INVESTMENT

SCOPE, COVERAGE AND DURATION

1. This Chapter shall apply to investments (of investors of a Party) in the territory of another party existing at the time of entry into force as well as to (any such) investments made or acquired thereafter. [With respect to investments established prior to the date of termination of this Agreement and to which this Chapter otherwise applies, the provisions of all of this Chapter shall thereafter continue to be effective for a further period of ten years from such date of termination.]

1. [This Part shall apply to any measure of a Party affecting investors or service providers of any other Party in respect of:

   a) the establishment;
   b) the acquisition;
   c) the conduct and operation; or
   d) the sale;

   of business enterprises in or into its territory.]

2. [This Chapter [Part] shall not apply to:

   a) [any measure taken pursuant to a restriction expressly mandated by the Constitution of a Party.]

   b) the provision of financial services or insurance except as provided in Annex Y01.4(a)];

   MEX: [This Chapter] CDA [Part] shall not apply to:

   a) MEX [any measure taken pursuant to a restriction expressly mandated by the Constitution of a Party.]

   b) the provision of financial services or insurance CDA [except as provided in Annex Y01.4(a)];

   c) government procurement CDA [except as provided in Part 3 (Internal Measures)];

   d) services listed in Annex Y01.3(c)]

   e) public entities, to the extent such entities conduct activities:

      (i) in pursuit of monetary, fiscal or exchange rate policy; or

U.S.: Note 1 - While financial services will be covered in the financial services chapter, certain provisions of the investment chapter may apply to financial services by cross-reference in the financial services chapter.
(ii) for the account or with the guarantee or using the financial resources of the Party;

CDA [except when those activities are permitted to be carried out by service providers in competition with such public entities];

f) CDA [public or private entities in respect of their activities forming part of a statutory system of social security, health care, education, day care, or public retirement plans;]

g) CDA [measures of a Party, imposed in connection with the initial privatization of a state enterprise, that limit the rights of an investor of another country to own or control such enterprise;]

h) CDA [the specific measures of the Parties listed in Annex Y01.3 (f); and]

i) CDA [subject to Article 106 (Nullification or Impairment of Benefits), any subsidy.]

j) CDA [as between Canada, the United States of America, and the United States of Mexico, cultural industries as defined in article 2012 of the U.S.-Canada Free Trade Agreement.]

3. MEX [Except as otherwise provided, the provisions of subparagraph (c) of Article Y02 shall apply to any measure affecting investments related to the provision of services if such services are covered by Chapters _____.]

4. CDA [This Part shall apply to any measure of a self-regulatory organization whose mandate is conferred by the Party, or by its state, provincial or local governments.]
ADDITIONAL CANADIAN EQUIVALENCES

[From Canadian Protocol, Part 2: SPECIFIC COMMITMENTS AND EXCEPTIONS]

1. Notwithstanding any provision of the Agreement, Article 200 of the Canadian-United States Trade Agreement shall continue to apply as between Canada and the United States.]

CDA [Article 111: General Exceptions]

Nothing in this Agreement shall be construed to prevent the adoption or enforcement by any Party of measures:

a) necessary to protect public order, safety or public morals;

b) necessary to protect human, animal or plant life or health or the environment in its territory, or to enforce generally agreed international environmental or conservation rules or standards;

c) relating to the products or services of prison labor;

d) imposed for the protection of national treasures of artistic, historic or archaeological value;

e) necessary for fiduciary or consumer protection reasons;

f) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to the avoidance of fraudulent or deceptive practices;

provided that such measure is:

g) consistent with Article 106; and

h) is the least trade-restrictive necessary for securing the protection required.]

CDA [Article 106: Nullification and Impairment of Benefits]

1. No measure shall be implemented or applied by any Party in a manner that would:

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a) constitute a means of arbitrary or unjustifiable
discrimination between its goods, services and service
providers, investors and suppliers and those of any
other Party;

b) ... 

c) otherwise nullify or impair any benefit reasonably
expected to accrue to one or more of the other
Parties, directly or indirectly, under this
Agreement.]

CDA [Article 103(2): Extent of Obligations

Notwithstanding Article 103, paragraph 1 (Extent of
Obligations), except in respect of Part 2 (Border Impediments to
Free Trade) and as otherwise provided herein the obligations of
this Agreement shall not apply to:

a) a non-conforming provision of any existing measure;

b) the continuation or prompt renewal of a non-conforming
provision of any existing measure; or

c) an amendment to a non-conforming provision of any
existing measure to the extent that the amendment does
not decrease its conformity with the obligations of
this Agreement.]
TREATMENT OF INVESTMENTS

1. **MEX USA** [Each Party shall accord nondiscriminatory treatment\(^1\) to an investor of another Party in the establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of investments in its territory. **MEX USA** [In particular,] **CDA** [Further to Article 105 and for greater certainty] no Party shall

   a) impose on an investor of another Party a requirement that a minimum level of equity in an business enterprise in its territory be held by its nationals, other than nominal qualifying shares for directors or incorporators of corporations; or

   b) require an investor of another Party, by reason of its nationality, to sell or otherwise dispose of an investment in its territory **CDA** [and...(see para. 13 below on non-establishment).]

