

Canada-US softwood lumber pact paves way for greater co-operation between Harper and Bush

Guy Charron, Richard Dufour**30 May 2006**

Canada's minority Conservative government and the Bush administration reached a tentative agreement on April 27 under which Washington will end duties on Canadian softwood lumber exports to the United States.

Four of the almost \$US5.3 billion dollars that Washington has collected since duties were imposed in May 2002 will be returned to Canadian lumber producers. Half of the remainder will go to US lumber companies under the so-called Byrd amendment—US legislation that, in contravention of World Trade Organization rulings, provides for antidumping duties to be handed over to the US companies that pressed for their imposition.

In return, the Canadian government has committed itself for the next seven years and possibly longer (the pact is renewable) to tax Canadian softwood lumber exports should the price fall below \$355 for a 1,000 board-feet or if Canada's share of the US softwood lumber market exceeds 34 percent.

"Canada's bargaining position was strong, our conditions were clear and this agreement delivers," a jubilant Prime Minister Stephen Harper told Canada's parliament. "Canada asked for stable and predictable access to the US market," he continued. "The United States has agreed to provide Canadian producers with unrestricted access under current market conditions."

There is a strong element of political boasting and posturing in the Canadian prime minister's claims. Having for years ignored rulings by various panels and tribunals established under the North American Free Trade Agreement (NAFTA) that its duties on Canadian lumber exports were illegal; Washington has now agreed to withdraw them. But far from access being "unrestricted" as Harper suggests, free trade in lumber will end the moment that the Canadian share of the US market exceeds 34 percent.

Because of this and because of the half billion dollar subsidy being given US producers under the Byrd Amendment, Canada's lumber industry is far from enthusiastic about the deal. A minority of companies are outright opposing it, as are the three federal opposition parties—the Liberals, pro-Quebec independence Bloc Québécois and the social-democratic New Democratic Party. Interim Liberal leader Bill Graham has condemned the softwood lumber deal as a "disaster for Canada, for free trade and for Canadian industry."

Canada exports some \$10 billion worth of lumber per year to the US. But the softwood lumber dispute's significance goes well

beyond the large sum of monies involved. The conflict over softwood lumber has brought home to Canadian big business its vulnerability to protectionist and unilateralist sentiment in the US and the fragility, therefore, of a key tenet of its class strategy, fostering ever-greater Canada-US economic linkages so as to take advantage of Canada's proximity to the world's largest market. Canada's ruling elite was particularly shaken by the temporary shutdown of the Canada-US border by American authorities after the terrorist attacks of September 11, 2001.

Canada's Minister of International Trade David Emerson concedes that the softwood lumber agreement does not amount to free trade, but argues that it is the best Canada can hope for given the strength of the US lumber lobby and Canada's dependence on trade with the United States. "The Free Trade Lumber Council [a Canadian forest industry lobby group], I'm sure, will carry on the good fight for perfection in free trade," Emerson told a parliamentary committee. "But I think I'll be dead and buried when they arrive at their destination."

Gordon Ritchie, one of the Canadian architects of the 1988 Canada-US Free Trade Agreement (the predecessor to NAFTA), was even blunter in his assessment of the recent lumber deal. "It's a bit of a hold-your-nose deal, but that said, I am a realist and I know the kind of obscene political strength the US industry possesses."

Both Canada's premier business lobby group, the Canadian Council of Chief Executives, and the *Globe and Mail*, the traditional mouthpiece of Canada's banks and stock exchange, welcomed the deal, but not for its intrinsic value; it will facilitate the new Conservative government's plans to pursue closer relations with the Bush administration.

In an editorial titled "It was wise to strike this deal on softwood," the *Globe* declared: "It may be the deal that Canada has to clench its teeth to endorse.... Still, torn between years of litigation and a competent settlement, Ottawa chose the correct path. The dispute was endless. It consumed too much energy. It splashed ill will on every bilateral issue."

The most one can say about the April 27 deal is that its represents a concession—a relatively small concession—by the Bush administration to the Conservative government of Stephen Harper.

