

To respond to the new challenges, trade ministers agreed at the 2006 meeting of the NAFTA Free Trade Commission (FTC) to:

- identify sectors and the specific work that could be undertaken within them to remove non-tariff impediments to trade;
- launch a thorough review of the operation of the NAFTA working groups and committees in order to identify potential improvements to their existing work programs and ways in which they could support the new sectoral initiatives; and
- examine how the three countries might collaborate in negotiating trade agreements with other countries, as well as how elements of trade agreements negotiated by each country could be used to improve NAFTA practices such as those relating to transparency and trade facilitation.

The NAFTA partners are also working to further liberalize the NAFTA rules of origin. This work is on an established track, producing improvements to the NAFTA rules of origin each year over the last four years. In addition, the NAFTA partners continue to pursue services liberalization in bilateral and multilateral agreements in an increasingly competitive international environment.

Other areas of current work are directed toward, for example, further regulatory cooperation, improvements to temporary entry provisions (NAFTA Chapter 16) and increased transparency. On transparency, and further to the 2004 release of the negotiating history of NAFTA's investment provisions (Chapter 11), work is under way to release the negotiating history of the institutional arrangements and dispute settlement provisions (Chapter 20), as directed by ministers at the 2006 FTC meeting.

### *Settling Disputes Under NAFTA*

In 2006, three requests were filed for a Chapter 19 panel review of U.S. anti-dumping and/or countervailing duty determinations concerning softwood

lumber. Another two were filed regarding steel wire rod and grain corn. During the 2006 calendar year, 11 panel reviews were ongoing on products including softwood lumber, magnesium, steel wire rod and grain corn. As well, three panel decisions were released; two in magnesium and one in softwood lumber. For more information on NAFTA panel decisions and reports, please visit [www.nafta-sec-alena.org/DefaultSite/index\\_e.aspx?DetailID=76](http://www.nafta-sec-alena.org/DefaultSite/index_e.aspx?DetailID=76).

There are several active Chapter 11 investor-state dispute cases involving the United States and Canada. In five cases, a U.S. investor has made a claim against the Canadian state: UPS, GL Farms, V.G. Gallo, Merrill & Ring and Crompton. A final award is expected in the UPS case in 2007, while the other cases may be ongoing throughout the year. There are four active cases involving Canadian investors and the U.S. state: Cattlemen for Fair Trade, Glamis Gold, Grand River and Domtar. A hearing in the Glamis Gold case was scheduled for May 2007. For more information about Chapter 11 disputes, please visit [www.international.gc.ca/tna-nac/nafta-en.asp](http://www.international.gc.ca/tna-nac/nafta-en.asp).

### **Mexico**

The implementation of NAFTA has propelled the Canada-Mexico relationship to unprecedented levels of trade, investment and cooperation. There are now more than 1,700 subsidiaries of Canadian companies in Mexico, and over 3,100 Canadian companies are working on their first sales in that market.

This success can be attributed largely to relatively irritant-free access to the Mexican market. Based on import statistics from both countries, bilateral trade has increased by close to 350% since NAFTA entered into force in 1994, and Mexico is now Canada's fifth most important export market and third most important supplier. There is good potential to be realized in sectors such as manufacturing technologies, building products, information and communications technologies