2. **MEX USA** [A Party's failure to accord nondiscriminatory treatment to an investment in its territory of an investor of another Party, and activities associated therewith, shall be a breach of that Party's obligation under paragraph 1.]

3. **MEX USA** [Investments of investors of a Party in the territory of another Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security **USA**[, all in accordance with international law.]

4. Without prejudice to paragraph 4, investors of a Party whose investments suffer losses in the territory of another Party owing to conflict or civil strife shall be accorded at least nondiscriminatory treatment by such other Party as regards any measures it adopts in relation to such losses.

5. **MEX USA** [A Party shall not require that entities which are legally constituted under the applicable laws or regulations of one Party, and which are investments of investors of another Party, engage as top managerial personnel individuals of any particular nationality.]

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\(^1\) "nondiscriminatory treatment" or "nondiscriminatory basis" means treatment, or treatment on a basis, no less favorable than the better of national treatment or most favored nation treatment.
6. Each Party shall provide investors of another Party with an effective means of asserting claims and enforcing rights with respect to investments, investment agreements, and investment authorizations.

7. The most favored nation obligations of this Chapter shall not apply to advantages accorded by a Party by virtue of the Party's binding obligations under any multilateral international agreement under the framework of the General Agreement on Tariffs and Trade.

8. Each Party reserves the right to deny to an entity of another Party the advantages of this Chapter if:
   a) nationals of any non Party own or control such entity and such entity has no substantial business activities in the territory of the Party under whose laws it is constituted; or
   b) such entity is owned or controlled by nationals of a non Party with which the denying Party does not maintain normal economic relations.

9. The Parties are excepted from the obligations of this Article as set forth in Annexes 2102.1 and 2012.2. Any such exceptions shall not be a greater departure from the obligations of this Article than required by or specified in domestic law in force on the date of signature or this Agreement. In the event that the relevant domestic law is liberalized to conform more closely to the obligations of paragraphs 1 and 2, it may not thereafter be made more restrictive. Where a Party takes an exception to national treatment it shall nonetheless accord most favored treatment.

10. A Party may maintain existing measures, and impose measures in the future, which depart from the obligations of paragraphs 1 and 2, but only in respect of the activities set out in Annex _____. Any future departures from those obligations in respect of those activities shall not apply to investments existing at the time the measure becomes effective.

11. A Party may maintain existing measures departing from the obligations of paragraphs 1 and 2 as set out in Annex ____. Such measures shall either:
   a) not be a greater departure from such obligations than required by or specified in domestic law in force on the date of signature of this Agreement; and that law
shall be briefly described; or

b) be described in detail in the Annex itself.

In the event that the relevant domestic law is liberalized to conform more closely to the obligations of paragraphs 1 and 2, such measures may not thereafter be made more restrictive.]

12. **USA** [Where a Party has or takes a measure covered in Annexes ____ and ____ it shall nonetheless accord most favored nation treatment unless set forth in the respective Annex.]

13. **CDA** [No Party shall require the establishment of an investment or a commercial presence by a person of another Party in its territory as a condition for the provision of a service in a manner inconsistent with Article 106.]

14. **CDA** [Further to Article 105, the Parties shall implement:

a) the provisions of Annex 402.1 regarding transportation;

[to be revisited in the light of transportation discussions, to determine if these obligations are best placed in Part 3, in connection with standards related measures]

b) the provisions of Annex 402.2 regarding telecommunications services;

c) the provisions of Annex 402.3 regarding other measures affecting services; and

d) the provisions of Annex 402.4 regarding measures affecting investors of the other Parties.]

**CDA** [Article 403: Specific Exceptions

15. Subject to prior notification and consultation in accordance with Part 6, a Party may deny the benefits of this Part to investors or service providers if it establishes that they originate from a country which is not a Party to this Agreement.

16. The Party denying benefits pursuant to paragraph 15 shall have the burden of establishing that such action is in accordance with that paragraph.]
ADDITIONAL CANADIAN COMMENT AND EQUIVALENCES

CDA

(Article 105: National Treatment)

1. Each Party shall accord to the goods, services and service providers, investors and suppliers of the other Parties treatment no less favorable than that accorded to its own like goods, services and service providers, investors and suppliers in respect of all matters covered by this Agreement, except as otherwise provided in this Agreement.

CDA

(Article 108: Most Favored Nation Treatment)

2. Subject to the specific exceptions listed in a Party's instrument of ratification or accession, each Party shall, immediately and unconditionally, accord to the goods, services and service providers, investors and suppliers of all other Parties treatment no less favorable than that accorded by it to the like goods, services and service providers, investors and suppliers of any other country or international entity, whether or not that country or entity is a Party to this Agreement, in respect of all matters covered by this Agreement.

