



**Address by the Honourable Frank McKenna,
Ambassador of Canada to the United States
to the Council of Forest Industries Convention**

**Prince George, BC
April 15, 2005**

Thank you for your kind introduction and your warm welcome to this most beautiful province. I love coming to British Columbia. I love the mountains. I love the ocean and I love the people. I am always pleasantly surprised at how the warmth of the welcome, the strength of the communities and the joyous love of life of West Coasters is so very close to what we experience in the province of New Brunswick.

In my new life, I experience a little bit of British Columbia every single day. I walk by a magnificent sculpture "Spirit of Haida Gwaii" by a great BC artist, Bill Reid. I then enter one of the most beautiful pieces of real estate in Washington, the Canadian Embassy, designed by British Columbia's famous architect, Arthur Erickson. And, as I enter my office, I am greeted by a magnificent portrait of "Roger's Pass" donated to the Embassy by Westcoast Energy.

The invitation that I received from the Council of Forest Industries Convention arrived well before I was appointed and the first invitation that I accepted.

Part of it was selfish. I love coming to Prince George, one of the world capitals of a globally competitive forestry industry, and a community in which I have spoken several times before on forestry issues. And I also love coming back to British Columbia.

But, the most important reason for accepting the invitation was to signal very emphatically to you that resolving the softwood lumber dispute is my number one priority.

Why?

Because this industry is so important to Canada's future. It employs almost a quarter of a million Canadians. Twelve hundred communities are dependent upon the forestry sector. Canada is the world's largest exporter of forest products. And I don't have to tell you that this is not just a forestry industry, it is a hi-tech industry, adding value in so many ways to the Canadian economy.

It's a \$75 billion industry overall for all forest products -- last year alone we sent \$7.5 billion worth of softwood lumber exports to the United States.

I must say that since I accepted the invitation, a lot of things have happened to turn this visit into a political minefield.

Negotiations are underway between Canada and the United States and its respective industries in an effort to solve the softwood lumber dispute. I have been advised to be extremely prudent in my remarks, so that negotiations would not be prejudiced.

An election campaign is about to commence in the province of British Columbia. I have been advised that I need to be very prudent in my remarks to ensure that I don't enter into this highly charged political arena. The papers say we may be on the verge of a general election in Canada. I have been advised that it would be extremely dangerous to say anything that would affect this volatile political situation.

So, as Henry the Eighth said to each of his wives "I won't be keeping you very long".

Seriously, I have come a long way and fully intend to get my licks in, in spite of the admonitions that I have received.

So let's dive right into the softwood lumber dispute.

As you know, Canada has been following a three-track strategy in this, the fourth round of the softwood lumber dispute. This strategy has been developed and implemented in close cooperation with the provinces and industry across the country.

One track has been to aggressively defend our rights through litigation in U.S. and international fora. We will continue on the litigation track so long as it is necessary.

The second track, which has seen renewed activity since February, is discussions on a durable resolution both at the Government-to-Government level and by the Canadian and U.S. industries at the CEO-level.

Industry's role on both tracks of this process is vitally important if we are to succeed in finding a durable resolution and in putting this chronic irritant behind us.

The third and most recent track is WTO-sanctioned retaliation on payouts under the Byrd Amendment. Retaliation takes effect May 1.

The federal government continues to maintain softwood lumber as a top priority.

Prime Minister Paul Martin and President George W. Bush agreed on the need to resolve the lumber dispute during the President's visit to Ottawa last year and during the Prime Minister's visit to Waco, Texas, on March 23rd.

Minister for International Trade Jim Peterson consistently raises this issue with his U.S. counterparts.

For instance, on March 1st, he raised the issue when he led a Canadian delegation to Washington for the Canada-U.S. advocacy day that welcomed the new Congress. Minister Peterson raised it with U.S. Secretary of Commerce Carlos Gutierrez on February 14th, at which time they both expressed a desire to find a durable resolution.

For my part, I raise it in every meeting I have with U.S. officials. Indeed, I raised it just this week with Senator Max Baucus on Montana. He has some very strong views on the subject. So do I.

