

commitment of \$2.5 billion in funding may be its saving grace.

- American participation is absolutely necessary for any successful multilateral intervention. The US will continue to insist that its forces remain under US command. There will be less reliance on UN-sponsored peacekeeping missions in general.
- Terrorism remains a key pillar of US defence policy. Incidents such as Ressam highlight Canada's inability to deter smuggling and terrorism. The open border has become something of a hindrance and there will be attempts to 'Americanize' Canadian attitudes towards terrorism.

III. Trade, Energy & Environment

- NAFTA is far and away the critical economic institution for Canada. Adjustments to NAFTA will take place amidst the context of a dramatic economic slowdown. Chapter 11 of NAFTA has been interpreted in ways that are detrimental to the Government of Canada's capacity to act independently to protect the public interest. The prerogatives of government, not simply those of business, must be protected.
- Trade disputes with the US have the potential to exacerbate Canada's regional disparities (such as in the case of PEI potatoes and softwood lumber). Moreover, increased development in Alberta and the Northwest Territories will result in greater disconnects between economic and political power for these regions.
- Canada has been asleep at the wheel on the issue of International Traffic in Arms Regulations (ITARs). We cannot sit back and allow the US to unilaterally dictate the approach when it comes to defining what constitutes defence goods and which specific items are subject to export controls.
- If the US is going to try to ensure its primacy in the world, it will undertake efforts to ensure its dominant role in global trade. National Security Advisor Rice has stated that trade is a useful way of promoting America's social and political values abroad.
- Trade, especially trade in energy, is Canada's ticket for access to Washington in the future, since we are otherwise marginalized in strategic and defence terms due to a lack of capabilities. America views Canada as a sort of fuel tank for their economy. Synthetic crude oil will be the supreme attraction for the US. The US will principally see Canada as a geoeconomic partner, rather than a geopolitical or geostrategic partner.
- The potential environmental implications of oil sands development need to be carefully taken into account. At least 12 projects worth approximately \$30 billion in investment are currently underway around Fort McMurray, AB, to tap into the oil sands. Environmental assessments are done on a case-by-case basis and do not assess the overall regional