3. Derogations from MFN treatment are provided in the Protocols of the Canadian draft. For example:

SPECIFIC COMMITMENTS AND EXCEPTIONS

2. CDA

[Regarding Article 108 of the Agreement, the most-favoured-nation treatment set out therein shall not apply to:

a) bilateral air agreements to which Canada is a party;

b) maritime cabotage regulations providing a Commonwealth preference;

c) Canada-United States reciprocal salvage rights;]

d) (to be negotiated)
PROVINCIAL AND STATE MEASURES

1. The obligations of this Chapter shall apply to the political subdivisions of the Parties.

2. The treatment accorded by a Party
   a) under Article ____ with respect to nationals and entities of another Party; and
   b) under Article ____ with respect to the investments (and associated activities of those nationals and companies)

shall, in any state or political subdivision, be no less favorable than the treatment accorded by such state or political subdivision to its residents, or entities legally constituted under its laws, or their investments in its territory.

ADDITIONAL CANADIAN COMMENT AND EQUIVALENCENCES

CDA [Article 103: Extent of Obligations]

4. The Parties shall ensure that all necessary measures are taken in order to give effect to the provisions of this Agreement, including their observance, except as otherwise provided in this Agreement, by state, provincial and local governments.

CDA [Article 105: National Treatment]

2. The provisions of this Article shall mean, with respect to measures of a province or state, treatment no less favorable than the most favorable treatment accorded by such province or state to any like goods, services and service providers, investors and suppliers, as the case may be, of the Party of which it forms a part.
PERFORMANCE REQUIREMENTS

1. [Except as provided in Annex _______, *], no Party shall apply or condition the receipt of an incentive on, any of the following requirements, [enforceable under domestic law or administrative ruling,] in connection with the establishment, acquisition, expansion, conduct or operation of investments in its territory of investors of [a Party or a non-Party] [another Party]:

a) [achieve a given level or percentage of domestic content; substitute domestic goods or services for imported goods or services; or otherwise] favour [in any way] the purchase or use of goods [or services] of domestic origin or from domestic sources [in a manner inconsistent with Article ___ (national treatment on goods)];

b) relate in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with such investment;

c) restrict domestic sales of goods [and services] that such investment produces by limiting such sales in any way to the volume or value of its exports or foreign exchange earnings;

d) [transfer, import or use a particular technology, production process or other proprietary knowledge; or]

e) [act as the exclusive supplier of the goods or services it produces to a specific market or region.]

[With respect to paragraph 1(a), benefits associated with the government procurement or export promotion program shall not be considered "incentives".]

2. [Except as provided in Annex _______, **], no Party shall require, in connection with the establishment, acquisition, expansion, conduct or operation of investments in its territory of

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1 A draft text for discussion purposes only.

2 e.g., tax, autos, excluded services, energy, environment, aboriginal programs, financial services, etc.
an investor of USA [a Party or a non-Party] and another Party that such investment:

a) export a given level of percentage of goods or services;

b) achieve a given level or percentage of domestic content;

c) substitute goods or services from the territory of such Party for imported goods or services.

3. No Party shall prohibit or otherwise restrict an investor established in the territory of another Party from:

a) exporting goods and services from such territory to a non-party country;

b) importing to such territory goods and services from a non-party country; or

c) using goods and services originating in a non-party country.

4. For purposes of this Article, a Party "imposes" a requirement on an investor when it requires particular action of an investor or when, after the date of the entry into force of this Agreement for that Party, it enforces any undertaking or commitment described in this Part given to that Party after the date this Agreement enters into force for that Party.

5. Further to Article 106 (Nullification and Impairment), no Party shall impose on an investor of a nonParty, as a term or condition of permitting an investment in its territory, or in connection with the regulation of the conduct or operation of a business enterprise located in its territory, a commitment to meet any of the requirements described in paragraph 1 where meeting such a requirement could have a significant impact on trade between two or more of the Parties.

6. Nothing in this Agreement shall prevent a Party from imposing requirements on an investor of another Party in respect of activities not listed in paragraph 1.
1. Notwithstanding Article (on national treatment), a Party may require an investor of another Party or its investments or a service provider of another Party to submit to it routine information respecting such investment solely for information or statistical purposes.\(^1\) Such Party shall protect such business information that is confidential from disclosure that would prejudice the investor's competitive position.

2. Nothing in paragraph 1 shall preclude a Party from otherwise obtaining or disclosing information in connection with the equitable and good faith application of its laws.

\(^1\) The U.S. suggests the following substitute sentence, "Notwithstanding Article (on national treatment), a Party may require routine information, to be used solely for informational or statistical purposes, concerning an investment of an investor of another Party in its territory."
1. Subject to paragraph 3 \textit{CDA} and paragraphs 4 and 5] a Party shall permit all transfers and international payments (hereinafter "transfers") relating to an investment in \textit{CDA} or provision of a service in or into its territory of an investor \textit{CDA} or service provider] of another Party to be made freely and without delay. Such transfers include:

   a) profits, dividends, interest, capital gains, royalty payments, management, technical assistance and other fees, \textit{USA} \textit{MEX} \textit{returns in kind}, and other amounts derived from an investment \textit{CDA} or service;

   b) proceeds from the sale of all or any part of an investment \textit{CDA} or service or from the partial or complete liquidation of an investment \textit{CDA} or service;

   c) payments made under a contract entered into by an investor, \textit{MEX} \textit{USA} \textit{CDA} or service provider, including payments made pursuant to a loan agreement;

   d) compensation pursuant to \{Article on expropriation\}; and

   e) payments arising out of an investment dispute \textit{USA} as defined in \{Article on dispute settlement\}.