I can't predict where negotiations will lead. I hope, we all hope, that we can find a mutually acceptable solution. I know how frustrated you must be.

I feel the same way.

It seemed like I was in the middle of a softwood lumber dispute the entire time that I was Premier of New Brunswick. Now, it's the major issue on my desk in Washington.

Charles De Gaulle once said words to the effect that his greatest regret in leaving public life was that he had the same files on his desk as when he began. I pray that will not be my fate.

It would be foolhardy to speak about negotiations currently underway. To this end, let me offer some practical suggestions for trying to deal with this issue going forward.

Firstly, understand the market forces that are at play. Canadian softwood lumber enjoys a 34 percent market share in the United States of America.

You're living in a dream world if you don't think that that level of market domination is not going to raise protectionist forces.

Particularly in a marketplace that is less productive than ours and with a more robust dollar to overcome.

British Columbia enjoys approximately 50 percent of this huge Canadian market share, so it should come as no surprise to you that BC will always be at the centre of the storm.

Secondly, Canadians think they understand the Government in the United States, but they do not. Even with all of my years of political science, politics and cross-border Boards of Directors, I have found the last six weeks absolutely stunning in terms of what I have learned -- with a long way to go. I would be surprised if most Canadians, including those of you who are in this room, are not in the same boat.

John F. Kennedy, a great President, said "My experience in government is that when things are non-controversial, beautifully coordinated and all the rest, it must be because there is not much going on". Well, I can tell you categorically, that although it may not seem impeccably choreographed, there is one helluva lot of activity going on.

In Canada, if you want to get to a decision maker, you only need to speak to one person, if it's the Prime Minister or Premier, or possibly a handful of people including Ministers or Deputy Ministers. Generally speaking, the will of a First Minister or the will of a Minister becomes the will of Cabinet, the will of Caucus and the will of Government.

In the United States, the exact opposite is true. The President of the United States has the power to conduct warfare.

After that, unbelievably to people who are familiar with our Canadian system, the President's power is extremely limited.

The President of the United States cannot introduce legislation. He must rely on Congress to introduce even the simplest of Bills.

The President of the United States can not legislate solutions to trade issues, such as softwood lumber. This is the exclusive purview of Congress.

The President can beg, bully, cajole and influence, but ultimately, Congress has exclusive responsibility in a wide number of areas. If you forget about Congress as a co-equal branch of government, you forget it at your peril.

As powerful as it is, Congress is far from being a monolithic force. Party discipline is noticeably absent. The simple fact that the President is of the same party as the majority of the Senate or the House of Representatives does not mean that he will automatically carry the day on important issues. It is commonplace for members to break party ranks.

In the absence of party discipline, therefore, it is necessary to convince legislators individually of the merits of a particular matter.

Furthermore, the Senate and the Congress often have highly competing interests on various matters and completely different perspectives. Consequently, one must not only work on the 100 Senators in the United States Senate, but also 435 members of the House of Representatives.

The manner in which the Byrd Amendment became law illustrates the rather mind boggling intricacies of US congressional procedures.

Originally introduced by a US Senator named DeWine from Ohio, it failed to attract enough support in the Senate to make it to the floor for a vote.

To save the proposal, Senator Robert Byrd, a master of Senate rules, surreptitiously inserted the language into an agriculture appropriations bill at the last minute without any debate.

Congress could not defeat the amendment without defeating the entire appropriations bill.

Similarly, President Clinton couldn't exercise his veto for the same reason and asked Congress to fix it.

All attempts to do so have failed.

These differences are the tip of the iceberg. In Canada, patronage is frowned upon. In the United States, it is fundamental to the system. The entire top level of government changes with each election. Consequently, you are dealing with an ever changing array of decision makers.

The system becomes so complex, that, believe it or not, Cabinet Secretaries actually have congressional units designed to navigate this maze and lobby their own government.

Similarly, massive staffs are required by elected members to lobby each other and to keep track of all the various activities. Large staffs are commonplace. I recently heard of a Senator who had as many as sixty-eight assistants to help deal with all of this confusion. When I was Premier of New Brunswick, I didn't even have as many elected members for the whole province as Senators have staff.

