

3. *Will the Government of Canada demand a permanent exception from the GATS for local authorities?*

No. The GATS applies in principle to all measures by WTO Members that affect trade in services, including measures taken by regional and local governments. The GATS, however, excludes services supplied in the exercise of governmental authority when they are supplied neither on a commercial basis nor in competition with one or more service providers. Canada has further protected public services such as health, public education and social services by not making any commitments in these areas.

4. *What does the NAFTA Chapter 11 decision in Metalclad v. Mexico mean to municipalities' ability to implement zoning bylaws?*

Neither the Tribunal award nor the statutory review undertaken by the B.C. Supreme Court at the request of Mexico called into question the right of a local government to regulate on environmental or public-health grounds.

The decision of the Tribunal in *Metalclad* found that changes to the rules by the state government after the investor had entered into a contract and invested a substantial amount in its operation, and after being led to believe by the municipal government that it had obtained all necessary authorizations, was tantamount to expropriation. This is not the same as denying the right of governments to regulate in the public interest. It should be noted that each Chapter 11 case, is fact specific, and does not set a binding precedent for future cases.