

U.S.-CANADA RELATIONS

BRIEFING AND HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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U.S.-CANADA RELATIONS

THURSDAY, MAY 25, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:03 p.m. in room 2200, Rayburn House Office Building, Hon. Dan Burton (Chairman of the Subcommittee) presiding.

Mr. BURTON. Mr. Ambassador, I apologize for the wait. My Ranking Democrat is on his way, and we usually wait until we get the Minority Members here. Vice Chairman Jerry Weller here. So we will be getting started here in just a few minutes. I want to apologize to the audience for the hold-up, but that is the way things work around this joint. I would imagine the Canadian Parliament is similar.

Ambassador WILSON. I think you are pretty close.

Mr. BURTON. Good afternoon. A quorum being present, the Subcommittee on the Western Hemisphere will come to order, and I ask unanimous consent that all Members', briefers', and witnesses' written and opening statements be included in the record, and without objection, so ordered.

I ask unanimous consent that all articles, exhibits, and extraneous or tabular material referred to by Members, briefers, or witnesses be included in the record, and without objection, so ordered.

I ask unanimous consent that any Member who may attend today's hearing be considered a Member of the Subcommittee for the purposes of receiving testimony and questioning witnesses after Subcommittee Members have been given the opportunity to do so. And, without objection, so ordered.

Today the Subcommittee on the Western Hemisphere meets to discuss relations between the United States and Canada. We have forged a strong relation with our neighbor to the north, and there is nobody, no country in the world, that is a better friend than Canada, and we appreciate that. We are united by common ideals and shared interests, and today we will look at ways to foster even stronger ties. And we really appreciate Ambassador Wilson being with us here today.

Canada is our largest trading partner and accounted for nearly 20 percent of our total trade last year. Vital cross-investment linkages with Canada and a diverse array of sectors benefits both of our countries: Tremendous opportunities to expand partnerships in areas like health, manufacturing and industry, higher education, science and technology.

Members of Congress are pleased with the agreement to resolve the longstanding softwood lumber dispute between the United States and Canada. So we are moving forward on a lot of fronts. Our Subcommittee has focused on energy and security, and Canada plays a critically important role in North American energy strategy and security.

Canada is the leading supplier of oil and natural gas to the United States, and a lot of people don't know that. They think it is from the Middle East. But Canada is the main supplier. Canada is a dependable energy source and a partner for the United States.

Recently President Bush met with Prime Minister Stephen Harper of Canada and President Vicente Fox of Mexico to move ahead with the agenda to promote competitiveness and security.

There is much debate over new measures, such as the Western Hemisphere Travel Initiative and its effect on United States and Canadian businesses, and we want to take a closer look at these initiatives to discuss their impacts on exchange and traffic at the border and whether these measures will help law enforcement better prevent trafficking, movements of terrorists, and other activities that threaten both of our nations, and we need to get the process and the transition right along—realistic time, right along now and realistic timetables for implementation.

Now, the main reason that I asked the Ambassador to be here today—and I wanted to have this hearing and this briefing from the Ambassador—was to thank Canada for their steadfastness in the war against terror. Canada has been a real partner in fighting the war against terror in Afghanistan, and they have just extended—the Prime Minister and the Parliament just agreed to extend the troop involvement in Afghanistan for another 2 years.

And I personally want to thank the Prime Minister and you, Ambassador Wilson and your Parliament, for your steadfastness in the war against terror. We are partners, and we really, really appreciate your partnership.

One of the things I would like to say today is that you recently lost a captain, Nicholas Goddard, who was killed in the line of duty in Kandahar in Afghanistan this last week, and we want to extend our sympathies to your government and to his family. The sacrifices that people make in the fight for freedom and against terrorism is very costly, and we want you to know we really appreciate our Canadian brothers for their sacrifices as well.

We also appreciate the role Canada plays in hemispheric and global peacekeeping and humanitarian operations not only in Afghanistan but in Haiti, Darfur, and other conflict areas. And let me just end it by saying, before I yield to Mr. Engel, our Ranking Democrat, we have had our differences in the past with Canada, but it is like a brother-sister relationship. Even though we have our differences, we realize that without Canada, we would have a real problem with our northern border. You are our safety link. You are our friends. You are our brothers and sisters up there, and we really appreciate, even though we do have our differences from time to time, the cooperation we have with Canada and the Canadian Government. And we hope you will extend that thanks, our thanks to your Prime Minister and to your Parliament and to all the people of Canada. Thank you very much.

[The prepared statement of Mr. Burton follows:]

PREPARED STATEMENT OF THE HONORABLE DAN BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Today the Subcommittee on the Western Hemisphere meets to discuss relations between the United States and Canada. We have forged strong relations with our neighbor to the North and we are united by common ideals and shared interests. Today we will look at ways to foster even stronger ties.

Canada is our largest trading partner and accounted for nearly 20% of our total trade last year. Many states across our country have vital cross-investment linkages with Canada in a diverse array of sectors benefiting both countries. With regulatory convergence and harmonization I see tremendous opportunities to expand partnerships in areas like health, manufacturing and industry, higher education, science, and technology.

Members of Congress are pleased with the agreement to resolve the long-standing softwood lumber dispute between the U.S. and Canada. Hopefully, the administrations of both countries will take the lessons learned from this issue and apply them to current and future trade disputes like beef and wheat. Our Countries need to find better and faster ways to resolve our differences. There are areas of commercial exchange—whether pharmaceuticals, automotive manufacturing, agriculture and other sectors—that need to be harmonized to increase efficiency for both of our countries and to benefit consumers.

Our Subcommittee has focused on energy security, and I strongly believe that close cooperation with Canada will help bring the development and implementation of new technologies and conservation and diversification initiatives. Canada plays a critically important role in North American energy security. Canada is the leading foreign supplier of oil to the United States. Canada is also the leading supplier of natural gas to the United States. Canada is a dependable energy source and partner for the United States.

President Bush met with Prime Minister Stephen Harper of Canada and President Vicente Fox of Mexico two months ago to move ahead with the agenda for the Security and Prosperity Partnership (SPP) for North America. The SPP framework is ambitious and if its goals are realized, our countries will benefit from greater competitiveness and security. Our governments are constantly looking for ways to streamline border infrastructure to benefit our shared economic and security interests. Strong cooperation with Canada in the coming years will be essential. There is much debate over new measures, such as the Western Hemisphere Travel Initiative (WHTI) and its effect on U.S. and Canadian businesses and the status of the Security and Prosperity Partnership. We want to take a closer look at these initiatives to discuss their impacts on exchange and traffic at the border and whether these measures will help law enforcement better prevent trafficking, movements of terrorist and other activities that threaten our nations. WHTI was developed with the intentions of providing a safer and more secure border, and I do not question the purpose of the initiative. However, this pending requirement is having an adverse effect on U.S. and Canadian businesses, creating controversy on both sides of the border. The automotive industry is concerned with whether it can receive parts from manufacturers on time and the tourism industry is suffering from visitors confused with the regulations, and afraid of the cost of passports. This initiative is coming whether we like it or not, and with the welfare of the people in mind, we should help it come off as seamlessly as possible. Businesses are already being affected by the confusion surrounding this process and we owe it to them to get the process of transition right along realistic timetables for implementation. President George W. Bush stated on Monday that in no way should this process be perceived as saying Canada and or Mexico are enemies of the United States, but rather our friends and neighbors.

Canada is a steadfast partner in the Global War on Terrorism and we mourn the loss of Captain Nichola Goddard who was killed in the line of duty in Kandahar Afghanistan last week. We appreciate the role Canada plays in hemispheric and global peacekeeping and humanitarian operations, in Afghanistan, Haiti, Darfur, and other conflict areas. Canada has helped neighbors in our hemisphere, pledging \$180 million to the people of Haiti. Canada has emerged as a leader in international assistance and I hope the generosity will continue.

Recently, we learned that Canadian military forces will remain in Afghanistan, protecting the people there and here at home, until 2009. I applaud this decision by the Canadian government to stay in the fight against terrorists like the repressive Taliban. I commend the Canadian government for its leadership and also the

people of Canada, for their willingness to stand with us, as we work together to build a war-torn country into a prosperous and stable democracy. I recently introduced a bill recognizing the Government of Canada for its renewed commitment to the Global War on Terror, and I urge my colleagues to join me as sponsors of this bill.

We can partner with Canada in a number of areas that will strengthen hemispheric security, optimize our counternarcotics programs, and promote democracy and prosperity. Recently, after some reforms were put in place, the United States rejoined the International Coffee Organization. I believe the ICO is a tool to help impoverished farmers improve their livelihoods and break away from their reliance growing illicit crops like coca that is processed into cocaine, ending up on the streets of the United States and Canada. I urge the government of Canada to reconsider joining this organization.

A member of my staff deserves recognition for his important contributions to the US-CANADA Interparliamentary Group which met down in Charleston South Carolina this month. Brian Wanko did some heavy lifting on that recent IPG, and on the preparations for our hearing today. Thank you Brian.

I now recognize the distinguished ranking member from New York, Eliot Engel, for any statement he may wish to make.

Mr. BURTON. Mr. Engel?

Mr. ENGEL. Thank you very much, Mr. Chairman. I want to begin by commending you for calling this Subcommittee hearing on United States-Canada relations, obviously a crucial topic that seems to receive far less attention than it deserves. I also wish to welcome our Canadian Ambassador, Michael Wilson, and thank him for agreeing to brief us today about his country.

New York, of course, which I represent, shares a border with Canada. I remember the first time I ever went to a so-called foreign country, it was Canada. It didn't seem very far to me at all. Everyone was so friendly and nice, I have really enjoyed each and every time I have been to Canada. It was just a wonderful place to be.

The United States-Canada relationship, as the Chairman mentioned, is probably the closest and most extensive in the world. It is reflected in staggering volume of bilateral trade, the equivalent of \$1.2 billion a day in goods, services, investment income and people; more than 200 million annual crossings of the United States-Canadian border. That is a staggering statistic.

In fields ranging from law enforcement cooperation to environmental cooperation and free trade, our two countries work closely on multiple levels, from Federal to local, and United States defense arrangements with Canada are more extensive than with any other country in the world.

As the Chairman mentioned, since 2002 Canada has participated in joint military actions in Afghanistan. Canada has also contributed to stabilize efforts in Haiti and elsewhere. The United States and Canada enjoy an economic partnership unique in the world. Our two nations share the world's largest and most comprehensive trading relationship, which supports millions of jobs in both countries.

The two-way trade that crosses the Ambassador Bridge between Michigan and Ontario equals all United States exports to Japan. Most people don't even realize that, and it is just staggering. Canada's importance to us is not just a border State phenomenon; Canada is the leading export market for 39 of the 50 U.S. States. In fact, Canada is a larger market for United States goods than all

25 countries of the European community combined. Again, a staggering statistic.

The United States and Canada enjoy the world's largest energy trade relationship. Canada is the single largest foreign supplier of energy to the United States, providing 17 percent of U.S. oil imports and 18 percent of U.S. natural gas demand. And our electricity grids are closely linked, and Quebec is a major electricity source for New England. Let us not forget the cross-border aspects of the blackout in 2003, which affected my city, New York City.

Given the scale of our commerce, it goes without saying that the United States-Canada border is extremely important to the well-being and livelihood of millions of Americans. That so much commerce goes back and forth with such little dispute is a remarkable testimony to the stability and closeness of the United States-Canada relationship. The border is so stable that millions of Americans do shopping runs to Canada for their prescription drugs.

While it is perfectly fair to paint such a rosy picture, it is not surprising there are sometimes challenges to this bilateral relationship over a very small percentage of our commerce. Likewise, there have sometimes been disagreements between border policies, especially in this post-September 11 environment. And while the United States and Canada usually work in concert on global issues, occasionally Canada pursues policies at odds with the United States Administration, many of which are controversial in the United States.

For example, on Iraq, International Criminal Court and missile defense are positions of difference, but some disagreements are always to be expected, even among the very best of friends, and do not impact the overall strength of the United States-Canada relationship.

Today I very much welcome the opportunity to hear from Ambassador Wilson, not just about areas where the relationship is clearly working but about any Canadian concerns regarding United States policy. This hearing is also an opportunity for us to learn from all of our witnesses about developments in Canada since Prime Minister Harper took office a little more than 3 months ago and about developments on a range of bilateral issues.

So I thank you, Mr. Chairman. I look forward to hearing the testimony today.

