

Canada - United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
Canada - États-Unis
Section canadienne

**Report of the Canadian Parliamentary Delegation
to the Forty-Ninth Annual Meeting**

Canada-United States Inter-Parliamentary Group

**Santa Fe, New Mexico, United States of America
May 16-19, 2008**

Report

From 16-19 May 2008, members of the Canadian and American sections of the Canada-United States Inter-Parliamentary Group (IPG) met in Santa Fe, New Mexico for the IPG's 49th annual meeting. The US was represented by four Senators and eight members of the House of Representatives, while the Canadian delegation included four Senators and thirteen members of the House of Commons (see Appendix).

Established in 1959, the aims of the IPG are to find points of convergence in respective national policies, to initiate dialogue on points of divergence, to encourage exchanges of information, and to promote better understanding between American and Canadian legislators on issues of shared concern. A principal means by which the aims of the IPG are achieved is the annual meeting, which alternates between Canada and the United States and is attended by delegates from the Canadian Parliament and the US Congress. During the meeting, in both plenary and committee sessions, delegates seek to identify shared values and find possible solutions to a variety of bilateral and multilateral matters of concern to both countries.

At the 49th annual meeting, in addition to opening and closing plenary sessions, delegates participated in discussions in one or more of three committee sessions:

Committee I: Bilateral Cooperation on Environmental and Energy Issues

- Effects of Climate Change on North America
 - Northwest Passage/Arctic Missions
 - Great Lakes Water Levels and the Impact on Shipping
 - Proposed Climate Change Legislation in the United States and Canada
- Energy Cooperation
 - Accessing Existing Fossil Fuel Resources: Oil Sands, Liquefied Natural Gas Reserves, Arctic National Wildlife Refuge, etc.
 - Development of Renewable Energy Sources: Biofuels, Solar, Wind, etc.
 - Possibilities for Greater Bilateral Energy Cooperation
- Protection of Shared Natural Resources
 - Water Resources: Great Lakes Environmental Restoration, St. Lawrence Seaway, etc.
 - Maritime Regulations: Protection of Fishing Stocks, Law of the Sea Treaty and Arctic Seabed Exploration
 - Investment in Conservation

Committee II: Bilateral Cooperation on Trade and Economic Issues

- Strengthening Existing Bilateral and Multilateral Trade Agreements
 - North American Free Trade Agreement Enforcement
 - World Trade Organization Negotiations
 - Future of Regional and International Multilateral Free Trade Agreements
- Implementing Agreements to Resolve Ongoing Trade Disputes
 - Agricultural Issues
 - Softwood Lumber
 - Steel
 - Intellectual Property Rights
- Common Economic and Trade Challenges
 - China: Import Safety, Currency and Enforceable Standards
 - Foreign Investment Policies
 - US-Canada Cooperative Economic Initiatives

Committee III: Bilateral Cooperation on Defence, Security and Humanitarian Issues

- Western Hemisphere Travel Initiative – Border Security
 - Contraband Tobacco and Other Items
 - New US Regulations/Timeline for Full Implementation
 - Detroit-Windsor Crossings
- Cooperation in the Global Fight Against Terrorism
 - Afghanistan and the Future of the North Atlantic Treaty Organization: Missions, Cooperation/Friction and Enlargement
 - International Efforts to Target Terrorist-Financing Networks/Proliferation of Weapons of Mass Destruction
- Humanitarian Efforts
 - US-Canada Contributions to Peacekeeping Missions: Darfur, Somalia and the Balkans
 - Promoting Democratic Reforms in Latin America, Africa and Asia

As indicated below, the 49th annual meeting concluded with the adoption of 13 resolutions that will, in part, guide the activities and priorities of the Canadian Section of the IPG over the coming year, and beyond if required.

The 50th annual meeting of the IPG will be held in Canada. It is anticipated that delegates will continue with their efforts to find solutions to bilateral and multilateral issues of shared concern.

OPENING PLENARY

The opening plenary session of the annual meeting started with each delegate identifying himself/herself and indicating his/her particular areas of interest. The American and Canadian chairs of the IPG then outlined the nine resolutions adopted at the 48th annual meeting, and provided delegates with information about the actions that had been taken since the IPG's Fall 2007 Newsletter. In particular, delegates were told that:

- *Western Hemisphere Travel Initiative*: in light of the scheduled implementation of the land and sea aspects of the Western Hemisphere Travel Initiative in June 2009, Canada will work with the US to monitor progress in promoting uptake of Initiative-compliant documents in both countries. Canada does not intend to impose reciprocal documentation requirements. At the present time, the US Department of Homeland Security has officially implemented policies that require travellers to present both identification and proof of citizenship at land border crossings.
- *intellectual property*: at the North American Leaders' Summit in April 2008, Prime Minister Harper and Presidents Bush and Calderón indicated that they are strengthening efforts to protect inventors, authors, performers and other innovators by advancing the trilateral Intellectual Property Action Strategy. The leaders also noted that stronger relationships to support more effective law enforcement efforts in respect of trade in counterfeit and pirated goods have been forged. Moreover, Canada and the United States, with other countries, are participating in discussions about an Anti-Counterfeiting Trade Agreement. In Canada, the 2007 Speech from the Throne and federal responses to two parliamentary committee reports indicated that the government intends to improve further the protection of intellectual property rights in Canada. In the United States, Congress is considering patent reform legislation which, while focused on streamlining the patent process, would assist in reducing intellectual property theft.
- *North American trade in cattle and beef products*: while the United States now permits the importation of virtually all Canadian cattle and beef products, access to the US market is limited for sheep and goats. In particular, Canadian cattle born on or after 1 March 1999, and beef from animals of any age, can be imported into the United States. Canadian goats and sheep that are more than 12 months of age for slaughter or feeding, or of any age for breeding purposes, continue to be excluded from the US market. Canada permits the importation of

US cattle and beef from animals of any age and, as of 2 May 2007, allows the importation of US small ruminants for any purpose.

- *trans-national threats*: on 13 March 2008, the House of Commons approved a continued Canadian military presence in Kandahar to July 2011, provided that: the North Atlantic Treaty Organization (NATO) secures a battle group of approximately 1,000 to rotate into Kandahar, operational no later than February 2009; the federal government secures medium helicopter lift capacity and high performance unmanned aerial vehicles before February 2009; and the federal government notifies the NATO that Canada will end its presence in Kandahar as of July 2011, with troop removal from Kandahar completed by December 2011. According to the renewed mandate, the three-fold focus of the Canadian military mission is: training the Afghan National Security Forces; providing security for reconstruction and development efforts in Kandahar; and continuing Canada's responsibility for the Kandahar Provincial Reconstruction Team. Finally, at the NATO Summit in April 2008, members renewed their commitment to Afghanistan, agreed to put more emphasis on development and reconstruction, and adopted a comprehensive new plan to balance and synchronize military and civilian efforts. The American troop contribution in Afghanistan is the largest among the 40-nation coalition, at more than 30,000 troops.
- *climate change*: in March 2008, the Canadian federal government released the *Regulatory Framework for Industrial Greenhouse Gas Emissions*; regulatory authority under the *Canadian Environmental Protection Act* will be used to implement these industrial regulations, and a number of programs have been launched to support the regulatory agenda. As well, the government has allocated funds for domestic climate change adaptation initiatives, and is engaged in consultations regarding vehicle fuel economy. In the United States, Congress has passed – and the President has signed – the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007, which increased the national fuel economy standard. As well, the US Senate is preparing to consider the Lieberman-Warner bill, which contains provisions for a cap-and-trade system. Moreover, at the North American Leaders' Summit in April 2008, Prime Minister Harper and Presidents Bush and Calderón indicated that the North American Free Trade Agreement countries are exchanging information and exploring opportunities for joint collaboration in an effort to reduce further the barriers to expansion of clean energy technologies, particularly carbon capture and storage. They also noted that they are working to improve North American air quality.
- *energy*: at the North American Leaders' Summit in April 2008, Prime Minister Harper and Presidents Bush and Calderón spoke about: the development of a framework for harmonization of energy efficiency standards; the sharing of technical information to improve the North American energy market; the creation of an outlook for biofuels for the region; enhancement of electricity networks; more efficient use of energy through increased vehicle fuel efficiency; and the exchange of information and the exploration of opportunities for joint collaboration to reduce further the barriers to expanding clean energy

technologies, especially carbon capture and storage. The 2008 Canadian federal budget allocated funds for carbon capture and storage initiatives, and in March 2008 the government released the *Regulatory Framework for Industrial Greenhouse Gas Emissions*. In the US, Congress passed – and the President signed – the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007, which improves fuel economy standards for cars, trucks and SUVs, and provides for reduced greenhouse gas emissions and investments in biofuels.

- *pre-clearance*: there has been no official progress in respect of land pre-clearance since the Fall 2007 Newsletter. Areas of disagreement are related to Canadian privacy laws that prohibit the use of some border inspection practices routinely used by US Customs and Border Protection (CBP) agents, and Canadian refusal to allow US CBP agents to carry firearms on the Canadian side of the shared border.
- *Detroit-Windsor crossing*: at the North American Leaders' Summit in April 2008, Prime Minister Harper and Presidents Bush and Calderón indicated that in respect of smarter and more secure borders long-term infrastructure plans are being coordinated and actions are being taken to enhance services as well as to reduce bottlenecks and congestion at major border crossings. Among these actions is work to coordinate the efforts of federal agencies regarding enhanced capacity at major border crossing points; the Detroit-Windsor crossing was one of two crossings specifically mentioned. Moreover, on 7 May 2008, media reports suggested that the site for the Canadian side of a bridge, to be a public-private partnership and built alongside the existing Ambassador Bridge, has been selected and an official announcement is expected by mid-July. In the US, the Michigan state legislature continues to debate proposals for a second bridge crossing, and attempts have been made to end funding for an ongoing bridge study.
- *Great Lakes*: in September 2007, the binational Agreement Review Report, conducted under the auspices of the Great Lakes Binational Executive Committee, was sent to governments. At present, the Canadian federal government is considering the Report's recommendations, as well as recommendations by the International Joint Commission, in order to determine if changes to the Great Lakes Water Quality Agreement are needed. As well, Canada's Action Plan on Clean Water provides for the restoration and protection of the Great Lakes Basin through the acceleration of clean-up efforts directed at contaminated sediment in Great Lakes Areas of Concern. In the US, the Senate Commerce, Science, and Transportation Committee approved legislation that would help to minimize the transportation of invasive species in ballast water. In the House of Representatives, legislation is currently being considered by the House Committee on Transportation and Infrastructure that would target invasive species and begin the process of restoring the Great Lakes.

Selected delegates from each country then provided an update on their respective political situations. A Democratic Senator noted that, in the lead-up to the 2008

Presidential election, there has been more primary and caucus participation than ever before. It was also observed that Senator McCain is a somewhat independent voice on certain issues, that Senator Obama is expected to secure the Democratic nomination in June 2008 and that, following the November 2008 elections, the Democrats should hold more seats in the Senate. A colleague from the House of Representatives told delegates that many Republican members of the House are retiring, and that the Republicans need a Gingrich-type breakthrough.

