

On July 16, 2004, the NAFTA Commission met in San Antonio, Texas. Trade ministers reviewed progress in ongoing initiatives and agreed on a series of practical steps to continue enhancing trilateral trade and investment.

On rules of origin, for example, ministers approved a proposal to liberalize the rules of origin for a broad range of food, consumer and industrial products, such as tea, spices, seasonings and carrageenan (a food and industrial ingredient), precious metals (gold, silver and platinum), speed drive controllers and their printed circuit assemblies, household appliances (e.g. personal fans, mixers, heaters, hair dryers, coffee makers, microwave ovens), loudspeakers, thermostats, toys and some parts used in specific equipment or machinery. These changes, which are supported by industries in the three NAFTA countries, will reduce administrative burdens as well as provide producers with more flexibility in sourcing components for use in the production of their goods. Together, these changes will affect over US\$20 billion in trilateral trade. On January 1, 2005, Canada and the United States implemented measures to liberalize the NAFTA rules of origin applicable to these goods. The measures will come into force in Mexico following ratification by the Mexican Senate.

As well, ministers asked officials to continue considering new requests for liberalizing NAFTA rules of origin from consumers and producers. Specifically, ministers asked that work continue on sectors such as chemicals, pharmaceuticals, plastics and rubber, motor vehicles and their parts, footwear and copper, as well as any items for which all three countries have a common most-favoured-nation duty rate of zero. On August 7, 2004, a Canada Gazette notice was published that invited submissions for this initiative on a so-called Track Two approach. Officials will also examine the rules of origin in the free trade agreements that each country has negotiated subsequent to NAFTA to determine whether those new rules should apply to NAFTA.

Work is also being done to ensure that NAFTA continues to reflect the commercial reality of North America today and to make all three countries more competitive. For example, in the textile and apparel sectors, officials are looking at ways to combat illegal transshipment and enhance the competitiveness of these industries in North America through means

such as cross-cumulation provisions in the rules of origin. The NAFTA parties are also working to facilitate access for business persons who need to work in any of the three NAFTA countries. On the investment front, Canada continues working to increase transparency and improve the implementation of Chapter 11.

Settling Disputes Under NAFTA

In a large trade and economic relationship such as exists under NAFTA, some disputes inevitably arise. NAFTA thus provides for expeditious and effective dispute settlement procedures when the parties cannot resolve their differences through informal discussion in the relevant committees and working groups, or through other consultations.

Chapter 20 of NAFTA includes provisions relating to the avoidance or settlement of disputes over the interpretation or application of NAFTA, except for trade remedy matters covered under Chapter 19. Chapter 19 provides a unique system of binational panel review as an alternative to judicial review for domestic decisions on anti-dumping and countervailing duty matters. There are also separate dispute settlement provisions for matters under Chapters 11 (Investment) and 14 (Financial Services).

Between November 1, 2003, and November 1, 2004, one request was filed for a Chapter 19 panel review of a decision made by Canadian agencies involving a Mexican product, and this review is still active. The decision centred on the injury determination relating to wood venetian blinds and slats originating in or exported from Mexico. During the same period, the panel proceeding regarding the dumping determination relating to certain iodinated contrast media was completed.

Additionally, two requests were filed during the same period for Chapter 19 panel review of decisions made by U.S. agencies regarding Canadian products, one involving hard red spring wheat (injury) and the other pure and alloy magnesium (CVD). As well, during this period, eight of the reviews of decisions made by U.S. agencies regarding Canadian products such as magnesium, carbon steel, softwood lumber, steel wire rod, durum wheat and hard red spring wheat remained active, while one review involving pure magnesium was completed and another one