Mr. BURTON. Thank you, Mr. Engel. Before I yield to Mr. Weller, the Vice Chairman, let me just say I mispronounced the name of Captain Goddard. It is Nichola. It is a young lady who died. So our condolences go out to her and her family and the people of Canada. And I apologize for that mistake.

I will now hear from Jerry Weller, Vice Chairman of the Committee.

Mr. WELLER. Thank you, Mr. Chairman. I want to commend you for holding what I think is an important hearing regarding the state of United States-Canadian relations. I appreciate your leadership in this hemisphere, and I look forward to hearing from our special guest, our friend the Ambassador from Canada to the United States, Ambassador Wilson.

The reality is that Canada and the United States have one of the best and strongest relationships in the world, through commerce,

multilateral organizations, and defense. Over \$1 billion in commerce flows across our borders every day, and our defense relationship with Canada is more extensive than with any other nation. Canada's important trade relationships support millions of jobs in both our countries and ours is the largest trading partnership in the world. Canada is a larger market for United States goods than all 25 countries of the European Community combined, although the EU population is 15 times that of Canada.

In my home State of Illinois, 237,000 jobs are supported by United States-Canada trade. Illinois trades \$75 million in commerce every day with Canada, making Illinois' number one export market Canada. Illinois exports five times more to Canada than we do to the United Kingdom.

Mr. Chairman, as we talk about high gas prices and energy costs, it is important to remember that Canada is the single largest foreign supplier of energy to the United States, representing 17 percent of U.S. oil imports and 18 percent of U.S. natural gas demand. Canada is the second largest holder of proven petroleum reserves after Saudi Arabia. For energy security, our relationship with Canada is critically important, and we must continue to build our energy relationship with our partner and ally.

I, for one, haven't forgotten that on September 11, 2001, a Canadian was in command of NORAD, the North American Aerospace Defense Council, and our partnership demonstrated on that very fateful day, that it works. It is important also to note that we continue to promote policies that will maintain border security but will facilitate the critical trade between our two countries, an issue I hope to hear more about from our panel, such as through the security and prosperity partnership. We must have secure borders that facilitate trade, and at the same time continue important investment opportunities between our two countries.

Again, Mr. Chairman, thank you for the opportunity to make an opening statement, and I look forward to the hearing and the witnesses. Yield back my time.

Mr. BURTON. Thank you, Mr. Weller.

Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. I thank the Chairman for his leadership in our Subcommittee.

Mr. BURTON. You don't have an opening statement?

Ms. ROS-LEHTINEN. No, sir.

Mr. BURTON. Okay. Thank you. According to our rules, I have to temporarily suspend the hearing so we can proceed and hear a briefing by the Honorable Michael Wilson, the Canadian Ambassador. So we are suspended temporarily. After his briefing is concluded, we will resume the hearing.

Ambassador Wilson assumed his responsibilities as the Canadian Ambassador on March 13, 2006. So he just got here recently. Welcome. Glad to have you here.

Ambassador WILSON. Thank you.

Mr. BURTON. Nice looking guy. You look like a movie star. That will go over big back home, won't it?

Prior to his service here in Washington, Ambassador Wilson served in the Canadian House of Commons and held key Cabinet

positions as Minister of Industry, Science and Technology, and Minister For International Trade.

I have enjoyed getting to know the Ambassador during his 2 short months here, we talked on the phone a couple of times, we are very pleased that you could join us today, and I look forward to working with you.

So the floor is yours, Mr. Ambassador.

**STATEMENT OF HIS EXCELLENCY MICHAEL WILSON,
AMBASSADOR OF CANADA TO THE UNITED STATES**

Ambassador WILSON. Well, thank you very much, Mr. Chairman, and thank you to your colleagues, for all of you, for your opening remarks. You stole a little bit of my thunder. So I may play some of this back to you.

But I do thank you very much, Mr. Chairman, for your invitation to allow me to brief the Committee. It is an important Subcommittee, Subcommittee of the Western Hemisphere, and I am delighted to have this opportunity.

Also let me thank you for enabling me to speak to the Subcommittee in an informal manner. As you know, it is not the general practice for a Canadian Government official to appear before a foreign legislature. So in this respect, my briefing today is offered in the spirit of friendship and comity that exists between our two countries and is without prejudice to the normal diplomatic communities and courtesies that are accorded to me as the Ambassador from Canada.

Before I begin, I want to also extend to you, Mr. Chairman, our deep appreciation for your initiative last Friday in sponsoring the resolution in the House of Representatives, commending Canada for its decision to extend for 2 years its deployment of 2,300 Canadian forces in Afghanistan and increase its development assistance. I will come back to that in a few minutes.

But I am going to make some brief comments today. I have placed a broader statement on the Committee table so that my comments will be more of an overview rather than getting into the detail that we have in that statement.

On January 23 of this year, Canadians voted for a change. Since being sworn into office in early February, Prime Minister Stephen Harper has moved with alacrity to give Canadians the government and policies he promised them. In that time, he has delivered on his pledge to cut taxes, bring renewed vigor to the pursuit of law and order, introduce greater government accountability, provide Canadian families with more choice in child care, and work with provincial governments to increase the quality and timeliness of public health care; and all the while, retaining our 8-year record of budgetary surpluses.

Of greater significance to this Subcommittee, however, the steps the Prime Minister has taken to reorient Canadian foreign policy. In the recent speech from the Throne, which is our rough equivalent to your State of the Union Address, the government signaled its determination to join with our friends and allies to advance common values and interests—and I am quoting here—“starting with Canada’s relationship with the United States, our best friend, and largest trading partner.”

The personal connections that nurture the Canada-United States relationship are the same ones that foster our assistance to each other in times of need, be it hurricane, ice storm, forest fire, or terrorist attack. The assistance Canadians gave after last year's devastating hurricanes is only the most recent example where we have helped each other in times of difficulty.

The threat our countries face from radical groups and States that reject the basic tenets of democracy, equality, tolerance and freedom is both asymmetric and unremitting. And in the face of this, your country has shown the way forward with courage and conviction. For our part in Afghanistan, as you pointed out, our contribution to ensuring stability is steadfast.

Prime Minister Harper made that clear with his first visit abroad there to Afghanistan, 5 weeks after taking office, and our commitment to extend our efforts for 2 years.

Canada is also taking divisive action on other flash points. After the Hamas election victory and refusal to repudiate violence, Canada was the first country to cut off contacts and suspend assistance to the Palestinian Authority while we preserved our humanitarian support for the Palestinian people. But we have also made a statement on the involvement of the Tamil Tigers.

Elsewhere we are leading in the global partnership against the spread of weapons and materials of mass destruction, contributing \$1 billion over 10 years to help Russia dispose of nuclear materials. Canada stands foursquare with the United States to ensure nuclear energy is used only for peaceful purposes and supports your efforts to address Iran's clandestine nuclear program. The Subcommittee's prime area of focus is, of course, the Western Hemisphere, and I am pleased to report to you that renewed engagement in the Americas is at the forefront of our foreign policy.

In Cancun in April, the Prime Minister and President undertook to work together to assist in governance and institution building in the hemisphere. Some examples for this in Colombia are financial support for the peace process there and our traditional involvement in the Caribbean, particularly in Haiti. We are active multilaterally, too, as the second-largest donor to the Organization of American States and the leader on democracy issues through the Summit of the Americas process.

In the more immediate neighborhood, the recent summit in Cancun allowed the Prime Minister and Presidents Bush and Fox to mark the anniversary of the Security Prosperity Initiative. Closer to home, the human links between our nations are bolstered by an intricate network of institutions and agreements that underpin our relationship, such as NORAD, the Permanent Joint Defense Board, as well as through cooperative initiatives on intelligence, immigration, and border activity.

Indeed, since 9/11, the level of cooperation between us has increased significantly and is a model for others, with Canadian commitments increasing by over \$10 billion as a result of this—in this particular area of activity.

Let me provide some examples here. We currently have a network of 23 integrated border enforcement teams, composed of border, customs, law enforcement, and other officials from both coun-

tries working side by side, coast to coast, to ensure constant vigilance along our borders.

For seagoing cargo entering North America, we have Canadian customs officers stationed at the ports of Seattle and Newark, screening incoming containers with their American colleagues, and with American officials doing the same thing in Halifax, Montreal, and Vancouver. And on a 24/7 real-time basis, our law enforcement and intelligence agencies share information on impending threats.

On the economic front, as many of you have observed, ours is an incredible success story. Annual two-way trade totals over \$460 billion a year, with Canadian investment in the United States valued at \$160 billion. Canada is the number one export market for 39 States in the Union, and number two for the rest. We are a more important partner than all of the EU combined. Our economies are tightly integrated, to our great mutual benefit.

Now, within this, Canada is by far the largest of the world's largest exporters of energy to the United States. We are your largest supplier of each, of oil, natural gas, uranium and electricity. Our oil sands production is now about a million barrels a day, growing to 2 million barrels a day by 2012, and all this supply is safe, secure, and right next door, not from some cartel or an unstable regime using petrol dollars to foment extremism.

Mr. Chairman, I must highlight one concern, and that is the Western Hemisphere Travel Initiative, or WHTI. By January 1, 2008, it requires that Americans and Canadians alike must have a passport or roughly equivalent documentation to reenter or enter the United States. This requirement is just over a year-and-a-half away from coming into force, leaving little time to finalize and publish the implementing rule, study the potential and significant economic impacts, identify and develop the appropriate technology, install readers and related infrastructure at border crossings, actually produce the millions upon millions of required documents, and convince people to buy these documents.

Americans and Canadians, including many Members of Congress from both parties, are concerned particularly with the implementation. With almost \$1.3 billion worth of goods and services and 300,000 people passing across our border every day, neither country can afford confusion and congestion at the border.

Let me be clear: Canadians support improved border security and document requirements. We neither want to be harmed nor do we want to be the source of any harm to our southern neighbors. We must work together to ensure that the border continues to bring us together rather than drive us apart. We welcome the sense of urgency that Prime Minister Harper and President Bush have brought to this issue quite recently. It is very important that we get the details right. If we cannot or if we need a little bit more time, we will engage with you and the Administration to reassess those timelines.

There is one other issue I wish to highlight, and that is the softwood lumber dispute. Solving the dispute has been my top priority, not only due to the hardship it was causing in Canada but also because it was becoming the barometer by which many Canadians viewed our relationship. We concluded an agreement on April 27 that delivers a win-win outcome for our countries, our respective

producers and their communities. This would not have been possible without the leadership of President Bush and Prime Minister Harper. These were tough negotiations, but they demonstrate the benefits that can be achieved when we approach the few differences that exist between us with respect.

With a new decisive focus and results-driven government in Ottawa, and the softwood lumber dispute behind us, we can now move our relationship forward to take advantage of the many extraordinary opportunities it has to offer. With an ascended China and India and an expanding European Union, we quarrel with each other and distract ourselves at our own risk.

Let me conclude, then, on an optimistic note. The Canada-United States relationship has many facets encompassing considerable multilateral cooperation, extensive bilateral initiatives, and the occasional bilateral dispute. Prime Minister Harper is personally committed to making this relationship stronger and more dynamic, celebrating our successes and respecting each other's point of view. Our focus should be on solving problems and placing a positive tone in the relationship and building a strong framework for it to grow and flourish.

Ours is a remarkable partnership in which we have much to celebrate. Geography has made us neighbors, and history has, indeed, made us good friends. Together, we can define our future. As Ambassador to the United States, I will do my utmost to ensure that this successful and unique relationship is never taken for granted and that it remains a model of dynamic, respectful, and productive partnership for the world to follow.

Mr. Chairman, I thank you very much and look forward to your questions.

Mr. BURTON. Thank you very much for that very comprehensive statement, Ambassador Wilson.

[The prepared statement of Ambassador Wilson follows:]

PREPARED STATEMENT OF HIS EXCELLENCY MICHAEL WILSON, AMBASSADOR OF
CANADA TO THE UNITED STATES

Thank you Chairman Burton for the kind invitation to take part in this briefing with the distinguished members of the Subcommittee on the Western Hemisphere and for the opportunity to engage in a dialogue on our unique relationship.

Allow me also to thank you for enabling me to speak with the Subcommittee in this informal manner. As you know, it is not the general practice for Canadian government officials to appear before foreign legislatures. In this respect, my briefing today is offered in the spirit of friendship and comity that exists between our two countries, and is without prejudice to the normal diplomatic immunities and courtesies afforded me as Ambassador of Canada.

