

B.C. demands changes to new softwood deal

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Canada and the United States reached agreement on a formal text for a softwood lumber deal Saturday, marking a significant milestone on the road to finally ending the biggest trade dispute between the two countries. But B.C.'s government, along with the leaders of its forest industry, say they will not support the deal unless significant amendments are made.

The news of the province's strong resistance came just as Prime Minister Stephen Harper was preparing a trip to Washington.

In various statements -- including a joint letter sent directly to federal representatives -- industry and government representatives in this province said they are withholding their support because the deal fails to meet the needs of B.C., the province most affected by the decades-long dispute.

"The current draft agreement has not met some of our key requirements. We will, therefore, not be able to offer our support," read a two-page letter sent on Friday to Trade Minister David Emerson and Canada's ambassador to the U.S., Michael Wilson.

Signed by Ken Dobell, special adviser to Premier Gordon Campbell, the letter expressed the "joint views" of the province and the industry.

It went on to say that B.C. industry has indicated it does not plan to end litigation on the matter.

According to John Allan, president of the BC Lumber Trade Council, the federal agreement states that provincial governments, companies and associations must drop their legal cases.

Allan said on Sunday that Canadian companies representing no less than 95 per cent of the duties on deposit must agree with the terms of the deal, otherwise it will not come into force. Finally, he added, Parliament must pass legislation to enact the agreement.

If finalized, the agreement would allow the U.S. to keep about \$1 billion of the \$5 billion collected in penalties on Canadian softwood since 2002, and limits shipments south of the border if American lumber prices begin to fall.

The treaty replaces the duties with either a border tax that increases as lumber prices drop -- to protect American producers -- or a combination of tax and quota.

It is intended to run for seven years, with an option to renew for another two years. But an escape clause was added at U.S. insistence; after 23 months either side can serve notice that it

wants out, and then can walk away 13 months after that.

The letter from B.C.'s government and industry showed clear concern for this part of the deal.

"We had requested that the agreement be at least three years with six months notice required for termination," it said.

In a conference call from Geneva, however, Emerson downplayed concerns that the exit clause would mean the seven-year deal could fall apart in a matter of months.

"This is a nation-to-nation agreement, it's a treaty," he said. "The likelihood of this kind of agreement being terminated by a country is extremely remote."

Emerson added the deal will bring welcome stability to the softwood industry in Canada, which has been in and out of courts, the World Trade Organization and NAFTA panels for several years.

Emerson was in Switzerland for meetings of the World Trade Organization and dealt with the final version of the softwood agreement with U.S. Trade Representative Susan Schwab.

"I believe we have now finalized the text of an agreement that will be very positive for the Canadian softwood lumber industry and should ensure a sustained period of sustainability and predictability and good health for the softwood lumber industry," Emerson said.

"It should also be good for Canada-U.S. relations."

American negotiators were also celebrating.

"This agreement resolves concerns on both sides of the border and allows us to focus on the larger positive trade relationship binding our two countries," U.S. Commerce Secretary Carlos Gutierrez said in a statement.

In Ottawa, Harper released a statement calling it "a great day for Canada" and heaping praise on the efforts of Wilson and his team.

Back in B.C., provincial NDP forestry critic Bob Simpson panned the agreement, saying it doesn't work for B.C.

"It's not a commercially viable deal and I don't know how often the industry has to say this to the Canadian government," Simpson said.

Additionally, the termination clause means the deal could run only three years, and Simpson noted the process would need to be started all over again, far too soon.

He said Canada had leverage going into the deal because several courts had ruled in the country's favour.

But under the agreement, Canada has to report to the United States every change in forest management practices and taxation on softwood, whether that's an order in council, a change

in regulations or new legislation, Simpson said.

"This deal is unpalatable to industry so it will therefore be industry that ends up killing the deal and getting Harper out of a political bind."

Rick Jeffery, president of the Coast Forest Products Association, said industry has about a two-month window of opportunity right now to alter the deal and that industry leaders will use that time to push for the changes they feel are needed.

Prior to Saturday's announcement by the federal government, Jeffery said progress was being made on the part of the federal government to address B.C.'s outstanding issues.

"They [the federal government] just didn't get to where they need to get, and so we're telling them that the work is not done," he said in an interview Sunday. "The clear message to the federal government is that this can't be the final deal," he said. "There are a lot more things to be resolved."

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