

It's consumers vs. taxpayers

THE APPROACHING TRADE WAR against Canada by the Trump administration should surprise no one, since it's a product of radically different treatment in the two countries of the trading at issue, in dairy products and softwood lumber.

However, there's a huge contrast in the two areas, with protectionism lodged in Canada when it comes to dairy products and in the States concerning softwood lumber.

As pointed out by Claire Hoy in his column opposite, dairy products are much cheaper in the U.S. because of the absence there of Canada's supply management system which keeps prices artificially high and the existence of high Canadian tariffs against imports. The beneficiaries are Canadian dairy farmers who have come to possess quotas with huge market values and the losers are Canadian consumers, who must pay far more than they would without the supply management.

We suspect few Canadians realize the extent of that protectionism. In fact, Canada's dairy, egg and poultry industries have been governed by a supply-management system since the 1970s. It involves fixed prices, production quotas and tariffs of up to 270 per cent to protect Canadian producers from foreign competition. And the tariffs were tightened last year to include unfiltered milk products used to make cheese and yogurt.

However, simply eliminating the tariffs and supply management wouldn't produce a level playing field for Canadian and U.S. farmers, since one reason for the low prices for dairy products in the U.S. is a long-standing practice of subsidizing U.S. farmers. There, the winners are consumers and the losers are taxpayers.

In the circumstances, Canada's position in future trade talks should be that the current high tariffs would be reduced if and when the U.S. reduced its farm subsidies.

Meanwhile, the Canadian and U.S. roles are reversed when it comes to softwood lumber, with the U.S. lumber industry claiming that Canadian provinces subsidize softwood lumber producers by charging too little for access to Crown forests. The protectionist Trump administration this week bought that argument and announced plans to impose a 20-per-cent tariff on Canadian softwood exports. The federal and B.C. governments both called the American rationale for the tariff "unfounded," and Ottawa is expected to work with seven provinces affected by the tariffs on attempts to combat them.

In a joint statement, Mr. Carr and Foreign Affairs Minister Chrystia Freeland said the Government of Canada "disagrees strongly with the U.S. Department of Commerce's decision to impose an unfair and punitive duty. The accusations are baseless and unfounded. ... Canada will continue to press their American counterparts to rescind this unfair and unwarranted trade action. We are committed to working with the U.S. Administration to achieve a durable solution."

(The seriousness of the situation, as well as the market's view of the likely winner, was demonstrated by a collapse of the Canadian dollar Monday to below 74 U.S. cents.)

Feuds over softwood lumber have been a recurring part of Canada-U.S. relations since the 1980s. The U.S. industry's contention of unfair subsidies has led to a cycle of American punitive actions being followed by trade cases usually won by Canada, and then a compromise settlement.

In this case, we think Canada should agree to have experts investigate the U.S. claims and determine how much each province should be charging for access to Crown forests to recoup the full cost of regenerating those same forests. Beyond undercutting the U.S. industry's claims, such an approach would protect Canadian jobs while perhaps producing revenue to provincial coffers and giving some relief to taxpayers.