

## U.S. Seeks Arbitration in Softwood Lumber Agreement Dispute

According to a press release from the U.S. Trade Representative's office, the United States has requested arbitration by the London Court of International Arbitration to resolve the latest dispute over the implementation of the 2006 Softwood Lumber Agreement (SLA). U.S. Trade Representative Susan Schwab said in her statement that this step was taken "to compel Canada to live up to its SLA obligations relating to export volume caps, proper application of the import surge mechanism, and anti-circumvention."

Formal negotiations between the U.S. and Canada to resolve what David Emerson, Canada's Minister of International Trade, called in his statement "differing interpretations of the softwood lumber agreement by Canada and the U.S." have reportedly failed.

The disagreement involves the "surge mechanism" that was put in the SLA to prevent sharp increases in Canadian shipments of softwood lumber into the United States if the price of lumber falls beneath a threshold of \$355 per thousand board feet. This mechanism imposes extra duties or restricts shipments to the U.S. during periods of low prices.

The U.S. argues that Canada has under-collected the duty that would be owed under the surge mechanism in the Western Provinces, and is supplying illegal subsidies to its timber industry in violation of the SLA in the Eastern Provinces. On the other hand, Canada maintains that the Western Provinces are not subject to the surge mechanism, and the government programs initiated in the Eastern Provinces were aimed at the pulp industry and not intended to subsidize lumber exporters.

It could take up to one year before a ruling is issued by the London Court of International Arbitration, and the decision of the court cannot be appealed.

Although the current developments do not have an immediate effect on the manner in which current lumber entries are filed, we will continue to monitor the situation and keep you informed of major developments.

The *NGJ International Trade Update* provides information obtained from third parties, primarily government, and advice based on that information. Norman G. Jensen Inc. (NGJ) has not verified the accuracy of the information nor is it capable of verifying the accuracy of the information. As a consequence, NGJ will not be liable for injury suffered as a result of reliance on the information or the recommendations provided in the *NGJ International Trade Update*.

---

If you have questions, no longer wish to receive these notices via fax, or wish to receive these notices via e-mail, contact NGJ's Trade/Compliance Services Department at: [compliance.us@ngjensen.com](mailto:compliance.us@ngjensen.com)

Visit our website at [www.ngjensen.com](http://www.ngjensen.com)

*Norman G. Jensen, Inc. is a validated participant in the Customs-Trade Partnership Against Terrorism (C-TPAT).*