2. \textit{USA} Except as provided in paragraph 2 of \{Article on expropriation\} and subject to paragraph 3, a Party shall permit transfers to be made in a freely usable currency at the market rate of exchange prevailing on the date of transfer with respect to spot transactions in the currency to be transferred.

3. A Party may, through the equitable and good faith application of its laws, prevent any transfer referred to in paragraph 1 if such transfer is inconsistent with any measure of general application relating to:

   a) \textit{CDA} restrictions applied by a Party to persons of another Party on the making of payments and transfers for current international transactions which conform with Article VIII of the Articles of Agreement of the International Monetary Fund;

   b) bankruptcy, insolvency or the protection of the rights
of creditors;

c) issuing, trading or dealing in securities;

d) criminal or penal offenses;

e) reports of currency transfers;

f) imposing USA [income] taxes by such means as a withholding tax USA [applicable to dividends or other transfers;] or

g) ensuring the satisfaction of judgments in adjudicatory proceedings.

4. MEX CDA [No Party shall require its investors to repatriate, or penalize its investors who fail to repatriate, the income, earnings or profits attributable to any investment in another Party or to any businesses carried on in another Party either directly by the investors or indirectly through a business enterprise established in that other Party.]

5. MEX CDA [Paragraph 4 shall not be construed as preventing a Party from taxing its investors on their share of any income, earnings or profits attributable to a business carried on or an investment made in another Party, provided that the tax so charged does not exceed the tax that would be so charged if such income, earnings or profits were repatriated, without any further tax on the repatriation, to its investors.]
STATE ENTERPRISES

CDA [Article 410: State Enterprises

Each Party shall ensure that state enterprises engaged in non-regulated commercial activities in competition with private enterprises:

a) be subject to domestic competition law and policies in respect of such activities; and

b) be given the same treatment under domestic competition law and policies as such private enterprises in respect of such activities.]

1. USA [The provisions of this Chapter, and in particular the obligation to accord nondiscriminatory treatment to investments in the territory of a Party of investors of another Party, shall apply to the state enterprises of a Party.

2. Further to Article (concerning nondiscriminatory treatment), where a state enterprise of a Party is in competition, within the territory of such Party, with an investment of an investor of another Party, and where there are no other investments of investors of that Party which are not state enterprises in competition with the state enterprise, that Party shall accord the investment of the investor of the other Party treatment no less favorable than that which it provides its state enterprise. Where investments of investors of that Party which are not state enterprises also compete with the state enterprise, the investment of the investor of the other Party shall be accorded treatment no less favorable than that provided such other investments.]
EXPROPRIATION AND COMPENSATION

1. No Party shall directly or indirectly nationalize or expropriate an investment of an investor of another Party in its territory or take any measure or series of measures tantamount to expropriation or nationalization of such an investment ("expropriation"), except:

   a) for a public purpose;
   b) on a nondiscriminatory basis;
   c) in accordance with due process of law [and the general principles of treatment provided for in Article ----]; and
   d) upon payment of [prompt, adequate and effective] compensation.

2. Compensation shall be equivalent to the fair market value of the expropriated investment immediately before the expropriatory action was taken or became known, whichever is earlier. Valuation criteria shall include going concern value, asset value (including declared tax value of tangible property), and other criteria, as appropriate to determine fair market value. Compensation shall be paid without delay; include interest at a commercially reasonable rate from the date of expropriation; be fully realizable; and be freely transferable at the prevailing market rate of exchange on the date of [transfer].

Mexican Note 1 - Mexico considers that the concerns expressed by the U.S. and Canada delegations on compensation are covered by the new draft proposal on paragraph 2. On that basis Mexico will only accept this paragraph if the U.S. and Canada delegations drop the actual bracketed text in paragraph 1(c) and (d).
DISPUTE SETTLEMENT

MEX [Article ____ : Dispute Settlement

1. (Definition of an investment dispute)

2. In the event of an investment dispute, the investor may send written notice to the Party with which it has the dispute ("the host government"), setting forth the provision or provisions of this Chapter which it believes has been breached and the facts on which its assertion is based. The investor shall simultaneously send a copy of this written notice to the Party of which it is a national ("the home government"). The two Parties shall thereupon immediately refer the matter to dispute resolution under Chapter 23.]

MEX [Article ____ : Domestic Judicial Enforcement of the Rights of Investors

1. Each Party shall provide investors of the other Parties access to an impartial judicial system with authority to enforce the rights of investors established under this Agreement.]

