

SS 10-1: Chapter 11

To what extent should member countries be bound to the regulations of international organizations and agreements?

The Canada–US Softwood Lumber Dispute

In 2001, the United States imposed a tariff on softwood lumber from Canada. It had long maintained that the Canadian lumber industry was unfairly subsidized by the government. Canada's lumber subsidies are destroying the US lumber industry, threatening its workers with mounting unemployment, and denying many tree farmers a market for their timber crops.... US lumber prices are touching new lows, bankruptcies and mill shutdowns are ... climbing higher, while Canada's share of the US market approaches 35 per cent, a near record high.

—Source: *Coalition for Fair Lumber Imports, Washington, DC,*

British Columbia, the largest lumber-exporting province, was particularly hard hit by the tariff. In spite of several rulings by the North American Free Trade Agreement (NAFTA) in favour of Canada, the United States continued to collect tariffs. The US strategy was to appeal the rulings by NAFTA and launch new claims through the WTO. In August 2005, the WTO ruled in favour of the US claim that its lumber industry was suffering because of unfairly subsidized Canadian softwood lumber exports. Canada appealed the ruling. It [WTO's 2005 ruling] is only an interim decision. We are examining it very carefully. We were disappointed, of course; we would have liked to have won. But overall, our thrust remains, the US has to live up to the NAFTA.

—Source: *Former Canadian trade minister Jim Peterson quoted in The Globe and Mail, August 31, 2005.*

In April 2006, Canadian and US negotiators drafted a new agreement under which the United States would lift its 10 per cent duty and refund 80 per cent of the more than \$5 billion collected from Canadian companies over the previous four years. In return, Canada would cap its exports at 34 per cent of the American market and collect a sliding tax designed to discourage companies from exceeding the quota. The US lumber industry would keep \$1 billion in duties taken from Canadian companies since 2002.

This dispute illustrates how a country's participation in different international organizations and agreements can be problematic. Is it possible to determine whether one organization's ruling should take precedence over that of another? International organizations and agreements cannot force a country to do something. Canada and the United States can simply decide to withdraw from one or both organizations or, as in this case, they can get together and negotiate a settlement.

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You want gas, you want oil, and you don't want wood. It's too bad, but if you have free trade, you have free trade.

— **Former Prime Minister Jean Chrétien in a phone call to US President George W. Bush, August 2001.**

We can all talk tough, but in the end we have to make sure that we maintain access to our biggest market that represents 90 per cent of our exports to the US.

— **New Brunswick's former premier, Bernard Lord, responding to proposed retaliatory trade sanctions against the United States, August 2005.**

1. Consider the comments above about this dispute from two Canadian politicians. From these comments, interpret each politician's opinion on whether the United States should be bound by the regulations and rulings of NAFTA and the WTO. What is your opinion on this issue?
2. In what ways might the WTO be seen as an "appeal court" when a dispute arises within the terms of NAFTA? Write a brief paragraph that outlines why international trade tribunals are important.