A Republican Senator informed delegates that anything is possible: one can be at the top of a high swell at one moment and at the bottom of a trough the next moment. Delegates were also told that the election for President is likely to have a close outcome.

From the Canadian perspective, a Conservative member of the House of Commons suggested that minority governments tend to be dysfunctional, and speculated that a spring election is unlikely; an election will, however, be held no later than October 2009 as a consequence of legislated election dates. A Bloc Quebecois colleague noted that some members of the Bloc Quebecois party are now supporting the Conservative party.

A Canadian Senator concluded the discussion by identifying the declining support for the Bloc Quebecois, the volatile nature of polls and the progress that is being made despite the difficult nature of minority governments.

COMMITTEE I: BILATERAL COOPERATION ON ENVIRONMENTAL AND ENERGY ISSUES

EFFECTS OF CLIMATE CHANGE ON NORTH AMERICA

A. Northwest Passage/Arctic Missions

With the exception of Hans Island and two zones in the Lincoln Sea that are claimed by Denmark, and a portion of the Beaufort Sea that is claimed by the US, Canada's sovereignty over the lands and waters of the Canadian Arctic is undisputed, longstanding and based on historic title. The undisputed nature of this sovereignty was recognized at the 2007 North American Leaders' Summit, when President Bush stated: "the United States does not question Canadian sovereignty over its Arctic islands, and the United States supports Canadian investments that have been made to exercise its sovereignty."

While Canada considers the waters of the Canadian Arctic, including the Northwest Passage, to be internal waters of Canada, the United States views the Passage as an international strait. The differences between Canada and the United States, which are focused on legal status rather than ownership, can be characterized as a managed dispute. Canada supports shipping through the Canadian Arctic Archipelago, provided that security, environmental and Inuit interests are respected. Russia has not protested Canada's position that the waters of the Northwest Passage are internal Canadian waters; between 1992 and 2005, Russian vessels navigated through the Passage on 22 occasions, and adhered to Canadian regulations as they did so.

Finally, no country disputes Canadian authority under Article 234 of the United Nations Convention on the Law of the Sea (UNCLOS), which addresses ice-covered areas, to enforce a pollution prevention regime up to the limit of Canada's exclusive economic

zone. In that regard, Canada has enacted the *Arctic Waters Pollution Prevention Act*. While Canadian sovereignty will be unaffected by changing ice conditions, additional enforcement capability may be needed as shipping to, and from, the Arctic increases. In that context, Canadian scientists speculate that climate change will be unlikely to make the Northwest Passage navigable to commercial shipping in the near future; a route across the North Pole is likely to be open prior to the Passage becoming navigable.

B. Great Lakes Water Levels and the Impact on Shipping

Public and commercial interests on both sides of the Canada-US border are concerned about relatively low water levels in the Great Lakes, which can result in slower vessel transits and/or reduced vessel drafts, as well as in higher shipping costs – and perhaps increased consumer prices – for certain commodities as more trips are needed to transport the same tonnage. These impacts are the most adverse for larger American vessels that carry the largest loads. Extended periods of low water levels could also affect the competitiveness of such stakeholders as ports, the St. Lawrence Seaway and the marine industry.

Through the issuance of Orders of Approval for flow regulation structures, the International Joint Commission (IJC) regulates flows at various points in the Great Lakes system. Currently, the IJC is reviewing the regulation of flows and levels in the Great Lakes system at two points: the outflow of Lake Ontario into the St. Lawrence River near Cornwall, Ontario; and the outflow of Lake Superior near Sault Ste. Marie, including the physical condition of the St. Clair River. The regulation of these two flows affects lake levels throughout the Great Lakes-St. Lawrence system.

In 2000, the IJC initiated a five-year, bilateral study to review flow regulation in the Lake Ontario-St. Lawrence River (LOSL) system, where levels and flows are regulated through the international hydropower project at Cornwall, Ontario and Massena, New York. The intent of the study – which improved the understanding of how regulation affects the environment, recreational boating, flooding, shoreline erosion, navigation, hydropower production, and municipal and industrial water uses – was to create a new water regulation plan that would result in a net benefit to the system and its users without causing disproportionate loss to any interest or geographic area. To date, the IJC has been unable to devise a plan that would provide benefits to every interest and area.

Nevertheless, in March 2008, the IJC released Plan 2007, which contains its proposals for the regulation of flows and levels in the LOSL system. The Plan is thought to be a compromise among the various interests and areas, and some have suggested that inadequate attention is paid to the environment. Public consultations by the IJC on the Plan are expected to lead to changes, following which federal concurrence will be sought from the Canadian Minister of Foreign Affairs and the US Secretary of State regarding implementation. When the IJC seeks concurrence, the Canadian Department of Foreign Affairs and International Trade will consult with relevant federal and provincial departments as well as with First Nations.

The Canadian government supports the IJC's public consultation efforts, and believes that public comments will contribute to the process of determining a new Order of

Approval and regulation plan for the LOSL system as well as to the formulation of a federal position on any plan proposed by the IJC for implementation.

Moreover, in March 2007, the IJC initiated a five-year International Upper Great Lakes Study (IUGLS) to examine the management of water levels and flows in the upper Great Lakes. In particular, the objectives are two-fold: to determine whether the current regulation strategy for Lake Superior outflow needs improvement in order to meet better both contemporary and emerging needs, with a reporting period that has been expedited to two years; and to determine what physical changes have occurred in the St. Clair River, how these changes affect water levels in the upper Great Lakes, and whether appropriate mitigation options exist should physical changes be identified, with a reporting period of no more than five years.

Regarding the St. Clair River, preliminary results suggest that erosion may not be the key factor in lower lake levels; other factors, such as climate change, may be relatively more significant, although final conclusions will not be reached until 2009. Nevertheless, pressure for more immediate action exists. For example, a priority of the Great Lakes Commission is an appropriation for the US Corps of Engineers to initiate engineering designs for compensation of prior human changes in the St. Clair River; furthermore, the Georgian Bay Association is advocating an immediate reduction in St. Clair channel capacity.

The Canadian government believes that possible solutions to relatively low water levels in the upper Great Lakes should occur only after a more complete understanding of all relevant factors. In this context, the IJC study of the full range of factors that affect water levels in the upper Great Lakes, as well as how regulation of lake levels might be improved, will be important.

C. Proposed Climate Change Legislation in the United States and Canada

In Canada, federal and provincial initiatives are being undertaken regarding climate change and the regulation of greenhouse gas (GHG) emissions. For example, in March 2008, the federal government released its *Regulatory Framework for Industrial Greenhouse Gas Emissions*, which builds on the April 2007 regulatory framework that set medium- and long-term targets for reducing absolute GHG emissions, relative to 2006 levels, by 20% by 2020 and by 60-70% by 2050 and that provided a range of compliance options. In particular, relative to 2006 emissions levels for all covered industrial sectors, the March 2008 framework imposes short-term emission-intensity reduction targets of 18% by 2010, with a 2% annual improvement thereafter until 2020. It also includes measures directed at the key emitting sectors: oil sands and electricity.

As well, the federal government has a number of programs that encourage the development and deployment of clean energy and clean transportation technologies that will help to reduce GHG emissions; these programs include the ecoENERGY Technology Initiative and the ecoENERGY for renewable power measure. Moreover, the government intends to invest in domestic climate change adaptation measures.

British Columbia is among the provinces that are pursuing climate change policies. Pending legislative approval, the province has announced its intention to introduce a revenue-neutral carbon tax effective 1 July 2008. As well, British Columbia is part of the

bilateral Western Climate Initiative (WCI), pursuant to which the province will reduce emissions by 33% by 2020, relative to 2005 levels; Manitoba and Quebec are also members of the WCI, while Ontario and Saskatchewan are observers. The WCI's regional goal is to reduce emissions by 15% below 2005 levels by 2020, and members of the Initiative have agreed to set a regional emissions target to establish a market-based system – such as emissions trading – by August 2008.

In addition to being a member of the WCI, Manitoba has joined The Climate Change Registry, which is a trilateral – states/provinces/tribes – collaborative effort that has the objective of developing and managing a common GHS emissions reporting system. Moreover, Manitoba has signed the November 2007 Midwestern Greenhouse Gas Reduction Accord (MGGRA). The Accord provides for a work plan, GHG reduction targets and timeframes, a proposed cap-and-trade agreement and a model rule.

As noted above, Quebec is a member of the WCI. Along with Nova Scotia, Newfoundland and Labrador, Prince Edward Island and New Brunswick, the province also has observer status in respect of the Regional Greenhouse Gas Initiative (RGGI), pursuant to which – beginning 1 January 2009 – carbon dioxide emissions from power plants in the region would be capped at 2009 levels; the cap would remain until 2014, with states then reducing emissions incrementally in order to achieve a 10% reduction by 2018, relative to 2009 levels. As well, the province has a carbon tax, which came into force on 1 October 2007. Finally, like Manitoba, British Columbia, Newfoundland and Labrador, Saskatchewan, Ontario, Prince Edward Island and New Brunswick, Quebec has joined The Climate Change Registry; at the summer 2007 meeting of the Council of the Federation, all Premiers resolved to join the Registry.

In January 2008, Alberta released its 2008 Climate Change Strategy, which contains a GHG reduction target of 14% by 2050, relative to 2005 levels; 70% of the emissions reductions by 2050 will be the result of carbon capture and storage.

Finally, the Canadian federal government intends to conclude equivalency agreements with interested provinces that set enforceable provincial emissions standards which are at least as stringent as federal standards.

In the United States, although there is no comprehensive federal law regulating GHG emissions, the US Environmental Protection Agency has been revising a variety of pollution standards. Moreover, in December 2007, the US Congress passed the Energy Independence and Security Act, which has implications for GHGs; for example, the legislation tightens vehicle fuel economy standards.

The US Senate and House of Representatives have proposed a variety of climate-change-related bills, including S. 2191, America's Climate and Energy Security Act. The bill, which was introduced by Senators Lieberman and Warner, is expected to be considered by the Senate in June 2008. If enacted, the bill would establish an emissions-trading scheme requiring a 70% reduction in GHG emissions from covered sources, representing more than 80% of total US emissions. In the House of Representatives, the Committee on Energy and Commerce is producing white papers on a number of issues related to climate-change legislation.

Furthermore, in April 2008, President Bush announced the goal of stabilizing US greenhouse gas emissions by 2025, although no details were provided regarding how this goal will be achieved.

In addition to a wide variety of state measures either in effect or being considered – including measures related to vehicle fuel efficiency standards and tailpipe emissions standards for GHGs, renewable portfolio standards governing the integration of renewable energy into the existing energy supply, emissions-trading schemes, low-carbon fuel standards, updated transportation standards and new energy-efficiency standards in respect of construction – the states have supported the initiatives and accords noted above.