CANADA ADDITIONAL EQUIVALENCES

(From Canadian Protocol, Part 2 : Specific Commitments and Exceptions):

[22. Notwithstanding anything in the Agreement, the provisions of Part 6 shall not apply to any Decision by Canada following a review under the Investment Canada Act, with respect to whether or not to permit an acquisition that is subject to review.]

USA [Article XX07: Settlement of Disputes between a Party and a National or Company of Another Party

1. For purposes of this Article, an investment dispute is a dispute between a Party and a national or company of another Party arising out of or relating to (a) an investment agreement between that Party and such national or company; (b) an investment authorization granted by that Party's foreign investment authority (if any such authorization exists) to such national or company; or (c) an alleged breach of any right conferred or created by this Chapter with respect to an investment.

2. In the event of an investment dispute, the parties to the dispute should initially seek a resolution through consultation and
negotiation. If the dispute cannot be settled amicably, the national or company concerned may choose to submit the dispute for resolution:

a) to the courts or administrative tribunals of the Party that is a party to the dispute;

b) in accordance with any applicable previously agreed dispute settlement procedures; or

c) in accordance with the terms of paragraph 3.

3. a) Provided that the national or company concerned has not submitted the dispute for resolution under paragraph 2 (a) or (b) and that six months have elapsed from the date on which the dispute arose, the national or company concerned may choose to consent in writing to the submission of the dispute for settlement by binding arbitration:

(i) to the International Centre for the Settlement of Investment Disputes ("Centre") established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965 ("ICSID Convention"), provided that the Party is a party to such Convention;

(ii) to the Additional Facility of the Centre, if the Centre is not available;

(iii) in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law; or

(iv) to any other arbitration institution, or in accordance with any other arbitration rules, as may be mutually agreed between the parties to the dispute.

b) Once the national or company concerned has so consented, either party to the dispute may initiate arbitration in accordance with the choice so specified in the consent.

4. Each Party hereby consents to the submission of any investment dispute for settlement by binding arbitration in accordance with the choice specified in the written consent of the national or company under paragraph 3. Such consent, together with
the written consent of the national or company when given under paragraph 3, shall satisfy the requirement for:

a) written consent of the parties to the dispute for purposes of Chapter II of the ICSID Convention (Jurisdiction of the Centre) and for purposes of the Additional Facility Rules; and


5. Any arbitration under paragraph 3(a)(ii), (iii) or (iv) of this Article shall be held in a state that is a party to New York Convention.

6. Any arbitral award resulting from an arbitration under paragraphs 3(a)(ii), (iii) or (iv) of this Article shall be final and binding on the parties to the dispute. Each Party undertakes to carry out without delay the provisions of any such award and to provide in its territory for its enforcement.

7. In any proceeding involving an investment dispute, a Party shall not assert, as a defense, counterclaim, right of set off or otherwise, that the national or company concerned has received or will receive, pursuant to an insurance or guarantee contract, indemnification or other compensation for all or part of its alleged damages.

8. For purposes of an arbitration held under paragraph 3 of this Article, any company legally constituted under the applicable laws and regulations of a Party or a political subdivision thereof but that, immediately before the occurrence of the event or events giving rise to the dispute, was an investment of nationals or companies of another Party, shall be treated as a national or company of such other Party, including in accordance with Article 25(2)(b) of the ICSID Convention.

USA [Article XX08: Settlement of Disputes Between Parties]

1. Any dispute between Parties concerning the interpretation or application of this Chapter which is not resolved through consultations or other diplomatic channels, shall be submitted, upon the request of a Party, for binding decision in accordance with the applicable rules of international law to an arbitral tribunal composed of three arbitrators.

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2. In the absence of an agreement by the Parties to the contrary, the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) shall apply. The appointing authority referenced in those rules shall be the Secretary General of the Centre.

3. Fees and expenses of the arbitrators and appointing authority, and other costs of the proceedings, shall be borne equally by the Parties. Each Party shall bear the cost of its legal representation.
NATIONAL SECURITY

**MEX** Article 2109: National Security

1. A Party may deny the application of this Chapter to investors of the other Parties for reasons of national security.

**USA** [1. Nothing in this Chapter shall preclude the application by a Party of measures necessary for the maintenance of public order, the fulfillment of its obligations under the United Nations Charter with respect to the maintenance or restoration of international peace or security, or the protection of its own essential security interests.

Note: This provision is self-judging.]

**CDA** Article 110: National Security

1. Nothing in this Agreement shall be construed to prevent:

   a) any Party from refusing to furnish or allow access to any information the disclosure of which it determines to be contrary to its essential security interests;

   b) any Party from imposing any measure affecting goods, services, service providers, suppliers or investors of a Party which it determines is directly related and essential to:

      i) supplying a military establishment of a Party with arms, ammunition or implements of war, or enabling fulfillment of a critical defence contract of a Party;

      ii) responding to a situation of armed conflict involving the Party taking the measure;

      iii) implementing international agreements relating to the nonproliferation of nuclear, chemical or biological weapons, other nuclear explosive devices, or chemical or biological agents;

      iv) responding to direct threats of disruption in the supply of nuclear materials for defence purposes.

   c) any Party from taking action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.
2. The Party relying on paragraphs a) - c) shall ensure that its action or measure is that which least infringes the rights or any reasonable expectations of the other Parties under this Agreement, and is no broader in scope or duration than necessary.

