesses could speak to some of the work we're undergoing right now to reform the World Trade Organization.

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

Canada is very much involved in looking at the World Trade Organization and looking at aspects of reform. As you may know, Minister Ng leads the Ottawa group, which is a subgroup of members of the WTO, and it's looking at ways to reform the organization. It was established in, I think, 1995, so over 25 years ago, so this is a good opportunity to look at the structure, the rules, and the way the organization operates.

I'm very proud to say that Canada is playing a leading role through the Ottawa group to ensure that the reforms of the WTO are effective and implemented.

The Chair: That's great.

Thank you, Mr. Weiler.

Members, we have nine minutes left in this meeting. We're starting a six-minute round. If we stick to the schedule, we'll get only two more people in. I would be willing to allow time for four people to ask questions, but that would mean sharing the time equally and reducing the question time to three or four minutes each. Does anybody object to that? Okay, good.

We have Mr. Patzer, Mr. Lefebvre, Mr. Simard and Mr. Cannings, and I'll give you three minutes each. We'll start with Mr. Patzer.

Mr. Jeremy Patzer: Thank you very much, Mr. Chair.

I'm actually going to move my motion:

That, pursuant to Standing Order 108(1)(a), the committee request the Minister of Natural Resources to appear no later than Friday, March 26, 2021 for consideration and reporting on the Supplementary Estimates (C) referred to this same committee for the fiscal year ending March 31, 2021.

The Chair: Thank you, Mr. Patzer. I can tell you I've already extended an invitation to him, and my understanding is he's available on March 22 to attend the committee.

Mr. Jeremy Patzer: Perfect.

The Chair: We can vote on the motion if you want, or we can just carry on.

Mr. Jeremy Patzer: Well, I mean, I would...

The Chair: Put it this way: If you want, we can go straight to a vote and a show of thumbs and just move on to—

Mr. Jeremy Patzer: Why don't we go to a quick vote, just to get it on the record? I would greatly appreciate that.

The Chair: Okay, I see all thumbs up, so it's unanimous.

(Motion agreed to)

The Chair: Thank you, Mr. Patzer.

Okay, carry on.

Mr. Jeremy Patzer: Thank you very much.

Mr. Owen or Mr. Barker, what are our realistic prospects for diversifying export markets for softwood?

Mr. Colin Barker: I'll try to answer quickly, given the time constraints.

Obviously, as has been discussed at length today, we're working very hard to help the industry find new markets for its products. Of course, the United States will always remain the chief market for our products. That is on the basis of geography and also of the cost of transporting lumber over large distances, obviously. However, there are markets around the world for speciality products, and that's where our focus is and will continue to be: to help industry develop innovative products that can find markets around the world for which proximity is not as essential.

That's where the work is focused. Maybe I'll stop there in the interest of time.

Mr. Jeremy Patzer: Thank you for the quick answer. I have a quick follow-up question.

Will searching for other buyers further strain our relationship with the U.S., do you think?

Mr. Colin Barker: No, I don't believe so. Our view is that obviously the United States depends on our high-quality wood products for their home construction industry, so we see their duties as self-defeating ultimately. I think we're seeing that play out now with high prices, which are not all due to duties certainly, but the duties are contributing partially to those high prices.

Our view is always that they need our high-quality products, but certainly it's good for the industry to have multiple outlets for its products, depending on market forces and demand, which do fluctuate around the world for different reasons.

Mr. Jeremy Patzer: Thank you.

Really quickly, I've seen expert speculation, following the DSB's meeting this past Monday, that the impasse at the WTO is likely to continue through 2021. Do you think that is a good guess, or do you believe it is realistic to resolve this problem any sooner than by the end of this year?

● (1455)

Mr. Arun Alexander: Maybe I'll answer that question.

I think it's very difficult to speculate. I think all members are working towards resolving the appellate body quorum dispute. We will work as hard as we can to make sure the issues that have been raised by some members are addressed. Our goal would be to have a functioning appellate body back in place as soon as possible.

Mr. Jeremy Patzer: Thank you.

The Chair: Thanks, Mr. Patzer.

Mr. Lefebvre, you're next.

Mr. Paul Lefebvre: Thank you, Mr. Chair.

Thank you, everyone, for being here. This has been very informative, and it's great to have the expertise you're bringing to the table as we conclude the study.

Mr. Owen, you said that you've been involved with this file since 2001. That's the year I graduated from law school, and I'm now 47 years old. It has been a long haul for you to work on that file. It's pretty much like a job for life. I'm sure you're trying it not to be, but that's the reality. What I'm getting at is that the context you provided us was very important, which is that the system they've made in the U.S., the laws they've passed and the structure they have, has made it so that the industry can sue any time it wants and stop the process.

It's extremely difficult for us as Canada, no matter what political party, to really put a structure in place so that we don't need to deal with this and you can move on to another file. For the purposes of this study, where do you think it ends, and does it? If it doesn't, how do you see this unfolding in the next five to ten years?

Mr. Colin Barker: Maybe I'll jump in—sorry, Mike—given that it's a bit more of a negotiations question, and in the interests of time.

Mr. Michael Owen: Yes, sure.

Mr. Colin Barker: As Mike alluded to, Canada is very keen to find a permanent solution if one can be found. The U.S. has even indicated at times what sorts of things could be done to help arrive at that, such as reforms within our system to include auctions, which both British Columbia and Quebec have adopted.

