

DISPUTE SETTLEMENT

The WTO currently has 148 members. Disputes occasionally arise among members over the application of the rules contained in the Agreement Establishing the World Trade Organization (WTO Agreement). To resolve such disputes, WTO members have agreed to follow a process contained in the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes (Dispute Settlement Understanding or DSU). This process includes consultations, reviews by independent panels when parties are unable to settle their differences at the consultation stage, and possible recourse to a standing Appellate Body. The DSU helps ensure that members adhere to the trade rules they have negotiated and reduces the scope for unilateral trade actions. The DSU is, without question, a key element of the rules-based, multilateral trading system.

There are relatively few disputes among WTO members at any given time, and many are resolved without recourse to the WTO dispute settlement system.

During the past year, Canada has made use of the WTO's dispute settlement process to challenge a number of measures maintained by other members that Canada considers inconsistent with the WTO Agreement. The most significant of these measures concerns the anti-dumping and countervailing duties that the United States has imposed on Canadian softwood lumber exports.

■ On February 17, 2004, the Panel and Appellate Body reports were adopted in Canada's complaint against the United States regarding the U.S. Department of Commerce's final determination of subsidy with respect to certain softwood lumber from Canada. The DOC's final determination was found to be inconsistent with the United States' WTO obligations under the Agreement on Subsidies and Countervailing Measures. Details can be found on the WTO dispute settlement Web site (www.wto.org/english/tratop_eldispu_eldispu_e.htm), under the symbols WT/DS257/R and WT/DS257/AB/R. On April 24, 2004, Canada and the United States agreed to a reasonable period of time for the United States to implement the recommendations and rulings of the Dispute Settlement Body (DSB). On December 17, 2004, the United States issued a determination, which in its view implemented the

recommendations and rulings of the DSB. Canada does not believe that the United States has complied with its WTO obligations and on January 14, 2005, requested that a compliance panel review the U.S. implementation.

- On April 26, 2004, the Panel Report was adopted in Canada's challenge to the final determination of the U.S. International Trade Commission that a U.S. industry is threatened with material injury due to imports of softwood lumber from Canada. The final determination was found to be WTO-inconsistent. Details can be found on the WTO dispute settlement Web site (www.wto.org/english/tratop_eldispu_eldispu_e.htm), under the symbol WT/DS277/R. On October 1, 2004, Canada and the United States agreed that the United States would implement the recommendations and rulings of the DSB by January 26, 2005. On November 24, 2004, the International Trade Commission issued a new affirmative threat of injury determination to implement the WTO findings. On February 25, 2005, the WTO DSB established, at Canada's request, a compliance panel to review the U.S. implementation of the DSB's rulings and recommendation. Canada also requested authority to retaliate against the U.S. in the amount of \$4.25 billion. This request will be considered if Canada is successful in its compliance case.
- On August 31, 2004, the Panel and Appellate Body reports were adopted in Canada's challenge of the U.S. Department of Commerce's final determination of dumping with respect to certain softwood lumber from Canada. The DOC's final determination was found to be inconsistent with the United States' WTO obligations under the Anti-Dumping Agreement. Details can be found on the WTO dispute settlement Web site (www.wto.org/english/tratop_eldispu_eldispu_e.htm), under the symbols WT/DS264/R and WT/DS264/AB/R. On October 18, 2004, Canada requested arbitration on the reasonable period of time for the United States to implement the recommendations and rulings of the DSB. The parties have agreed to a reasonable period of time of eight months from August 31, 2004, the date when the Panel and Appellate Body reports were adopted. The United States is to complete implementation by May 2, 2005.