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## Free Trade Bulletin

### THE CANADA-U.S. TRADE COMMISSION

Chapter 18 of the Canada-U.S. Free Trade Agreement (FTA) creates the institutional framework necessary to manage and implement the trade agreement.

All provisions included under Chapter 18 have a common purpose: to promote fairness, predictability and security by allowing both countries an equal voice in resolving disputes arising from the implementation or interpretation of the Agreement.

Chapter 18 provides for the establishment of the Canada-U.S. Trade Commission. The Commission is charged with responsibility for:

- supervising implementation of the Agreement;
- resolving any disputes over its interpretation;
- overseeing further elaboration of the Agreement; and
- considering any matters that could affect FTA implementation.

The Commission is composed of representatives of both Canada and the U.S., the principal representatives being Minister for International Trade John C. Crosbie and Ambassador Carla Hills, U.S. Trade Representative.

The FTA stipulates that the Commission convene at least once a year, with meetings to alternate between countries. Between regular sessions, the U.S. Branch of External Affairs and the Office of the United States Trade Representative will deal with bilateral trade issues.

The Commission plays a key role in the avoidance and settlement of trade disputes. In cases where disputes arising from the FTA cannot be resolved through consultation, either country can request a special meeting of the Commission.

The Commission is then required to convene within 10 days, unless otherwise agreed, to endeavour to resolve the dispute. Should the Commission fail to reach a mutually satisfactory solution within a set timeframe, it can refer the dispute to a binational panel for binding or non-binding arbitration (see *Free Trade Bulletin* Vol. 7, No. 3).

In addition, the Binational Secretariat, established under Chapter 19 of the FTA (Binational Dispute Settlement in Anti-dumping and Countervailing Duty Cases), provides technical support to panels established by the Commission.

Since the Commission develops the rosters from which panel members are chosen and is empowered to receive and approve recommendations made by the panels, the Commission plays a pivotal role in the resolution of trade disputes.

### FIRST MEETING OF THE TRADE COMMISSION

On March 13, the Commission held its inaugural meeting in Washington. Up for discussion were a number of administrative and technical issues related to operating procedures, the establishment of working groups, and a system for delegating authority. On the agenda of the Commission's first meeting were:

- customs administration;
- Rules of Origin and other customs issues;
- accelerated elimination of tariffs;
- agricultural working groups;
- Chapter 19 Working Group on Subsidies and Trade Remedy; and
- the Select Auto Panel.

As a result of the meeting, the Commission agreed to keep a record of all panel decisions, to establish various working groups and to meet, not once, but at least twice, annually.

It also agreed to constitute a joint working group on Rules of Origin and issues related to market access. The Commission also established that it expects to receive regular reports on all matters respecting customs administration under the FTA, including proposed changes in applicable rules and procedures, prior to their implementation.

The Commission also established a working group to consider requests by individuals or groups in both countries who are interested in accelerating the tariff elimination/reduction schedule provided for by the FTA.

The working group will facilitate requests and make recommendations to the Commission on items it considers appropriate for accelerated tariff reduction.

It was agreed that both governments will exchange preliminary request lists by April 15. All recommendations will be subject to consultation with interested parties in each country. (The notice for Canadian requests was published in the *Canada Gazette*, March 4.)

By August, both Canada and the U.S. hope to begin bilateral consultations on those requests they wish to pursue, with a view to implementing tariff schedule changes by January 1, 1990.

In the area of agriculture, the Commission approved the establishment of eight working groups on technical standards. The progress of

the groups will be overseen by a joint monitoring committee that will report directly to the Commission.

On the subject of government subsidization and trade remedies (dealt with in Chapter 19 of the FTA), April was set as the date of the first organizational meeting of the working group, with chief representatives to the group to be named no later than May.

The Commission also agreed to set a March deadline for the selection of members to, and terms of reference for, the Select Auto Panel. A non-governmental advisory body provided for under the automotive chapter of the FTA, the Panel will assess the state of the auto industry in North America and propose public policy measures and private initiatives to improve its competitiveness in both domestic and foreign markets.

Minister Crosbie and Ambassador Hills also took the opportunity of their meeting to discuss other trade issues, including U.S. tariff treatment of Canadian plywood and related wood products and wool and wool garments—two matters on which Canada recently initiated dispute settlement proceedings under the FTA. (Continued on back)



Trade talk -- Minister for International Trade John C. Crosbie, is greeted by U.S. Trade Representative Carla Hills in her Washington office, before their March 13 meeting.