

goods. A schedule of items targeted for accelerated tariff reduction is expected to be confirmed by NAFTA parties later this year. The NAFTA working groups and committees also provide a transparent mechanism for discussion of issues and possible avoidance of dispute settlement procedures through early dialogue on contentious points.

The vast majority of trade in North America now takes place in accordance with the clear and well-established rules of the NAFTA and the WTO. Nonetheless, disputes are bound to emerge in such a large trading area. In such cases, the NAFTA directs the governments concerned to seek to resolve their differences through NAFTA committees and working groups or through other consultations. If no mutually acceptable solution is found, the NAFTA provides for expeditious and effective dispute settlement procedures.

Dispute settlement procedures in the case of anti-dumping and countervailing are provided for under the NAFTA Chapter Nineteen, which provides a unique system of binational panel review in place of domestic judicial review for domestic decisions regarding anti-dumping and countervailing duty matters. This binational panel system, along with the WTO's dispute settlement option, ensures that trade remedy measures are applied in a manner which is consistent with domestic law and with international trade agreement obligations.

Chapter Twenty includes provisions relating to the avoidance or settlement of all disputes regarding the interpretation or application of the NAFTA, except for matters covered under Chapter Nineteen. There are special rules for matters under Chapter Eleven (Investment) and Fourteen (Financial Services). Canada has successfully defended its dairy and poultry interests through a Chapter Twenty panel and is prepared to use Chapter Twenty as may be required to defend its interests vis-à-vis the United States in such matters as the U.S. re-export program for sugar-containing products and the U.S.-Russia uranium anti-dumping suspension agreement.

For investment matters, the NAFTA sets out investor/state dispute settlement procedures. An aggrieved investor can take a host government to dispute, using procedures common to Canadian foreign investment protection agreements and the World Bank's Centre for the Settlement of Investment Disputes.

The NAFTA also requires domestic agencies to respect the principles of due process, fairness and transparency. For example, the NAFTA requires each country to institute or maintain a system for bid challenge review of procurement decisions. The reviewing authority for Canadian government procurement is the Canadian International Trade Tribunal.

3.1 United States

Overview

Canada and the United States are each other's largest trading partners. In 1996, Canada exported \$224 billion of goods to the United States and imported \$157 billion in goods from the United States, for a surplus of \$67 billion. Canada exported \$21.5 billion in services and imported \$30.5 billion in 1996, for a deficit of \$9 billion. Canada-United States trade in goods and services supports over 2 million Canadian jobs, generating 28% of Canada's gross domestic product. Fully 80% of Canadian merchandise exports are destined for the United States. Since the implementation of the Canada-U.S. Free Trade Agreement in 1989, two-way merchandise trade has doubled. Between 1992 and 1996, two-way merchandise trade increased by an average of 14.8% per year. This contrasts with an average annual increase of 8% over the same period for Canada's trade with the rest of the world.

U.S. direct investment in Canada has increased from approximately \$85 billion in 1990 to approximately \$113 billion in 1995. The FTA, and subsequently the NAFTA, have had other positive spin-offs. For example, the Open Skies Agreement signed in February 1995 has opened new opportunities for Canadian and American airlines.

Canada's Action Plan for the United States outlines the Department of Foreign Affairs and International Trade's (DFAIT) business development initiatives designed to double the number of Canadian exporters by the year 2000, by introducing 2000 new exporters to the U.S. market over the next 12 to 18 months. Developed in partnership with a wide range of domestic stakeholders, the *Plan* will be implemented through initiatives such as the New Exporters to Border States program, as well as corporate advocacy and outreach programs to help Canadian business make the most of the excellent export opportunities