

Lumber dispute strains Canada-US relations

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Canada's business and political elite has responded to the US's imposition of a 19.3 percent countervailing duty on imports of Canadian softwood lumber with much tub-thumping and hand wringing.

Many editorialists and business leaders have urged Ottawa to link the softwood lumber issue to Canadian energy exports to the US. (Canada is the largest foreign supplier of US energy.) Yet when Prime Minister Jean Chretien did just that, he was roundly criticized by the press. A trade war with the US could only result in Canada's going, cautioned a spate of editorials.

The reversal of the prime minister was no less sudden and complete. Chretien boasted he had telephoned US President George W. Bush and told him, "You want oil and don't want wood? It's too bad, but if you have free trade, you have free trade." However, only hours later, Chretien categorically denied tying the lumber dispute to any another trade or diplomatic issue, declaring, "It's a war when you do that."

If, as expected, the US Commerce Department confirms last month's preliminary ruling, the Canadian economy will suffer a major blow at a time when it has already been battered by the global economic slowdown. Softwood lumber is one of Canada's principal exports to the US. On an annual basis, the value of Canadian softwood lumber exports to the US has hovered around \$10 billion Canadian since 1996. For British Columbia, where the industry is centered, softwood lumber exports to the US have traditionally represented 10 to 15 percent of the province's entire foreign trade.

Industry advocates and BC government spokesmen claim that the US duty could result in the elimination of more than 20,000 jobs in that province alone. Several major BC lumber producers have already announced layoffs and temporary mill closures.

Smaller companies are warning that they don't have the financial means to meet Washington's demand that, pending the Commerce Department's final ruling on whether to impose the tariff, they post bonds equal to the countervailing duty on all their US shipments retroactive

to last May. In 1994, the US government was forced, as a result of a series of unfavorable rulings by bi-national panels established under the Canada-US Free Trade Agreement, to drop a previous countervailing duty on Canadian softwood lumber and refund more than \$800 million in export bonds to Canadian producers. But many Canadian producers claim they will be driven into bankruptcy while awaiting a definitive judgment by the WTO on the legality of the threatened US countervailing duty.

Late last month, Washington rejected Ottawa's request that the WTO determination process be expedited.

Adding to the consternation among Canada's business and political elite is Washington's announcement that if and when the countervailing duty comes into full force it will apply the provisions of the Byrd Amendment. Passed in the final days of the Clinton administration, the Byrd Amendment stipulates that any duties collected from foreign producers whom the US has deemed to be either illegally dumping or subsidizing their US exports are to be given to their US competitors.

The US Commerce Department's action was long-anticipated. In March, a five-year agreement that limited Canadian softwood lumber exports to the US expired.

During the life of that agreement, the Canadian dollar depreciated sharply against the US, thus placing additional pressure on US producers.

For two decades, the US industry has charged that Canadian forest management practices constitute an illegal trade subsidy. Unlike in the US, the lion's share of Canadian softwood lumber comes from government-owned land. Rather than paying a set price for their logging rights, producers generally pay stumpage fees to the provinces that vary according to the producers' costs and the selling price of the lumber at harvest.

The lumber dispute has served to highlight the sharp regional divisions within the Canadian ruling class. So great are these divisions that federal Trade Minister Pierre Pettigrew touted the creation of a "common front" uniting the federal and all 10 provincial governments against the

US trade action as a major accomplishment.

Ultimately, this common front may prove short-lived. The Atlantic provinces sought and were granted by the US Commerce Department an exemption from the countervailing duty, on the grounds that their industry uses privately-owned forests. The Quebec government is also petitioning for an exemption, even while the Montreal-based Canadian Free Trade Lumber Council urges Ottawa not to enter into any negotiations with Washington until it has exhausted all attempts to overturn the duty through the WTO and the NAFTA trade disputes resolution system.

In other words, Quebec producers are ready to brook no compromise with Washington, as long as it is the BC industry that bears the burden of fighting the US trade action. For its part, both the forest companies and government in BC have indicated that they want a quick accommodation with the US. BC Forest Minister Mike de Jong has said BC will soon introduce changes to its stumpage fee system to make it more “market oriented,” while BC industry leaders are pushing for a negotiated settlement with Washington, even if it means a new agreement limiting Canadian exports. According to BC Lumber Trade Council co-chair, Jake Kerr, “The WTO is nice, but it’s a long process, and we might win it and we might not.... There’s a lot of posturing going on but out here lumber is everything and we’re very practical men.”

Among the principal arguments that Canada’s business and political elite advanced in favor of the 1988 Canada-US Free Trade Agreement was that it would provide a measure of protection from mounting protectionist sentiment in the US. To its chagrin, Canadian capital finds that increased economic integration with the US, while serving as the principal source of domestic economic growth for the past decade, has also placed it under ever-increasing economic and political constraints. To try to compensate for its increasing marginalization and vulnerability at the hands of its US rivals, Canadian capital is turning ever more viciously against the working class, demanding that Canada be made the “world’s most competitive country” through tax cuts, privatization and the gutting of all regulatory restraints on business.

In the Canada-US lumber dispute, the unions on both sides of the border have rallied behind their respective employers. Excluded from the outset is any possibility of advancing a program for forestry workers independent of big business and its political representatives and based on the common interests of working people across North America and around the world.

The US-based unions are an integral part of the US Coalition for Fair Lumber Imports, the lobby group that has pressed the Bush administration to impose countervailing duties. In the name of “defending Canadian jobs” and “Canadian industry,” the IWA-Canada (Industrial, Wood and Allied Workers of Canada) has aligned itself with the employers and Canada’s political right. Since coming to power last June, BC’s Liberal provincial government has slashed taxes for the well-to-do, broken strikes and introduced legislation to strip education workers of the right to strike and make it more difficult to organize and easier to decertify unions.

Yet, the IWA-Canada is urging its members to stand shoulder to shoulder with the Campbell government and the Chretien Liberal regime in the Canada-US lumber dispute. Insofar as there is any opposition to this within the IWA-Canada leadership, it is from a faction that wants to join with the ultra-right-wing Canadian Alliance in attacking Ottawa for not taking a tougher line.

Up until 15 years ago, the IWA was an international union that organized workers across the Canada-US border. But in a split rooted in the growing trade dispute between Canadian and US-based lumber producers, the union bureaucracy split the union along national lines. Jack Munro, the Canadian architect of that split, became the head of an industry lobby group—the Forest Alliance—on his retirement from the IWA-Canada presidency in 1991.

Today, unlike in the early 1980s, major lumber producers like Weyerhaeuser straddle both sides of the Canada-US border. Thus, while the workers are divided along national lines, pitted against each other in a fratricidal struggle over whose jobs should be cut, and incited by their unions to defend “Canadian jobs” or “American jobs” by boosting corporate profits, the most powerful forest companies have positioned themselves so that they can shift production to take advantage of any outcome of the Canada-US lumber dispute.



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