Before I begin, I want to extend to you Mr. Chairman the Government of Canada's and my heartfelt appreciation for your initiative last Friday in sponsoring a resolution in the House of Representatives commending Canada for its decision to extend for two years its deployment of 2,300 Canadian Forces in Afghanistan. I'll come back to our role and commitment in fighting the global war on terror.

On January 23 of this year, Canadians voted for change in their country's direction. In just over 100 days since being sworn into office, Prime Minister Stephen Harper has moved with alacrity to give Canadians the government and policies he promised them. In that time, he has delivered on his pledge to cut taxes, bring renewed vigour to the pursuit of law and order, introduce greater government accountability, provide Canadian families with more choice in child care, and work with provincial governments to increase the quality and timeliness of public health care.

Of greater significance to this Subcommittee, however, are the steps Prime Minister Harper has taken to re-orient Canadian foreign policy. In the Speech from the

Throne, our rough equivalent to the State of the Union Address, delivered to Parliament on April 4, the Government signalled its determination to join with our friends and allies to advance common values and interests, “starting with Canada’s relationship with the United States, *our best friend and largest trading partner*”.

CANADA AND THE UNITED STATES: SHARED VALUES

Canada’s constitution speaks of peace, order and good government, and your Declaration of Independence of life, liberty and the pursuit of happiness. None of these can be fulfilled without democracy, freedom, the rule of law and respect for human rights. In a volatile world, Canadians and Americans take heart in their shared commitment to these values. Our countries are united not just by the world’s longest, safest, non-militarised border and its largest commercial relationship, but more importantly by family, kinship and shared values. To put a personal spin on that, both my mother and my mother-in-law were born in the United States. Centuries of immigration and migration across our continent by those seeking a better life—one imbued with freedom, fairness and the opportunity to chart one’s own course—have created amongst Canadians and Americans a common ethos of diversity, tolerance, hard work, innovation and self-reliance.

The personal connections that nurture the Canada-United States relationship are the same ones that make our assistance to each other in times of need instinctive and automatic. Whatever the cause—be it hurricane, ice storm, forest fire or terrorist attack—Canadians and Americans help each other immediately, generously and without thought of recompense because that is what good friends, neighbours and family do. Every year Nova Scotia sends a Christmas tree to Boston to thank New Englanders for their help after the Halifax Explosion of 1917 levelled the city. So you can see that the assistance Canadians gave to New Orleans, the Gulf Coast and Florida after last year’s devastating hurricanes is only the most recent example of our countries’ long and proud tradition of helping each other in times of need.

COMMON CAUSE AROUND THE WORLD

The threat our countries face from radical groups and states that reject the basic tenets of democracy, equality, tolerance and freedom is both asymmetric and unremitting. And while the barbarism of Al-Qaeda and 9/11 might have shaken the confidence of many nations, your country responded by showing the way forward with courage and conviction for all who hold our freedoms dear.

In Afghanistan, our contribution to ensuring stability is steadfast. Prime Minister Harper made that crystal clear with his first visit abroad a mere five weeks after taking office. And just a little more than one week ago, Canada’s Parliament endorsed the Government’s decision to extend our commitment in Kandahar by two years, from February 2007 to February 2009.

The events of September 11, 2001 were a wake-up call, not just to Americans but to Canadians and other free and democratic nations. Canadians saw twenty-four of their fellow citizens perish on that dark day almost five years ago. We recognise that we are not immune from the scourge of such barbaric acts, and never will be so long as we continue to defend and sound the call for freedom, democracy and human rights. Al-Qaeda joined the Taliban in a sinister effort to take an unstable and undemocratic Afghanistan and turn it into a safe haven from which to plan terrorist attacks worldwide. They must never be given a chance to do so again, in Afghanistan or anywhere else.

That is why we are a key part of the 34-nation coalition there, why we have led NATO’s ISAF force and are prepared to do so again, why we will remain with 2,300 Canadian Forces troops and a Provincial Reconstruction Team in one of the most dangerous parts of the country, and why Canada gives Afghanistan more development assistance than any other country in the world. We are there because it is vital to succeed and because it is our pledge to the Afghan people, our friends and allies. Canada does not cut and run. My Government’s vision in Afghanistan is clear: together, we will succeed because the cause is right; because our will is firm; because democracy is a potent tonic.

In an age where the world has become a smaller, more dangerous place, Canada is stepping up to the plate, re-focussing our efforts on the new threats facing our people. This was recognised by Prime Minister Harper in the Speech from the Throne, in which the Government not only committed to putting more police on the streets and improving border security, but to a more robust diplomatic role for Canada, a stronger military and a more effective use of Canadian aid dollars.

Canada’s is also taking decisive action on flashpoints around the world.

After Hamas' election victory and refusal to repudiate violence, Canada was the first country in the world to cut off contacts and suspend assistance to the Palestinian Authority, while preserving humanitarian support for the Palestinian people.

We listed the Liberation Tigers of Tamil Eelam (LTTE) as a terrorist group under our Criminal Code, impeding terrorist financing of the LTTE and other forms of support.

Prime Minister Harper intervened personally with Afghan President Karzai to insist that the religious and civil rights of a Christian convert, Abdul Rahman, be fully protected and to convey Canada's concern that his treatment not undermine Afghanistan's international rehabilitation.

At the United Nations, we have become steadfast in our support for Israel and in our opposition to the long-standing campaign by some of the Organisation's least democratic and accountable states to vilify this country.

We also recently denied landing rights to a Belorussian aircraft on its way to Cuba to send a clear message to the Lukashenko regime that its undemocratic ways and blatant disregard for human rights find no favour among Canadians.

Elsewhere, Canada is a leader in the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. The Global Partnership's purpose is to prevent the proliferation of weapons of mass destruction to terrorists or those who support them by securing or destroying weapons grade material in the former Soviet Union. Canada is contributing one billion dollars over ten years to the Global Partnership, with over \$250 million already disbursed. Both the United States and Russia have recognised Canada as one of the best at, quite literally, delivering the money and the goods. We are also working closely with the United States on the Proliferation Security Initiative, another programme aimed at stopping the flow of weapons of mass destruction.

At the International Atomic Energy Agency, Canada has stood four-square with the United States to ensure that nuclear energy is used only for peaceful purposes, and supports the United States' efforts to secure strong action by the United Nations Security Council to address Iran's clandestine nuclear programme.

The Subcommittee's prime area of focus is, of course, the western hemisphere. And I am pleased to report to you that renewed engagement in the Americas is at the forefront of the Harper government's foreign policy.

At their meeting in Cancun two months ago, the Prime Minister and President undertook to work together and with a variety of international partners, as well as through international organisations, to assist in governance and institution-building in the hemisphere.

In Colombia, for example, our financial support for the peace process reflects our conviction that helping to disarm, demobilise and reintegrate former combatants is essential to helping that country reach a stable, democratic and prosperous destiny.

Canada also wants to reinforce its tradition of close and supportive relationships in the Caribbean. A priority is to work with you and other hemispheric partners to help Haiti emerge from its protracted political crisis. Building that long-suffering country's security and judicial systems, and safeguarding the rule of law are all pressing needs and areas in which Canada believes it has a clear "value-added" role to play.

We are active multilaterally, too, as the second largest donor to the Organisation of American States and a leader on democracy issues through the Summit of the Americas process. We hosted the 2001 Quebec Summit, resulting in the Inter-American Democratic Charter, that defines the principles of democracy and establishes means of recourse through the OAS.

In the more immediate neighbourhood, the recent summit in Cancun allowed the Prime Minister and Presidents Bush and Fox to mark the anniversary of the Security and Prosperity Partnership. This unique arrangement has as its central vision to help build a safer and more competitive North America. Its action plan is ambitious and wide-ranging, and will require political dedication in all three capitals if it is to realise its potential.

COMMON CAUSE IN NORTH AMERICA

Closer to home, the human links between our nations are supplemented by an intricate network of institutions and agreements that underpin the relationship such as NORAD, the Permanent Joint Board of Defence, the International Joint Commission, the North American Electric Reliability Council, and the Great Lakes Commission. The recent Open Skies aviation agreement is a further reflection of our integration, removing all economic restrictions on air services to, from and beyond each other's territory by airlines of both countries. And through initiatives such as the Container Security Initiative, new Canadian Permanent Resident Cards, FAST,

NEXUS, the Safe Third Country Agreement and the Smart Border Declaration, we are improving security while keeping our border open to legitimate commerce and travellers.

Indeed, since 9/11 the level of cooperation between our countries has increased manifold and serves as a model of bilateral cooperation. From the 30-point Smart Border Action Declaration signed in December 2001, we have moved swiftly to tighten our border on the basis of sound risk management.

Today, we have a network of 23 Integrated Border Enforcement Teams (IBETs) composed of border, customs, law enforcement and other officials from both countries working side-by-side from the Alaska-Yukon border in the north, to the British Columbia-Washington State border in the west and the New Brunswick-Maine border in the east—and more than a dozen points in between—to ensure constant vigilance all along our border.

For seagoing cargo entering our North American space, that cooperation is just as extensive. As I speak, Canadian Customs officers are stationed at the Ports of Seattle and Newark working with their American colleagues to screen incoming containers. American officials are doing the very same at the Ports of Halifax, Montreal and Vancouver.

And on a 24/7, real-time basis, our respective law enforcement and intelligence agencies share information on the threats that confront us, foiling those that try to harm either of our countries.

Our significant defence trade contributes not only to economic growth and jobs on both sides of the border—Canada buys almost one billion dollars in military goods from American firms each year—but to the interoperability of our forces in the field, and to obtaining the best value-for-money for our taxpayers. Our integrated economies have brought you not only the robotic Canadarm on the space shuttle and International Space Station, but the ubiquitous Blackberry, drug-coated stents that significantly improve the treatment of heart disease and the Stryker light armoured vehicle. In an increasingly competitive global economic environment, one in which pandemic threats or terrorist acts could cause immense harm and disruption, we are most secure when we reduce the barriers to cooperation in North America, including in government procurement and investment. Indeed both our countries' openness to foreign investments has been a key component of our nations' economic prosperity and our common ability to continue to attract foreign investments remains, now more than ever, instrumental in wealth and job creation in North America.

And against the backdrop of increasing global demand for precious energy resources, Canada and the United States also take comfort in the security of our energy relationship. Canada is by far the world's largest exporter of energy to the United States. We are the largest supplier to the United States of oil, natural gas, uranium and electricity. For crude oil only, in 2004, Canada displaced Saudi Arabia as the largest supplier to the United States. Oil sands production in Western Canada alone has now surpassed a million barrels per day, on its way to two million by 2012 with already planned investments. And all this supply is safe, secure, and right next door, not from some cartel or an unstable regime using oil dollars to foment extremism.

Pandemics, the protection of our shared environment and growing competition from rising economic powers are other challenges that face both our countries. To ensure the security and prosperity of our peoples, our Governments, along with Mexico, have agreed to deepen our cooperation on these and other issues. In an increasingly integrated and interdependent world, our responses to threats and opportunities must likewise be coordinated and complementary. That is why in Cancun at the beginning of April, Prime Minister Harper and Presidents Bush and Fox committed our countries to working together on North American competitiveness, regulatory cooperation, emergency management, energy security and smart, secure borders. Some recent Congressional initiatives such as on GreenLane maritime security and foreign investment are out of step with this approach and are worrisome as a result.

Canada is also contributing significantly to the economic security of our continent. From 1997 to 2005, Canada led the G7 in real GDP growth per capita and employment growth. In February 2006, our unemployment rate reached its lowest level in over 30 years and the employment rate hovered near record highs. Private sector economists expect Canadian growth of 3.0% in 2006 and 2.7% in 2007. We have had eight consecutive budget surpluses through 2005, and the new Government is committed to bringing forward fiscally responsible budgets. Our current account has been in surplus for 26 consecutive quarters. Our total government debt as a percentage of GDP is down to 26%, lowest in the G7, with our net foreign debt at its lowest level since 1945: 12.5%. And in the face of an aging population we have taken the tough steps necessary to ensure an actuarially sound public pension plan for the

next 75 years. Coupled with low target inflation rates of between 1%–3%, the purchasing power of Canadians' savings will remain strong for generations to come. These robust economic fundamentals will allow the Government to make tangible improvements that contribute to stronger families, safer communities, and a stronger country.

What else does all this good news from Canada mean for you? Even with U.S. tax cuts, existing Canadian corporate tax rates on manufacturing income will in 2010 be on average 1.6% less than in the United States. And earlier this year, KPMG named Canada the lowest cost G-7 country in which to do business for the sixth year running. A more competitive Canada means a stronger North America.

