

**NAFTA Secretariat,
Canadian Section**

**1998-99
Estimates**

A Report on Plans and Priorities

Approved

**Honourable Sergio Marchi.
Minister for International Trade**

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Section I: Messages

A. The Minister's Message

The North American Free Trade Agreement (NAFTA), which liberalizes trade between Canada, the United States and Mexico, came into effect on January 1, 1994. This Agreement has given Canadian companies preferred access to a market of 386 million people with a combined Gross Domestic Product of approximately \$11 trillion. In this large market, Canadian companies have become increasingly competitive. NAFTA has also encouraged companies from other countries to invest in Canada, further strengthening Canada's economic base.

An essential factor in the increasingly robust North American trade environment has been the existence of effective dispute resolution measures in the NAFTA. These measures have provided companies with the confidence that trade disagreements will be dealt with fairly and openly.

The administration of these dispute settlement provisions is the responsibility of the NAFTA Secretariat, which is comprised of Canadian, U.S. and Mexican Sections. The Secretariat is also mandated to assist the Commission of Ministers responsible for NAFTA to support a number of non-dispute related committees and working groups.

In the first nine months of fiscal year 1997-98, the NAFTA Secretariat administered 17 panel reviews under Chapter 19 and one arbitral panel proceedings under Chapter 20 of the NAFTA. The Secretariat issued three Chapter 19 panel decisions during this period.

The Canadian Section of the NAFTA Secretariat has been given added responsibilities. In 1997 the Section's mandate was expanded to include administration of the dispute settlement process under Chapter 8 of the Canada - Israel Free Trade Agreement. Additionally, the Canadian Section's mandate has been further enhanced to include similar provisions under Chapter N of the Canada - Chile Free Trade Agreement.

The federal government is pleased with the positive feedback the Secretariat's Canadian Section has received from its clients. A 1996-97 performance monitoring report prepared by an independent consulting firm showed that **100 percent** of clients were "**very satisfied**" (the highest possible rating), overall, with the operations of the Canadian Section, and between 83 and 100 percent of clients are **very satisfied** with each of the 21 specific services rated.

Regarding the efficiency and affordability of the NAFTA Secretariat, Canadian Section operations, the \$2.085 million per annum cost to the Canadian government of administering the dispute settlement system may be compared to the \$19 billion which is estimated to be in dispute and directly impacted by this unique process. Further, the Canadian Section has achieved significant cost savings in the past several years through such innovative initiatives as co-location, contracting out, shared services, cost recovery and the innovative use of information technologies.

In the fiscal year ahead, the Canadian Section will continue to improve its ability to serve its clients. For example, it will enhance its World Wide Web site on the Internet by improving the word and phrase search capabilities. Through another initiative -- the redesign of its information systems -- the Section will enhance compatibility among national Sections, improve productivity and address the Year 2000 problem.

Additionally, the Canadian Section will assist the Israeli and the Chilean authorities with the establishment of their own organizations to administer the dispute settlement provisions of the new trade agreements.

The Canadian Section's role has been evolving as Canada's trade links with the world have been evolving. The government is pursuing opportunities to broaden trade relations with other countries. The Team Canada trade missions, such as the January 1998 visit to Latin America, are expanding trade opportunities for Canadian companies abroad. The existence of rules-based international trade dispute settlement systems such as those administered by the NAFTA Secretariat are essential in helping us realize our trade policy objectives.

The Honourable Sergio Marchi

B. Management Representation Statement

I submit, for tabling in Parliament, the 1998-99 Report on Plans and Priorities (RPP) for the NAFTA Secretariat, Canadian Section.

To the best of my knowledge the information:

1. accurately portrays the department's mandate, plans, priorities, strategies and expected key results of the organization;
2. is consistent with the disclosure principles contained in the *Guidelines for Preparing a Report on Plans and Priorities*;
3. is comprehensive and accurate;
4. is based on sound underlying departmental information and management systems; and
5. I am satisfied as to the quality assurance processes and procedures used for the RPP's production.

