

## 9. Exceptions

Trade law recognizes instances in which a country will not be obliged to apply treaty obligations. Thus, both GATT and NAFTA provide that their provisions do not prevent, *inter alia*, the adoption of measures necessary to protect public morals, measures necessary to protect human, animal or plant life or health, or measures necessary for the protection of essential security interests.

## 10. Dispute Settlement

There are complex dispute settlement mechanisms built into GATT and NAFTA, and into the other multilateral agreements associated with the WTO. Very generally, these mechanisms work by having the parties first seek to negotiate an agreement. If negotiations fail, the parties may seek consultations with each other. If consultations also fail, the parties may resort to a binding dispute settlement procedure. Note, however, that a state cannot be forced to change its laws, even if they have been found to be contrary to a trade treaty. Where a state refuses to amend or withdraw an illegitimate measure, affected states are entitled to withdraw concessions of an equivalent value. Alternatively, the state with the nonconforming measure can pay compensation to affected states.

### c) Current Issues

At the global level, Canada is taking part in the round of negotiations intended to lead to a multilateral agreement on investment (MAI). The MAI would impose disciplines on national rules governing foreign investment, and would prevent governments from discriminating against foreign investors. Canada already has some experience in this regard, since the NAFTA already imposes disciplines on investment rules. In 1999, we will also be revisiting all the WTO agreements, as they come up for their first periodic review.

On a regional level, Canada is taking part in negotiations that are intended to lead to the creation of the Free Trade Area of the Americas (FTAA). The hope is that a NAFTA-like agreement will cover all of North and South America by 2005. Canada is also hoping to conclude a free-trade agreement with the European Free Trade Association (EFTA).