That is not to say that Canada's success has not come without challenges. Developments in the world economy have put upward pressure on the Canadian dollar this year, a continuation of a trend that began in late 2002. This rise has reflected the impact on the Canadian dollar of increases in global commodity prices and global portfolio adjustments in response to large and persistent U.S. current account deficits. On a trade weighted basis, the Canadian dollar has risen more than any other major currency since the beginning of 2003.

The appreciation of the dollar has posed a challenge to businesses that are highly exposed to international trade. The overall economy has been adjusting well to the challenge posed by the rising dollar. However, Canada has experienced a decline in manufacturing employment losing some 173,000 jobs since January 2003.

This has been more than offset by strong employment growth, some 989,000 jobs since January 2003, in all other industries. In 2005, the Canadian economy created about 255,000 jobs and this strong pace of job creation has supported income growth and real consumer spending underlying Canada's recent economic growth.

The foundation for this growth was the 1989 Free Trade Agreement, which propelled Canada's economy into the twenty-first century. Canada and the United States now share the largest and most productive bilateral trading relationship in the world. Since the implementation of the Canada-U.S. Free Trade Agreement, two-way trade has tripled. Under NAFTA, growth in bilateral trade between Canada and the U.S. has averaged almost 6.0% annually over the last decade. In 2005, our bilateral trade was over U.S. \$460 billion, with almost \$1.3 billion worth of goods and services crossing the border every single day. Canada represents 23.5% of America's exports and is a larger market for U.S. goods than all 25 countries of the European Union combined. Or put another way, Canada is the number one foreign market for 39 of the 50 states in your union. That trade supports over 5 million U.S. jobs.

INTEGRATED ECONOMIES, INTEGRATED SOLUTIONS

Our integrated economies oblige us to ensure that security measures on our border do not become an unnecessary impediment to the two-way flow of millions of people and billions of dollars in trade and investments. By and large, we are doing an excellent job. However, one issue that should raise concern is the Western Hemisphere Travel Initiative (WHTI). Mandated by the *Intelligence Reform and Terrorism Prevention Act of 2004*, it requires that by January 1, 2008, all Americans and Canadians alike must have a passport or roughly equivalent documentation to enter the U.S. This requirement is just over a year and a half away from coming into force, leaving little time to finalise and publish the implementing rule; consider the potential and significant economic impacts it may have on our economies; identify and develop the appropriate technology; install readers and related infrastructure at border crossings; actually produce the millions upon millions of required documents; and convince people to buy the new documents.

Americans and Canadians, including many Members of Congress from both parties, are concerned about the potential impact of WHTI on the economies and border communities of both countries if the appropriate documents and supporting technology are not in place. Similar concerns have been expressed by stakeholders in both countries. With almost \$1.3 billion worth of goods and services and 300,000 people crossing the border each day, it is in neither country's interest to have confusion and congestion at the border.

Let me be clear. Canadians support improved border security and documentation requirements. We neither want to be harmed nor do we want to be the source of any harm to our southern kin. And with approximately one-third of our GDP dependent on trade with the United States, like any prudent businessperson, Canadians also want to protect their livelihoods. But just as our leaders stated in Cancun, we need a smart border, not a thick one. In this context, the WHTI poses two substantial risks: first, that it will engender a cooling effect on cross border

travel and commerce generally; and, second, cause increased border delays for people and business alike.

So my message to you is this. Let us ensure that our border continues to bring us together rather than drive us apart. It is in neither's country's interest to have the WHTI drive a wedge between our peoples, threatening the understanding and kinship that has made us good friends and allies for so many years.

In Cancun, Prime Minister Harper and President Bush brought a new sense of urgency to this issue. They did so by directing our Minister of Public Safety and Emergency Preparedness, Stockwell Day, and the Secretary of Homeland Security, Michael Chertoff, to address the various questions raised about WHTI by border communities, business and the travel and tourism industries. It is very important that we get the answers on a timely basis. But if they are not satisfactory or we need a little more time, we will engage with you and the Administration to reassess the time-lines.

There is one other issue I wish to highlight for you, because no speech from a Canadian Ambassador is complete without a reference to the softwood lumber dispute. Solving the dispute was my top priority when I arrived in Washington a little more than two months ago, not only because of the hardship it was causing to many Canadians but also because it was becoming the barometer by which too many Canadians viewed the state of our relationship. Since then, we have made very significant progress with a framework agreement announced on April 27, which among other things provides for repayment of at least \$4 billion in duties; no quotas or tariffs at current prices; provincial and regional flexibility and will last for at least 7 years. This agreement would not have been possible without the leadership and commitment of Prime Minister Harper and President Bush. These were tough negotiations but they demonstrate the benefits that can be achieved when we approach the few differences that exist between Canada and the United States from a starting point of respect.

With a new, decisive, focussed and results-driven government in Ottawa and the softwood lumber dispute behind us, we can now move our relationship forward to take advantage of the many extraordinary opportunities it has to offer. The fact is that in an increasingly integrated economy, including in the lumber sector, allowing this or any other dispute to fester hurts both our interests. In Cancun our leaders recognised the importance of integrated North American solutions to the challenges of globalisation. It is time for us to respond to that challenge.

CONCLUSION

Let me conclude then on an optimistic note. The Canada-U.S. relationship has many facets encompassing considerable multilateral cooperation, extensive bilateral initiatives and the occasional bilateral dispute. The relationship is at the same time complex, broad and deep, and Prime Minister Harper is committed to making it even stronger. We must celebrate our successes and respect each others' different points of view. We must work to resolve our disputes, which are inevitable in such a diverse relationship.

We should always remind ourselves that 90% of this relationship goes on without the involvement of our Governments. Our focus then should be on solving problems and getting involved in setting the tone for the relationship and building a positive framework for it to continue to grow and flourish.

Ours is a remarkable partnership. We have much to celebrate. A shared heritage. A shared outlook. Neighbours, friends, family. A continent rich in resources, people, ideas and initiative. Partners abroad and at home. Geography has made us neighbours. And history has indeed made us good friends. Together we can define our future. My pledge to you is that as Ambassador to the United States I will do my utmost to ensure that this remarkable and unique relationship between our countries is never taken for granted, and that it remains a model of dynamic, respectful and productive partnership for the world to follow.

I look forward to your questions. Thank you.

Mr. BURTON. You mentioned in your statement the Western Hemisphere Travel Initiative. Did you say there is a year-and-a-half to go before that is implemented? Is that correct?

Ambassador WILSON. It is January 1, 2008 for land. Air and sea are January 1, 2007, but we are concerned mostly about—

Mr. BURTON. Cross-border.

Ambassador WILSON. The cross-border, the land crossings.

Mr. BURTON. I am not familiar with where they stand on the negotiations with that process, but if this Committee can be of any assistance, if it looks like there is a logjam, perhaps you and I can talk and we will see if we can be of assistance as a Committee to the Congress.

There is a big drug problem here in the United States, and we have been involved here, as you have, with Colombia and dealing with some of these problems of mutual concern. I have always been concerned about how Canada deals with the drug problem and how severe it is up there compared to the United States, because I haven't really seen the statistics.

Ambassador WILSON. The drug problem as it relates to Colombia is more indirect than possibly is the case with the United States, since most of that comes over land, comes into the United States and through various sources, comes into Canada. It is a border issue that we are concerned with, but it is very much a social issue when it comes to Canada.

As a result, we are very supportive of any activities as it relates to the drug developments in Colombia. That is why we are very much involved in the initiatives of institution building and stronger governance in the country of Colombia, and we continue to work side by side with you in that effort.

Mr. BURTON. Have you seen an increase in the amount of drugs coming into Canada in the last couple of years? Or has it been pretty constant?

Ambassador WILSON. I am not in a position to be able to comment one way or the other. I would be leading you astray if I responded to that.

Mr. BURTON. Okay. Thank you. Canadian and United States industries are strongly bonded together and our automotive, agriculture, energy and manufacturing sectors are all, as you said, very close.

What are your views on securing North American competitiveness as United States and Canada face stiff competition from the European Union and China. Do you have any ideas on how we can cooperate to deal with the EU and China as far as trade is concerned?

Ambassador WILSON. There are things that we can do cooperatively and collaboratively within our two countries, and this is more broadly within NAFTA area, which is obviously the subject of the security and prosperity partnership.

One of the initiatives that was identified in Cancun, which I fully support, is more cooperation on the regulatory side. This has been something that has been discussed for a number of years now and needs a push. I am hopeful that the push on the part of the three leaders in identifying this will help us move things along. It doesn't make a lot of sense for us to have three different regulatory processes on the same products or the same equipment, if we are using this equipment or these products in our own country. So if we can develop the confidence in the relative regulatory process, it may be the way we can share the burden, and at the same time bring down those costs that each of our industries is bearing.

We have seen huge integration between the United States and Canadian economies. I will use an example. It doesn't work with

every industry, but it makes a point. Canada imports about 90 percent of what we need, but we export about 90 percent of what we produce. In other words, since 1987 with the Free Trade Agreement, both United States and Canadian companies alike have not paid much attention to the border, but spent more attention finding out where is the right place to put a plant to take advantage of all the economic efficiencies that they can develop.

So when you look at that integration and then layer this fragmented regulatory process, you can see why we can have very good advances by dealing with that. This is one example that is something that we are looking at closely, and we want to be a prominent part of pushing ahead.

Mr. BURTON. Thank you. Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman.

Mr. Ambassador, again, thank you. You mentioned a couple of things that I want to commend your country for, Afghanistan, as the Chairman did. We certainly support our continuing alliance there in fighting against terrorism. And I also want to commend Canada for being the first country to cut off aid to the Palestinian Authority now that it is run by Hamas terrorist organization.

Yesterday in the Congress we passed a bill overwhelmingly to do the same thing. Shamefully, 37 people did not vote for it, but over 300 did. I think that it is something that all the nations of the world need to unite in fighting because the scourge of terrorism in one country is not something that stays within that country.

Ambassador WILSON. Right.

Mr. ENGEL. Ultimately it affects every country. So I want to thank you for that.

You mentioned that there has been a change in government in Canada, and you mentioned that you have budgetary surpluses. I am wondering if you can also teach us how to have those. It has been 5 or 6 years since we have had them, and we need to go back to them. So I wanted to mention that, but can you help us understand a little bit about the Harper government? In what ways would you say that the foreign and security policies of the Harper government differ from those of Paul Martin's previous government?

Ambassador WILSON. Sorry. The policies—I missed your point.

Mr. ENGEL. Yes. Security policies and foreign security policies or just any of the policies. Can you help us understand why there was a change, the first time in 12 years? Could you help us understand a little bit about what that change entails and how Canada's policies are likely to change as a result of the changing government?

Ambassador WILSON. I would have to give you two answers to that question. One, there will be continuity because there were a number of things that have been done in a cooperative nature that I described in my earlier remarks. There is continuity there, and we will be trying to build on that cooperation between the two countries. It is very impressive the amount that has been done.

There is continual benchmarking between our two countries. There is one agency in Canada and its comparable agency in the United States which are comparing best practices and trying to upgrade the practices of each other as they proceed. I think that there

is opportunity here to build on that, and certainly that is a direction that the new government will be going.

I mentioned the instance of Hamas, of the Tamil Tiger decision—that is where we put the Tamil Tiger, the LTTE, that Tamil Tiger group. We recognize them under our criminal codes. They are now designated as an illegal organization within Canada. That was a change. We have done other things along similar lines, but the point that I would make is that the Prime Minister has demonstrated in these first 3 months of his Administration a willingness to step out and make these decisions and implement them without looking around to see where other people are. He feels strongly about these issues, and he is willing to take a stand, and I am sure that you will see, when other instances surface, that he will be doing a similar type of thing.

In the field of defense, the previous government did increase defense spending about a year ago. This budget increased that defense spending even further. So a continuity, but what I would say is an acceleration as a result.

A related area, and that is in law and order within our country. It is partly a cross-border issue since there are—there are liaisons between illegal organizations in Canada and in the United States, and this government in the election campaign announced it, but was implemented by increasing spending and taking some specific steps in the budget, not one of them being to arm our border guards, to put those electoral promises into action. So there is an increase in spending on law-and-order-related issues, which I believe does touch on the security issues as well.

I believe also that the closer relationship that seems to be developing between the President and the Prime Minister—the two of them will be getting together in another meeting in early July, July 6, where they will build on their first meeting in Cancun—I think that that is going to result in a closer working relationship between our security, our intelligence, intelligence forces, that was not as apparent previously.

