

at specified periods during the year. DFAIT and AAFC officials met with their counterparts in the office of the U.S. Trade Representative and the U.S. Department of Agriculture on four occasions during 1997, to discuss Canada-U.S. trade in grains. One outcome of these discussions was Canada's suspension of TRQs for U.S. barley and barley products. The private sector also had discussions: Prairie Pools Incorporated (PPI) and the American Farm Bureau Federation (AFBF) met on three occasions, and are expected to work towards the establishment of a binational consultative committee on grain, as recommended in 1995 by the Canada-U.S. Joint Commission on Grains. Canada considers that its exports to the United States continue to be fairly traded, and has no interest in participating in any arrangement that would limit Canadian exports to that country.

The U.S. Export Enhancement Program (EEP), introduced in May 1985, is authorized under the Federal Agricultural Improvement and Reform Act of 1996 ("Farm Bill"). The Agriculture Department may subsidize a range of U.S. agricultural exports (mainly grains and oilseeds) to targeted markets. Initially, the justification for the EEP was the protection of market share from subsidized EU commodities, but over time, the targets expanded. This resulted in a severe reduction in overall world prices and lower returns to Canadian producers. In light of strong international prices, the U.S. government suspended the use of EEP for grains since July 1995, but has come under pressure to use it again. Canada has stated to the United States that a decision to use the EEP would inflate U.S. market prices, making the U.S. market even more attractive for Canadian grains, thus exacerbating U.S. concerns about imports from Canada.

Wool Suits

U.S. men's wool apparel producers continue to press Congress and the administration to obtain reductions in the levels of wool suits, sport coats and pants that enter the country at NAFTA rates of duty under the NAFTA Tariff Preference Level (TPL) for wool apparel. Canada will continue to oppose any legislative or other initiatives in the United States to reduce our exports. The pressure from the United States is likely to persist in 1998, and Canada will defend the access acquired for these products in the NAFTA.

MONITORING DEVELOPMENTS AFFECTING CANADIAN INTERESTS

Fast Track

"Fast track" is a mandate to the U.S. administration by which Congress approves or disapproves, without amendment, trade liberalization agreements. Congress postponed its vote at the request of the President in November 1997, when it became clear that the legislative package put forward by the administration did not have sufficient support to pass. While the administration is committed to revisiting the issue, no time line is apparent. Canada will carefully monitor the domestic debate when re-engaged to ensure that Canada's interests are not adversely affected.

OTHER ISSUES

General Accounting Office Investigation

In September 1997, at the request of U.S. Senator Dorgan (D-ND), the GAO launched a review of U.S. imports of Canadian wheat. In December 1997, the GAO travelled to Ottawa and Winnipeg to meet with Canadian government and industry representatives, and is expected to issue its report in September 1998. Canada will continue to work closely with the GAO and monitor the investigation carefully.

Customs and Administrative Procedures

Following the visit of the Prime Minister to Washington in 1997, Canada and the United States pursued several initiatives to speed road, rail and sea transit, as well as in-transit preclearance at Canadian airports. To realize the benefits of free trade, Canada and the United States are creating a "smart" border that facilitates trade and tourism, but keeps illegal goods and services out — through high-technology streamlining of processes, and the provision of adequate infrastructure. The two countries are enhancing the processing of customs data electronically at border crossings; reducing the number of stops for carriers moving goods in-transit through either country; promoting the use of joint or shared border facilities; and introducing new technologies to detect drugs and to enable remote inspection of travellers. Canada and the United States will also work to ensure the competitiveness of the St. Lawrence Seaway by promoting its usage and improving the efficiency of its operations.