Adding to this chaos, Washington is a city of lobbyists. In Washington, this is a perfectly legitimate and regulated activity. In Washington there are some twelve thousand registered lobbyists. Those who aren't lobbyists are lawyers and sometimes both.

It is said that one out of eight people that you will meet on the street in Washington is a lawyer. Maybe that's why some people say the streets of Washington aren't safe. The role of lobbyists and lawyers is to navigate this system and press the case for their specific interest.

And where you have competing interests, lobbyists and lawyers, you have money. It is estimated that over 404 million was spent on broadcast and print issue advocacy during the 108th Congress. Each of the top six issues in terms of spending has the balance of spending favouring the winning side of the issue.

Where am I going with this? I know that you are making some efforts to have your point of view represented in Washington. I applaud you for your lobbying and advocacy initiatives. But, as someone told me in Washington, don't bring a knife to a gunfight.

Expand your efforts beyond Washington into grassroots America.

And if and when this case is resolved -- don't stop. You must permanently protect your interests.

As I've said, softwood exports for Canada amount to \$7.5 billion dollars per year -- the industry employs a quarter million Canadians in twelve hundred communities. Since this dispute began, almost four billion dollars has been paid in escrow for duties. You know you have a lot at stake. We know we have a lot at stake.

Let me expand on a point I just made. While you are and must be present in Washington, and, I would argue in a most vigorous way, it is even more important to take your campaign to the grassroots of America.

Because, all politics is local and since you don't get to vote, you must enlist allies who do. Simply put, it is not enough to know the President. It is not enough to have the embassy working on this file. And it's not enough to have the best lawyers and lobbyists in DC working for you. The United States' system relies on the power of networks, building coalitions at the grassroots level so that members of Congress know why an issue matters to them.

Remember I said that one in eight people you meet in DC is a lawyer or lobbyist? Don't forget, that one in one Americans is a consumer. I would bet, if properly informed, the vast majority of them would love to have access to the lowest priced and highest quality product in the marketplace. You sell into all of these small communities in the United States of America.

It is critical for you to work with your customers both major and minor across the cities, towns and villages of America. Your opponents seemed to have been much more successful at building a grassroots coalition. We must compete with them in the same way.

This brings me to my next major point. The Byrd Amendment represents a threat in this round of the softwood lumber negotiations and to the long term hope for a durable solution to this dispute and other disputes. The Byrd Amendment is a particularly pernicious law.

It provides that money collected in duties, rather than being paid entirely to the government as usual, may be channeled to the private sector complainants who initiated the trade action. The potential for mischief from this approach is obvious and dramatic.

In short, it's an invitation to corporate bounty hunting.

Firstly, it incites parties to instigate trade action. Since they will be obvious beneficiaries of such action, it becomes a powerful motivator for them to be complainants.

Secondly, since these monies may be distributed to their competitor, it makes it much more likely that additional members of the sector will become complainants for defensive purposes.

Thirdly, to the party suffering from paying the duty, it is extraordinarily galling and unfair to have to pay these monies to a competitor who can use the money to upset the competitive balance and even provide monies to competitors to consolidate or buyout other parts of the sector.

I can find no words better to condemn this legislation than the words of the Wall Street Journal in their editorial of April 6th.

"The World Trade Organization has ruled it illegal, and so the European Union and our neighbors to the north have every right to retaliate against American goods until Congress repeals this Byrd brainstorm. The problem is that the Amendment has become a giant cash transfer program for American business."

Now for the kicker.

"Take the Timken Company, the ball-bearing maker that raked in some \$52.7 million last year as the Amendment's biggest corporate beneficiary. This gives Timken every incentive to hire trade lawyers to file anti-"dumping" suits in order to receive protectionist winnings. We suppose that qualifies as a return on investment, of a kind, but it doesn't say much for corporate competitiveness."

It goes on ...

"Plenty of companies in numerous industries are getting in on this act. Forty-four companies collected at least \$1 million in Byrd duties last year, and the total corporate take was \$284.1 million. From 2001 through 2004, this protectionist windfall was \$1.04 billion."