Mr. ENGEL. Thank you. You mention border security, and let me just ask you a question about that. One border security idea is for the United States and Canadian customs agents working in each other's territory to preclear items away from the border. Are you familiar with that? Can you tell us what Canadian reactions are to this idea? And does the idea of having United States customs agents with enforcement powers away from borders raise Canadian sovereignty concerns?

Ambassador WILSON. Well, let me give you an example of where it is actually happening now, because it is another example of an impressive level of cooperation. If there are containers coming to North America from—I believe it is about 25 countries where we cooperate—we will share information on the owner, the source of the goods that are in those containers, and whether they will be going to Seattle or Vancouver, Montreal or Halifax, or Boston or New York. We will then follow that cargo, that container, in a coordinated way. And so we are trying to work together to identify problems before they hit our coastline. That is one example, and it works very well.

I mentioned the integrated border enforcement teams, the IBETs. This is an area where, again, we cooperate. If we know, or if you know, of undesirable people who are crossing our borders, then we share that information in order to provide protection for the other side. So what you have talked about is consistent with practices that are already underway, and I think there is only good reason to build on those.

Mr. ENGEL. Thank you. Thank you, Mr. Chairman.

Mr. BURTON. Thank you, Mr. Engel. We have been notified there will be four votes on the Floor in about 15 minutes. So I advise my colleagues about that. Mr. Weller?

Mr. WELLER. Thank you, Mr. Chairman. And Mr. Ambassador, this is a wonderful opportunity. Thank you for the courtesy of appearing before us in an informal way—

Ambassador WILSON. Thank you.

Mr. WELLER [continuing]. Giving us this briefing, but also the opportunity to actually ask some questions in a public way. You had stated in your opening statement that your government had a renewed engagement in the hemisphere, and of course I want to commend you for the work that you are doing in Haiti as part of the police effort there as well as your supportive efforts of the peace process and democracy of Colombia.

Narcotrafficking, the production, the transportation, distribution, processing, sales and use of narcotics, of course, is one of the most corrupting influences around the world, not just in our own hemisphere. But of course narcotrafficking is one of the—clearly presents what I consider to be the greatest threats to democracy in our own hemisphere. And can you outline any steps that your government is taking? Are there any new initiatives to help interdict narcotics at the source or in transit?

I have seen statistics suggesting particularly that cocaine and heroin are arriving in Canada in greater numbers than in the past, and that they are coming from Latin America. I was wondering, do you have any new initiatives or steps your government is taking?

Ambassador WILSON. I would have to get back to you on that, Mr. Weller. I know that there is a lot of coordinated activity to interdict this flow of drugs at our border. I can't comment on how much is done closer to the source. There may be some intelligence sharing as we identify sources, as drugs are discovered within our country that we work together on; but as to whether we have people who are working closer to the source, I am not in a position—I just don't know the answer to that, but I can get back to you on that.

Mr. WELLER. One of the challenges that I have observed is for those particularly involved in growing coca. It is an economic source for many poor people to get money, and there are alternative crops and through USAID, our program, we have been working to convince cocaleros to become cafeteros, and we join the World Coffee Organization under the leadership of our former Chairman, Cass Ballenger. We've rejoined the Coffee Organization to support that, and can't take the credit, but coffee prices have gone up. So that has become a more lucrative crop and has helped us in finding alternative crops. But does your government have any initiatives similar to that to promote alternative crops to narcotics?

Ambassador WILSON. We dropped out of the International Coffee Organization around the time that the United States did, and we have not joined. My understanding is that this is under consideration at this point, but I can't say anything more than that. I am just not aware.

Again, this is not an area that I am very familiar with. So I would like to get back to you and give you a better answer, having discussed it with people who are more deeply involved.

Mr. WELLER. And Mr. Ambassador, this is an area where I think our two governments can work together very effectively as partners as we have in other areas. And I welcome the opportunity to talk more with you, and I am looking for ways we can more effectively partner to protect our own citizenry but also some fragile democracies in Latin America as well. So thank you, Mr. Chairman.

Mr. BURTON. Thank you. Mr. Delahunt.

Mr. DELAHUNT. Yes. Welcome, Ambassador. And I just want to echo my own gratitude for the role Canada has played, particularly in Haiti. It has been absolutely essential, and we, I am sure as a Committee, are unanimously in the debt of the Canadians.

I just have two questions. One is I have a particular concern about growing anti-American sentiment worldwide, and a recent poll by Pew was brought to my attention that the opinion of the United States in Canada—among the general public—has declined considerably, about 50 percent in the year 2000. I don't know if you are familiar with this. In the year 2000, Canadian attitudes toward the United States were at a favorable of 76 percent; and in the year 2005, it is now 43 percent. Would you comment on that? And is that related to the war in Iraq? Or are there other factors that we should be made aware of?

And additionally, I am aware that a Canadian newspaper, *The National Post*, published a report that proved to be inaccurate, that the Iranian Parliament had passed a law requiring Jews and Christians to wear badges. Has the Canadian Government investigated the source for that particular story? And if it has, has it revealed the source to the Canadian people, given the particularly sensitive moment that we find ourselves involved with Iran? That certainly was an inflammatory story.

Ambassador WILSON. On the poll, I can't comment on whether those are accurate reflections. A poll is a poll.

Mr. DELAHUNT. A poll is a poll, I understand that.

Ambassador WILSON. In fairness, there has been a decline in support for certain American policies, and one of those areas I referred to in my opening remarks, is the softwood lumber issue. There is another poll, if I can throw a poll back to you, another poll out today, not by Pew, but by a Canadian organization on the response to the negotiation on softwood lumber, which, as I said, defines the nature of the relationship for many Canadians. The numbers in that poll, 58 percent favorable, 22 percent—I think it is 22 percent, in the 20s, negative, and the rest didn't know or didn't have an opinion.

I think that it is a reflective indication of the point I made earlier on the relationship being defined by this one particular issue. I went into my barber shop the day after—this was in Toronto.

Mr. DELAHUNT. Those are always the best polls.

Ambassador WILSON. The day after. Two of the barbers, one who is first-generation Canadian from Japan, another from Italy. And both of them spoke with some knowledge—I was surprised—on the softwood lumber issue. So that is why I say that that particular issue is so important in getting behind us, and I think that now that we have it behind us, I think that those Pew numbers will start to come back.

Iraq is an issue. There is less than positive support for the United States involvement in Iraq. So those will reflect those broad points of view. One of the points that I will make is that this Prime Minister and this government will be proactive in supporting the United States-Canada relationship. I mentioned that reference in our speech from the Throne, and I think you weren't in the room at the time, but I said that in the speech from the Throne, there is a reference to the United States being our closest ally and largest trading partner. And this is something that the Prime Minister is going to be very prominent in addressing.

In other words, addressing the positive aspects of the relationship with your country, and in that way, putting a better balance in people's minds as to how they might think about this hugely important relation to us as a country. I think if you get away from, say, an overriding issue like Iraq and ask that question, I am sure that you would get a much more positive point of view.

Mr. DELAHUNT. And the—

Ambassador WILSON. On the question of the story in the *National Post*, I don't know whether we have been able to find anything out about that. I will get back to you, but at this point I am not aware that there has been any conclusive work being done on that.

Mr. DELAHUNT. Thank you.

Ambassador WILSON. Thank you.

Mr. BURTON. Thank you, my good friend from the great State of—

Mr. DELAHUNT. My grandfather was born in Halifax in Nova Scotia, Mr. Chairman.

Mr. BURTON. Would you like to illuminate—

Mr. DELAHUNT. I knew you would be interested. Although his father did come from Ireland, Ambassador.

Ambassador WILSON. Is that right? Well, my mother was born in Bay City, Michigan.

Mr. BURTON. Where was your father born? We might as well get into this in a little bit more depth.

Mr. DELAHUNT. My grandfather became a prominent Canadian.

Mr. BURTON. Did he? He was a prominent Canadian. Mrs. Napolitano.

Mrs. NAPOLITANO. I was really going to ask Ambassador, where's Mr. Murray Smith?

Ambassador WILSON. Mr. Murray Smith is—he was very prominent at a function that we had yesterday. He is very active in his work here on behalf of the Province of Alberta, and I know he would want me to say to you that there is going to be a week leading up to our July 1, our National Day, in Washington where there will be a number of functions in and around the Embassy. And Mr. Smith is right in the middle of the organization of that.

We are going to have one of those great big trucks from the oil sands that I believe the tires are 12 feet in diameter, parked out in front of the Smithsonian Institute. That was Murray's idea.

Mrs. NAPOLITANO. Well, I look forward to meeting my old friend. When I was in the State house, he was Minister of Economic Development in Alberta and then became Minister of Energy, and consequently now he is here in Washington. He has been very helpful, especially to California during the oil crisis. He was very forthcoming with assistance in the energy crisis. So I am very grateful for that.

One of the things—very quickly and I know we have to vote, so I will make mine very quickly. I wasn't going to ask, Mr. Chair, but because there is so much debate over the immigration issue, and most of the issues regarding undocumented are based on people south of the border.

Do you have any estimate of how many Canadians live in the United States that are not legal?

Ambassador WILSON. I asked that question, and it is difficult to give you a precise answer, because the undocumented people in this country are identified by the region where they have been identified as opposed to where they have come from. So there can be unidentified aliens coming north and settling in Chicago or in New York City, who may not be Canadians. Our estimate is it is probably less than 5,000.

Mrs. NAPOLITANO. Well, I met one of them.

Ambassador WILSON. Did you?

Mrs. NAPOLITANO. I was doing immigration research for the State of California back in the 90s and happened to be in a plane, and the gentleman sitting next to me—and we were discussing some of the things that we are finding in our research for immigration impact on California. And he very basically told me, I have been working in the United States for more than 7 years. I am a Canadian, and I have no papers. So just to make the point, not to single anything or try to point fingers, but the fact that we have immigrants in this country that this country benefits from, they are from all over the world that are contributing to our economy, and I am certain they are just as excellent from Canada as they are from the other parts of the world.

Ambassador WILSON. We do have and have identified Canadian people living in Canada who have come from the United States, and I am told that it is roughly the same order of magnitude. Maybe it is slightly more. So it's a two-way street.

Mrs. NAPOLITANO. Thank you very much, Mr. Chairman.

Mr. BURTON. Before we recess to go vote, I want to first thank Brian Wanko and his staff for their hard work. We appreciate your hard work, and you probably put this meeting together today. We really appreciate that. He does great service for us, and so does Dan, my right-hand guy here.

Ambassador Wilson, thank you very much for taking your time out of your busy schedule for coming to be with us. Once again, please convey to the Prime Minister how much we appreciate all of your work and time, and thank all of the Canadian people for being our good friends. We really appreciate it.

We stand in recess. We will be back after our Members go take a vote, and then we will come back and start again.

[Recess.]

Mr. BURTON. We'll now reconvene our hearing, and I want to apologize to our witnesses for having to endure all of our votes. If you think it is bad from your standpoint, you ought to be on this side of the desk. I wake up in the middle of the night listening to bells, and it's terrible.

Our witnesses today come from the U.S. Department of Commerce and Department of State, and we really appreciate you being here. Assistant Secretary David M. Spooner is responsible for import administration at the Department of Commerce International Trade Administration. His duties include enforcing trade laws and agreements to protect U.S. businesses from unfair pricing and subsidies. Prior to his confirmation, he served as a negotiator in the Office of the U.S. Trade Representative.

And we welcome back Deputy Assistant Secretary Betsy Whitaker. Secretary Whitaker's responsibilities at the Department of State include Mexico, Canada and public diplomacy. Is that a State public diplomacy?

Ms. WHITAKER. Yes.

Mr. BURTON. She joined the Foreign Service in 1984—but she looks so young—in 1984, and she served with distinction in Costa Rica, Honduras and Nicaragua. Thank you very much for being here.

Would you rise. This is a standard procedure. Raise your right hand.

[Witnesses sworn.]

Mr. BURTON. We'll start with the young, attractive Ms. Whitaker.

TESTIMONY OF MS. ELIZABETH A. WHITAKER, DEPUTY ASSISTANT SECRETARY FOR MEXICO, CANADA, AND PUBLIC DIPLOMACY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. WHITAKER. Good afternoon, Mr. Chairman, Members of the Subcommittee, and thank you for inviting me back this time for the opportunity to meet with you to discuss our relations with Canada. This relationship is central to the prosperity and security on both sides of our shared border, and this is a very appropriate time to discuss Canada, just a little over 3 months since Prime Minister Steve Harper took office.