For example, Wisconsin, Minnesota, Illinois, Indiana, Iowa, Michigan, Kansas, Ohio and South Dakota are members of the MGGRA, while Arizona, California, New Mexico, Oregon, Washington, Montana and Utah are members of the WCI; Alaska, Colorado, Idaho, Kansas, Montana, Nevada and Wyoming have observer status with the WCI. RGGI members include Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, Vermont and Maryland; Florida has expressed an interest in becoming a member, while Massachusetts, Pennsylvania, Rhode Island and the District of Columbia are observers. Finally, about 40 states have joined The Climate Change Registry.

D. Discussion: Effects of Climate Change on North America

The subject of climate change was of great interest to both Canadian and US delegates. Discussions centred on the fact that dealing with this issue is an urgent priority for both countries.

Delegates began the discussions by stating that citizens in both countries are demanding action to curb emissions in an effort to address the negative impacts of climate change. In their view, without action, there will be serious consequences for many regions of the world, including North America, which could experience rising water levels and melting ice in the Arctic.

US delegates advocated more funding for research into the impacts of climate change and adaptation strategies to cope with these changes. They told their Canadian counterparts that there are a number of climate-change-related bills and measures that have been proposed in both the Senate and the House of Representatives including, in the Senate, the America's Climate and Energy Security Act which would establish an emissions-trading scheme requiring a 70% reduction in GHG emissions and, in the House of Representatives, a series of white papers produced by the Committee on Energy and Commerce on different issues related to climate-change legislation.

From the Canadian perspective, delegates noted that Canadian initiatives include the March 2008 federal release of the *Regulatory Framework for Industrial Greenhouse Gas Emissions*, which builds on the 2007 federal framework that set medium- and long-term targets for reducing absolute GHG emissions, and the federal government's launch of programs to support development of clean technology and renewable energy.

Delegates from both countries also stressed that China and India are rapidly industrializing and are increasing their greenhouse gas emissions. In their view, this situation cannot be ignored by the developed countries; consequently, they believe that

Canada and the United States should be looking at ways in which to transfer technologies in an effort to help these economies address climate change.

ENERGY COOPERATION

A. Accessing Existing Fossil Fuel Resources: Oil Sands, Liquefied Natural Gas Reserves, Arctic National Wildlife Refuge, etc.

Historically, North America has relied on domestic natural gas supplies, with limited amounts of imported liquefied natural gas (LNG) used to supplement domestic production. Currently, however, conventional reservoirs and producing areas in parts of North America are maturing and high drilling rates are needed in order to maintain production at present levels; at the same time, demand for natural gas continues to be strong.

Recognizing the declines in North American natural gas production and expected increases in demand, there are a number of proposals to construct facilities in Atlantic Canada, Quebec and British Columbia in order to import LNG into Canada. Many of these proposals have been approved or are in the midst of the environmental assessment or regulatory review process. There are about 60 LNG import projects proposed for North America. It is predicted that LNG will grow from 3% of North American demand in 2007 to 15% in 2020.

In an effort to meet the imbalance between declining supply and growing demand, the Canadian federal government supports responsible development of LNG terminals in North America. It is expected that market forces will determine the number of facilities that will be required and built in Canada, and it is anticipated that associated benefits will include a new source of natural gas supply for consumers, employment opportunities, higher tax revenues and the possibility of expansion for Canadian pipelines. The first project in Canada is expected to begin in New Brunswick in December 2008.

While the opening of the Arctic National Wildlife Refuge (ANWR) in Alaska to oil and gas development is a priority for the current US Administration as part of President Bush's National Energy Policy, Canada is opposed to such development because of the impact on the Gwich'in First Nation and other indigenous communities in the Yukon and Northwest Territories; they depend on the Porcupine Caribou herd, which has its calving ground along the coastal plain in Alaska that is believed to have oil reserves. Consequently, Canada continues to urge the US to protect permanently the herd's habitat, as has been done by Canada in the Yukon and Northwest Territories. The 1987 Agreement on the Conservation of the Porcupine Caribou Herd requires Canada and the US to refrain from activities that would damage the herd or its habitat. Canadian scientists believe that oil and gas development in the calving grounds would damage the herd, although those who support development believe that development could occur without affecting the herd.

Allowing oil and gas development in the ANWR would require an act of Congress, and Congress has historically been unwilling to pass legislation in this regard; in 2005 and 2006, a number of proposals were considered but not adopted. With the Democrats holding the balance of power in the Senate and the House of Representatives,

legislation that would allow drilling seems unlikely to pass. Moreover, Senators Clinton, McCain and Obama have indicated their opposition to drilling in the ANWR.

In the current Congress, Independent Senator Joe Lieberman has introduced legislation – S. 2316 – that would designate the coastal plain of the ANWR as an official wilderness area, which would preclude oil and gas development; one Independent and 24 Democratic Senators are sponsors in addition to Senator Lieberman. S. 2316 is a shorter version of H.R. 39, introduced by Democratic Representative Ed Markey and Republican Representative Jim Ramstad; their bill has 147 co-sponsors.

Republican Senators Lisa Murkowski and Ted Stevens have introduced S. 2758, which would allow drilling in the ANWR if the global oil price reaches \$125 per barrel and remains at or above this price for five days; one-half of the first \$3.5 billion in lease royalties from exploration in the coastal plain would fund alternative energy projects designed to reduce greenhouse gas emissions, while the other one-half would fund the Low-Income Home Energy Assistance Program, the Federal Weatherization Program, and the Women, Infants and Children Nutrition Program. Furthermore, under H.R. 5437, introduced by Democratic Representative Mike Ross, lease sales for the development of oil and gas resources of the ANWR would be allowed once the bids for offered leases are estimated to be at least \$6 billion; the bill has three co-sponsors.

B. Development of Renewable Energy Sources: Biofuels, Solar, Wind, etc.

Canada is becoming an energy superpower, and efforts are being taken to ensure that Canada is a clean energy superpower, which would help in reaching environmental and sustainability goals. Renewable energy contributes about 16% to Canada's primary energy supply, most significantly through hydroelectricity, although the contribution made by biomass, wind power and biofuels is growing.

In Canada, provincial governments have exclusive jurisdiction over the development and management of their energy resources. All provinces have been promoting the use of renewable energy, including through various legislated and voluntary measures. Furthermore, at a 2007 Council of the Federation meeting, Premiers committed to the collective production of an additional 25,000 megawatts of renewable energy by 2020 through such energy sources as hydro, wind, solar and tidal power.

The federal government is funding a variety of ecoENERGY measures designed to help consumers use energy more efficiently, increase the supply of renewable energy and develop cleaner energy technologies. These measures include the ecoENERGY Technology Initiative, the ecoENERGY Renewable Initiative, the ecoENERGY Efficiency Initiative and the ecoENERGY for Biofuels measure. Research and development occur through Technology Early Action Measures (TEAM) and Sustainable Development Technology Canada. Tax measures include the accelerated capital cost allowance rate under Class 43.2 and a deduction in respect of Canadian Renewable and Conservation Expenses. As well, the federal government plays a direct role in the development and management of resources in most offshore areas as well as on Aboriginal and other federal lands.

Finally, Canada participates in international fora that address renewable energy issues, including the International Energy Agency's implementing agreement on Renewable

Energy Technology Development (IEA-RETD), which was launched in September 2005. Generally, the Canadian federal government believes that international collaboration – including with the US – could result in more efficient and rapid deployment of renewable energy technologies.

C. Possibilities for Greater Bilateral Energy Cooperation

Canada and the US share the world's largest, most interconnected bilateral energy relationship, which is based on open market energy policies as well as on provisions in the North American Free Trade Agreement that give Canada secure market access for energy exports to the US and give the United States a secure source of supply. Moreover, Canada is the largest, most secure and most reliable energy supplier to the United States, including in respect of crude and refined oil, natural gas, uranium and electricity.

Both countries are working together in a number of energy- and environment-related areas, including with respect to strengthened North American energy security, reduced environmental impacts, expanded energy trade and investment, and increased energy innovation. Canada is interested in cooperating with the United States in the development of technologies that would expand Canadian oil sands production, which is an integral part of the North American energy market and security, in an environmentally sustainable manner.

As noted above, Canada has established an absolute greenhouse gas emissions reduction target of 20% by 2020 relative to 2006 levels; it is also requiring new oil sands and coal-fired electricity plants with operations starting in 2012 to implement carbon capture and storage measures by 2018. The 2008 federal budget provides support for carbon capture and storage, including for a demonstration project and research.

Regarding oil sands, Canada has some concern that section 526 of the US Energy Independence and Security Act of 2007, which addresses alternative fuels procurement and acquisition, could be interpreted to include oil sands, which would prevent the US government from purchasing fuel derived from oil sands.

Finally, Canada and the US are collaborating in the development of their respective fuel-efficiency regimes, which should help to avoid placing an undue burden on North American automobile manufacturers. The Canadian federal government hopes to have regulations in place in 2008 to apply to the 2011 model year. In the United States, the Energy Independence and Security Act of 2007 requires that corporate average fuel economy (CAFE) standards be increased to meet a 35-miles-per-gallon standard by 2020, beginning with the 2011 model year; the standard is a combined average for the total fleet of passenger cars and light trucks/SUVs. The Act distinguishes between a manufacturer's domestically manufactured passenger cars and its internationally manufactured passenger cars with the objective of ensuring that manufacturers do not produce all of their fuel-efficient small cars offshore.

D. Discussion: Energy Cooperation

Canadian delegates started the discussion by stating that Canada and the United States share the largest interconnected bilateral energy relationship in the world. US legislators pointed out that, with the increasing cost of gasoline, Americans are

beginning to realize that Canada is a major energy supplier, and to view Canada as their largest and most secure foreign energy supplier.

A US delegate advocated cooperation on energy projects in the north, especially regarding labour sharing. It was noted that shortages of skilled labour could delay proposed Canadian and US pipeline projects; if projects are scheduled in a staged manner, labour can be shared and the projects can go forward in a timely manner.

Delegates also discussed cooperation between the two countries in the development of alternative energy. Canadian delegates indicated that Canada is emerging as an energy superpower and is taking steps to become a clean energy superpower through the adoption of renewable energy technologies. Delegates were told that Canada already derives approximately 60% of its electricity through renewable hydro power and is making investments in other sources of renewable energy, such as wind and solar power. They were also informed that federal support occurs through assistance for research and development, marketing assistance and tax measures.

US delegates noted that investments in renewable energy are also taking place in their country, and cited the sizable investment in wind farms that is occurring in Texas. It was also emphasized that renewable energy sources generally work more efficiently when combined with traditional sources of power, such as oil and natural gas.

Delegates from both countries believed that there should be more cooperation regarding the development of renewable energy sources and their integration into a North American power grid. In their view, both Canada and the United States must increase their investments in research and development.