Cathy Beehan
Canadian Secretary
NAFTA Secretariat, Canadian Section

Date

Section II: Departmental Overview

A. Mandate, Roles and Responsibilities

The NAFTA Secretariat is a unique organization created by the NAFTA for the administration of the dispute settlement provisions of the NAFTA. The mandate of the Secretariat is set out in Article 2002.3 of the NAFTA and reads:

The Secretariat shall:

- (a) provide assistance to the Commission;*
- (b) provide administrative assistance to:*
 - (i) panels and committees established under Chapter Nineteen (Review and Dispute Settlement in Antidumping and Countervailing Duty Matters), in accordance with the procedures established pursuant to Article 1908, and*
 - (ii) panels established under this Chapter, in accordance with procedures established pursuant to Article 2012; and*
- (c) as the Commission may direct:*
 - (i) support the work of other committees and groups established under this Agreement, and*
 - (ii) otherwise facilitate the operation of this Agreement.*

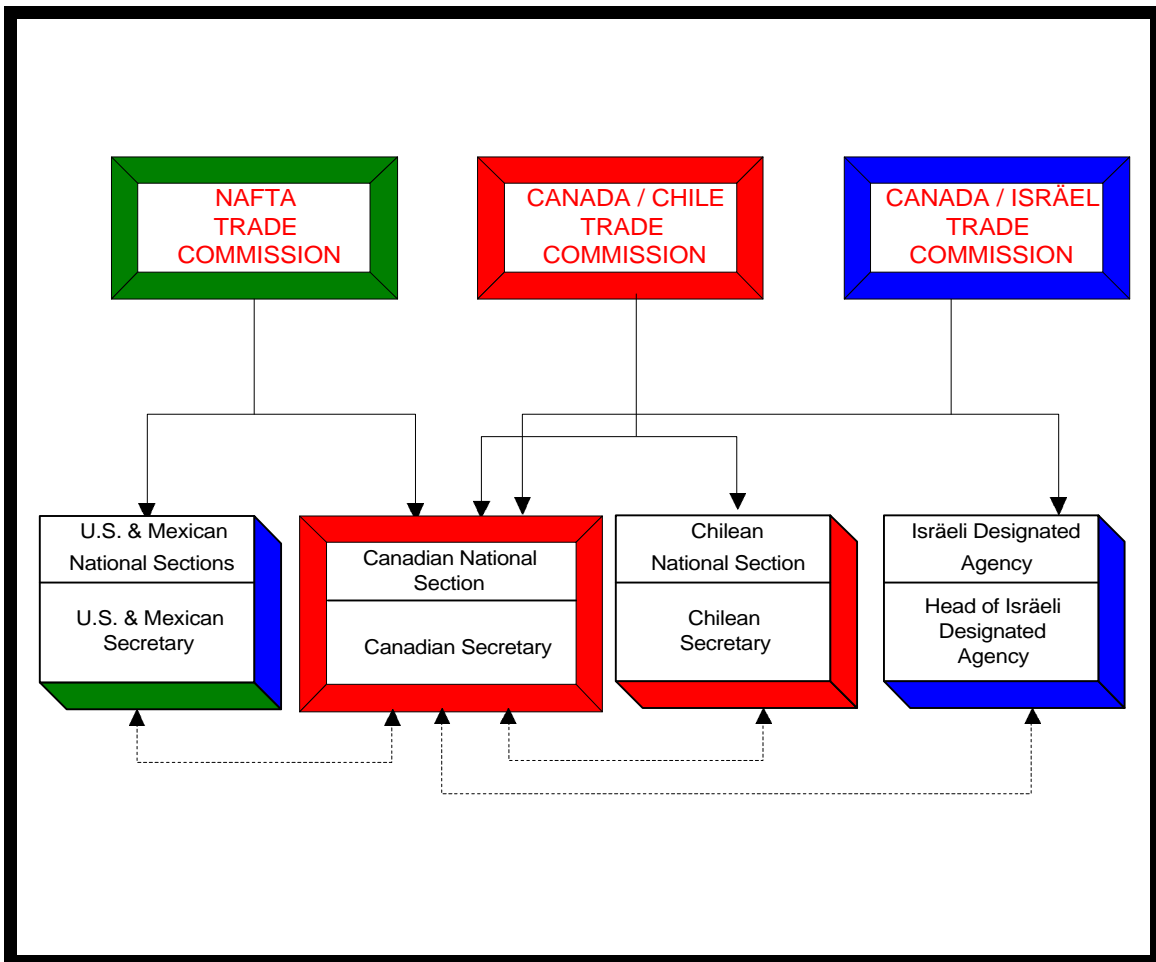
The Secretariat has Canadian, U.S. and Mexican Sections which have been established as “mirror-images” of each other to carry-out this mandate. In the administration of the dispute settlement provisions, the NAFTA Secretariat provides legal, professional and advisory support to panels and committees, operates a court-like registry and co-ordinates all panel and financial aspects of the process.

The Canadian Section of the NAFTA Secretariat has been given added responsibilities. In 1997 the Section's mandate was expanded to include administration of the dispute settlement process under Chapter 8 of the Canada - Israël Free Trade Agreement. Additionally, the Canadian Section's mandate has been further enhanced to include similar provisions under Chapter N of the Canada - Chile Free Trade Agreement.