As you know the United States and Canada share a uniquely broad, deep and intense relationship. More than \$1.5 billion in goods and services cross our border each day. We are each other's leading trade partner, and Canada is the leading export market for 39 of our 50 States. Under the U.S.-Canada Free Trade Agreement and NAFTA, businesses have knit together a more competitive North America. Canada is also our largest single supplier of imported crude oil and petroleum products, of natural gas, of electricity and of uranium.

We have been partners in the common defense of North America for over 60 years. Earlier this month, we renewed the North American Aerospace Defense Command Pact, or NORAD, adapting

NORAD to meet new threats. NORAD remains the bedrock of our bilateral defense relationship.

We have a common vision of a world that embraces democracy and good governance, promotes human rights and development, and is free of the scourge of terrorism. For example, as you know well, Mr. Chairman, we are working together today in Afghanistan where Canada has the second largest force after our own. Canada's Parliament voted last week to extend their deployment through February 2009. And I want to here acknowledge with sadness and appreciation the loss of 17 brave Canadians in Afghanistan since 2002.

Canada has been active in the forefront on situations as diverse as the Sudan, relations with the Hamas-led Palestinian Authority, Belarus and the reconstruction of Iraq.

Canada is an especially valued partner in this hemisphere, in Haiti, for example. In 2004, Canada joined the United States, France and Chile in the UN stabilization mission there. It has since provided over \$150 million in assistance and, as part of the OAS, worked to ensure free and fair elections earlier this year.

In this hemisphere, as is true elsewhere, greater engagement by Canada is unquestionably a good thing. Canada has also been a strong and committed partner in the war against terrorism both internationally and within North America. None of us will forget the incredible cooperation and sacrifice of Canadians in the hours and days after 9/11, and since then Canada has invested billions of dollars in the security of its homeland, in enhancing border, airport, and maritime security, improving immigrant and refugee screening, and attending to critical infrastructure protection.

The United States and Canada are so integrated that when one enhances their homeland security, it enhances our own, and vice versa. Our bilateral cooperation has included joint law enforcement efforts, and the Harper government is bolstering security personnel along its border as part of its general effort to strengthen law enforcement.

We are also friends, neighbors and family. I know you join me in thanking the people of Canada again for the outpouring of support during our horrific hurricane season. Whether search and rescue teams, deployments of three Canadian forces ships, donations of blankets and medical supplies, or offers of places at Canadian universities to displaced students, Canada was there for us, again.

As you're aware, Canada has a new government. Prime Minister Stephen Harper took office on February 6th, leading the first conservative government in more than a decade. Prime Minister Harper has made clear that he wants strong relations with the United States, while at the same time underscoring that he intends to defend Canadian interests. We share his interest in being partners at home and abroad, and concur that we should and can manage our disagreements in the context of our longstanding friendship and shared values.

The President and Secretary Rice share Mr. Harper's vision to strengthen our partnership with Canada. Toward that end, we have already reached a framework agreement on soft wood lumber, a longstanding contentious issue. After their first meeting in Cancun, President Bush and Prime Minister Harper gave instruc-

tions to their negotiators to accelerate the effort to resolve this dispute, and thanks to their leadership, the ingenuity of our teams' negotiators, and the active participation of industry, we are now at work putting the framework agreement into final terms.

There are other bilateral issues still before us, however. For example, Canada continues to have questions about the Western Hemisphere Travel Initiative, WHTI, a statutory requirement that every person entering the United States have a passport or other secure form of documentation. They worry legitimately about damage to trade, tourism and personal contacts across the border.

We have explained that we are determined to implement WHTI in a manner that both bolsters security and improves the flow of goods and persons. Along with our DHS colleagues, we are holding frequent discussions with Canada on how best to implement the law to achieve that objective, including a mid-April meeting between Homeland Security Secretary Chertoff and Canadian Public Safety Commissioner Stockwell Day.

A central part of our policy framework with Canada and our other North America partner, Mexico, is the Security and Prosperity Partnership. The SPP sees security and prosperity not in conflict, but rather fundamentally bound together as part of making North America the most productive, competitive region of the globe. Prime Minister Harper, along with Presidents Bush and Fox, recently celebrated the first anniversary of SPP in Cancun and agreed on initiatives to strengthen competitiveness in North America, cooperate in managing the threat of avian and pandemic influenza, collaborate on energy security, develop a common approach to natural and manmade disasters, and work toward smart and secure borders.

Mr. Chairman, we have a uniquely close, productive and rich partnership with Canada. As President Bush said in Cancun, it's a vital relationship.

I look forward to responding to any questions you might have. Thank you.

Mr. BURTON. Thank you, Secretary Whitaker.

[The prepared statement of Ms. Whitaker follows:]

PREPARED STATEMENT OF MS. ELIZABETH A. WHITAKER, DEPUTY ASSISTANT SECRETARY FOR MEXICO, CANADA, AND PUBLIC DIPLOMACY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to meet with you today to discuss our relations with Canada. I especially appreciate this opportunity given that the relationship is so central to both our prosperity and security. It also is a very appropriate time to discuss Canada since just a little over three months ago Prime Minister Harper took office as that nation's 22nd Prime Minister. If you look around the world, you see just how lucky the United States and Canada are to have each other for neighbors. I hope my testimony will illustrate this fact, as well as cover the current situation in that country, our extensive ties and the challenges that lie ahead of us.

When dealing with Canada, the enormity of our relationship is the first thing that comes to mind. A few statistics can quickly illustrate this point. More than \$1.5 billion in goods and services cross the border each day, with yearly American exports across one bridge in Detroit amounting to more than our total exports to Japan. The original U.S.-Canada Free Trade Agreement and NAFTA, its successor, have provided a path for businesses and individuals to knit together a more productive, prosperous and competitive North America. Many of our industries—such as autos—are now intimately tied together in a seamless supply chain. The importance of our shared industrial infrastructure came home to us during the Katrina tragedy when,

in at least two cases, firms in Canada diverted production to the U.S. of an intermediate product to make up for an American supplier knocked out by the storm.

As regards energy, Canada is our single largest supplier of imported crude oil and petroleum products, natural gas, electricity and uranium. It is a stable supplier, interested in expanding its market share in the U.S. and driven by private sector investment, including from many U.S. firms. After Saudi Arabia, and counting the increasingly viable oil sands, Canada has the largest proven oil reserves in the world at 175 billion barrels and perhaps twice that in ultimately recoverable reserves.

Our people-to-people ties are no less impressive. Family relationships abound and millions of Americans have at least one Canadian ancestor. There are tens of millions of northern border crossings each year. Some of these are for business, some for pleasure, and some to attend professional sporting events. It is not often commented on, but if one steps back to think about it, when the Toronto Blue Jays play the Boston Red Sox or the Ottawa Senators face off against the New York Rangers, it is truly an extraordinary reflection of our deep and peaceful relationship—at least until the first pitch is thrown or first puck dropped!

Our cooperation and ties internationally, militarily, and in the war against terrorism are also among the best we have with any nation. Earlier this month, we renewed the North American Aerospace Defense Command (NORAD) pact. NORAD is a unique binational body that has been the bedrock of our defense relationship since 1958. Its mission has evolved over the years and the latest iteration of the accord adds a warning function for maritime approaches to North America and also for our coastal and inland waterways. This change, driven by a changed world, clearly displays NORAD's ability to adapt to the times.

Our armed forces also periodically exercise together, enjoy a strong exchange relationship, work side-by-side in NATO, and stand shoulder-to-shoulder for democracy in Afghanistan. I should highlight that Canada has taken command of the Kandahar region of Afghanistan, with 2,300 troops in that country, and has been engaged in fighting there in support of our shared democratic mission. It also has just decided to extend its stay in Afghanistan into 2009. Canada has lost seventeen personnel in that nation since 2002, including the first civilian head of its Provincial Reconstruction Team. We are grateful for Canada's sacrifices in Afghanistan and appreciative of the bravery of the men and women of Canada's armed forces and diplomatic service.

On the broad international front, Canada and the United States usually—though not always—share the same perspective on events. Canada has been active and in the forefront on situations as diverse as the Sudan, relations with the Hamas-led Palestinian Authority, and Belarus. In Iraq, it has pledged over \$200 million for reconstruction, chairs the International Reconstruction Fund Facility for Iraq (IRRFI), led international support to the Iraqi elections, and is providing police training in Jordan. In a similar fashion, Canada has been a valued partner in the Organization of American States (OAS), played a central role in restoring order to Haiti in 2003 and was critical to efforts to assure fair and free elections there this year.

Canada continues to take strong human rights stances in international fora. Although Ottawa chose to run for membership on the new UN Human Rights Council, and we chose not to run in the Council's first year, we look forward to working cooperatively with it to make the new body as strong and effective as can be. Indeed, we recognize Canada as a positive force in the world and would encourage it to do more and especially in this hemisphere, including on Cuba where we have may disagree on tactics, but not on the goal of a democratic Cuba.

Canada has been a strong partner in the global war against terrorism, both internationally and within North America. At home, the Government of Canada has invested billions of dollars since 2001 to enhance border, airport, and maritime security, improve immigrant and refugee screening, and attend to critical infrastructure protection. Our bilateral cooperation has included joint law enforcement efforts and it is worth highlighting the Harper government's commitment to bolster security personnel along its border as part of its general effort to strengthen law enforcement. In addition, the new government listed the LTTE ("Tamil Tigers") under Canada's Criminal Code as a terrorist entity in April and on May 1, it announced the formal convening of a judicial inquiry into the 1985 Air India case which will include a thorough review of Canada's terrorist legislation and policies.

Before leaving this broad overview of our ties and turning to some specific concerns and observations on the new government, I want to take this opportunity to again thank Canada and its people for their outpouring of support last summer during our horrific hurricane season. The aid was truly impressive and spanned the gamut from search and rescue teams, three Canadian forces ships and one Coast Guard vessel, blankets, medical supplies and cash donations. Private Canadians

even went so far as to sponsor fund raising drives and pilot trucks to deliver goods to our south, and Canadian universities offered places to displaced students.

Now, what of the new government? As you know, Prime Minister Stephen Harper took office on February 6, leading the first Conservative government in more than a decade. In the January 23 election, he defeated outgoing Prime Minister Paul Martin's Liberal party, winning a plurality of seats in Parliament. The Conservatives are well short of a majority in Parliament, where four parties are represented. The situation in Parliament, and Canadian history, suggests that within the next two years, we may see another vote.

Since taking office, Prime Minister Harper has made clear that he wants strong relations with the United States while, at the same time, underscoring that he intends to defend Canadian interests. His basic message—if I can be allowed to characterize a complex situation in simple terms—is that the U.S. and Canada share so much that we should be partners bilaterally and in the world where possible, but where we disagree, we should do so maturely, with a civil tone and remembering our underlying friendship.

So far, so good, as we say in the diplomatic business. The Prime Minister's first 100-plus days have seen a strengthening of our already strong ties and a positive and pragmatic tone emanating from his government. The President and Secretary Rice share Mr. Harper's desire to strengthen our partnership with Canada and we are more than ready to continue working with the new Canadian government. Our two leaders have spoken several times and met in Cancun during the March 30–31 trilateral Security and Prosperity Partnership (SPP) of North America meeting. We look forward to a visit by the Prime Minister to Washington.

Among the most notable accomplishments of the past several months in U.S.-Canadian relations has been the framework agreement on softwood lumber. This contentious issue, which some even (incorrectly) claimed threatened NAFTA, was settled after the two leaders gave instructions to their negotiators to accelerate the effort to resolve this trade dispute. I'm pleased that Canada and the U.S. were able to settle this matter, with the support of industry, and I applaud the ingenuity of the negotiators on both sides. They are now working to put the framework agreement into final terms. It does not in any way detract from the skill and efforts of the negotiators when I say that the ultimate credit belongs to President Bush and Prime Minister Harper for making clear that they wanted this issue resolved.

We still, however, have several bilateral issues that remain on the table. These include other trade matters such as the need for Canada to strengthen its Intellectual Property Rights (IPR) protections through passage of strict copyright law and improved enforcement against piracy at the border, and environmental issues like Devils Lake and crossborder pollution concerns. The largest looming bilateral concern for Canada involves the Western Hemisphere Travel Initiative (WHTI), the Congressionally-mandated requirement that every person entering the United States have a passport or other secure form of travel identification documentation.

