

"Let's stop blaming the U.S."

By Tim Gray, Elizabeth May, Linda Nowlan and Cliff Wallis

Today in Ottawa, Canadian and U.S. trade teams are meeting once again in an attempt to resolve the softwood lumber dispute. Canada is back at the table only reluctantly, angered that the U.S. has not responded formally to Canadian proposals. Trade Minister Pierre Pettigrew has hinted that he is willing to wait for the World Trade Organization to rule on the issue, a process that would take at least another year. With the U.S. penalties on Canadian softwood, this time period will likely be ruinous for much of Canada's softwood industry.

While protectionist instincts may be driving this dispute south of the border, our government's tough talk will do little for the Canadian communities dependent on the forestry industry that are once again bleeding jobs because of a trade spat that re-occurs every few years. And this dispute will resurface again in the future, until we address the underlying causes -- causes that are linked to the economic, social and environmental reality of an increasingly global market for Canadian forest products.

The good news is that the necessary reforms, if done right, would be beneficial for both Canadian forest ecosystems and the communities that depend on them, while placating U.S. concerns about Canadian forest subsidies.

These reforms would create opportunities for new players to invest in wood industries, ensure the public gets full value for our forest resource and encourage greater public participation and environmental protection in our forests.

A durable solution to the softwood issue must first ensure a more open market for wood products. This would both reduce the incentive to dump low-end products on the U.S. market and encourage a more diversified value-added forest industry in Canada.

In most areas of Canada, even though the public owns most of the forested areas, a small group of forest companies control the vast majority of the land base through long-term licences, or "tenures." These tenures were given out up to 99 years ago, and in many cases, forest companies received their logging rights for virtually nothing other than an assurance to provide employment -- a commitment not always fulfilled.

Today, mechanization has eliminated many forest sector jobs, and most of the newer jobs will be linked to the application of technologies that add value to relatively smaller amounts of wood.

Creating regional log markets, open to all wood processors, would ensure that the value-added sector has access to the wood it needs. Maintaining and strengthening the current ban on raw log exports would also encourage these industries. Since there would be separate log markets in each region, there would be an opportunity to keep logs -- and associated jobs and economic benefits -- in the communities where the logging is occurring.

The second element to a softwood solution is ensuring a more transparent process for setting timber prices. Provincial stumpage systems -- which establish the price that companies pay to harvest timber on public lands -- are set by government, rather than being based on a competitive, market-based bidding system. This system is open to manipulation by government and industry, and is perhaps the strongest argument that Canada unfairly subsidizes its lumber industry.

A transparent system for calculating stumpage fees would take the legs out from under this argument, while ensuring the Canadian public receives a fairer price for timber.

Any negotiated settlement on softwood must also address Canada's weak environmental standards. When laws do not adequately protect the environment, industry is subsidized, as companies do not have to bear the costs of ensuring our environment is not compromised by their activities.

For example, many provinces do not have laws to protect endangered species, and the proposed federal *Species At Risk Act* fails to provide legal protections for species habitat, despite Canada's obligations under the UN Convention on Biodiversity and other international agreements. Endangered species that wander across international boundaries, including migratory birds, are afforded extensive protections under U.S. law, but are not adequately protected under Canadian law when they cross the border.

Provincial rules also allow forestry companies to log in ecologically sensitive areas along the banks of fish-bearing streams, in violation of the federal *Fisheries Act*.

By allowing Canadian companies to carry on their activities without adequate environmental protections, Canadian governments can continue to be accused of "environmental dumping."

The softwood dispute provides us with an opportunity to ensure a fairer market that meets the needs of our communities and our environment. However, if the Canadian government continues to deny the existence of the problem and overlook the interests of the broader public on the softwood issue, we can expect to be fighting the U.S. industry again soon.

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