1. Mandated Responsibilities Structure

The organization is headed by the Canadian Secretary who reports to the Minister for International Trade for Parliamentary accountability and to the appropriate Trade Commission for the administration of the dispute settlement processes under the NAFTA, the Canada - Israël Free Trade Agreement and the Canada - Chile Free Trade Agreement.

**Figure 1: -
Mandated Responsibilities Chart**



B. Background

In 1996, trilateral trade among the NAFTA partners, Canada, United States and Mexico was \$570 billion. While Canada's trading relationship with Mexico is relatively small, \$7.2 billion in 1996, our trade relationship with the United States is the largest between any two countries in the world.

With this volume of trade, disputes are inevitable. It is estimated that about 5% of the \$381 billion in Canada's bilateral trade with the United States is currently under dispute.

A similar administrative body, the Binational Secretariat existed under the Canada - United States Free Trade Agreement (FTA). In 1994, pursuant to the Parties' obligation under the NAFTA to establish permanent, national Section offices in each country, the Binational Secretariat, Canadian and United States national Sections became the NAFTA Canadian and United States national Sections, and with the addition of the Mexican Section, make up the NAFTA Secretariat. The national Sections are located in Ottawa, Washington and Mexico City and are headed by the Canadian, United States and Mexican Secretaries.

C. Mission Statement

The NAFTA Secretariat, Canadian Section is committed to administering the dispute settlement provisions of the relevant Free Trade Agreements¹, in a manner which ensures unbiased administrative processes, equity, security and fairness while providing quality services.

D. Program Objective²

To implement the dispute settlement provisions of the North American Free Trade Agreement (NAFTA) by providing support to panels established under the NAFTA and by maintaining a court-like registry system relating to Chapters 11, 14, 19, 20 panel, committee and tribunal proceedings.

¹ For the purposes of this document, the Free Trade Agreements are the North American Free Trade Agreement, the Canada - Israel Free Trade Agreement and the Canada - Chile Free Trade Agreement.

² As noted *infra*, the Canadian Section's mandate has been enhanced to include the administration of the dispute settlement provisions of the Canada - Israel Free Trade Agreement and the Canada - Chile Free Trade Agreement. Therefore, a revised Program Objective has been submitted to the Treasury Board for approval to reflect these changes.

Figure 2: - Financial Spending Plan (\$000)				
	Forecast Spending 1997-98	Planned Spending 1998-99	Planned Spending 1999-00	Planned Spending 2000-01
Net Program Spending	1,680	2,209	2,210	2,210
Less: Revenues Credited directly to the Consolidated Revenue Fund	(200)	(300)	(300)	(300)
Plus: Costs of Services Provided by Other Departments (notes 1 & 2)	140	144	144	144
Net Cost of Program	1,620	2,053	2,054	2,054

- Notes:**
1. Accommodation received without charge from Public Works and Government Services Canada (PWGSC).
 2. Services received without charge from PWGSC for the cost of compensation administration of the pay processing function.

E. Corporate Objectives

In support of the Program Objective of the NAFTA Secretariat, Canadian Section, the following five corporate objectives have been developed.

- ***Commitment to an Unbiased and Equitable Administrative Process*** - the NAFTA Secretariat, Canadian Section, is committed to administering the dispute settlement provisions of the relevant Free Trade Agreements³ in a manner which ensures unbiased administrative processes, equity, security and fairness.
- ***Commitment to Quality*** - the NAFTA Secretariat, Canadian Section, is committed to maintaining the highest quality of administration of all dispute settlement proceedings.
- ***Support to Stakeholders*** - the NAFTA Secretariat, Canadian Section, is committed to supporting and providing services to its stakeholders in a manner that is impartial, responsive, accessible and timely.
- ***Openness and Accountability*** - the NAFTA Secretariat, Canadian Section, is committed to ensuring openness and accountability to the Government, the relevant Free Trade Commissions⁴ and to the public.
- ***Innovative Uses of Information Technologies*** - in keeping with the *Blueprint for Renewing Government Services Using Information Technology*, the NAFTA Secretariat, Canadian Section, is committed to employing new information technologies to develop and enhance systems and processes to improve overall effectiveness and efficiency.

³ For the purposes of this document, the Free Trade Agreements are the North American Free Trade Agreement, the Canada - Israël Free Trade Agreement and the Canada - Chile Free Trade Agreement.