3. Any determination made under paragraph 1(b) shall be published promptly in the official journal of that Party. Any determination made under paragraph 1(a) or action taken under paragraph 1(c) shall, where appropriate, be similarly published.

4. Except in cases of emergency, the Party proposing to impose any measure under paragraph 1(b), or proposing to take action under 1(c) shall consult with the other Parties prior to imposing such measure or taking such action.

5. If a Party considers that any action or measure taken by another Party under this Article constitutes a disguised restriction on trade or investment or otherwise nullifies or impairs any benefit reasonably expected under this Agreement, it may request consultations. Such consultations shall be held promptly. The Party whose action or measure is the subject of the consultations shall give full and sympathetic consideration to the view of the complaining Party and shall explain, in as much detail as is consistent with its assessment of its security interests, the reasons for the measure. Where appropriate following such consultations, such Party shall re-consider whether its action or the application of its measure could be altered in any way, in order to minimize the infringement of rights and benefits otherwise secured by this Agreement.

6. No Party may invoke the provisions of this Article to derogate from the requirement to pay compensation for an expropriation in accordance with Article ____ or to permit the transfer of an investment and returns, in accordance with Article ____.
TAXATION

1. [Issues of nondiscrimination arising under Article XX01 of this Chapter and involving taxation shall be resolved under the criteria and procedures of the convention for the avoidance of double taxation between the Parties involved.]

CDA [Article 112: Taxation]

1. Subject to Article 106 and except as otherwise provided in this Agreement, nothing in this Agreement shall affect the right of any Party to adopt or maintain any taxation measure.

2. Nothing in this Agreement shall affect:

   a) the right of any Party to adopt or maintain any measure designed to prevent the avoidance of tax by producers, service providers, investors and suppliers of any other Party or to impose nonresident withholding taxes on payments made to producers, service providers, investors and suppliers of any other Party; or

   b) rights and obligations under any international taxation agreement, as may be specified in a Party's instrument of ratification or accession.]
EXTRA-TERRITORIALITY

CDA [Article 407: Extra-territoriality

...]

2. No Party may prescribe new laws or enforce existing laws so as to require investors or service providers to act, in the territory of another Party, in a manner that conflicts with the laws of such other Party.]
MONOPOLIES

CDA [Article 408: Monopolies]

1. Subject to Article 106, nothing in this Agreement shall prevent a Party from maintaining or designating a monopoly.

2. A Party maintaining or designating a monopoly shall ensure that the monopoly will not, in providing the monopoly goods or service in the relevant market, behave in a manner which could nullify or impair benefits to which producers or service providers of any other Party is entitled.

3. Prior to designating a monopoly, a Party shall:
   a) notify the other Parties;
   b) upon request, engage in consultations; and
   c) endeavour to minimize or eliminate any nullification or impairment of benefits under this Agreement that might otherwise be caused by the designation.

4. Each Party shall ensure that, where it permits the monopoly supply of goods or services, the monopoly does not in its territory, either directly or through an affiliated company engage in anti-competitive practices in areas outside its monopoly.
TECHNOLOGY CONSORTIA

[CDA Article 409: Technology Consortia]

1. No Party shall maintain or introduce any measure that limits or prevents an investor of another Party from participating in a technology consortium or other group of business enterprises respecting the development of or access to technology (in a manner that would violate Article 105 or Article 106).

2. Any measure imposed by a Party on a global basis that would be consistent with this Agreement but for paragraph 1 of this Article, including those imposed in accordance with the national security provisions of this Agreement, that limits or prevents such participation, shall not apply to the investors of the other Parties unless the other Parties are specifically named as being included in the measure. Any Party proposing to implement such measure that places a restriction or limitation on the investors of the other Parties shall consult with the other parties prior to its implementation.]
COMPETITION POLICY

New Article 411: Competition

1. The Parties agree to implement such laws and regulations as are necessary and appropriate that result in the transparent regulation, as well as enforcement thereof, of anti-competitive conduct by private persons such as anti-competitive agreements, mergers, monopolies and pricing practices and abuse of dominant position, recognizing that such conduct may frustrate the fulfillment of the object and purpose of this agreement.

2. The obligations of paragraph 1 shall not be subject to review pursuant to section(s) (the dispute settlement mechanisms).

3. Each party agrees to notify the others prior to the adoption of any such laws, regulations or policies, or modification thereof and, upon request of any other Party, to hold consultations and to consider the views of the other Party(ies).

4. The Parties recognize that effective competition law enforcement in the free trade area requires cooperation and coordination among national authorities. For the purpose of implementing such coordination and cooperation, the Parties agree to pursue negotiations on a trilateral basis to create, expand or enhance international agreements and arrangements for mutual legal assistance, notification, consultation and exchange of information relating to the enforcement of competition laws and policies in the free trade area.

