

## Canada Announces Assistance Package for Forest Products Industry

On November 24, 2005, the Government of Canada announced an assistance package for its forest products industry worth almost US\$ 1.3 billion (C\$ 1.5 billion), which would be made available over a five-year period. Led by Natural Resources Canada, the Strategy is supported by Industry Canada, Human Resources and Skills Development Canada and regional development agencies, such as the Federal Economic Development Initiative for Northern Ontario (FedNor). Funding for this initiative will be provided from the remaining planning surplus in the Economic and Fiscal Update of November 2005, with the exception of Renewable Power Production Incentive (RPPI) and the tax change for bioenergy, the costs of which were included in the fall update.

The five-year assistance package addresses a wide range of issues such as diversifying the economies of forest-dependent communities, enhancing skills of forestry workers, investigating new markets for wood products, developing innovative technologies and supporting the domestic industry in the face of the continuing softwood lumber dispute.

### Breakout of Assistance by Category

- *Loan Insurance Program.* The Government of Canada will set aside up to US\$ 685.7 million in funding to insure loans through third-party financial institutions to firms affected by the unique circumstances of the softwood lumber dispute.
- *Industry Support Program.* The regional development agencies will provide US\$ 85.7 million in conditionally repayable contributions to smaller firms that are affected by the softwood lumber dispute but not eligible for the loan insurance.
- *Growing Wood Products Markets.* This initiative will provide US\$ 56.8 million to continue Canada's expansion into developing markets such as China, through extending the successful Canada Wood Export Program.
- *Advanced Forest Technologies Initiative.* This initiative will provide US\$ 184.3 million towards creating momentum and financial incentives required for commercial-scale development and application of transformative technologies.
- *Support for Bioenergy.* As announced in the November 2005 Economic and Fiscal Update, Natural Resources Canada (NRCan) will provide an additional US\$ 42.9 million for expanding the existing Renewable Power Production Incentive (RPPI) to include a thermal cogeneration incentive for electricity production.
- *Forest Innovation and Value-Added Wood Products.* NRCan will provide US\$ 77.1 million in funding and assistance to respond to innovation opportunities and strategic objectives for the forest sector.

- *Human Resources Sector Council*. This initiative will provide US\$ 8.6 million to allow stakeholders in the Canadian forest sector to work together to improve the competitiveness of the workforce through identifying existing skills gaps within the Canadian forest industry, promoting development and upgrading of workplace skills, and recruiting youth and underrepresented groups to the forest sector.
- *National Forest Community Adjustment Fund*. This initiative will provide US\$ 128.6 million to support economic diversification and capacity-building in communities affected by recent job losses in the forest industry to ensure a smoother transition for both forest industry workers and forest-dependent communities.

In addition to the nearly US\$ 1.3 billion assistance package, the November 2005 Economic and Fiscal Update proposes to accelerate the capital cost allowance for forest bioenergy. This would mean the industry would realize up to US\$ 94.3 million in tax savings.

Source: Natural Resources Canada

[http://www.nrcan-rncan.gc.ca/media/newsreleases/2005/200590\\_e.htm](http://www.nrcan-rncan.gc.ca/media/newsreleases/2005/200590_e.htm)

U.S. Trade Representative Rob Portman and U.S. Secretary of Commerce Carlos Gutierrez both responded to the assistance package directed to Canada's forest products industry. Ambassador Portman expressed his disappointment in the announced aid package by stating, "Only days after we fully complied with a NAFTA decision, Canada responds by announcing huge new subsidies. Canada's actions illustrate what the United States has been saying all along: the Canadian industry is the beneficiary of subsidies that create an un-level playing field to the detriment of the U.S. industry. While we continue to believe that a long-term, durable settlement is the only way to resolve this dispute, Canada's actions complicate our attempts to reach a negotiated solution."

Secretary Gutierrez was similarly disappointed, stating, "The contrast is startling - at the same time a NAFTA panel has directed the Department of Commerce to find that Canadian subsidies are de minimis, Canada announces over a billion dollars in aid. This just goes to show that Canada will continue to funnel vast amounts of assistance to its industry. We will continue to insist that these subsidies be eliminated by all means at our disposal."

On November 23, the U.S. Department of Commerce (DOC) announced that it would comply with a NAFTA ruling and reduce the countervailing duty from 18.8 percent to 0.8 percent for Canadian softwood lumber imported between April 1, 2003 and March 31, 2004. The announcement resulted from a NAFTA panel ruling that ordered the DOC to recalculate the CVD level. The United States is considering an appeal. Cash deposits will continue to be required at the rates currently in place, with an average combined antidumping and countervailing duty of 20.96 percent.

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