Unfortunately, when we make those changes, the U.S. is not always quick to follow through on their commitments. They indicated previously what reforms might be worthwhile and, as my colleague pointed out, the industry ultimately holds the whip hand, in that under U.S. law they have the right to bring claims unless they give up that right unilaterally—

Mr. Paul Lefebvre: They will never do so. That's the reality.

We've heard questions from both parties. What I'm trying to get at is the partisanship. I think all members of Parliament here are supportive of the work you're doing. Again, I should say that certainly from my standpoint, on the hard work and the position you're in to negotiate with either side, no matter who is in power in Canada, we are all supportive of having a softwood lumber deal with the U.S.

You've expressed to us the importance of the efforts and the non-reciprocity. Certainly, the other side is not as keen as we are because of the factions on the U.S. side that are making sure that they benefit from this uncertainty. I just want to make sure we get that on the record. I really appreciate that because it's key for this study, as we are all concerned about the lumber dispute. The reality is that it's extremely challenging regardless of the political parties involved.

The Chair: Thank you, Mr. Lefebvre, for stopping on time.

Mr. Simard, you have three minutes, sir. Then we have Mr. Canings for three minutes.

[*Translation*]

Mr. Mario Simard: Thank you, Mr. Chair.

My question could be for either Mr. Barker or Mr. Owen.

In 2006, \$1 billion was left on the table. We spoke to several forestry sector entrepreneurs and major players in the sector. They told us that this was called the “run out of steam strategy.” In short, the United States was hoping that the forestry sector would run out of steam and agree to a deal.

Do any WTO provisions protect us from this type of cheap agreement, or is this done only through the negotiation process?

[*English*]

Mr. Arun Alexander: Thank you very much, honourable member. Maybe I'll begin.

It was in a previous round—you're correct—that the U.S. returned four billion dollars' worth of duties. One billion dollars was retained under the previous agreement.

In the current round, the U.S. is once again collecting duties. It would be our aim in a negotiated agreement to get all the duties back for Canadian companies. It would, of course, be part of the negotiations.

With respect to WTO aspects, maybe I'll turn it over to Mike Owen, our litigator.

• (1500)

Mr. Michael Owen: I'm sorry. I had a bit of an interruption in the feed. I know you asked about WTO aspects, but could you repeat that question so I'm clear on it?

[*Translation*]

Sorry.

Mr. Mario Simard: Do any WTO mechanisms require the United States to reimburse us for all the unfairly levied countervailing duties? Under the 2006 agreement, the United States retained \$1 billion.

Is this simply a matter of negotiating or is there a legal way to collect this amount?

[*English*]

Mr. Michael Owen: Thank you for the question. I understand now.

In terms of answering that question, I think the key thing to note is yes, that relief is available. That's one of the reasons the government made sure we could get that relief under the NAFTA system and preserve that dispute settlement system under the Canada-U.S.-Mexico agreement. That refund of duties, if we were to win everything, is available under that system, and it's binding under U.S. law, because those panels stand in the place of U.S. courts. WTO relief is prospective, so while we could ultimately prevail at the WTO if the appellate body mechanism issue was resolved, that relief would be going forward as of the date of that victory.

The Chair: Thank you, Mr. Owen and Mr. Simard.

Mr. Cannings, you are last up today.

Mr. Richard Cannings: Thank you.

When I talk to forest companies in my riding and around the region—I'm sure Mr. Zimmer hears this as well—one of their main concerns in British Columbia are stumpage rates, and how stumpage rates are too high or they're out of sync with the prices being offered at the present time. Of course, when I talk to the provincial government, they say they're wary about changing that system because of the softwood lumber issue with the United States.

I'm wondering if someone here can answer this. If provinces started changing the way that they charge stumpage rates, how sensitive would that be in terms of raising the spectre of new tariffs, new actions on the part of the United States? What is that risk?

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

I'll ask Colin Barker to respond to that.

Mr. Colin Barker: I was going to pass it to Mike, but I'll try it quickly.

As I alluded to earlier, British Columbia adopted an auction system, which was partially adopted in an effort to make reforms that were hoped would reduce the potency of U.S. arguments that the B.C. system is providing a subsidy.

Mike and his team did an excellent job at the WTO to show that the B.C. system offers fair prices when compared to a reasonably comparable benchmark. That is why we were ultimately largely

successful, both at the WTO and using those same arguments as part of the annual review process to have the duties cut by more than half in that first annual review.

Certainly, it's very important that the provinces are cognizant of this issue when formulating their forestry practices. Obviously, they still have broad leeway in how they do that, and we work with them to make sure we understand it fully so that we can bring the best arguments forward in our dispute settlement.

As I said, I think Mike and his team had some great success, both at the WTO and with respect to the current duty.

Mr. Richard Cannings: Thank you.

That's all I have, Mr. Chair.

The Chair: Thank you, Mr. Cannings.

Thank you, everybody.

To our witnesses, thank you very much. It's a complicated and critical topic, and thank you for your insight. It provided us with a greater understanding. Speaking for myself it certainly did, and I am sure I speak for everybody when I say that. We're grateful for your time, on a Friday afternoon especially.

Thanks to the members.

Enjoy the non-sitting week—I know everybody will be busy—and we'll see you when we get back.

Thank you.

The meeting is adjourned.

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