⁴ For the purposes of this document, the Free Trade Commissions are the (NAFTA) Free Trade Commission, the Canada - Israël Trade Commission and the Canada - Chile Free Trade Commission. Therefore, a revised Program Objective will be submitted to the Treasury Board for approval to reflect these changes.

Section III: Plans, Priorities and Strategies

A. Key Plans, Priorities and Strategies

To assist in fulfilling the above noted Program and Corporate Objectives, the Canadian Section, in collaboration with the Mexican and the U.S. Sections, established the following plans and priorities:

- Implementation of a searchable (word and phrase) World Wide Internet Web Site which will facilitate access to required information, including FTA and NAFTA decisions, by primary stakeholders (see details *supra* primary stakeholders sub-section 7. b., at page 10) and other interested parties.
- Redesign of the NAFTA Secretariat Integrated Information Systems, which are essential to the efficient performance of the NAFTA Secretariat's mandated functions. These systems include the NAFTA Secretariat Registry Information System, the Motions and Orders Research Database and the Trilateral Financial System. Enhanced compatibility of information systems between national Sections will promote information sharing and result in improved productivity gains. This redesign will utilize current information technologies and will address Year 2000 concerns. Further, this strategic priority initiative is in line with the Federal Government's *Blueprint for Renewing Government Services using Information Technology*.

In addition, due to the new responsibilities and enhanced mandate under the Canada - Israeli and Canada - Chile Free Trade Agreements, the Canadian Section also has set the following strategic priorities:

- Assist with the start-up of the Chilean national Section, for the administration of the dispute settlement provisions of the Agreement. The Chilean national Section is required to be established pursuant to Article N.02 of the Canada - Chile Free Trade Agreement. The Canadian Section will extend to the Chilean national Section an offer of professional support to assist them with the development of procedures, the implementation of the registry function, the design of other information systems and the drafting of appropriate accounting procedures.
- Assist with the establishment of the designated Israeli Agency, for the administration of the dispute settlement provisions of the Agreement. The Israeli designated Agency is required to be created pursuant to Article 8.3 of the Canada - Israel Free Trade Agreement. The Canadian Section will extend

to the Israeli designated Agency an offer of professional support to assist them with the development of procedures, the implementation of the registry function, the design of other information systems and the drafting of appropriate accounting procedures.

Finally, with the anticipated creation of the North American Free Trade Co-ordinating Secretariat in Mexico City, the following strategic priority will be launched:

- Establish liaison relationship to assist fulfillment of the Co-ordinating Secretariat's mandate, in particular its role of supporting the national Sections of the NAFTA Secretariat.

B. Details by Program, Business and Service Lines

The NAFTA Secretariat, Canadian Section has one business line, namely, the administration of the dispute settlement provisions of the North American Free Trade Agreement (NAFTA), Canada - Israel Free Trade Agreement and the Canada - Chile Free Trade Agreement.

It has five service lines related to the performance of its mandate.

1. Service Lines

The NAFTA Secretariat, Canadian Section's service lines are as follows:

- Professional Support to Panels;
(legal advisory and administrative role of the Secretaries)
- Registry Operations and Document Control;
(administer and operate a court-like registry for the filing and processing of legal pleadings in the panel reviews)
- Panel Planning and Co-ordination of Panel Reviews;
(co-ordinate and provide administrative support to all dispute panels established under the relevant Free Trade Agreements)
- Panel Financial Administration; and
(provide financial administration support for all panelists and their assistants and co-ordinate payment and reimbursements of panel review expenditures to and from other national Sections)

- **Liaison and Co-ordination with NAFTA-related Organizations.**
(the NAFTA Secretariat, Canadian Section is part of the international Secretariat created by the NAFTA and therefore must liaise and co-ordinate with other national Sections and the North American Free Trade Agreement Co-ordinating Secretariat in fulfilling the mandate of the Secretariat, including the preparation of status and annual reports and the administration of other inter-related activities)

C. External Factors Influencing the Business Line

The following external factors that influence the operational expenditures of the NAFTA Secretariat, Canadian Section:

- the Secretariat has no ability to control the direct costs of panel reviews as they represent non-discretionary costs;
- the Secretariat has no ability to control the number of panels to be formed in any given year; and
- the Secretariat has no discretion to accept or refuse a request for panel review.

D. Expected Results

The NAFTA Secretariat, Canadian Section has developed the following performance commitments and indicators. The commitments and indicators outlined below reflect how the NAFTA Secretariat, Canadian Section manages the agency's activities and holds itself accountable.

