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Deadlock on US-Canada Softwood Lumber deal continues even as time limit draws closer

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VANCOUVER (Scrap Monster): The trade dispute between the US and Canada on terms of renewal of the expired softwood lumber deal seems to be still brewing. With the October 2016 deadline fast approaching, hopes of a new deal have faded.

Professor Greg Anderson of University of Alberta predicts that the stalemate between the two sides is likely to continue. According to him, the two sides are likely to reach a consensus on some kind of managed

agreement, for the next five years. The issue will then start all over again, Anderson said. He further added that a permanent resolution of the trade dispute between the two countries is unlikely to happen any time soon.

According to Anderson, vested interests of some lumber lobbyists and lawyers tend to drag the issue indefinitely. He alleged that these groups intend to make money by prolonging the dispute by taking it through the lengthy WTO and NAFTA processes. He reminded that the key issue is over the fair market value of lumber.

Recently, Martin Moen, Canadian chief negotiator in the softwood lumber talks with the US had stated that the two sides still remain far apart in several key issues pertaining to the trade deal. He had noted that the US and Canada are unlikely to reach a deal before the deadline. It must be noted that the one-year grace period of the prior deal is set to expire in mid-October this year, following which the US is entitled to impose tariff on softwood lumber imports from Canada. Incidentally, officials from both sides have engaged in at least a dozen of face-to-face meetings so far. These talks have certainly led to better understanding of the concerns expressed by both the parties.

With the deadline fast approaching, the representatives from the US and Canada see less likelihood of a deal being reached before that. Canada's Ambassador to the United States, David MacNaughton had

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recently stated that differences do exist between the two sides. Going one step ahead, Trade Minister Chrystia Freeland had stated that Canada would not mind going past the deadline rather than settling for a bad deal. At the same time, US Senator Rod Wyden had recently urged the US administration to implement tougher trade policies and actions against Canadian lumber imports.

The expiry of the deadline will see the US initiating actions to enact new tariffs, which in turn will impact Canadian producers and exporters. The trade between the two countries will be impacted badly. Incidentally, Canada accounted for much of the recent hike in lumber demand in the US. The trade data released by Statistics Canada indicates that the total value of softwood lumber exports from Canada to the US during the first half of the current year surged higher by 25% to \$3.6 billion as compared with the previous year.

The lumber trade dispute between the two countries is dated back to 1982. The two countries had signed a bilateral agreement in September 2006. The original seven-year agreement had an optional provision to extend for a period of two years upon consensus by both parties. Accordingly, the deal which came to an end in 2013 was extended until 2015. As per the terms of the deal, parties were prohibited from engaging in trade actions for one-year grace period, that is about to come to an end on 15th October, 2016.

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