

Two Corrosion-Resistant Steel panel reviews and three Pure & Alloy Magnesium panel reviews made by the United States agencies involving Canadian products remain active. During the period noted above, four panel proceedings were completed: Certain Baby Foods from the United States (injury), Cold-Reduced Flat-Rolled Sheet from the United States (injury), Pipe Fittings from the United States (injury) and Hot-Rolled Carbon Steel Plate from Mexico.

On January 17, 2001, Canada held Chapter 20 consultations with the United States on U.S. restrictions on Prince Edward Island potatoes. There are also several active Chapter 20 disputes between Mexico and the United States in which Canada is a third party. These disputes involve cross-border trucking and bus services and access for Mexican sugar to the U.S. market. The panel for Mexico's dispute with the United States on cross-border trucking and bus services issued its report in February 2001.

One Extraordinary Challenge Committee (ECC) Proceeding involving the United States and Mexico, relating to Gray Portland Cement and Clinker from Mexico was also filed.

In 2000, one new dispute against Canada was commenced under Chapter 11 by United Parcel Service of America Inc. The claim alleges breaches of the national treatment and minimum standard of treatment provisions under the NAFTA, as well as breaches respecting monopolies and state enterprises. The tribunal has been established and the first procedural hearing is anticipated early in 2001. Decisions were also rendered in two on-going disputes involving Canada. In the arbitration commenced by the American company, Pope & Talbot Inc., the tribunal rendered its decision in June 2000, finding that Canada had not breached its obligations under the performance requirements and expropriation provisions of Chapter 11. On the remaining two issues of national treatment and minimum standard of treatment, the tribunal's decision is expected later in 2001. In the dispute brought by S.D. Myers Inc. (U.S.) concerning Canada's imposition of a 1995 prohibition on the export of PCB wastes to the United States, the tribunal's decision was rendered on November 13, 2000, finding Canada in breach of its national treatment and minimum standard of treatment obligations. The next phase of the hearings will deal with the issue of damages.

As part of the ongoing review by the Parties of the operation of NAFTA, Canada is continuing to work with the United States and Mexico to seek clarification on a number of substantive and procedural issues that have arisen in the context of Chapter 11 disputes.

The Fruit and Vegetable Dispute Resolution Corporation was established on February 1, 2000. This tri-national private commercial dispute resolution mechanism is currently operating in Canada and the United States and is in the development stages in Mexico. Once in full operation, this mechanism will improve significantly the commercial conditions for trade in fruit and vegetables among the NAFTA countries.

Looking Forward

The NAFTA is not a static agreement. It has created a living framework for managing current and future priorities in the North American marketplace. Looking to the future of the agreement, some of Canada's priorities are to:

- continue our efforts to clarify certain key procedural and substantive provisions of the investment chapter of the NAFTA and increase procedural transparency (Chapter 11);
- reinvigorate the process to make compatible, to the greatest extent possible, our SPS measures;
- seek the implementation of the mutual recognition agreements already signed by the three countries' national professional associations representing foreign legal consultants and engineers;
- further facilitate the temporary movement of business people through enhanced co-operation among NAFTA partners;
- make compatible the Parties' standards regarding land transportation;
- harmonize regulatory procedures and standards related to telecommunications;
- simplify rules of origin for goods where external tariff concerns are minimal;
- improve border and customs-related infrastructure and procedures; and
- evaluate the impact of rapid technological change on North American markets and have new ways of doing business (such as e-commerce) reflected in the rules of the NAFTA.