

In September 1998, Mexico requested the establishment of an Arbitral Panel under Chapter 20 of the NAFTA. The Panel, which was formally established January 2000, considered submissions from the two disputing Parties and Canada, participating as an interested third party. The decision of the Panel was released on 6 February 2001. It ruled that the United States was in violation of its NAFTA obligations by refusing to allow Mexican trucks to operate long-haul routes between U.S. border states and Mexican destinations. The Panel acknowledged that Mexico's safety inspection system is less rigorous than that of the United States, but added that the United States had entered into NAFTA with full knowledge of those differences. Based on NAFTA obligations, the Panel concluded that the United States should not be placing broad bans on all Mexican applicants but should examine each application on a case-by-case basis to see whether the applicant meets motor vehicle safety standards.

The opening of the U.S./Mexico border to cross-border would allow interested Canadian and Mexican trucking companies access to each other's markets, and access to the Mexican-U.S. trucking market for Canadian carriers.

Access to Canada for Mexican and American cross-border trucking services remains open, provided that trucks meet Canada's transportation requirements, especially safety.

## **OTHER ISSUES**

### **Government Procurement**

According to NAFTA Annex 1001, Mexico should have developed, consulted with other Parties and completed its list of excluded services by July 1, 1995. This list is still pending, creating uncertainty for Canadian business. Canada will continue to press for Mexico to finalize its schedule of excluded services as early as possible.

The implementation of the NAFTA has brought improvements to the transparency and openness of the Mexican procurement process. However, Canada would like to work with Mexico to resolve certain concerns that have been raised over bid notification periods.

### **PEMEX and CFE Set-asides**

Mexico negotiated set-asides from full NAFTA procurement coverage for the state oil (PEMEX) and electricity (CFE) firms for a transitional period (1994-2002). Canada will continue to monitor Mexico's application of these set-asides.

### **Bid Notification Periods**

Chapter 10 obligates the NAFTA parties to publish procurement tenders in a transparent way, so that qualified suppliers from the NAFTA countries have sufficient time to submit bids. A study commissioned by the Canadian government in 1997, and further work in 1999, have raised concerns about Mexico's compliance with the notification obligations. Canada continues to press Mexico for a response to our concerns.

## **FREE TRADE AREA OF THE AMERICAS (FTAA)**

Canada is one of the 34 democratic countries of the hemisphere engaged in negotiating the Free Trade Area of the Americas (FTAA). The FTAA negotiations, which were launched in April 1998, hold the potential to create the world's largest free trade area, with 800 million people and a combined gross domestic product of nearly \$17 trillion. The FTAA would build on Canada's free trade ties with the United States, Mexico and Chile and its expanding links elsewhere in the hemisphere, allowing Canada to take full advantage of emerging hemispheric markets. The FTAA will co-exist with pre-existing agreements such as NAFTA. This means that Canada's trade with the United States and Mexico will continue to be governed by the NAFTA. The FTAA would substitute for the NAFTA in these relations only if all three parties agreed. Even excluding Canada's NAFTA partners, the region is already a \$4 billion export market for Canada, and it is the destination for \$45 billion in Canadian direct investment (representing 17.5 percent of Canada's total direct investment abroad). The negotiations are to conclude by 2005.

The origins of the FTAA initiative date back to the first Summit of the Americas, held in Miami in December 1994. The Summit process was established to strengthen co-operation among the community