Energy commodity speculation and its effect on rising gasoline prices at the pump were also discussed by the delegates. US delegates were concerned that commodity speculation, rather than gas shortages, are putting upward pressure on the price of gasoline and that the Federal Trade Commission in the United States lacks the legislative tools needed to investigate such actions.

Canadian delegates also voiced concern about the possibility of such speculation, and suggested that the matter should be studied in more depth. Delegates from both countries stressed the need for their respective governments to examine the impact of speculation in the energy sector as well as the need for enhanced oversight mechanisms to curb such actions.

PROTECTION OF SHARED NATURAL RESOURCES

A. Water Resources: Great Lakes Environmental Restoration, St. Lawrence Seaway, etc.

The Great Lakes Water Quality Agreement (GLWQA) is a binational mechanism for restoring environmental quality and preventing future degradation in order to contribute to the long-term protection of the Great Lakes Basin ecosystem. Last revised in 1987, the Agreement reaffirms the rights and obligations of Canada and the US under the 1909 Boundary Water Treaty. The Agreement gives the International Joint Commission (IJC) the authority to assist in the Agreement's implementation and to report on progress regarding the achievement of its objectives.

Under the GLWQA, an Area of Concern (AoC) is a geographical area that does not meet the general or specific objectives of the Agreement where such failure either has caused, or is likely to cause, impairment either of beneficial use or of the area's ability to support aquatic life. There have been 45 AoCs identified in the Great Lakes, including 14 in Canada and 3 binationally. In Canada, two AoCs have been delisted and a third AoC is being classed as an Area in Recovery. Canada's Action Plan on Clean Water includes actions to restore and protect the Great Lakes Basin through accelerated cleanup of contaminated sediment in Great Lakes AoCs.

In 2007, governmental experts completed a binational review of the operation and effectiveness of the current GLWQA, and the Canadian federal government is considering the recommendations provided by the Agreement Review Report and the International Joint Commission (IJC) in order to determine if changes to the Agreement are needed. Canada is committed to working with the US to preserve and promote a binational approach to Great Lakes management, and the Canadian Department of Foreign Affairs and International Trade has initiated a process to discuss the future of the Agreement as well as the engagement of other levels of government and Great Lakes stakeholders.

B. Maritime Regulations: Protection of Fishing Stocks, Law of the Sea Treaty, Arctic Seabed Exploration

Canada and the United States are members of such regional fisheries management organizations as the Northwest Atlantic Fisheries Organization, the International Commission for the Conservation of Atlantic Tunas, and the Western and Central Pacific Fisheries Commission. Moreover, Canada is taking the actions needed to become a full member of the Inter-American Tropical Tuna Commission, of which the US is a member. While Canadian and American positions are generally aligned in these regional organizations, differences of opinion do occur in respect of specific stocks, such as yellowtail flounder.

There are also a number of bilateral treaties regarding fishing stocks. For example, the Pacific Salmon Treaty requires Canada and the US to conduct fisheries in order to provide for optimum production and equitable exploitation of salmon stocks, and regulates activities in specified regions in order that each country can receive benefits equivalent to the production of salmon originating in its waters. The two countries are in the process of renewing the Treaty's catch limits.

Moreover, the Canada/US Pacific Albacore Tuna Agreement, from which the US may withdraw, allows reciprocal fishing for albacore tuna by a specific number of vessels within the 200-mile exclusive economic zone of the other party as well as the landing of caught tuna in specified ports of the other party. Discussions about the Agreement are continuing in order to determine the level of fishing effort for the 2009 fishery and to resolve other management issues.

Since both Canada and the US claim ownership of about 259 square kilometres of fishing grounds in the waters around Machias Seal Island, there is ongoing conflict between Canadian and American lobster fishers, in large part because of competing fisheries management regimes and competition for bottom space. The Canadian federal

government and Canadian representatives of the lobster fishery are committed to working with the US in order to resolve access, management and enforcement issues.

Canada played an important role in the negotiation of the United Nations Convention on the Law of the Sea (UNCLOS), and signed the Convention in 1982; ratification was delayed until 2003 for reasons related to the seabed mining and fisheries portions of the Convention. The US is not a party to the UNCLOS, although the Bush Administration, a majority of the US Senate and the Pentagon support ratification. Ratification is awaiting a final vote on the Senate floor.

Finally, the UNCLOS governs the delimitation of the outer limits of the continental shelf where it extends beyond the 200-nautical-mile exclusive economic zone. A coastal state with a continental shelf extending beyond 200 nautical miles has ten years following the date of its ratification of the UNCLOS to make a submission to the United Nations Commission on the Limits of the Continental Shelf; Canada's deadline for submission is 2013. These limits are important, since they help to determine the full extent of the area over which sovereign rights exist, including for the purpose of exploring and exploiting the natural resources of the seabed and subsoil.

C. Investment in Conservation

Canada and the US collaborate in conservation measures through the North American Waterfowl Management Plan, the US Neotropical Migratory Bird Conservation Act and the North American Bird Conservation Initiative.

Canada and the US signed the North American Waterfowl Management Plan in 1986; Mexico became a partner in 1994. The Plan involves federal, state and provincial/territorial government agencies, non-governmental organizations, industry and private landowners. The US North American Wetlands Conservation Act provides funding to: protect, enhance, restore and manage wetland ecosystems; maintain and improve distributions of wetland-associated migratory birds; and sustain an abundance of waterfowl and other wetland-associated migratory birds consistent with continental conservation plan goals for waterfowl, shorebirds, seabirds and landbirds. Canadian partners must provide a minimum percentage in Canadian contributions to supplement US funding in support of Canadian waterfowl and wetland conservation.

The US Neotropical Migratory Bird Conservation Act recognizes the importance of conserving migratory birds throughout their hemispheric ranges. The Act provides financial support, and fosters international cooperation, for conservation initiatives. The competitive matching grants program established by the Act supports public-private partnerships in the US, Canada, Latin America and the Caribbean; 75% of the funding is dedicated to Latin America and the Caribbean, while 25% is allocated to the US and Canada.

Finally, the North American Bird Conservation Initiative's goal is to ensure that North American bird populations and habitats are protected, restored and enhanced through coordinated international, national, regional and local efforts that are guided by sound science and effective management. The Initiative links migratory bird programs and domestic investments for avian biodiversity in Canada, the US and Mexico.

D. Discussion: Protection of Shared Natural Resources

Discussions on the topic of shared natural resources focused on the Arctic and Great Lakes water resources. On the subject of the Arctic, Canadian delegates noted that there are ever-increasing pressures on the region due to the effects of climate change, which is opening up the Arctic to increased navigation, defence and sovereignty concerns as well as energy development. According to a Canadian delegate, the result is both opportunities and challenges; a key concern is responding to challenges in a progressive and timely manner.

US delegates had similar concerns and felt that many of these issues could be addressed in a cooperative manner between Canada and the United States. As an example of such cooperation, they cited the current joint mapping exercise of the Arctic that is being conducted.

Delegates from both countries felt that the governments of the US and Canada should devise a shared strategy for addressing common security, commercial, environmental, territorial claim and resource issues in the Arctic.

With regard to the Great Lakes, delegates from both countries raised concerns about variations in water levels, the effects of water levels on navigation, threats from invasive species and Great Lakes water quality. Concerns were also expressed about the number of groups involved in Great Lakes issues, the apparent lack of coordination among these groups, and the length of time it takes to complete studies and take action on resolving Great Lakes issues. In the view of delegates, the time for studies is over; the need for action is at hand. Delegates felt that the best way in which to resolve issues and take action would be to create a binational authority to coordinate the multiple agencies dealing with Great Lakes issues and to respond to growing environmental threats in a timely manner.

COMMITTEE II: BILATERAL COOPERATION ON TRADE AND ECONOMIC ISSUES

STRENGTHENING EXISTING BILATERAL AND MULTILATERAL TRADE AGREEMENTS

A. North American Free Trade Agreement Enforcement

1. Background

Signed in 1993, the North American Free Trade Agreement (NAFTA) has resulted in increased trade and investment among Canada, the United States and Mexico, as well as in enhanced competitiveness. Moreover, technology and innovation have spread, resulting in productivity growth, job creation and higher capital flows.

Nevertheless, continued North American prosperity is facing challenges as a result of emerging economies and increasingly integrated global value and supply chains, which have affected world trade. At the 2007 meeting of the NAFTA Free Trade Commission, trade ministers agreed to work on selected sectoral initiatives, examine how the provisions of more-recently concluded trade agreements might be used as a model to improve NAFTA practices, and develop an economic work plan that would contribute to discussions of ways in which North American competitiveness might be enhanced. They also identified the need to ensure significant progress on such ongoing items as liberalization of the NAFTA rules of origin and increased transparency.

Canada is committed to the NAFTA as a key contributor to North American competitiveness, resulting in part from greater synergy in production processes, stimulated capital flows, more timely spread of technology and enhanced productivity. Moreover, Canada believes that the NAFTA rules have created a fair and predictable trade and investment framework that has led to rising standards of living in the three NAFTA countries.

2. Discussion

In characterizing the Canada-US relationship as the most significant economic relationship in the world and noting that 35 US states have Canada as their primary foreign export market, a Canadian delegate started the discussion by speculating that, in the 2008 American election and the Canadian election that will occur no later than October 2009, economic concerns will be important issues for voters. In his view, our countries compete in the global economy, and the North American Free Trade Agreement (NAFTA) is a tool in creating jobs and enhancing productivity. He argued that both countries benefit when we work together and as we compete with low-cost jurisdictions, such as China. A colleague suggested that strong support for the NAFTA is needed.

An American legislator responded by informing delegates that while he voted against the NAFTA because he felt that it had been badly negotiated, he believed that it is the wrong time to raise the spectre of re-opening the NAFTA. In his opinion, while rhetoric is inevitable during election campaigns, Canada and the US are the best of friends and trading partners, and governments should reaffirm their commitment to strong trade relations that will benefit both countries.

A US colleague expressed a somewhat different view, and commented that the NAFTA has resulted in more job losses than in job gains; consequently, the issue of trade needs attention and very careful language. Moreover, she said that the negative consequences of the NAFTA must be evaluated and addressed, and that structural adjustment funds must be allocated. She also advocated the need for developed countries to assist developing countries, and supported the European trade model, describing it as a market of nations and free people that believe in the rule of law and base their trade agenda on shared values.

Another Canadian delegate argued that our countries have integrated sectors and supply chains, and must work together. He said that people are making decisions on the basis of their perceptions about trade, rather than on the basis of facts and reality, and shared his view that protectionism would be bad for both countries and inconsistent with the direction that is being taken in the rest of the world. Finally, he suggested that job losses are occurring not because of the NAFTA, but because of competition from emerging economies.

A number of delegates from both countries agreed that trade and trade agreements, including the NAFTA, have both positive and negative consequences. In their opinion, the benefits must be better publicized and the costs must be addressed.

Finally, legislators spoke about China. Delegates characterized the country as a "predatory," low-wage, low-cost producer that operates in a regulatory vacuum and does not trade fairly.

