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CANADA AND THE UNITED STATES RELEASE FTA PANEL REPORT ON UHT MILK

The Honourable Michael Wilson, Canadian Minister of Industry, Science and Technology and Minister for International Trade, and Ambassador Michael Kantor, the United States Trade Representative, announced today the release of a final report on ultra-high temperature (UHT) milk imports from Canada into Puerto Rico by a dispute settlement panel under the Canada-United States Free Trade Agreement (FTA). The panel was established under Chapter 18 of the FTA in September 1992 at the request of Canada.

The Panel was asked to consider whether the Commonwealth of Puerto Rico's prohibition on the importation, distribution and sale of UHT milk produced in Quebec is inconsistent with obligations of the United States under FTA Chapters 4, 5 and 7, and whether the prohibition nullifies and impairs benefits that Canada reasonably expected under the FTA.

The Panel found that Puerto Rico's prohibition on the importation, distribution and sale of UHT milk was not in violation of the FTA.

The Panel also found that the United States nullified and impaired benefits that Canada could reasonably expect to derive from the FTA by closing the market in Puerto Rico to UHT milk from Quebec while negotiations were underway on the matter of equivalency.

The Panel recommended that the United States and Canada conduct an expeditious and conclusive equivalency study to determine as rapidly as possible whether UHT milk is produced in Quebec under conditions having the same effect as those set out in the U.S. Pasteurized Milk Ordinance (PMO). The Panel also recommended that if Quebec and Puerto Rico's standards for UHT milk are found to have the same effect, UHT milk produced in Quebec should be re-admitted for sale into Puerto Rico.

Chapter 18 of the FTA provides for the settlement of disputes arising from the interpretation or application of any element of the agreement.

The Canada-United States Trade Commission will consider the report and its recommendations, with a view to reaching a resolution that is satisfactory to both countries.

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