

dispute over the interpretation or application of these agreements.

The Government agrees with this recommendation.

Canada is working closely with other countries in the MAI negotiations to examine how to deal with the interface between the MAI and other international agreements. Canada will ensure that the MAI clearly indicates which rules would apply in the case of overlap between agreements, and as appropriate, will support language that gives precedence to the WTO.

On the potential overlap between MAI obligations and the investment provisions of the NAFTA, Canada's position is that the NAFTA will continue to govern the investment relations among Canada, the United States and Mexico. Canadian negotiators have already discussed these issues with their U.S. and Mexican counterparts. The Government is currently exploring various legal alternatives to ensure the primacy of the NAFTA in respect of Canada's investment relations with the United States and Mexico.

Countries in the MAI negotiations are exploring the inclusion of a provision that would stipulate the provisions of certain Multilateral Environmental Agreements that would prevail in the event of inconsistency with the MAI.

Recommendation 8

In the event that a satisfactory MAI is successfully negotiated, Canada and its OECD partners should actively use this agreement to subsequently pursue an investment accord at the world level, and in the interim, continue to encourage the accession of non-OECD countries to the MAI treaty.

The Government agrees with this recommendation.

As the Government has stated publicly, Canada's ultimate objective in these negotiations is to develop the foundation for a truly multilateral investment agreement within the WTO. It was Canadian leadership that led to the initiation of the WTO Working Group on Trade and Investment at the Singapore Ministerial in 1996.

At the outset of the MAI negotiations, Canada insisted that any eventual agreement should be open for accession by non-OECD countries. Five non-OECD countries have been granted the status of observer to the current negotiations, and they have expressed strong interest in joining an eventual agreement.

Increasingly, Canadians have been investing in developing countries, and the Government will continue to encourage the early accession to an agreement by non-OECD countries.

Recommendation 9

The Government should negotiate the deletion of the term "unreasonable" from the clause containing the commitment to national treatment (Article IV 1.2 on page 51 of the English version of the May 1997 MAI draft text). The suggested alternative in the footnote of the proposed text of the MAI, which combines the two clauses defining the commitment to national treatment, should be adopted.

The Government agrees with this recommendation.