5. In the enforcement of their respective competition laws and policies in those cases involving persons, assets, or practices located, or occurring, in the territory of any of the other Parties, each Party shall, in addition to any obligations incorporated in agreements reached pursuant to section 4 (above), assess, and be prepared to advise the other Parties of the results of its assessment of, the following factors:

   a) the relative significance of the anti-competitive activities involved of conduct within the enforcing Party's territory as compared to conduct within the other Party's territory;

   b) the presence or absence of a purpose on the part of those engaged in the anti-competitive activities to affect consumers, suppliers, or competitors within the enforcing Party's territory;
c) the relative significance of the effects of the enforcement activities on the enforcing Party's interests as compared to the effects on the other Party's interests;

d) the existence or absence of reasonable expectations that would be furthered or defeated by the enforcement activities;

e) the degree of conflict or consistency between the enforcement activities and the other Party's law or articulated economic policies; and

f) the extent to which enforcement activities of such other Party with respect to the same persons, including judgements or undertakings resulting from such activities, may be affected.

6. The Commission shall establish a Competition Policy Committee to consider and make recommendations (no later than) on:

a) the impact of competition law and policy on trade within the free trade area;

b) the impact of trade law and regulation on competition within the free trade area;

c) the potential for reliance on competition laws and policies to discipline anti-competitive transborder pricing practices and market segmentation.¹

¹ Paragraph 6 and the Mexican equivalent for Working Group review of removal of barriers to competition is under consideration in the Lawyers' Group in consultation with the Trade Remedies Group.
DEFINITIONS

USA DEFINITIONS WITHOUT MEXICAN EQUIVALENTS

4. National means a natural person who is a national of a country under its applicable law.

5. National of a Party means a natural person who is a national of a Party under its applicable law.

8. State enterprise means a company of a Party that is owned, or controlled through ownership interests, directly or indirectly, by such Party or any agency or instrumentality thereof.

9. National treatment means treatment no less favorable than that accorded by a Party, in like circumstances, to nationals or companies of such Party or to investments of such nationals or companies, as the case may be.

10. Most favored nation treatment means treatment no less favorable than that accorded by a Party, in like circumstances, to nationals or companies of any other party or to investments of such nationals or companies.

11. Nondiscriminatory treatment or nondiscriminatory basis means treatment, or treatment on a basis, no less favorable than the better of national treatment or most favored nation treatment.

CANADIAN DEFINITIONS WITHOUT MEXICAN EQUIVALENTS

enterprises means any juridical entity involving a financial commitment for the purpose of commercial gain;

monopoly means a sole provider of a good or service;

service provider of a Party means any business enterprise legally constituted or organized under the law of that Party;

DEFINITIONS

MEX [For purposes of this Chapter;]

USA [As used in this Chapter, the following terms shall have the following meanings:]

CDA [For the purposes of this Part,]

MEX CDA [acquisition with respect to:

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a) a business enterprise carried on by an entity, means an acquisition, as a result of one or more transactions, of the ultimate direct or indirect control of the entity through the acquisition of the ownership of voting interests; or

b) any business enterprise, means an acquisition, as a result of one or more transactions, of the ownership of all or substantially all of the assets of the business enterprise used in carrying on the business;

MEX [agency]

MEX CDA [business enterprise] means a business that has, or in the case of an establishment thereof will have:

a) a place of business;

b) an individual or individuals employed or self-employed in connection with the business; and

c) assets used in carrying on the business;

NOTE: A part of a business enterprise that is capable of being carried on as a separate business enterprise is itself a business enterprise;

MEX [Constitution of a Party]

MEX CDA [control or controlled, with respect to:

a) a business enterprise carried on by an entity, means

   (i) the ownership of all or substantially all of the assets used in carrying on the business enterprise; and

   (ii) includes, with respect to an entity that controls a business enterprise in the manner described in subparagraph (i), the ultimate direct or indirect control of such entity through the ownership of voting interests; and

b) a business enterprise other than a business enterprise carried on by an entity, means the ownership of all or substantially all of the assets used in carrying on
the business enterprise;]

CDA [entity means a corporation, partnership, trust or joint
venture;]

MEX USA [Entity means any kind of corporation, company, association,
partnership, sole proprietorship or other organization whether or
not organized for pecuniary gain.

MEX USA [Entity of a Party means a entity legally constituted under
the laws and regulations of a Party or a political subdivision
thereof.]}

MEX CDA [establishment means a startup of a new business enterprise
and the activities related thereto;]

CDA [investment means:

a) the establishment of a new business enterprise; or

b) the acquisition of a business enterprise; and
includes:

c) as carried on, the new business enterprise so
established or the business enterprise so acquired,
and controlled by the investor who has made the
investment; and

d) the share or other investment interest in such
business enterprise owned by the investor provided
that such business enterprise continues to be
controlled by such investor or the investor continues
to own a significant minority interest in such
business enterprise.]

1. MEX USA [Investment of an investor of a Party means an
investment owned or controlled directly or indirectly by an
investor or such Party.