Wait, there's more ...

"More broadly, this payola has encouraged more U.S. companies to file more anti-dumping suits. According to the WTO, as recently as 1997 only 15 anti-dumping cases were filed in the U.S., and only nine in the entire first half of 2000. But since Byrd took effect, the numbers have climbed to 76 in 2001, 35 in 2002, and 37 in 2003."

In short, it is completely inconsistent with free trade principles and has been found to be so by the WTO. I am very pleased that Ottawa has recently announced retaliation measures, our third track, against U.S. firms to take place May 1st. We have many coalition partners both in the United States and externally who share our revulsion of the Byrd Amendment.

Whatever happens in this softwood lumber dispute, I would exhort you to work with these coalition partners in maintaining pressure on the United States Congress (to repeal the Byrd Amendment).

Having expressed some negatives, let me dwell on the positive. There is a lot of good that has happened in your sector.

You have increased your level of innovation and productivity.

You have hung in through years of litigation.

(You are hanging in through the negotiations).

You have become masters at marketing and distribution.

You have sponsored your own advocacy efforts.

You have worked with large U.S. allies such as Home Depot, the National Association of Homebuilders and the lumber dealers, under the umbrella of the American Consumers for Affordable Housing.

And, both the private sector and governments at the provincial and federal levels deserve credit for successfully resisting the Coalition's effort to play the divide and conquer game in this, the latest round of the softwood lumber dispute.

We are all very proud of the fact that four years into this round of this very painful dispute, Canadians remain united in spite of considerable divergences of interest, in seeking a durable resolution to the dispute that is in the best interest of Canada.

But it is absolutely critical to note that as important as it is for you, the softwood lumber dispute in particular must be considered in the context of the overall relationship.

On an overall basis, this relationship is extraordinarily robust.

It is about security and the border.

It is the largest commercial relationship in the world by far.

Canada and the United States exchange some \$1.8 billion dollars in goods and services every day of the year.

Over \$1 million dollars a minute.

A truck crosses the border between Canada and the United States every two seconds.

On average, about a half a million people cross the border every single day.

It's about jobs -- over five million jobs in the US supported by trade with Canada, and over two million in Canada.

Lest you think the relationship is one sided, we are a bigger market for the United States than all of the European Union combined.

We are also America's largest foreign investor and the number one export destination for thirty-nine states.

We are the leading providers of oil, crude oil, natural gas and uranium to the United States of America.

We have a bigger trading relationship at the Ambassador Bridge, between Windsor and Detroit, than the United States has with the entire country of Japan.

Believe it or not, we do more business with Home Depot in Atlanta than we do with the entire country of France.

Mais, oui.

But even these facts have to be considered in light of an even greater reality.

One that is deeper than any commercial relationship.

It is that we are friends and family.

All of you in this audience I would venture have friends in the United States.

Many of you have family there.

Some of you are Americans living or working in Canada.

None of us should forget the deep roots that exist in the two countries. We watch out for each other. And no matter what the trade fight may at any particular moment, in the bigger fights we have shed blood together so many times in defence of the values and principles we share.

Like in two world wars, in Korea, in the Persian Gulf and in Kosovo.

Or when we are side by side defending North America in the North American Aerospace Defence Command or NORAD.

We've rotated thousands of troops through Afghanistan and the Persian Gulf since 9/11.

Our police, border, migration and other law enforcement personnel are taking the risks every day to protect us from those who would threaten our families and our safety.

It is within this deep and broad context that this Relationship exists.

And for the health of our relationship, and for the competitiveness of North America we need to fix our trade disputes.

And we can stand our ground on these issues, not in spite of our Relationship, but because of it.

Because what matters about friendship isn't about what you disagree on, it's about how you disagree.

I haven't been in Washington long, but what I've learned is that Americans respect those who stand up for what they think is right. They respect those who know, as the song goes, when to hold 'em and when to fold 'em.

And that means that it is right that we stand up for this great and unique and special relationship, and for our softwood industry.

Because as Canadians, we can be proud of both.

It is what friendship and business is all about.

Thank you.