B. World Trade Organization Negotiations

1. Background

Although past deadlines have been missed, efforts to conclude the Doha Round of World Trade Organization (WTO) negotiations continue; negotiations are occurring in a variety of areas, including agriculture, non-agricultural market access, services and rules.

Canada is actively participating in the WTO negotiations, and is particularly seeking a more level playing field for the agri-food sector, increased market access for goods and services providers, strengthened anti-dumping, countervail and subsidy rules, reduced "red-tape" at borders, and better integration of developing countries into the world trading system. The US is also an active participant in the negotiations, and it is thought that a conclusion to the Doha Round is President Bush's top trade negotiating priority; he would like to sign an agreement by the end of 2008, with ratification by the subsequent Administration.

That being said, some believe that uncertainty and urgency have increased since 1 July 2007, when US presidential trade promotion authority expired and the Administration effectively lost the ability to ratify trade agreements; the US Trade Representative has indicated that trade promotion authority could be renewed should there be prospects for a breakthrough in the WTO negotiations. Without this authority, some countries believe that a draft agreement subject to amendment by the US Congress could require further concessions.

For the most part, Canada and the US collaborate in the WTO negotiations, although positions diverge in respect of a limited number of specific issues, including state-trading enterprises, supply management, and the use of "zeroing" in the calculation of dumping margins in anti-dumping investigations. Canada believes that decisions about the marketing structure of the Canadian Wheat Board should be made domestically, supports supply management and opposes the practice of "zeroing."

2. Discussion

Delegates commented briefly on the negotiations currently underway in the World Trade Organization (WTO). A Canadian legislator argued that these negotiations should be concluded this year, while an American delegate suggested that, like the NAFTA, agreements reached in the WTO could have unintended consequences.

C. Future of Regional and International Free Trade Agreements

1. Background

With the Doha Round of the World Trade Organization and the Free Trade Area of the Americas negotiations stalled and/or progressing relatively slowly, several countries –

including Canada and the US are pursuing bilateral or regional trade agreements. These countries generally believe that free trade agreements result in improved market access, an enhanced ability to choose from among a broader range of relatively lower-cost goods and services, and strengthened international rule-making.

In addition to the North American Free Trade Agreement (NAFTA), Canada has free trade agreements with Israel, Chile and Costa Rica. An agreement has been reached with Peru and with the European Free Trade Association; these agreements have anticipated implementation dates of no later than 1 January 2009 and as early as 1 January 2009 respectively. Finally, negotiations with Columbia, the Dominican Republic, the Caribbean Community (CARICOM), Jordan, Singapore and Korea are ongoing; negotiations with the Central America Four (CA4) are at an impasse, Canada and Panama have agreed to explore the possibility of negotiations for a free trade agreement, and Canada and Japan have agreed to engage in focused discussions about the establishment of a trade and investment dialogue.

The United States, in addition to the NAFTA, has signed free trade agreements with such countries as Chile, the Dominican Republic, Guatemala, El Salvador, Nicaragua, Costa Rica and Honduras. Agreements with Colombia and Panama have not yet received Congressional approval.

2. Discussion

In discussing trade agreements other than the North American Free Trade Agreement and the negotiations currently under way in the World Trade Organization, an American legislator suggested that geopolitical – as well as trade – considerations may be important when a country is considering the countries with which to enter into trade negotiations. A colleague shared her view that non-tariff barriers to trade must be addressed.

A Canadian delegate expressed the opinion that, in order to sign bilateral trade agreements, a trustworthy trading partner is needed. He also noted that action must be taken regarding non-tariff trade barriers.

IMPLEMENTING AGREEMENTS TO RESOLVE ONGOING TRADE DISPUTES

A. Agricultural Issues

1. Background

At the December 2007 meeting of the World Trade Organization (WTO) Dispute Settlement Body, a dispute-settlement panel in respect of US agricultural subsidies was established at the request of Canada and Brazil, which believe that the level of US trade-distorting agricultural subsidies exceeded US WTO commitments in the 1999-2001 and 2004-2005 periods.

The action supports Canada's Doha Round goal to reduce and discipline agricultural subsidies, and is consistent with Canadian concerns about the direction taken in the draft 2008 Farm Bill. Provisions in the draft Bill would maintain the existing structure of US programs, including commodity-related programs that could have a direct impact on Canadian interests.

Finally, the US is now permitting virtually all Canadian cattle and beef products, specifically all Canadian cattle born on or after 1 March 1999 and Canadian beef from animals of any age, to enter its market. Canada continues to advocate US market access, and normalized trade, for small ruminant breeding stock; at present, access is denied for goats and sheep from Canada that are older than 12 months of age for slaughter or feeding, or that are of any age for breeding. For its part, Canada views the US as having the same international risk profile for bovine spongiform encephalopathy, and permits the importation of US cattle and beef from animals of any age as well as, since 2 May 2007, small ruminants from the US for any purpose.

2. Discussion

Delegates focused their agriculture-related discussions on the draft 2008 US Farm Bill, with Canadian legislators expressing concerns about various draft provisions, including those related to softwood lumber and sugar beets. An American delegate responded by noting that US Farm Bills are routinely criticized. He suggested that while the hope is that the agricultural support provided by the 2008 Farm Bill will be green-box spending, the US will support its farmers when needed. He also noted that support for the sugar sector has been reduced.

Regarding the draft Bill's softwood lumber provisions and softwood lumber trade, the American legislator told delegates that some in the US continue to believe that Canada is not trading fairly and is not meeting its obligations under the Softwood Lumber Agreement. A Canadian delegate responded that the forestry sector in both countries is suffering.

Discussion on agricultural issues concluded with another US delegate noting that a great deal is being blamed on ethanol, including the upward pressure on rice prices.

B. Softwood Lumber

1. Background

The bilateral Softwood Lumber Agreement was signed in September 2006 with the expectation that the softwood lumber industry in both countries would benefit from certainty over the seven- to nine-year lifespan of the Agreement. Since the Agreement was signed, industry participants in Canada and the US have been harmed. For example, Canadian producers have been negatively affected by the rising relative value of the Canadian dollar, decreasing US demand for softwood lumber, declining lumber prices and competition from emerging markets.

With an agreement of this nature, it is assumed that disagreements between signatory parties will occur from time to time. Consequently, a dispute-settlement mechanism was included in the Agreement; it provides short timeframes for consultation and binding arbitration proceedings. At present, there are two arbitration cases ongoing under the Agreement, the first in relation to the adjustment factor and the second regarding selected forestry programs in Ontario and Quebec.

Regarding the first arbitration, Canada has argued that the adjustment factor applies to regions in Manitoba, Ontario, Quebec and Saskatchewan as of 1 July 2007, while the US has argued that it applies to these regions as well as to regions in British Columbia and Alberta as of 1 January 2007. In a tribunal ruling issued in March 2008, Canada's

position was supported and the case is proceeding to the remedy phase. Regarding the second arbitration, the hearing will begin on 9 December 2008.

Other disagreements have also arisen since the Agreement was signed. From time to time, US Trade Representative officials have expressed concerns about Canada's certification of independent remanufacturers. As well, the US Department of Commerce and the Office of the US Trade Representative are considering a softwood lumber import licensing and monitoring system similar to that which exists in relation to steel. In view of the activities of the Technical Working Group on data reconciliation, Canada is unclear about the value that would be added by the proposed system to the data reconciliation efforts of the Working Group; clarification is being sought.

Finally, it should be noted that the Agreement established a Softwood Lumber Committee to supervise the Agreement's implementation, to oversee its elaboration and to supervise the work of technical working groups.

2. Discussion

Delegates discussed softwood lumber within the context of the draft 2008 Farm Bill. Comments in this regard are noted above.

The softwood lumber-related provisions proposed in the draft Bill would impose new information and declaration requirements on US lumber importers. In particular, importers would be required to: provide the export price of the lumber and the estimated export charge applied to the lumber; declare that they made an appropriate inquiry to get the documentation from the exporter and consulted the US Department of Commerce publication on export charges; and declare that, to the best of their knowledge and belief, the export price was appropriately calculated and is consistent with the price on the export permit as well as that the exporter has paid or has committed to pay the export charges. Penalties would be applied to importers that knowingly violate the provisions, and company audits would be permitted.

C. Steel

1. Background

As part of the North American Steel Strategy, efforts are directed to the identification and removal of trade impediments within the North American Free Trade Agreement (NAFTA) steel market. Nevertheless, recognizing recent global developments, steel producers in the NAFTA countries have focused less on trade concerns among and between the NAFTA countries and more on common challenges faced by them from other regions and countries, notably – at this time – China.

Since NAFTA governments monitor and exchange information on steel developments in China, they are able to raise their concerns about China's steel policy and practices, including export taxes and quotas, subsidies and other government interventions, and market-distorting measures. These concerns have been identified in various consultative mechanisms between China and each NAFTA country, at the World Trade Organization and at the Steel Committee of the Organisation for Economic Co-operation and Development. The challenge made by the NAFTA countries at the WTO was suspended in November 2007 when China agreed to eliminate the subsidies identified by the countries.

Finally, the government/industry North American Steel Trade Committee (NASTC) has prepared a report on border-related trade impediments identified by the steel industry in each NAFTA country. In March 2006, steel was among the sectors identified by NAFTA trade ministers as priorities for removing existing trade impediments. The NASTC will focus on import licensing procedures in an effort to increase efficiency, transparency and collaboration in respect of steel import data collection and reporting; import licensing is among the internal trade issues being pursued by the NASTC under the North American Steel Strategy.

2. Discussion

A Canadian legislator started the discussion of steel by noting that Canada, the US and Mexico are working cooperatively on steel issues and that there are no outstanding steel-related issues between the US and Canada at this time. In his view, our countries are working together in order to compete against the steel industries in Asian countries.

A colleague shared a similar view, describing the North American steel industry as a good example of our cooperative efforts and indicating that regulations in our two countries would not permit the production of steel in the manner in which it is produced in China. Another colleague suggested that a tax be imposed on imported goods that have been produced in countries with lower environmental standards; in his view, such a tax would level the playing field.

American delegates did not comment on the issue of steel.

D. Intellectual Property Rights

1. Background

There are a variety of ways in which Canada and the United States cooperate on intellectual property issues, including through the North American Security and Prosperity Partnership, the World Trade Organization and the proposed Anti-Counterfeiting Trade Agreement. As well, Canada is addressing the global problem of counterfeiting and piracy at meetings of the G8 as well as through the World Intellectual Property Organization and in the Asia-Pacific Economic Cooperation forum.

Nevertheless, the US has identified intellectual property rights as the most important economic issue in its bilateral relations with Canada. It is advocating an improved border enforcement regime for intellectual property rights as well as reforms to Canada's copyright laws in order to implement the World Intellectual Property Treaties which Canada signed in 1997 but has not ratified.