Performance Commitments:	Performance Indicators:
the appropriate administration of the dispute settlement provisions of the North American Free Trade Agreement (NAFTA), the Canada - Israel Free Trade Agreement and the Canada - Chile Free Trade Agreement in a manner which ensures unbiased administrative processes, equity, security and fairness	at least 75% ⁵ of stakeholders indicating that they are fully satisfied that the NAFTA Secretariat, Canadian Section, administered the dispute settlements provisions of the Free Trade Agreements in a manner which ensures unbiased administrative processes, equity, security and fairness
the appropriate administration of a court-like registry for the panel review process at a level comparable to other registries of superior courts of record in Canada	at least 75% of stakeholders indicating that they are very satisfied with all aspects of the administration of the NAFTA Secretariat's court-like registry
the ongoing development and the implementation of programs, systems and procedures which are relevant to clients, impartial, responsive, accessible, timely and independent	at least 75% of stakeholders indicating that they are fully satisfied with the systems and procedures provided by the NAFTA Secretariat, Canadian Section and that they are relevant, accurate, impartial, responsive, accessible, timely and independent
the required information and support to panels to ensure their work is accurate, impartial, responsive, accessible, timely and independent	at least 75% of panelists and their assistants indicating that they are fully satisfied with the information and support provided to panels by the NAFTA Secretariat, Canadian Section
open and accountable management and administration of the NAFTA Secretariat, Canadian Section	providing access to decisions, reports and statistical information prepared by this agency and by the reduction in expenditures in selected areas through progressive management initiatives
improved overall effectiveness and efficiency through the use of new information technologies	<p>facilitating greater access for the primary stakeholders through the establishment of a searchable (word and phrase) World Wide Web Internet Site</p> <p>implementation of an enhanced NAFTA Secretariat Integrated Information System, which includes the redesign of the:</p> <ul style="list-style-type: none"> - Registry Information System; - Motions and Orders Research Database; and - Trilateral Financial System. <p>This system is being designed taking into account the Year 2000 issues.</p>

⁵ The 75% target was set based on a comprehensive benchmark survey, conducted in 1994, adjusting for anticipated impacts on performance of increased responsibilities with decreasing resource levels.

Section IV: Supplementary Information

A. Spending Authorities

Table 1: - Spending Authorities - Ministry Summary Part II of the Estimates Financial Requirements by Authorities			
Vote		1998-99 Main Estimates (\$000)	1997-98 Main Estimates (\$000)
	NAFTA Secretariat, Canadian Section		
50	Program Expenditures	2,064	2,063
(S)	Contributions to Employee Benefit Plans (EBP)	145	117
	Total	2,209	2,180

B. Personnel Requirements

Table 2: - Allocated Full Time Equivalents (FTEs) by Business Line				
	Forecast 1997-98	Allocated 1998-99	Allocated 1999-00	Allocated 2000-01
NAFTA Secretariat	13	13	13	13
Total	13	13	13	13

C. Additional Financial Information

Table 3: - Departmental Summary of Standard Objects of Expenditures				
	Forecast 1997-98 (\$000)	Planned 1998-99 (\$000)	Planned 1999-00 (\$000)	Planned 2000-01 (\$000)
Personnel:				
Salaries and Wages	540	691	692	692
Contribution to Employee benefit plans	117	145	145	145
Sub-Total	657	836	837	837
Goods and Services:				
Transportation and Communications	200	290	340	340
Information	7	50	10	10
Professional and special services	700	940	950	950
Rentals	2	3	2	2
Purchased repair and maintenance	2	3	4	4
Utilities, materials and supplies	45	60	50	50
Other subsidies and payments	2	0	2	2
Minor capital	18	27	15	15
Sub-Total	976	1,373	1,373	1,373
Total	1,633	2,209	2,210	2,210

Table 4: - Details of Revenue by Program				
Revenue Credited to the Consolidated Revenue Fund (CRF) (\$000)	Forecasted Revenues 1997-98	Planned Revenues 1998-99	Planned Revenues 1999-00	Planned Revenues 2000-01
NAFTA Secretariat, Canadian Section	200	300	300	300
Total Revenue	200	300	300	300

**Table 5: -
Program Resources by Program and Business Line for the Estimates Year**

Program & Business Line	FTE	Operating (\$000)	Capital (\$000)	Grants and Contributions (\$000)	Gross Voted (\$000)	Statutory Items - note 1 (\$000)	Non-budgetary Loans Investments and Advances (\$000)	Gross Planned Spending (\$000)	Less: Revenue Credited to Vote (\$000)	Net Planned Spending (\$000)
Nafta Secretariat, Canadian Section	13	2,209	0	0	2,209	0	0	2,209	0	2,209
Total	13	2,209	0	0	2,209	0	0	2,209	0	2,209

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