Canadians are concerned that this requirement—which will take effect at the beginning of 2007 for air and sea travelers and a year later at our land borders—will damage trade, tourism and contacts between people on both sides of our border. We have responded that our plan is to institute the WHTI in a manner that both bolsters security and improves the flow of goods and persons and we are holding frequent and extensive discussions with Canada on how best to implement the initiative. There are serious challenges in meeting our goal, but it is one that we and others in the Administration are committed to achieving. The Rice-Chertoff Initiative announced in January is helping guide our actions in this respect.

The tie between security and prosperity that I just referred to when discussing the WHTI is, for us, a clear one. It stands behind one of the key innovations in our policy framework with Canada and our other North American partner, Mexico. This nascent policy architecture, to which I alluded briefly in discussing the Cancun meeting between the President and Prime Minister Harper, is the Security and Prosperity Partnership for North America (SPP). The SPP is explicit recognition that security and prosperity are not conflicting goals that must be balanced against each other. They are, instead, fundamentally bound together as part of making North America the most productive, competitive region of the globe.

The SPP provides a framework for us to advance collaboration in areas as diverse as security, transportation, the environment and public health. Where we can, we cooperate trilaterally, but where it makes more sense to act bilaterally, we do so. The SPP celebrated its first anniversary at the Cancun meeting, with the leaders agreeing on initiatives to strengthen competitiveness in North America, cooperate on managing the threat of avian and pandemic influenza, collaborate on energy security, develop a common approach to natural and manmade disasters, and work toward smart and secure borders.

I'd like to close by observing that while the complexity and depth of our relations with Canada may be matched by those with some other countries, the ties are doubtless not exceeded. This makes for an especially rich relationship, usually of partners, but occasionally of friends who disagree. It is my pleasure to have had the opportunity to discuss this unique relationship with you.

Thank you.

Mr. BURTON. Secretary Spooner.

TESTIMONY OF THE HONORABLE DAVID M. SPOONER, ASSISTANT SECRETARY FOR IMPORT ADMINISTRATION, INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Mr. SPOONER. Thank you, Chairman Burton and Representative Engel, for inviting me to discuss United States-Canada relations today. I should also say thank you for returning after votes despite the fact that two of us don't have the movie star qualities of our—

Mr. BURTON. I don't know about that. I think you both look pretty good.

Mr. SPOONER. I appreciate the opportunity to share with you the Department of Commerce's role in strengthening this vital relationship. This afternoon I will discuss the following aspects of our relationship with China: The general state of United States-Canada trade, the Security and Prosperity Partnership of North America, the Western Hemisphere Travel Initiative, and the soft wood lumber agreement.

President Reagan once described United States-Canada relations as the most productive relationship between any two countries in the world. From the commercial perspective, the numbers speak for themselves. Two-way trade between the United States and Canada has increased 185 percent since the implementation of the free trade agreement in 1989. Canada is our number one trading partner, with trade valued at \$499 billion in 2005, nearly \$1.4 billion each day. Canada purchased almost \$314 billion worth of goods from the United States last year, roughly 23 percent of U.S. exports.

Of course, the aggregate trade numbers only tell part of the story. United States exports to Canada and Canadian exports to the United States actually exhibit a great deal of commonality. This suggests that in many vital sectors such as autos, Canada and the United States are working together to coproduce goods. Indeed, thousands of businesses have successfully integrated their operations on a regional basis to take advantage of convenience, quality, and capacity utilization differentials.

This private-sector-led process of building cross-border supply chains is crucial to keeping North America competitive, but we can't stand still. We must consider collective action to enhance our regional competitiveness. Europe and Asia are clearly fostering integration themselves to improve their regional competitive positions, and we should do the same.

One of the tools we are using to boost our competitive position is the Security and Prosperity Partnership of North America, or the SPP. The SPP recognizes that our security and economic agendas must be addressed within a regional framework. Our borders must

remain closed to terrorists, drug dealers and human traffickers, yet remain open to legitimate trade and tourism.

Indeed our security and trade interests can be complementary to each other. When President Bush met with President Fox and Prime Minister Harper in Cancun at the end of March, the three leaders agreed to advance the SPP by focusing on five high-priority initiatives: First, increasing competitiveness through a North American Competitiveness Council; second, combating the potential spread of an avian flu outbreak; third, securing, sustaining our energy supplies through the North American Energy Security Initiative; fourth, enhancing emergency response coordination; and fifth, maintaining smart and secure borders.

As the Federal agency responsible for fostering the foreign and domestic commerce of the United States, the Department of Commerce takes a keen interest in the Western Hemisphere Travel Initiative. We have heard from concerned U.S. businesses and their trade associations about potential border delays, the cost of compliance, and delays in obtaining appropriate documentation. We certainly understand these concerns and are working with the State Department and the Department of Homeland Security to ensure that commerce remains strong after the travel initiative is fully implemented. Following the resolution of soft wood lumber, which I have the good fortune of participating in, the travel initiative is a top priority of the United States-Canada agenda.

Soft wood lumber. On April 27th, the United States and Canadian Governments announced a framework for an agreement to resolve the longstanding—I should say Ambassador Wilson was somewhat humble. He was the Canadian point man in those negotiations. This agreement demonstrates the strength of the relationship between the United States and Canada and shows that we can resolve our differences in a cooperative spirit. We expect the agreement to provide stability in the North American lumber market for producers and consumers alike. Under the terms of the framework, all litigation will end, and the antidumping and countervailing duty orders will be revoked.

The framework also addresses household import surges from Canada, distributes the duties that are currently being held by United States customs, and includes dispute settlement provisions.

Cooperation with Canada on trade security and quality-of-life issues helps make North America the best place in the world to live, work, and do business. At the Department of Commerce, we are building upon our relationship with Canada to further our common values and goals.

Thank you, Mr. Chairman.

Mr. BURTON. Thank you very much.

[The prepared statement of Mr. Spooner follows:]

PREPARED STATEMENT OF THE HONORABLE DAVID M. SPOONER, ASSISTANT SECRETARY FOR IMPORT ADMINISTRATION, INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Thank you Chairman Burton, Representative Engel, and Members of the Subcommittee for inviting me to discuss U.S.-Canada Relations. I appreciate the opportunity to share with you the Department of Commerce's role in strengthening this vital relationship.

President Reagan once described U.S.-Canada relations as “the most productive relationship between any two countries in the world.” From the commercial perspective, the numbers speak for themselves.

The increased economic cooperation of our region has been nothing short of amazing.

Two-way U.S. merchandise trade with Canada has increased by more than 185 percent since the implementation of the Canada-U.S. Free Trade Agreement in 1989.

This afternoon, I will be discussing the following aspects of our relationship with Canada:

- U.S.-Canada trade relationship
- Security and Prosperity Partnership of North America
- Western Hemisphere Travel Initiative
- Softwood Lumber Agreement

U.S.-CANADA TRADE RELATIONSHIP

Free trade has been an enormous success for all of us in North America. Between 1993 and 2005:

- The U.S. economy grew by 48 percent.
- The Canadian economy grew by 49 percent.
- The Mexican economy grew by 40 percent.

Canada is our number one trading partner. Total bilateral merchandise trade was valued at \$499 billion in 2005—that’s nearly \$1.4 billion each day. Canadian firms and consumers purchased \$313.5 billion of goods from the United States last year—roughly 23% of U.S. exports.

Of course, the aggregate trade numbers only tell part of the story. U.S. exports to Canada and Canadian exports to the U.S. actually exhibit a good degree of commonality because many of the same products figure prominently in both our import and export flows. This suggests that in many vital sectors such as autos, Canada and the U.S. are working together to “co-produce” products.

Indeed, thousands of businesses have successfully integrated their operations on a regional basis to take advantage of convenience, quality, and capacity utilization differentials. This private sector-led process of building cross-border supply chains is a crucial feature of the economic geography of North America.

To remain competitive in the global economy, we must integrate our region’s economies. Fortunately, we share a border with like-minded strategic partners.

But, we can’t stand still. We must consider collective action to enhance our regional competitiveness. Clearly, Europe and Asia are fostering integration to improve their regional competitive positions, and we should do the same.

SECURITY AND PROSPERITY PARTNERSHIP OF NORTH AMERICA

One of the tools we are using to boost our competitive position is the *Security and Prosperity Partnership of North America, or SPP*. The SPP recognizes that our security agenda and our economic agenda must be addressed within a collective, regional framework. Our borders must be sealed shut to terrorists, drug dealers, and human traffickers, yet remain open to trade. Indeed, our security and trade interests can be complementary.

The SPP is an opportunity to build more open, more secure societies and more competitive business communities for stronger economies.

When President Bush met with President Fox and Prime Minister Harper in Cancun, Mexico on March 30 and 31, the three leaders agreed to advance the Security and Prosperity Partnership of North America (SPP) by focusing on five high priority initiatives:

- *The North American Competitiveness Council (NACC)*. It is vitally important that we use the U.S.—Canada relationship to enhance our region’s competitiveness in this global economy. Increased private sector engagement in the SPP through high-level business input will create a public-private partnership to enhance North America’s competitive position. The member companies of the NACC will convene their first meeting with Prosperity ministers here in Washington this June. Secretary Gutierrez will participate in the meeting along with Canadian Industry Minister Maxime Bernier and Mexican Economy Secretary Sergio Garcia de Alba.
- *Advancing Cooperation to Combat Avian and Pandemic Influenza*. The strength of our relationship also allows us to face challenges—like the poten-

tial spread of Avian and pandemic influenza. In addition to creating a new high-level consultative body, leaders agreed to collaborate and work transparently on all stages of emergency management to mitigate the impact of a potential outbreak in North America. We are particularly interested in ensuring that the business continuity plans of our respective governments consider the highly interconnected nature of our economies.

- *North American Energy Security Initiative.* A secure and sustainable energy supply is essential for economic prosperity in North America. To advance our energy agenda we have agreed to enhance a diverse energy resource base in North America by increasing collaboration on research, development and commercialization of clean energy-related technologies. We also agreed to strengthen the North American energy market by improving transparency and regulatory compatibility; promoting the development of resources and infrastructure; increasing cooperation on energy efficiency standards; and supporting other efforts aimed at addressing challenges on the demand side.
- *North American Emergency Response Coordination.* The leaders recognize that a disaster—whether natural or man-made—in one North American country can have consequences across national borders, and may demand a common approach to all aspects of emergency management. Recent experience with hurricanes and ice storms demonstrate our interdependencies, as well as the need for coordination and mutual assistance in protecting and safekeeping our populations.
- *Smart, Secure Borders.* Leaders agreed to complete the following activities, to contribute to smart and secure borders, over the next twenty-four months:
 - Collaborate to establish risk-based screening standards for goods and people that rely on technology, information sharing and biometrics.
 - Develop and implement compatible electronic processes for supply chain security that use advanced electronic cargo information to analyze risk and ensure quick and efficient processing at the border;
 - Develop standards and options for secure documents to facilitate crossborder travel;
 - Exchange additional law enforcement liaison officers to assist in criminal and security investigations; and,
 - Develop coordinated business resumption plans at border crossings to ensure legitimate trade continues.

This week, the Department of Commerce is hosting a meeting of the North American Steel Trade Committee (NASTC). This government/industry collaboration recently launched a North American Steel Strategy under the SPP. In an effort to further our joint efforts with our Canadian and Mexican neighbors in the areas of external and internal trade and competitiveness, approximately 65 U.S., Canadian, and Mexican officials from government and industry will participate in this week's discussions.

WESTERN HEMISPHERE TRAVEL INITIATIVE

As the federal agency responsible for fostering the foreign and domestic commerce of the United States, the Department of Commerce takes a keen interest in policies that impact trade of the more prominent current U.S.-Canadian trade issues. The *Western Hemisphere Travel Initiative* is one such policy. We have heard from concerned U.S. business groups about potential issues related to border delays, the cost of compliance, and delays in obtaining appropriate documentation.

We understand these concerns, and are working with the Departments of State and Homeland Security to ensure that commerce remains strong after the WHTI is fully implemented. Following the resolution of softwood lumber, the WHTI is a top priority of the U.S.-Canada agenda.

SOFTWOOD LUMBER

On April 27, the U.S. and Canadian governments announced a framework for an Agreement to resolve the long-standing trade dispute on softwood lumber. This Agreement demonstrates the strength of the relationship between the United States and Canada and shows that we can resolve our differences in a cooperative spirit.

By allowing workers and industry on each side of the border to compete in a fair environment, this Agreement advances the interests of communities, workers, and consumers. Based on the framework, we expect that the Agreement will provide stability for the North American lumber market to producers and consumers alike. Under the terms of the framework, all litigation will end and the antidumping and

countervailing duty orders will be revoked when the Agreement is finalized. We expect this to occur early this summer. The framework also addresses possible import surges from Canada, distributes duties currently being held, and includes dispute settlement provisions.

