

FINANCIAL POST

'Canada has just detonated a bomb': Trade relations with U.S. plummet after WTO complaint

The complaint accuses the U.S. of regularly breaching international trade laws through various countervailing and anti-dumping duties



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January 10, 2018

8:12 PM EST

OTTAWA — Canada launched the opening salvo in a trade war with the United States Wednesday, lodging an international complaint about the superpower's use of punitive duties.

The move drew a sharp rebuke from Donald Trump's trade czar and came amid reports that Canadian government officials say there's an increasing likelihood the president will withdraw from the three-nation North American Free Trade Agreement.

"Even if Canada succeeded on these groundless claims, other countries would primarily benefit, not Canada. Canada's complaint is bad for Canada," said U.S. Trade Representative Robert Lighthizer.

"Canada's claims are unfounded and could only lower U.S. confidence that Canada is committed to mutually beneficial trade."

Canada lodged a World Trade Organization complaint accusing the U.S. of regularly breaching international trade laws through various countervailing and anti-dumping duties, citing nearly 200 examples spanning several decades.

In a statement, Foreign Affairs Minister Chrystia Freeland said, "This WTO action is part of our broader litigation to defend the hundreds of thousands of good, middle class forestry jobs across our country."



2 January 2018



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RATIONAL E

Canada cited five reasons for the complaint, saying the U.S. levies penalties beyond what's allowed by the WTO, improperly calculates rates, unfairly declares penalties retroactive, limits evidence from outside parties, and has a tilted voting system in domestic trade panels that, in the case of a 3-3 tie, awards the win to American companies.

The complaint marks Canada's most exhaustive attempt yet to counter recent import duties imposed by the U.S., particularly on Canadian softwood lumber products.

"It's (saying), 'The entire way in which the U.S. — you — are conducting your anti-dumping, countervailing procedures, is wrong,'" said Chad Bown, a trade expert at Washington's Peterson Institute. "This is effectively Canada bringing a dispute on behalf of all exporters in the world — the Europeans, Japan, China — because they're making a systemic challenge."

Edward Alden of the Council on Foreign Relations called it a precarious moment for NAFTA and the global trading system, both of which are under threats and criticism from Trump: "Canada has just detonated a bomb under both."

Ottawa's ramped-up efforts come amid an increasingly fragile trade relationship between the two countries. The Canadian government is preparing for the possibility that Trump will withdraw from NAFTA, senior officials say, though they aren't entirely convinced that he will.

After reports Wednesday that Canada now considered it inevitable that Trump would try to withdraw the U.S. from the treaty, one Canadian official with knowledge of the NAFTA negotiation offered a more nuanced position in an email to the Post, saying, "it's not accurate to say we're convinced," but that there was "no question we think there's a chance it could happen."

The confusion over Canadian expectations comes ahead of the next round of negotiations, scheduled to be held in Montreal Jan. 23-28.

Trump withdrawing from NAFTA "was always a risk, but that risk is clearly more elevated now," said Brian DePratto, senior economist at Toronto-Dominion Bank.

IMPORT DUTIES

An official with the Foreign Affairs Ministry said Ottawa's most recent complaint aims to add weight to Canada's argument that import duties have been levied unfairly.

But it also goes well beyond Canada-U.S. softwood lumber spats, citing alleged international trade breaches by the U.S. against a host of imported products, from Argentine lemon juice to frozen shrimp from India.



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The complaint is “certainly not typical,” said Greg Kanargelidis, an international trade lawyer at Blake, Cassels & Graydon LLP.

Under WTO dispute resolution rules, other countries named in the complaint can decide to take part in consultations after an initial reading.

“In a normal situation you wouldn’t expect this to impact the long-term trading relationship that we’ve got under NAFTA,” he said. “But with the Trump administration being relatively new, and because of the protectionist noises we’ve been hearing from them, it’s not at all clear what sort of reaction the U.S. might have.”

Publication of the complaint came just hours after the U.S. Commerce Department placed preliminary duties on Canadian exports of uncoated groundwood paper, which is used to manufacture newspapers, soft-cover books and phone directories.

<http://business.financialpost.com/news/economy/u-s-lashes-out-over-ottawas-wto-trade-claim-just-after-higher-tariffs-announced-for-canadian-newsprint-producers>

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