

groups or other consultations. If no mutually acceptable solution is found, the NAFTA provides for an expeditious and effective panel procedure.

The administration of the dispute settlement provisions of the NAFTA is the responsibility of the Canadian, U.S. and Mexican National Sections of the NAFTA Secretariat. In the first nine months of the 1996-97 fiscal year, the Secretariat administered 14 panel reviews under Chapter Nineteen of the Agreement and one arbitral panel proceeding under Chapter Twenty. Eight Chapter Nineteen panel decisions and one Chapter Twenty panel report were issued in 1996.

Chapter Twenty of the NAFTA sets out the institutional arrangements and dispute settlement procedures. As of the end of 1996, 11 consultations had been requested under Chapter Twenty on 10 measures. One of these proceeded to an arbitral panel. Chapter Fourteen adds special procedures for any disputes that may arise over financial services.

Building on the Canada-U.S. FTA, the NAFTA also includes, in Chapter Nineteen, a unique system of binational panel review of domestic decisions regarding anti-dumping and countervailing duty issues, which replaces judicial review in each of the three countries. There have been 73 requests for panel review under Chapter Nineteen since the adoption of the FTA.

Despite the clear success of Chapter Nineteen under the FTA and the NAFTA, Canada continues to believe that the application of trade remedies has no place

in a free-trade area. Accordingly, Canada will continue to pursue the significant reform, if not elimination, of trade remedies within North America.

For investment matters, the NAFTA sets out procedures for "mixed" arbitration between the aggrieved investor and the host government concerned, 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, it requires each country to institute or maintain a system for bid challenge review of government procurement decisions.

As of January 1, 1997, the Canadian Section of the NAFTA Secretariat is also responsible for the administration of the dispute resolution process under Chapter 8 of the Canada-Israel Free Trade Agreement. Effective in July 1997, the Canadian Section will assume responsibility for the administration of the dispute resolution process under Chapter N of the Canada-Chile Free Trade Agreement.

### Accession to the NAFTA

The NAFTA was designed as an outward-looking agreement with the potential to be expanded to include new members. Canada believes that membership should remain open to countries willing and able to undertake the NAFTA's obligations, including the parallel agreements on labour and the environment.