Moreover, each year, the US reports on what it perceives to be intellectual property measures that are lacking in its foreign trading partners. Commonly known as the Special 301 report, Canada has been cited on the "Watch List" for the past 12 years; however, there is pressure on the US government from some US stakeholders to elevate Canada to the "Priority Watch List" for 2008 given the perceived lack of Canadian legislation designed to strengthen the intellectual property regime.

From Canada's perspective, existing provisions for the protection and enforcement of intellectual property rights are consistent with international obligations, and recent changes have been made, including with respect to unauthorized recording of movies in

theatres. Nevertheless, in the 2007 Speech from the Throne and in federal government responses to two parliamentary committee reports, the government has indicated its intention to improve further the protection of intellectual property rights. Moreover, the government has informed the public about forthcoming legislation to amend the *Copyright Act*.

2. Discussion

A Canadian legislator told delegates that he expects legislation in respect of intellectual property rights to be introduced in the House of Commons by mid-June 2008; moreover, he believes that the bill will be studied by a parliamentary committee when Parliament returns in fall 2008. He spoke about the importance of finding the proper balance, and acknowledged the pressure that Canada is facing from the US government regarding intellectual property. The legislator also noted that Canada has signed the World Intellectual Property Organization (WIPO) treaties, but that they have not yet been ratified. Finally, he indicated that two House of Commons standing committee reports have been issued on intellectual-property-related issues.

An American delegate commended Canada for the 2007 passage of legislation regarding unauthorized recording of movies in theatres, but shared his view that Canada is likely to be included on the "watch list" in the context of the US Trade Representative's Special 301 report. He urged the Canadian government to ratify the WIPO treaties, a position that was supported by a colleague.

Delegates mentioned international efforts regarding intellectual property rights, including the WIPO, aspects of the Security and Prosperity Partnership, and efforts in respect of an Anti-Counterfeiting Trade Agreement.

COMMON ECONOMIC AND TRADE CHALLENGES

A. China: Import Safety, Currency and Enforceable Standards

1. Background

In recent months, there have been a number of safety incidents involving products from China, including pet food, toothpaste and toys. North American leaders have agreed to strengthen trilateral cooperation and mechanisms in respect of import safety and, in particular, to improve access to safe food, health and consumer products in the areas of: cooperation and information sharing; regulatory and inspection systems; compatibility in relation to food and product safety standards; and improved continental recall capacities. As well, unilateral actions are being taken.

For example, in the US, the Senate and the House of Representatives have passed legislation that would reform the Consumer Product Safety Commission (CPSC) and strengthen toy safety standards; a conference committee will work on reconciling the two bills in order to reach agreement on a final bill. The bills could provide the CPSC with the authority to share information on product safety incidents with Health Canada. Some proposed food safety measures would, impose new user fees for imported food products, which could result in the cross-subsidization by Canada of inspections of

higher-risk goods imported into the United States from third countries; these fees could adversely affect businesses and consumers in both countries.

In Canada, import safety issues were mentioned in the 2007 Speech from the Throne, and Health Canada and the Canadian Food Inspection Agency have developed an action plan designed to enhance the health and safety of Canadians. To facilitate the implementation of the action plan, two bills have been introduced – Bills C-51 and C-52 – that, if enacted, would change Canada's approach to regulating product safety; as well, safety programs would be strengthened, and prevention, oversight and rapid response would be important foci.

China has committed to allocating resources in order to strengthen its inspection regime, and product quality is expected to improve significantly within the next two to three years. Moreover, an International Food Safety Forum was held in Beijing in November 2007, and a Canada-China Joint Committee on Health was launched. Such areas as food, drug and product regulations, emerging infectious diseases and the promotion of scientific exchange will be discussed. As well, a memorandum of understanding (MOU) with China's State Administration of Quality Supervision, Inspection and Quarantine was signed with a view to enhancing cooperation on consumer product safety; technical working groups on specific products of concern will be established, and the sharing of information on regulatory requirements and laboratory testing procedures will be facilitated. China has signed similar MOUs with the US and with the European Union.

In terms of China's currency, in July 2005, China took action to make its exchange rate more responsive to market forces, although the value of the currency continues to be managed tightly. The country has been accused of manipulating the exchange rate as it tries to keep its currency artificially weak in order to enhance the competitiveness of its export sector. In the US, several bills have been introduced in Congress in an effort to address China's currency policy; some would impose sanctions. The US Treasury has highlighted the need for an appreciation in China's trade-weighted exchange rate, a view that is consistent with that of the G7 and the International Monetary Fund (IMF). The IMF has indicated that the Chinese currency is undervalued, and that a more flexible exchange rate would help China to alleviate domestic economic challenges.

2. Discussion

The discussion of product safety in respect of goods from China began with American delegates noting recent problems related to lead toys and toy jewellery, including illness and the death of a child. They told delegates that the US response has included more funding in order to enhance consumer product safety and legislative measures in the US Congress. A US legislator questioned whether Canada and the United States should develop joint consumer product safety standards that our countries would enforce; he believed that standards and enforcement of those standards, are critically important.

A Canadian legislator highlighted the notion that it is in China's best interest to address ongoing concerns about the safety and quality of products manufactured in that country. A colleague noted the problems that arise when other countries, including a number of developing countries, lack high product-quality standards.

Another US delegate spoke about the problems that arise when species enter the United States and Canada, and cited Asian long-horn beetles as an example; Canadian delegates mentioned Asian carp and the mountain pine beetle as additional examples. The American delegate indicated that taxpayers pay the price for the damage caused by such species.

B. Foreign Investment Policies

1. Background

Canada and the US have a similar approach to foreign investment policies and investment treaty models, which has resulted in cooperation on investment policy issues in such fora as the Organisation for Economic Co-operation and Development and the Asia-Pacific Economic Cooperation. In general, both countries work to promote high-quality investment rules within the international community.

Recently, there has been increased overseas investment activity by state-owned enterprises and sovereign wealth funds. In December 2007, the Minister of Industry issued guidelines under the *Investment Canada Act* designed to clarify factors for the assessment of net benefit, since they may apply in respect of investments by foreign state-owned enterprises. Moreover, consideration is being given to the development of draft legislation that would allow the review of foreign investments for reasons of national security; Canada is the only G7 country without such legislation.

In the US, the Defence Production Act of 1950 was recently amended in order to revise provisions concerning presidential authority to review certain mergers, acquisitions and takeovers through the US Committee on Foreign Investment.

2. Discussion

Canadian delegates started the discussion of foreign investment policies by highlighting the need to distinguish between the private sector and state-owned enterprises. They also identified the need for greater disclosure and transparency, a position that was supported by a US legislator.

C. United States-Canada Cooperative Economic Initiatives

1. Background

With increased integration, assisted in part by a rules-based trading system as well as by historic social, cultural and economic ties, the Canadian and American economies are linked; the health and prosperity of one affects the health and prosperity of the other.

Canada and the United States have the largest bilateral flow of goods, services, people and capital worldwide. Almost \$2 billion worth of goods and services crosses the shared border daily, and the two countries are each other's largest customer and most significant supplier on a single-nation basis. About 73.5% of the goods and services exported from Canada are provided to the US. Moreover, approximately 21.4% of US merchandise exports are destined for Canada, and 35 states have Canada as their primary foreign export destination. Canadians buy more goods from the US than do Mexicans and the Japanese combined, and Canada is a larger market for US goods than is the European Union.

In addition to the trade and investment relationship, Canada and the US have the world's largest science, technology and innovation relationship, with research and development links between and among governments, academia, institutes and businesses in both countries.

2. Discussion

In terms of cooperative initiatives between Canada and the US, and the integrated nature of the economies in the two countries, delegates focused on the current credit market turbulence in both nations, and raised questions about the causes of the turbulence as well as about the policy and legislative responses that are needed in order to ensure that a similar situation does not arise in the future.

A Canadian legislator noted that the credit market turbulence has affected businesses and individuals in both countries; he advocated a North American study of the situation focused, in part, on whether existing regulations are adequate and whether government interventions have been appropriate. A colleague shared his view that the problems related to asset-backed commercial paper have arisen primarily because of the ratings provided by rating agencies.

In the view of an American delegate, there is a need to track the flow of funds and to determine whether there was collusion. In her view, it is important to determine who led the international securitization process.

COMMITTEE III: BILATERAL COOPERATION ON DEFENCE, SECURITY AND HUMANITARIAN ISSUES

WESTERN HEMISPHERE TRAVEL INITIATIVE – BORDER SECURITY

A. Contraband Tobacco and Other Items

1. Background

The smuggling of contraband across the border between Canada and the United States has been an important issue for both countries for some time. In 2006, the Royal Canadian Mounted Police (RCMP) indicated that contraband – including tobacco, alcohol, counterfeit goods and firearms – had become a critical source of criminal revenue and a challenge to law enforcement in both countries. As one element of bilateral cooperation, the two countries have formed Integrated Border Enforcement Teams (IBETs), composed of law enforcement agencies in both countries.

In a 2007 Threat Assessment, the IBETs noted that organized crime on reservations near the shared border, or on those that traverse the shared border, are a particular concern; specific mention was made of the Akwesasne Territory that borders Ontario, Quebec and New York State. It was suggested that organized crime groups in both countries carry out their criminal activities using numerous routes to smuggle contraband tobacco, marijuana, ecstasy, currency, firearms and people.

Regarding cigarette smuggling, it was noted that the demand for relatively inexpensive tobacco products supports the contraband tobacco market; sales contribute to an underground economy valued at billions of dollars. Moreover, it was suggested that there are two primary sources of contraband tobacco: First Nations reserves, which

have large distribution capabilities, and imports of counterfeit and other illicit tobacco products, which arrive in Canada in marine containers.

In May 2008, the Canadian federal government announced an RCMP Contraband Tobacco Enforcement Strategy and a government task force. The task force, which is to be composed of representatives of a number of departments and agencies involved in addressing this issue, has the mandate to identify concrete measures that will disrupt and reduce the trade in contraband tobacco.

2. Discussion

Delegates discussed the smuggling of contraband in general, and of contraband tobacco in particular, and identified a practical difficulty in enforcing laws on the territory of First Nations. A US delegate said that, following land claims disputes in the 1970s, it had been decided to start a new reserve, but governments have very little control there. New York State had been trying to tax gasoline and tobacco on the Akwesasne Reserve for years.

A Canadian legislator noted that an estimated 40% of the tobacco consumed in central Canada is contraband, and an estimated 90% of that is made in the United States. He told delegates that there are "smoke shops" in his riding, and that people travel for hours in order to purchase tobacco that costs perhaps one-tenth of the legal price. When a Canadian delegate proposed a statement of principle aimed at dealing with tobacco smuggling, an American legislator responded that while contraband tobacco was moving from the US to Canada, the resulting proceeds were being turned into drugs and other things; moreover, there is a need to address all contraband in order to deal with tobacco. He added that it was also important to be realistic rather than idealistic; governments have adopted a perimeter approach to seizures around the edges of the Akwesasne Reserve and other areas like it, but perhaps other approaches could be considered.

