

The Government of Canada supported the efforts of the Canadian industry to secure the inclusion of Canadian fabrics and yarns in the TDA. Canada continues to monitor the implementation of the TDA.

Electricity

As outlined in the U.S. National Energy Policy (Cheney Report), the U.S. Administration supports greater cross-border trade in electricity and reform of domestic mechanisms affecting trade. Changes to U.S. energy legislation could raise issues with regard to the electricity trade by moving to mandatory reliability standards. Canada continues to seek assurance that the development of any future electricity reliability standards—as well as the creation of an independent, self-regulating, industry-led reliability organization—will be handled jointly by U.S. and Canadian authorities. This approach is reflected in the present draft of the legislation. The Binational Power Outage Task Force established in response to the August 14 blackout will make recommendations in the spring of 2004 that could have implications for the cross-border trade of electricity.

Canada also remains concerned about minimum renewable energy provisions at the state level, which could exclude Canadian-origin electricity generated from renewable resources, notably hydroelectricity, and thus impede access to the U.S. market. In the absence of federal legislation ensuring equal treatment for Canadian renewable electricity, U.S. states may proceed with initiatives that could be inconsistent with existing trade agreements. Canadian advocacy in this sector has raised U.S. awareness of a North American electricity market and the impact of discriminatory measures on the market, which would run counter to our shared energy security and environmental objectives. Although ongoing restructuring may create risks for Canadian electricity suppliers in the U.S. market, opportunities for increased trade are also available, influenced by new markets and market structures, innovation in services and expanding energy demand.

Pipeline Subsidies

Canada is concerned about proposed subsidies for a new pipeline to bring natural gas from Prudhoe Bay, Alaska, to the “lower 48” states. Any floor price or

loan guarantees to industry would affect the economics of a pipeline route, distort energy markets and negatively impact Canadian projects in the Mackenzie Delta.

Canada strongly supports natural gas development in Alaska, and it is necessarily a partner in that development because any pipeline from Alaska to the lower 48 states must go through Canada. However, the private sector should ultimately decide on the nature and timing of such a pipeline. As well, in Canada's view the private sector is best suited to decide its route, subject to regulatory and environmental review procedures. The Bush Administration has also adopted a route-neutral position on the Alaska pipeline project.

MONITORING DEVELOPMENTS AFFECTING CANADIAN INTERESTS

Canada-U.S. Consultative Committee on Agriculture

Established as a result of the 1998 U.S.-Canada Record of Understanding on Agricultural Trade, the Canada-U.S. Consultative Committee on Agriculture (CCA) provides an ongoing process for enhancing the management of bilateral agricultural trade relations. Specifically the CCA institutionalizes a comprehensive early-warning and consultation process to resolve emerging problems in their initial development. The semi-annual meetings of the CCA provide a high-level forum for strengthening agricultural trade relations between Canada and the United States through cooperation and coordination on matters related to agriculture. These include, but are not limited to, agricultural trade and market access, and sanitary and phytosanitary issues.

Further opportunities to enhance cooperation and coordination in areas of common concern occur in the Canada-U.S. Provincial/State Advisory Group (PSAG), established under the rubric of the CCA. The PSAG provides a forum in which producers and exporters, through their provincial and state governments, can raise bilateral agricultural trade issues. The PSAG generally meets twice a year and refers matters as appropriate to the CCA for consideration. In addition, the CCA also encourages joint bilateral industry