

## **Softwood deal under threat from B.C.**

Companies will go to court unless U.S. deal is revised

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The B.C. government and forest industry informed Ottawa Friday that they can't support the latest draft softwood settlement, putting the axe deep into Prime Minister Stephen Harper's latest hopes for an accord to present at his July 6 meeting with U.S. President George W. Bush.

In a strongly-worded statement, the Coast Forest Products Association said unless the draft is altered on several key fronts, "the industry will choose to follow the path of litigation."

This province accounts for 55 per cent of all Canadian lumber production.

The second-largest lumber province, Quebec, has also expressed misgivings over the plan.

The B.C. position does not preclude the two leaders from inking an agreement and International Trade Minister David Emerson's press secretary said Friday that both sides are working on the file and are making "significant progress."

However, Coast Forest president Rick Jeffery said if Harper signs the current draft, he will do it without the support of industry. Canadian lumber companies have won several key legal cases before North American Free Trade Agreement panels and are confident of a favourable ruling later this month from the U.S. Court of International Trade.

"The current proposal is unacceptable," he said.

He said a joint letter from the province and the B.C. industry has been sent to Emerson and Canada's ambassador to the U.S., Michael Wilson, encouraging them to continue working to resolve differences, he said.

"There are substantial principled issues in the agreement that don't meet the needs of British Columbia. While good progress has been made, the current draft is unacceptable," Jeffery said. "The industry, along with government, has taken the steps it needs to protect its employees and communities and we encourage the federal government to work with the province and the B.C. industry to resolve those issues.

"If we can't get resolution to those issues, the industry will choose to follow the path of litigation."

The B.C. Lumber Trade Council, which represents Interior producers, also rejected the latest

draft. The council has been deeply divided over the issue of settling versus continued litigation.

Ottawa was pushing for an agreement to be initialed over the weekend by Emerson and United States Trade Representative Susan Schwab, who are both in Geneva. While that now appears unrealistic, negotiators are still working on yet another draft for July 6.

B.C. Forests Minister Rich Coleman said the rejected draft, an 80-page document, is "the most comprehensive I have seen so far," but that there are still issues.

Coleman said one major hurdle -- U.S. resistance to B.C.'s new market-based timber pricing system -- has been overcome.

Sticking points are operating rules that Canadian companies say would limit their ability to compete and a clause permitting either side to bail out after 30 months.

Industry in Canada does not want to give up legal victories won at NAFTA for an agreement that could be ended in 30 months yet hands over \$500 million US to the American lumber industry to fight a brand new lumber war. Of an estimated \$5 billion US in duties collected so far, the draft stipulates that \$1 billion remain in the U.S. with half going to industry, \$450 million going into a so-called "meritorious initiatives fund" in the U.S., and \$50 million going into bi-national lumber promotions.

NDP forests critic Bob Simpson said that the "meritorious initiatives fund" provides Canadian money to the U.S. forest industry and to forest-dependent communities for programs that are needed north of the border. Much of the money would be going to aid timber-reliant communities for a host of purposes that are vaguely spelled out, such as the sustainable use of forests as a source of building materials, wildlife habitat, bio-energy and other values.

"This allows the Americans to undertake with Canadian money, initiatives that we should be undertaking in our own resource communities. I live in a forest community that's been told it's got eight years before our annual harvest drops off a cliff," said Simpson, who is from Quesnel in the heart of B.C.'s mountain pine beetle epidemic.

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