

recommendations of a separate dispute settlement panel established under the Agreement on Internal Trade (AIT) which found the Act to be inconsistent with the objectives of the AIT, on July 20, 1998, the Government moved to resolve other challenges to the legislation, and agreed to a payment of US\$13 million to Ethyl, representing its reasonable costs and lost profit in Canada. Following this settlement, Ethyl terminated its legal actions.

The second investor-state complaint involving the Government of Canada to be submitted to arbitration pursuant to NAFTA Chapter Eleven dispute settlement procedures was launched by the U.S. company S.D. Myers Inc. on October 30, 1998. S.D. Myers alleges that the Canadian export restriction on PCB wastes that was imposed under the PCB Waste Export Interim Order, and subsequently rescinded, breached Canada's obligations under NAFTA Chapter Eleven, prohibited the investor from doing business in Canada and damaged its investment in Canada. Arbitral proceedings are underway.

Two U.S. investors in Canada (Sun Belt Water Inc. and Pope & Talbot Inc.) served Canada Notices of Intent to Submit Claims to Arbitration on December 2, 1998, and December 24, 1998, respectively. As of March 1999, neither of these complaints has resulted in a request for arbitration. In its Notice of Intent, Sun Belt Water Inc. alleges that Canada breached its obligations under NAFTA Chapter Eleven through the actions and conduct of British Columbia in a separate lawsuit, and that Sun Belt Water Inc. has suffered a loss as a result of this breach. In its Notice of Intent, Pope & Talbot Inc. alleges that Canada breached its obligations under NAFTA Chapter Eleven by implementing the Canada-U.S. Softwood Lumber Agreement in a manner which discriminated against the company's investment in Canada, and that these breaches have harmed the U.S. investor.

As of March 1999, several cases involving Mexico and the United States are before arbitral tribunals under the investor-state dispute settlement provisions of NAFTA Chapter Eleven.

Chapter Fourteen

For financial services concerns, the NAFTA establishes a mechanism for the settlement of disputes by providing that Section B of Chapter Twenty shall apply, with modifications. The Agreement requires that a separate roster of potential panelists be established for Chapter Fourteen, whose members shall have expertise or experience in financial services. The Chapter Fourteen roster is currently in place.

There have been no consultations or cases under Chapter Fourteen.