

With rules for the automatic establishment of panels and for the adoption of panel reports, and with the creation of an independent Appellate Body, the DSU reinforces the rule of law and thereby strengthens the rules-based multilateral trading system. Members' confidence in the system continues to grow, as evidenced by the number of cases brought forward (over 180 to date) and by the proportion of these being settled at the consultation stage (about one in four).

Canada will continue to use the WTO dispute settlement mechanism wherever necessary to ensure that our exporters do not face barriers inconsistent with WTO agreements. Canada has been one of the most active users of the WTO dispute settlement system. Since 1995, we have been a complainant in six cases under the DSU and have joined other Members' consultations or intervened in panel proceedings in over 30 other cases.

Recently, Canada has used the WTO dispute settlement mechanism to advance Canadian interests in the fishing, mining and aerospace sectors. On November 6, 1998, the DSB adopted panel and Appellate Body reports confirming that Australia's ban on the importation of fresh, chilled or frozen salmon from Canada was inconsistent with Australia's WTO obligations. Specifically, the reports found that the ban, in place since 1975, was not based on a risk assessment and that Australia had adopted arbitrary or unjustifiable distinctions in its levels of sanitary protection resulting in discrimination or a disguised restriction on international trade. Canada challenged the new fish import policies announced by Australia on July 19, 1999, on the grounds that they were too trade-restrictive and did not comply with Australia's WTO obligations. On January 31, 2000, a WTO panel confirmed this position, and Canada is now awaiting an arbitration decision over the amount of retaliation it can take against Australia. Canada is also challenging France's prohibition of the manufacture, processing, sale and importation of asbestos and asbestos-containing products.

Canada and the United States challenged an EU ban on the importation of beef produced with growth-promoting hormones. A WTO dispute settlement panel and the Appellate Body both found that the EU ban violated the Agreement on the Application of Sanitary and Phytosanitary Measures as it was not

based on a risk assessment. The EU failed to comply with the rulings by the May 13, 1999 deadline, and as a result, Canada imposed retaliatory tariffs on certain imports from the EU in the amount of \$11.3 million annually.

Canada challenged the Brazilian export subsidy PROEX under the WTO Subsidies and Countervailing Measures Agreement. PROEX, under its "interest equalization" component, provides for the payment of subsidies to reduce financing costs for Brazilian exports. Canada's complaint related to the application of PROEX in the aircraft sector. Brazil, in return, challenged a number of Canadian programs that support various Canadian industries, including the aerospace industry. On August 20, 1999, the DSB adopted panel and Appellate Body reports for both complaints. With respect to Canada's challenge on export subsidies granted under PROEX, the DSB found that Brazil's measures were inconsistent with its obligations under the Subsidies and Countervailing Agreement. The reports also found that some of Canada's measures were inconsistent with certain provisions of the same agreement; however Brazil's claim that assistance from the Export Development Corporation (EDC) to the Canadian regional aircraft industry constituted export subsidies was rejected. On December 9, 1999, the DSB established two panels to examine the WTO consistency of the measures adopted by Brazil and Canada to implement the rulings of the DSB. At press time, the decisions of these panels were expected in mid-March or early April.

Two complaints against Canada, one by the United States and the other by New Zealand, were recently decided by the same panel. The U.S. complaint dealt with subsidies allegedly granted by Canada on dairy products and with Canada's administration of the tariff rate quota on milk. New Zealand complained about an alleged dairy export subsidy regime. The DSB found that the measures complained against were inconsistent with some of Canada's WTO obligations. However, the Appellate Body did uphold the conditions Canada attached in its schedule to its tariff rate quota. Canada is taking steps to implement the DSB recommendations by December 31, 2000.

A WTO panel examining complaints by Japan and the EU has found that Canada's measures taken in the implementation of the Auto Pact are inconsistent with its WTO obligations. The Government has