



Internal Trade Secretariat

News Release

Report of the Second Dispute Resolution Panel under the AIT is Released

The second Panel under the dispute resolution provisions of the *Agreement on Internal Trade* held a hearing on December 8, 1999 in Halifax, Nova Scotia to review a dispute initiated by Nova Scotia, acting on behalf of Farmers Co-operative Dairy Limited, concerning amendments Prince Edward Island made to its *Dairy Industry Act* regulations. Nova Scotia alleged that the amendments had the effect of restricting interprovincial trade in fluid milk in a manner that was not consistent with the *Agreement on Internal Trade*.

Under the terms of the *Agreement*, the mandate of the Panel was to examine whether the matter at issue was inconsistent with the *Agreement on Internal Trade*.

The Panel ruled that PEI's amendments to the Dairy Industry Act Regulations (PEI Regulation EC665/97) as well as the policies, procedures and practices to implement those regulations, were inconsistent with the *Agreement on Internal Trade*.

The Panel report was issued to PEI and to NS on January 18, 2000. The Panel recommended that PEI take whatever steps were necessary to assure that the application of the *Regulations* respecting fluid milk standards and distribution are consistent with the provisions of the *Agreement* and remove all references to province of origin for goods and to residency for ownership.

Noting that references were made by PEI to the need for harmonization with the regulatory regimes of other Parties to the *Agreement*, the Panel encouraged PEI and other Parties to the *Agreement* to seek resolution of the outstanding harmonization and regulatory issues in conformance with the provisions of the *Agreement*. Nonetheless, the Panel stated that implementation of the Panel recommendations should not be dependent on such resolution.

The *Agreement* provides that where the Party complained against (PEI) has not complied with the recommendations in the Panel report or has failed to agree with the complaining Party (NS) on a mutually satisfactory resolution of the dispute within 60 days after the issuance of the Panel report, the Internal Trade Secretariat shall make the report public. The *Agreement* also provides that the next step toward the resolution of this matter is to place it on the agenda for the next meeting of the ministerial Committee on Internal Trade.

The full text of the panel report is available on the Secretariat's web site: www.intrasec.mb.ca

For further information contact Mr. André Dimitrijevic, Executive Director of the Internal Trade Secretariat at (204) 987-8090.

See background note attached.

Background

The Agreement on Internal Trade (AIT) which was signed by the first ministers of Canada, the ten provinces, the Yukon and the Northwest Territories, came into effect July 1, 1995 to reduce and eliminate barriers to the free movement of persons, goods, services and investments within Canada and to establish an open, efficient and stable domestic market. Through the Agreement governments are working to remove existing interprovincial trade barriers, prevent the establishment of new barriers and harmonize interprovincial standards.

The Agreement on Internal Trade focuses on a wide spectrum of sectors that affect trade within Canada including: procurement; investment; labour mobility, consumer-related measures and standards; agricultural and food goods; alcoholic beverages; natural resources processing; communications; transportation; energy and environmental protection.

The Agreement on Internal Trade provides mechanisms for the resolution of disputes including consultations and a review by an impartial panel. Access to the dispute resolution mechanisms, including the Panel, is open to governments, to individuals and to businesses.

Although this will be only the second panel, 81 disputes have been filed to date under the AIT. Of these, 59 have been resolved at the consultations stage or through a decision rendered by a screener, 15 were found not to be subject to the AIT, were withdrawn or are inactive and 7 disputes are pending.