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## **ELECTRONIC COMMERCE**

Electronic commerce (e-commerce) can foster remarkable new efficiencies in business processes by greatly expanding geographical markets available to small and medium-sized enterprises, thereby providing the benefits of increased integration, competition and product choice to consumers around the globe. The realization of such potential benefits, however, will depend upon affordable access to infrastructure and e-commerce-related services, as well as an on-line environment of trust and security. From an international trade policy perspective, this will require greater clarity with respect to the application of existing international trade rules to electronic transactions.

Since 1998, WTO members have been looking at a variety of trade-related aspects of e-commerce in the context of a Work Program on E-Commerce. In Canada's view, one of the key objectives of the WTO Work Program is to achieve greater clarity with respect to the application of international trade rules to e-commerce. Members benefit from an ongoing dialogue on what measures can be taken to enable the growth of e-commerce, reduce impediments to trade, and realize the potential benefits of e-commerce for all WTO members.

## **DISPUTE SETTLEMENT**

The WTO currently has 145 members. Thus it is not surprising that disputes occasionally arise within the organization over the application of the rules contained in the WTO Agreement (Agreement Establishing the World Trade Organization). What is surprising is how relatively few disputes there are at any given time. To resolve these trade disputes "peacefully," WTO members have agreed to follow an elaborate process contained in the WTO Dispute Settlement Understanding (DSU). This process includes consultations, reviews by independent panels when parties are unable to settle their differences at the consultation stage, and possible recourse to a standing Appellate Body. In this way, the DSU helps ensure that members adhere to the trade rules they have negotiated; it also reduces the scope for unilateral trade actions and is without question a key element of the rules-based, multilateral trading system.

The WTO Dispute Settlement Understanding is arguably the most effective system that exists today for the resolution of disputes between sovereign states. We believe, however, that it can be further improved. WTO members agreed, at the fourth Ministerial Conference in Doha, to negotiate improvements and clarifications to the DSU and to do so before May 2003. Since then, a special session of the dispute settlement body has convened to discuss proposals. Included in the issues Canada would like to see reviewed are the rules relating to implementation and retaliation, which we believe could benefit from greater clarity, and ways to improve the transparency of the dispute settlement process without compromising its fundamental state-to-state nature.

During the past year, Canada made use of the dispute settlement provisions of the WTO to challenge several measures maintained by other members that we consider inconsistent with their international trade obligations. The most significant of these measures are the anti-dumping and countervailing duties that the United States has imposed on Canadian softwood lumber exports.

On September 27, 2002, the WTO panel established to hear Canada's claim pertaining to the U.S. Department of Commerce's preliminary determination of subsidy with respect to certain softwood lumber from Canada ruled in Canada's favour. The WTO agreed with Canada that the United States' finding that Canadian provincial stumpage programs are countervailable subsidies was not made in accordance with WTO rules.

On October 1, 2002, a panel was established to hear Canada's claim that the U.S. Department of Commerce's final determination of subsidy with respect to certain softwood lumber from Canada is inconsistent with the United States' WTO obligations. Hearings were held in February and March 2003. A decision is expected in July 2003.

On December 20, 2002, the Canadian government requested consultations with the United States concerning the U.S. International Trade Commission's final affirmative determination of a threat of injury. Canada believes the United States contravened WTO rules in reaching this determination. A panel could be established in the spring of 2003.