2. Investment includes the following kinds of interests:

a) equity or debt securities of a business enterprise, or
any interest in such enterprise that entitles the
owner to share in the income or profits or to share in
the assets on dissolution;

b) real estate or other property (tangible or intangible)
acquired in the expectation or used for the purpose of economic benefit or other business purposes;

c) a loan to a business enterprise made or guaranteed by an affiliate of such business enterprise [and any other loan to a business enterprise if the mean repayment period exceeds three years];

d) interests arising from the commitment of capital or other resources to economic activity in the territory of another Party such as under (i) contracts involving the presence of the investor's property in the territory of another Party (e.g., concession agreements, turnkey or construction contracts), (ii) contracts where the remuneration depends substantially on the production, revenues or profits of a business enterprise [or (iii) government-issued permits to engage in such economic activity.]

3. Claims to money which arises solely from:

a) commercial contracts for the sale of goods or services by a national or entity in the territory of one Party to a business enterprise in the territory of another Party;

b) the extension of credit in connection with a commercial transaction (e.g., trade financing) other than a loan covered by paragraph 2(c); or

c) any other claims to money,

and which do not involve the kinds of interests in paragraph 2 shall not be considered investments.

4. "Equity or debt securities" includes voting and non-voting shares, bonds, convertible debentures, stock options and warrants.

[Investments of nationals or companies of a Party means investments owned or controlled directly or indirectly by nationals or companies of such Party.]

[Investor of a Party means a national or company of such party.]

[investor of a Party means:]

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a) such Party or agency thereof;

b) a province or state of such Party or agency thereof;

c) a national of such Party;

d) an entity ultimately controlled directly or indirectly through the ownership of voting interests by:

   (i) such Party or one or more agencies thereof;

   (ii) one or more provinces or states of such Party or one or more agencies thereof;

   (iii) one or more nationals of such Party;

   (iv) one or more entities described in paragraph (e); or

   (v) any combination of persons or entities described in (i), (ii), (iii) and (iv); or

e) an entity that is not ultimately controlled directly or indirectly through the ownership of voting interests where a majority of the voting interests of such entity are owned by:

   (i) persons described in subparagraphs (d) (i), (ii) and (iii);

   (ii) entities incorporated or otherwise duly constituted in the territory of such Party and, in the case of entities that carry on business, carrying on a business enterprise located in the territory of such Party, other than any such entity in respect of which it is established that nationals of a third country control such entity or own a majority of the voting interests of such entity; or

   (iii) any combination of persons or entities described in (i) and (ii);

NOTE: For purposes of paragraph (e), in respect of individuals each of whom holds not more than one percent of the total number of the voting interests of an entity the voting interests of which are publicly traded, it shall be presumed, in the absence of evidence
to the contrary, that those voting interests are owned by nationals of such Party on the basis of a statement by a duly authorized officer of the entity that, according to the records of the entity, those individuals have addresses in the territory of such Party and that the signatory to the statement has no knowledge or reason to believe that those voting interests are owned by individuals who are not nationals of such Party;]

MEX CDA [investor of a non-party country means an investor other than an investor of a Party, that makes or has made an investment;]

MEX CDA [joint venture means an association of two or more persons or entities where the relationship among those associated persons or entities does not, under the laws in force in the territory of the Party in which the investment is made, constitute a corporation, a partnership or a trust and where all those associated persons or entities own or will own assets of a business enterprise, or directly or indirectly own or will own voting interests in an entity that carries on a business enterprise;]

MEX [law]

MEX CDA [located in the territory of a Party means, with respect to a business enterprise, a business enterprise that is, or in the case of an establishment will be, carried on in the territory of such Party and has, or in the case of an establishment will have therein:

a) a place of business;

b) an individual or individuals employed or self-employed in connection with the business; and

c) assets used in carrying on the business;]

MEX CDA [measure [shall have the same meaning as in article 201, except that it shall also include] CDA [includes any law, regulation, procedure, requirement or practice, including] any published policy;]

MEX CDA [ownership means beneficial ownership and with respect to assets also includes the beneficial ownership of a leasehold interest in such assets;]

MEX CDA [person means a Party or agency thereof, a province or state of a Party or agency thereof, or] a national of a Party.]
voting interest with respect to

a) a corporation with share capital, means a voting share;

b) a corporation without share capital, means an ownership interest in the assets thereof that entitles the owner to rights similar to those enjoyed by the owner of a voting share; and

c) a partnership, trust, joint venture or other organization means an ownership interest in the assets thereof that entitles the owner to receive a share of the profits and to share in the assets on dissolution; and]

**CDA** [significant minority interest means the interest of an investor who:

a) owns at least 10% of the voting interests in the business enterprise; and

b) has a right to influence, or does in fact influence, the direction, management or conduct of the business enterprise beyond those rights ordinarily conferred on the owners of voting interests by law.

**MEX CDA** [voting share means a share in the capital of a corporation to which is attached a voting right ordinarily exercisable at meetings of shareholders of the corporation and to which is ordinarily attached a right to receive a share of the profits, or to share in the assets of the corporation on dissolution, or both.]