When a Canadian delegate suggested identifying the issue as a problem, another Canadian legislator replied that he would prefer to see action, perhaps in the form of a pilot project. An American delegate advocated the exploration of existing IBET and other solutions in order to identify those options that are the most promising. Delegates also agreed on the need to follow up on this issue, and supported the suggestion of the American delegate that they use their committee and other assignments in each country to collect information on this subject that could later be shared.

B. Western Hemisphere Travel Initiative: New US Regulations and the Timeline for Full Implementation

1. Background

Despite the fact that Canada and the United States have long shared the world's longest undefended border, the terrorist attacks of September 2001 – along with continued problems on the US southern border with Mexico – motivated the US Congress to pass restrictions in 2005. In 2006, President Bush signed into law an amendment that will delay implementation of the Western Hemisphere Travel Initiative (WHTI) to no earlier than 1 June 2009, or three months after the Secretaries of State and Homeland Security have jointly certified that specific security measures for travel

documents have been established. As a result of the WHTI, US citizens and "non-immigrant aliens" from Canada, Mexico and Bermuda are required to comply with new documentation requirements for entry into the United States.

The WHTI was implemented for air travel in January 2007, and the final rule of the WHTI issued in March 2008 clarified that a passport or recognized trusted traveler card (FAST or NEXUS) will be accepted at land and sea border crossings as of June 2009; other documents, such as enhanced drivers licences, may be considered in the future. As a transition to full implementation of the WHTI, since 31 January 2008 US officials have been requiring both Canadians and Americans to produce government-issued photo identification, together with proof of citizenship such as a birth certificate, in order to enter or transit through the US. While the Canadian government has allocated funds to prepare for the WHTI, it continues to work closely with American officials to ensure that any plan for implementation of the land and sea aspects of the WHTI is both transparent and realistic.

The Canadian federal government understands and accepts the right of the United States to establish such requirements, but supported a delay in implementation of the WHTI in order to both increase the time available to obtain passports and allow the exploration of alternative travel documents. Fundamentally, the government feels that the thousands of Americans who cross the border into Canada every day may not devote the time and expense necessary to get a passport, with declines in cross-border travel being the inevitable result.

2. Discussion

An American delegate from a northern state began the discussion by saying that the northern border between the US and Canada differs from the southern border that is shared with Mexico. She added that the WHTI has had economic impacts, and that it is impossible to work with Secretary of Homeland Security Chertoff. In her view, he simply does not understand and is being difficult, requiring passports and other documents now even though the law says he cannot do so before 2009; he also wants Canada to detain and fingerprint anyone that changes his/her mind at the US border and decides not to enter the United States. She noted that people can cross the shared border at many points in the Adirondacks, and advocated an increase in the use of cards such as NEXUS.

A Canadian delegate underlined the importance of the WHTI for Canada, and expressed frustration that a Congressional law to delay the Initiative that has been signed by President Bush has effectively been ignored by Secretary Chertoff. In his opinion, the focus should not be on a specific date for the implementation of the WHTI, but instead on "getting it right" and having implementation without disruption. He noted that joint security concerns exist, since Canadians are also a target for terrorists; he informed delegates that a recently uncovered terrorist plot had targeted Air Canada flights. He believed that proposed solutions, such as biometric passports, will not stop terrorists; the key is to pinpoint and address discomfort until we are comfortable with the laws of the other country. He advocated cooperative efforts as we work together to protect ourselves from threats outside North America; then, the 49th parallel could be thinned.

An American delegate disagreed with both of those positions. In his view, without a certain date for implementation of the WHTI, nothing would ever happen. While he agreed that the border between Canada and the US presented less of a threat than the border with Mexico, he believed that it is practically impossible in Washington to treat the two borders differently since the Hispanic caucus in the US Congress says that differential treatment is a racial issue. He told delegates that it is important to remember that, with the increasing number of "homegrown" terrorists, not all threats have to cross borders; we cannot just focus on points of entry anymore. He was more concerned about what happens between the points of entry. He argued that we can improve border security for both the United States and the continent, and told delegates about a military exercise he had once observed where the Canada-US border was monitored very effectively with drones and other equipment. In his opinion, an effective border security arrangement could be reached.

A Canadian delegate told his American counterparts that Canada should not be "put in the same basket" as Mexico. He added that the problem with the WHTI is not one of security, but that economies are destroyed in the process. An American legislator said that while she wants to be pro-Canada, Canada cannot "beat the US down" on this issue; it is important to have a realistic discussion, and simply saying that there is no threat from the northern border will mean a loss in credibility. She argued that it is important to see holes and flaws on both sides, and to have standards in order to show that Canada is cooperating to a relatively greater extent than is Mexico. At the same time, she believed that Americans need to do a better job in sharing information with Canada. She added that homegrown terrorists have the right to apply for a passport.

An American delegate added that both nations should be ready and able to change the situation. A Canadian legislator suggested that a protocol, which would outline actions, should be proposed.

C. Detroit-Windsor Crossing

1. Background

Canada and the United States have one of the world's largest bilateral trading relationships, and a substantial proportion of that trade occurs at the four border crossings at the Windsor-Detroit Gateway, which requires increased capacity. The busiest of these four crossings, and the busiest border crossing in North America, is the Ambassador Bridge, an 80-year-old, privately-owned suspension bridge.

Canadian and American federal, state and provincial governments have been cooperating in a binational partnership to develop new crossing capacity at the Gateway. The partnership is considering options for the entire border transportation system – river crossing, inspection plazas and access roads – to achieve an end-to-end solution that will best meet current and future needs while minimizing impacts on the surrounding communities and the environment. In addition to consideration of options for a new border crossing, the Canadian federal government is working with its binational partners to develop a governance regime for the new crossing that will provide appropriate public oversight. The scope of the governance entity will be the bridge and inspection plaza only.

At the 2007 North American Leaders' Summit, the leaders of Canada, the United States and Mexico identified, as a high priority, the development of enhanced border-crossing infrastructure and capacity in the Detroit-Windsor region.

2. Discussion

A Canadian legislator who represents a constituency on the Canada-US border reminded delegates of the resolution passed by the Canada-United States IPG last year, and asked for their support this year.

COOPERATION IN THE GLOBAL FIGHT AGAINST TERRORISM

A. Afghanistan and the Future of the North Atlantic Treaty Organization: Missions, Cooperation/Friction and Enlargement

1. Background

Canada and the United States were founding members of the North Atlantic Treaty Organization (NATO), which invoked its Article V collective defence provisions for the first time following the terrorist attacks of 11 September 2001. In the years since 2001, the international community has been involved in United Nations-mandated military and other activities in Afghanistan designed to strengthen the elected government of that country and defeat a Taliban-led insurgency.

The NATO assumed responsibility for the International Security Assistance Force (ISAF) in Afghanistan in 2003, and by 2006 had expanded it throughout the country. By May 2008, about 47,000 troops from 40 nations were in Afghanistan as part of the ISAF. Approximately 20,000 other troops were also operating separately under Operation Enduring Freedom.

While the United States continues to devote the majority of its deployed military forces to Iraq, it remains the largest single troop contributor in Afghanistan, with approximately 35,000 serving under the ISAF (17,000) and under Operation Enduring Freedom (18,000). Canada's military contribution of approximately 2,500 personnel in Kandahar province in southern Afghanistan has been its largest military operation since the Korean War, and Canadian casualties have been the highest in the ISAF as a proportion of troops deployed.

Canada and the United States have long argued that, in the interest of both achieving the NATO's mission and sharing the burden more equitably, other NATO countries should increase the number of troops they have deployed in Afghanistan and remove "caveats" or other restrictions placed on those already deployed. Before the NATO's April 2008 Bucharest Summit, the Canadian government had accepted a recommendation of the Independent Panel on Canada's Future Role in Afghanistan, also known as the Manley Panel, that Canada's military mission in Afghanistan be extended beyond 2009 only if allies provided specific equipment to assist in operations and committed additional troops to the south of Afghanistan. While the troop requirement was satisfied by a US announcement that it would send additional troops, this commitment was made possible by a French decision to send additional troops to

the American-controlled east of Afghanistan, thereby allowing the transfer of the American forces.

At the Bucharest Summit, while all NATO nations reiterated their commitment to alliance goals in Afghanistan European partners remain preoccupied with security challenges in areas such as Kosovo and Bosnia. The fact that few allies seem willing to either increase their forces in Afghanistan or reduce the caveats and restrictions on those already there remains a source of tension.

2. Discussion

An American delegate began by welcoming Canadian cooperation on Afghanistan, and asking about the state of intelligence cooperation among nations as part of the broader global fight against terrorism. In terms of Afghanistan, she wondered about the future of the NATO. A Canadian legislator responded that Afghanistan is a huge issue for Canada, and argued that the number of NATO troops in that country is still too small, which makes it an "un-winnable" war; in the delegate's view, we should really "go in to win." Delegates agreed that they should reiterate the resolution adopted at the 48th annual meeting of the IPG, which acknowledged the sacrifices that Canadians and Americans have made in Afghanistan, but added that the weak response of some NATO members should be highlighted.

An American delegate agreed that some NATO members stay away from "hot zones," noting that German forces do not "go out after dark." In his view, other countries in the NATO should be willing to go "where shots are fired." He added, however, that in order to succeed, the issue of poppy cultivation and heroin, which fund rebellion, must be addressed. The delegate said that because of strong provincial powers, no one has ever had success controlling Afghanistan. He believed that our goals must be more realistic.

Noting that she was disappointed in President Karzai, an American delegate asked how it is possible to deal with the heroin problem. Her colleague responded that we have to make it "difficult" for those in the heroin industry, thereby providing them with an incentive to turn to something else. An American delegate, who is also a member of the American delegation to the NATO Parliamentary Assembly, recommended that delegates bring any final resolution of the IPG with them to the next Assembly meeting. A Canadian delegate agreed that the goal was to get NATO members to assume their responsibilities.

C. International Efforts to Target Terrorist-Financing Networks/Proliferation of Weapons of Mass Destruction

Canada and the United States are members of the Financial Action Task Force (FATF), an inter-governmental body which develops and promotes national and international policies that combat money laundering and terrorist financing. The FATF monitors the progress of its 34 member countries in implementing needed measures, reviews money laundering and terrorist financing techniques and countermeasures, and supports the adoption and implementation of appropriate measures. In 2004, representatives from FATF member countries agreed to extend the FATF's mandate until 2012.

Canada held the presidency of the FATF from July 2006 to June 2007, became a full member of the Asia/Pacific Group on Money Laundering in July 2006, and – at present – complies with seven of the nine FATF special recommendations in respect of terrorist financing; full compliance will occur when new regulatory measures come into effect in June 2008.

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) helps Canada meet its anti-money laundering and anti-terrorist financing goals. In particular, the FINTRAC develops financial intelligence and works with domestic security agencies, financial institutions, private-sector reporting entities and international partners.

Delegates did not discuss the issue of money laundering and terrorist financing activities.

