



Softwood talks hit impasse

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VANCOUVER (CP) — Talks to settle the Canada-U.S. softwood lumber talks are threatened by stalemate over key issues, forcing negotiators to take a break until Friday and possibly longer, The Canadian Press has learned.

Sources said Canadian negotiators informed the lumber-producing provinces and the industry Wednesday afternoon that they'll hold a "taking-stock" meeting on Friday to decide whether it's worthwhile continuing talks in Washington on Monday.

The high-pressure talks missed a key deadline last weekend to have an agreed legal text for the seven-year agreement that would replace punitive U.S. lumber import duties with a Canadian export tax or quota on shipments.

Sources say the two sides are deadlocked in several core issues, including how to treat British Columbia's market-based timber-pricing reforms, how the quota system would work and the agreement's dispute-resolution mechanism.

Prime Minister Stephen Harper trumpeted a tentative framework agreement on April 27 but critics within the lumber industry and opposition parties have questioned the pace of the talks, worried they would produce a bad deal for Canada.

Sources say Ottawa is no longer in a hurry because it has missed its self-imposed deadline to introduce legislation to implement the export tax before Parliament breaks for the summer next week.

The Conservative government estimated it needed to table a ways and means motion in the Commons no later than June 21 — two days before the House is scheduled to rise — to impose the border tax.

"They now acknowledge they've missed that deadline," one source said.

The proposed agreement includes an anti-circumvention clause, which the U.S. interprets as a right to review provincial forest policies, including B.C. pricing reforms.

B.C. Premier Gordon Campbell has warned rejection of those reforms would be a dealbreaker for the province, which accounts for 55 per cent of Canadian lumber exports into the U.S. market.

One source played down the prospect talks would not resume because of the potential political damage from a breakdown.

But the removal of a legislative deadline means talks would resume on a more reasonable, less pressurized basis.

The development came amid word the U.S. Commerce Department is moving to boost punitive duties on Canadian lumber almost four percentage points.

The department's International Trade Administration says preliminary results of its third administrative review of anti-dumping and countervailing duty orders found provincial stumpage — Crown timber-cutting fees — and other policies last year continued to confer a benefit on Canadian producers, allowing them to

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export into the U.S. market at below normal values.

The preliminary finding raises the combined duties to 14.7 per cent from 10.8 per cent.

Duties will continue to be collected at the lower rate until final results of the review are available in December.

“Although the United States and Canada have agreed to a term sheet containing a framework for resolving the softwood lumber dispute, the department must continue to meet its statutory deadlines until a final agreement is signed,” Commerce said in its release.

Canadian exporters ship an estimated \$10 billion a year worth of spruce, pine and fir lumber into the United States, mainly for the construction and home renovation markets. Canadian softwood accounts for about 34 per cent of the American market.

Spurred by complaints from U.S. producers, the U.S. government slapped duties totalling more than 27 per cent on Canadian lumber starting in May 2002.

Successive reviews lowered the rate to just under 11 per cent, but Canadian companies have paid in more than \$5 billion US, most of which they would get back under terms of the proposed agreement.

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