Confronted with mounting popular hostility over its policy of military aggression abroad and social spending and tax cuts and

attacks on civil liberties at home, the Bush administration is desperate to clutch at anything resembling a political lifeboat. That is why it has so warmly welcomed the coming to power in Ottawa of the neo-conservative ideologue Stephen Harper, at the head of a Conservative Party refashioned after the US Republicans and dedicated to building up Canada's military, dismantling social programs and slashing taxes on the super rich, all in the name of the absolute rule of the capitalist free market.

Although they fully embraced the Bush administration's so-called "war on terrorism", the two previous Liberal prime ministers angered Washington—Jean Chrétien for failing to have Canadian troops join the US's criminal invasion of Iraq and his successor Paul Martin for reneging on his pledge to take Canada into the US anti-missile defense program.

Harper, who criticized his predecessors for "mismanaging" Canada-US relations, favors an even closer aligning of Canada's foreign and domestic policies with those of the United States. His Conservative government has just extended and strengthened Canada's role in NATO's counter-insurgency operation in Afghanistan, a deployment warmly welcomed by Washington as it will enable it to transfer US troops to Iraq where it is prosecuting a neo-colonial war of plunder.

Speaking to a US congressional committee May 25, Canada's new Conservative-appointed US ambassador pledged that the Harper government will be "pro-active" in promoting closer bilateral relations. Michael Wilson specifically mentioned the warmth of relations between Harper and Bush as a harbinger of closer cooperation. Wilson said, "I think that is going to result in a closer working relationship between our security and intelligence forces."

By removing duties on Canadian lumber, the Bush administration hopes to strengthen a government with which it has close political affinities and whose grip on power is far from secure. Whilst the last federal elections saw a major shift, with Canadian big business rallying behind Harper and seeking via the media to manipulate public opinion in the latter's favor, there remains widespread although not clearly articulated opposition among broad layers of working and middle class people to Harper's plans to remodel Canada on the brutal and socially destructive lines of the Bush administration.

This opposition found distorted expression in Harper's failure to win a majority government despite the favorable media coverage.

The lumber deal is a boost for a minority Harper government that is anxious to show that it can get "things done" and may have to face new elections in the near future. It will be marshaled by government officials as justification for going forward with a series of pro-US measures, largely unpopular among ordinary Canadians, but regarded by Canada's ruling elite as necessary to preserve access to the US market and advance the Canadian bourgeoisie's own predatory ambitions on the world stage.

One such agreement is the renewal and expansion of the North American Aerospace Defense Command (NORAD). Although the basic outlines were negotiated by the Martin Liberal government, it was the Harper government that finalized a new NORAD treaty this month.

A Canada-US military aerospace defence partnership that dates

back to 1958, NORAD has been periodically renewed. Its original aim was to repel and set up facilities to monitor for strategic bombers from the Soviet Union, Canada's immediate neighbor to the north. It was later broadened to include anti-missile and space defense.

Hitherto the NORAD agreement has been renewed every five years, but the Harper government, with the approval of all parties in parliament except the NDP, has agreed that it should be permanent and its mandate expanded to include joint responsibility for naval patrolling of North America's shores, the St. Lawrence River and the Great Lakes.

This expansion of NORAD is part of a broader process in which regulatory and immigration policies, as well as intelligence and military affairs, are to be more closely integrated between the two countries. This is being pushed for by Canada's elite in the hopes of wheedling favors from a powerful southern neighbor upon which it is highly dependent for its own economic survival.

The Canadian Council of Chief Executives (CCCE), which speaks for Canada's top 150 corporations, welcomed the softwood lumber as paving the way for close cooperation between Canadian and US big business and between Ottawa and Washington. "What is most important about the softwood lumber deal is not the resolution of a troubling sectoral dispute, but the signal it sends about the new realities of global competition. Even in the industry in which Canadian and American producers have battled most tenaciously, there is now a clear recognition that the real threat to investment and incomes does not come from within North America."

The CCCE went on to call for a fortress North America against China and the rest of the world. "Customs duties have fallen around the world since the NAFTA was signed. Having a free trade zone by itself therefore is less of a competitive advantage than it used to be. What matters now is the extent to which partners within a free trade zone are able to look beyond customs duties at other ways to help people and goods move between them as quickly and efficiently as possible."

This means, according to the CCCE, getting rid of differences between Canadian and US regulations, i.e., gutting remaining environmental and health and safety standards, and improving "security," that is stepping up military-defence co-operation between the two countries, including through the erection of a common North American security perimeter.



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