HUMANITARIAN EFFORTS

A. US-Canada Contributions to Peacekeeping Missions: Darfur, Somalia and the Balkans

Canada's contributions in Darfur are focused on the provision of air support through the lease of helicopters and fixed-wing aircraft, as well as of fuel; moreover, Canada has loaned more than 100 Canadian armoured personnel carriers in addition to expert deployments. The US has focused on camp support, including the building and maintenance of all required camp facilities for the mission. Canada is second to the US in providing financial support for the enhanced capacity of African troop-contributing countries to the United Nations-African Union Mission in Darfur.

AMISOM – the African Union Mission in Somalia – is the current peace operation in Somalia. Canada has identified Sudan as a priority area, and is not providing financial support to AMISOM. The US has both Sudan and Somalia as priorities, and has provided training and financial support.

Canadian military observers began deploying to the Balkans in 1991, and – at present – has eight Canadian Forces members serving at North Atlantic Treaty Organization (NATO) Headquarters Sarajevo (NHQSa). The primary focus of NHQSa is defence reform, although operational tasks are also undertaken. As well, Canada maintains a rotation of three civilian police experts to assist the European Union Police Mission in fulfilling its mandate.

Delegates did not discuss contributions by the United States and Canada to peacekeeping missions.

B. Promoting Democratic Reforms in Latin America, Africa and Asia

In Canada, the 2007 Speech from the Throne identified four core values that guide the nation's foreign policy; one of the values is democracy. Canada's democracy support strengthens electoral systems, parliaments, civil society, independent media and political parties, all of which give citizens increased influence in decisions that affect their lives. Some Canadian organizations have developed particular expertise in specific aspects of democratic governance, and Canada has developed expertise in elections monitoring and assistance. Canada's support of the Organization of American States helps efforts to implement democratic norms in the Americas.

Delegates did not discuss the issue of democratic reforms in Latin America, Africa and Asia.

CLOSING PLENARY

At the closing plenary session, representatives from each committee summarized the nature of the discussions that had occurred during the committee sessions, and all delegates discussed the draft resolutions that had been prepared by each committee. Following these discussions, delegates agreed to the following 13 resolutions:

1. NORTH AMERICAN ENERGY FRAMEWORK

Members of the Canada-US Inter-Parliamentary Group (IPG) urge the governments of the United States and Canada to develop a North American Energy Framework focused on: joint investment in alternative energy sources and technology as well as pilot projects; enhanced cooperation on existing energy projects; and the safe and effective harnessing of natural energy resources. The delegates also recommend that the governments of the United States and Canada examine the impact of speculation in the energy sector and the potential need for enhanced oversight mechanisms.

2. CLIMATE CHANGE

The reduction of greenhouse gas emissions in North America in order to combat the effects of global climate change represents an urgent priority. Recognizing the dynamic policy and technological challenges, the delegates recommend the systematic sharing of knowledge and experience gained from federal, state, provincial/territorial and local green initiatives in the United States and Canada. The delegates also highlight the need for greater research into adaptation to the local impacts of climate change and for continued engagement with other nations as they devise their own climate mitigation and adaptation strategies.

3. COOPERATION IN THE ARCTIC REGION

In order to respond to the challenges and opportunities emerging in the Arctic Region, the Canada-US IPG recommends that the governments of the United States and Canada develop a shared strategy for addressing common issues related to security, commerce, environmental concerns and culture, and the matter of territorial claims of other nations.

4. GREAT LAKES WATER RESOURCES

While progress has been made to improve Great Lakes water quality, delegates recommend the establishment of an entity to coordinate the multiple governmental agencies now evaluating the reemergence of a dead zone in the central basin of Lake Erie and harmful algal blooms at Lake Ontario, Bear Lake, Muskegan Lake and Saginaw Bay, Michigan, and encourage US government cooperation with Canada in this initiative. Delegates further recommend acceleration of the International Joint Commission study of the increase in St. Clair River flows, alleged to cause erosion and water loss.

5. TRADE

The Canada-US IPG recommends that our governments continue efforts in support of reciprocal free trade between our countries (including in energy), and with such regions as the European Union and within the World Trade Organization.

As well, our governments should continue their support of bilateral integrated sectors and supply chains that enable our businesses to compete, particularly against low-cost, low-wage countries.

Our governments' efforts in these areas will have the greatest impact if adequate attention is also paid to joint management of our shared border, to structural adjustment measures that are needed, and to the unintended consequences of trade agreements.

Finally, our governments should, on a priority basis, undertake bilateral studies in two specific areas: automotive trade (including all vehicles and parts) outside North America, with particular attention paid to non-tariff barriers that obstruct access to foreign markets; and steel products imported into North America from low-cost, low-wage countries that do not have adequate environmental standards and regulatory requirements.

6. INTELLECTUAL PROPERTY RIGHTS

The Canada-US IPG recommends that the Canadian government – which should be commended for the passage of Bill C-59 in respect of the recording of movies in theatres – affirm its commitment to the World Intellectual Property Organization treaties that have been signed but not yet ratified.

7. CONSUMER PRODUCT SAFETY

The Canada-US IPG recommends that our governments develop a harmonized approach to consumer product safety in the North American marketplace, with particular attention to the safety and enforcement practices used in low-cost, low-wage countries – especially China – that are the source of a range of goods that enter our countries.

8. CAPITAL MARKETS

The Canada-US IPG recommends that our governments take actions to ensure an enhanced understanding of the circumstances leading to the current credit market turbulence in both countries.

Moreover, consideration should be given to the legislative and regulatory changes needed to bring about greater transparency and more accountability respecting federal action in order to ensure the healthy capital markets needed for prosperity in both countries.

9. AFGHANISTAN

Delegates reaffirm their recognition of the enormous sacrifice of those Canadians and Americans serving in Afghanistan. At the April 2008 Bucharest Summit, North Atlantic Treaty Organization (NATO) members committed to increased coordination and focus on reconstruction and governance in Afghanistan. The delegation calls on European NATO states to remove caveats and assume their full responsibilities, or the future of NATO should be reexamined.

10. WESTERN HEMISPHERE TRAVEL INITIATIVE (WHTI)

Delegates recommend that the governments of Canada and the United States increase their cooperation to improve the joint security of both countries and the fluidity of the shared border through an increased use of technology and an increased focus on external entry points. In addition, they must do more to share information and policies, and develop a protocol to minimize unilateral changes. Implementation of a shared border management program with adequate physical infrastructure and personnel must be a priority for both countries. Common sense and security considerations should govern border crossing procedures; for example, passport cards should be valid for air travel between Canada and the United States, particularly in light of the fact that the NEXUS card is being allowed as an alternative to a passport for air travel between our two countries.

11. DETROIT-WINDSOR CROSSINGS

The Canada-US IPG recognizes the need for a government-owned and -administered crossing at Detroit-Windsor for economic and security reasons, and urges that the opportunity be utilized to create a model border crossing that meets security objectives without compromising economic trade. The delegates recognize that local conflicts exist and need to be addressed and resolved.

12. TOBACCO SMUGGLING

The federal governments of Canada and the United States should increase their cooperation to address the serious issue of the smuggling of contraband tobacco and other items between the two countries. These efforts should be undertaken in cooperation with all relevant state, provincial/territorial, and First Nations governments, and should explore existing Integrated Border Enforcement Teams and other solutions. A report on these efforts should be presented to our national legislatures within six months.

13. AIRFLIGHT SECURITY IN THE PACIFIC NORTHWEST

The delegates believe it is essential to improve shared airflight information in the Pacific Northwest. To further ensure safety during the 2010 Olympics in Vancouver, as well as to control illegal activities going in both directions across the border in that region, the appropriate agencies in Canada and the United States should rapidly develop a policy for shared information on airflights, including guidelines for low-flying aircraft below 5,000 feet. This policy should take into account the security and privacy concerns of both nations.

Respectfully submitted,

Hon. Jerahmiel Grafstein, Senator
Co-Chair
Canada-United States
Inter-Parliamentary Group

Dean Del Mastro, M.P.
Acting Co-Chair
Canada-United States
Inter-Parliamentary Group

Appendix

CANADIAN DELEGATION:

Senate:

Honourable Jerry Grafstein, Co-Chair of the IPG

Honourable Terry Stratton

Honourable Frank Mahovlich

Honourable Percy Downe

House of Commons:

Mr. Rob Merrifield, M.P., Co-Chair of the IPG

Honourable Judy Sgro, P.C., M.P.

Honourable Joe Comuzzi, P.C., M.P.

Honourable John Godfrey, P.C., M.P.

Honourable Shawn Murphy, P.C., M.P.

Honourable Charles Hubbard, P.C., M.P.

Mr. Paul Crête, M.P.

Mr. James Rajotte, M.P.

Mr. Brian Masse, M.P.

Mr. Lloyd St. Amand, M.P.

Mr. Brad Trost, M.P.

Mr. Jeff Watson, M.P.

Mr. Dean Del Mastro, M.P.

AMERICAN DELEGATION:

Senate:

Senator Amy Klobuchar, Chair of the IPG

Senator Mike Crapo, Vice Chair of the IPG

Senator George Voinovich

Senator Lisa Murkowski

House of Representatives:

Representative Jim Oberstar, Chair of the IPG

Representative Marcy Kaptur

Representative Louise Slaughter

Representative Cliff Stearns

Representative Bart Stupak
Representative Mark Souder
Representative Tom Tancredo
Representative Dan Lipinski

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	Forty-Ninth Annual Meeting
DESTINATION	Santa Fe, New Mexico, United States of America
DATES	May 16-19, 2008
DELEGATION	
SENATE	Honourable Jerry Grafstein, Co-Chair Honourable Terry Stratton Honourable Frank Mahovlich Honourable Percy Downe
HOUSE OF COMMONS	Mr. Rob Merrifield, M.P., Co-Chair Honourable Judy Sgro, P.C., M.P. Honourable Joe Comuzzi, P.C., M.P. Honourable John Godfrey, P.C., M.P. Honourable Shawn Murphy, P.C., M.P. Honourable Charles Hubbard, P.C., M.P. Mr. Paul Crête, M.P. Mr. James Rajotte, M.P. Mr. Brian Masse, M.P. Mr. Lloyd St. Amand, M.P. Mr. Brad Trost, M.P. Mr. Jeff Watson, M.P. Mr. Dean Del Mastro, M.P.
STAFF	Elizabeth Kingston, Executive Secretary Émilie Thivierge, Executive Secretary Fiona Bladon, Logistics Coordinator

Monique Levesque, Administrative
Assistant

John Christopher, Analyst
June Dewetering, Analyst
Jim Lee, Analyst

TRANSPORTATION	\$39,058.03
ACCOMMODATION	\$15,505.99
HOSPITALITY	\$1,463.73
PER DIEMS	\$3,604.40
OFFICIAL GIFTS	\$520.27
MISCELLANEOUS/REGISTRATION FEES	\$18.09
TOTAL	\$60,170.51