Cooperation with Canada on trade, security, and quality of life issues helps make North America the best place in the world to live, work, and do business. At the Commerce Department, we are building upon the strong Canada-U.S. relationship to further our common goals.

Mr. BURTON. That border issue that you have been alluding to, both of you, where does that stand? I mean, everybody has talked about, but nobody has really said—are we going to get this thing resolved in the next year, year and a half, or is it going to be something very thorny like this soft wood issue?

Ms. WHITAKER. I am happy to take the first crack at that. We understand that we have been tasked at the State Department, and certainly DHS, which, of course, has the lead on this, understands that this is the law of the land, and with the deadlines that have been established so far, we understand there is discussion of some delay and implementation of the land-crossing requirement. We certainly understand the challenges on our side. We understand the concerns on the Canadian side. And certainly coming out of the meeting in Cancun, we and our Canadian counterparts have been meeting at the working level to perhaps step up the pace of the discussions which have been going on for quite some time since the legislation was passed.

I can speak for State. I can't speak for DHS and exactly what they have done, but I can say that we are working with DHS, the State Department is awaiting some technical decisions on the part of DHS as it looks into the kinds of technology that it wants to use for these border cards, and we have indeed begun the hiring process for personnel and expanding our facilities, the production of the passports and the cards, that will increase numbers that we anticipate.

Mr. BURTON. Does the Administration have any latitude—I can't remember all of the intricacies of that, but does that Administration have any latitude of how that legislation is implemented? Many times we'll pass something that deals with national security and Homeland Security and State, and we give the Administration, which is supposed to police our efforts legislatively, with some latitude so that they can negotiate in a broader framework. So what kind of latitude does the Administration have, because I am not as familiar with that law as I should be.

Ms. WHITAKER. I am not an expert in the law. My understanding is as the law stands right now, we are to have ready by January 2007 the procedures established for sea and air.

Mr. BURTON. And then you—

Ms. WHITAKER. One year later. Now, we understand watching what you all are doing up here, there is discussion of postponing the implementation of the land crossing for a period of time.

Mr. BURTON. You know what I wish you would do is if you could—if there are stumbling blocks to the implementation of this, and there's some things that we could do legislatively to assist the State Department and Homeland Security and the Administration in getting the job done, and sometimes we'll make something—I hate to say this—but sometimes we have a knee-jerk reaction to

things, you know. We go along for 10 or 15 years, and something goes wrong and—like remember when we had the savings and loan debacle—and then all of a sudden we move very rapidly to change things, and sometimes we don't do it as correctly as we should.

And so what I was saying is if there's a problem with this, and there's a legislative remedy that will help the Administration and Homeland Security and the State to implement this, if you will let this Committee, myself and Mr. Engel, know what the problem is, we might be able to help you with some legislative remedies. I don't know what that might be. I am just speculating.

Ms. WHITAKER. Thank you. I appreciate that.

Mr. BURTON. Secretary Spooner.

Mr. SPOONER. Thank you, sir.

I should probably only add that the role of the Department of Commerce is an advisory one as State and DHS implement the program, but our responsibility, role, will really kick in as the program is going into effect. We'll have to undertake a massive outreach strategy to educate businesses and travelers about what the documentation requirements are. We use our export assistance centers and, frankly, our Web sites to try to spread the word as widely as we can and coordinate as best we can with the Canadian Government. We would like to think that, as I said in my statement, security and commerce can be complementary to each other, but obviously, as the requirements go into effect, there might be some confusion and some education that needs to be done.

Mr. BURTON. As I was—I don't want to belabor the point, but Canada has the longest border with us of anybody, and they're our best friends, so to speak, great trading partners. We've all been talking about that today. Anything that would, you know, start hurting this relationship we ought to take a hard look at. So if there are some things to do to make this thing smoother, if you will let Mr. Engel and I know, we'll see what we can do to be of assistance.

I only have one real brief question, and that is—and this is general. Are there any other trade disputes that you can think of that we ought to be working on that's—you are grabbing your throat here. Is it that bad? No? I mean, are there any other trade disputes that we ought to be working on legislatively to help you or—

Mr. SPOONER. Thank you, sir. I was stroking my chin because I was thinking, trying hard to think of one.

Soft wood lumber was obviously a huge dispute, but off the top of my head, I can't think of any other major bilateral trade issues.

Mr. BURTON. Okay. That's good.

Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman.

Let me start with you, Ms. Whitaker. I mentioned when the Ambassador was here about the blackout that we had on the east coast several summers ago. And Canada remains America's leading suppliers of imported electricity, natural gas and petroleum, all three, and as shown during that blackout, I think it was August 2003, both countries are interconnected, and operational control issues in one country can affect the electric system in both countries.

What mechanisms exist with Canada to ensure electric reliability and coordination of generator transmissions, and to what extent does energy factor into the way we get that? And since 2003, has there been any changes to try to prevent or eliminate what happened between us and Canada vis-a-vis the blackout?

Ms. WHITAKER. Thank you, sir. I will preface what I am saying by saying I am not an expert in energy grids, and I think with regard to your last question, I'd like to make sure you get a good answer to that in terms of what has been done since 2003.

Indeed you know Canada is our largest energy supplier, and we cooperate very actively with Canada on energy matters bilaterally and trilaterally under the SSP, specifically the North American Energy Working Group. The State Department also leads the energy consultative mechanism, which is an interagency process with Canada on all bilateral energies.

So I mention those two entities by way of saying that we do have bilateral mechanisms to look at energy as both supply and delivery issues.

I am also pleased to say that we understand that Secretary Bodman, the Secretary of Energy, will be traveling to Canada in July, I believe, to visit the oil sands as evidence, again, of our mutual interest in trying to find a secure and sustainable energy supply for North America.

Mr. ENGEL. Let me ask you another question about immigration and refugee policy since we are talking a lot about immigration these days in Washington. Do Canada's immigration and refugee policies pose concerns for our national security, and if so, what's been the impact of the implementation from the beginning of 2005? I am in agreement to design—to require many potential refugees to present their claims in their first safe country of entry, so—

Ms. WHITAKER. That is a question I don't have the answer to right now, sir, but I'll be glad to get back to you. I can say I know this relates to other concerns that have been voiced recently about refugees and about security issues and would simply say that our cooperation with the Canadians has been very good in terms of our cooperation with them on security issues.

We understand that Canada, like us, is a very free and open democratic society, and as a result there are some who would seek to exploit that for nefarious ends. We work with the Canadians since we have that same situation on this side of the border. We work with them to make sure both of our countries are safe and our borders are safe.

Mr. ENGEL. Let me ask you a final question, and then I have a couple for Mr. Spooner on the Northwest Passage.

Prior to his inauguration, the new Prime Minister Mr. Harper asserted Canada's sovereignty over the so-called Northwest Passage, which is the frozen arctic region that global warming may turn in to a waterway linking Asia and Europe. What is your position on freedom of the seas as it relates to Canada's assertion of sovereignty over the Northwest Passage?

Ms. WHITAKER. It is our longstanding position, also the European nations share this, that the Northwest Passage is a strait used for international navigation.

Mr. ENGEL. Say that again.

Ms. WHITAKER. That it is a strait used for international navigation. We have basically agreed to disagree. We did hear the Prime Minister's comment. We have agreed to disagree. We are not engaged in discussions on this issue. We and Canada remain key allies along with other States whose territory touches this region.

Mr. ENGEL. Thank you.

Mr. Spooner, let me ask you about the trade deficit. It is always a concern to those of us in Congress about these massive trade deficits that we are having with countries all over the world. The United States merchandise trade deficit with Canada in 2005 increased, according to the statistics I have here, 24.7 percent from 2003 to a record 68.2 billion. Imports have been growing faster than exports as well. Can you tell us, should we be concerned about this, and how do we account for this?

Mr. SPOONER. That's a great question, Congressman. I think the answer is twofold. The first, as I indicated in my opening statement, is that particularly with Canada we have quite a bit of co-production, goods and particularly in autos, where goods are partly produced in Canada and partly produced in the United States. But second of all, I think it is important to know that as we strive to compete against Asia, and as the phenomenon of globalization becomes more and more pronounced, it is extremely important that we enhance our regional integration.

Frankly, since NAFTA went into effect, the U.S. per capita GDP has increased by an average of 2.3 percent a year, which is a fairly healthy rate, but, in addition, and this is an important statistic, when folks talk about our trade deficit, 83 percent of our trade deficit is with countries who we don't have free trade agreements. So folks talk about the trade deficits in NAFTA and other countries. It is by far and away the majority of our trade deficit is with countries we don't have these trade agreements with.

Mr. ENGEL. Let me ask you about another question that concerns many of us, and that's the United States and Canadian cattle and beef industries. They obviously have both been affected by the discovery of mad cow disease in Canada. The most recent one was in British Columbia in April of this year. Can you talk a little bit about that? What's the outlook for cattle trade between our countries? Have our countries responded similarly, and what is the long-term implications of mad cow disease on each country's cattle and beef industries?

Mr. SPOONER. That's a great question. I could probably, if I may, though, get back to you with a written response. It is not something that I personally work on, and I should make sure we answer you accurately.

Mr. ENGEL. My final question would be about intellectual property rights. In previous years the U.S. Trade Representative placed Canada on its 2005 special 301 watch list for intellectual property rights protections. Can you tell us the reasons for this placement, and what's Canada's record on intellectual property rights?

Mr. SPOONER. I probably should supplement this answer by following up afterwards. It's a USGR report, not a Department of Commerce report, to which you are referring to. But I probably should note in the context of the Security and Prosperity Initiative with Canada and Mexico, we have an Intellectual Property Work-

ing Group where we are working with Canada to try to improve IPR conditions.

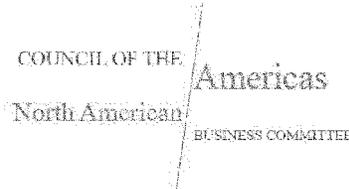
Mr. ENGEL. If both of you can get answers to those questions for me, I would appreciate it. Thank you.

Mr. BURTON. Thank you, Mr. Engel.

In addition to that, we have a number of questions that we want to submit here for the record, so if you will answer them with your very learned associates back there, we would appreciate that.

Also I want to submit for the record Mr. Angel's statements from the Council of the Americas and the Canadian American Business Council, and without objection, so ordered.

[The information referred to follows:]



**“The US-Canada Relationship:
Building on a Shared History of Cooperation and Respect”**

Testimony Submitted for the Record
House Committee on International Relations
Hearing on US-Canada Relations
May 25, 2006

The North American Business Committee (NABC), a standing committee of the Council of the Americas, appreciates the opportunity to submit testimony for the record on the bilateral relationship between the United States and Canada.

It goes without saying that the US relationship with Canada is perhaps the strongest, deepest, most successful bilateral relationship in the world. The relationship is so strong and so deep, in fact, that we frequently take it for granted. That is a significant mistake, and from time to time it leads to unnecessary complications in the relationship. Rather, we must do a better job recognizing what is truly at stake in our relationship with Canada, and take appropriate measures to nurture it. For example:

- We are true partners in the fight against global terror, at some domestic political cost in Canada, including joint efforts against the newly resurgent Taliban forces in Afghanistan.
- We are strategic partners under the NATO umbrella, and have successfully worked for over 60 years first to bring peace to Europe and now to keep it.
- We are partners in the Organization of American States and numerous other international organizations, where the Canadian voice effectively complements our own, particularly in the areas of democracy promotion and human rights.
- More trade crosses the US-Canada border—over \$1.3 billion a day—than any other border on earth.
- Well over a quarter of the 1.1 million people entering and exiting the United States each day cross our common, 5,525 mile border with Canada.
- At a time of uncertainty and flux in global energy markets, Canada is the top energy supplier to the United States, lessening our reliance on energy from other, less stable and less democratic areas of the world.
- We are both children of the New World, claiming independence from Europe, with similar though not identical histories, languages, cultures, and systems of governance.

The list goes on and on. In fact, it is these similarities and common interests that cause us to assume we understand each other, and for the most part, we probably do. At the same time, as two proud and sovereign nations, the United States and Canada will not always agree on every issue, nor should they. But it is incumbent upon leaders in both the public and private sectors to ensure that disagreements, when they arise, are managed effectively so as not to harm unduly the overall relations on which both of our nations depend. With this framework in mind, the NABC suggests the following course to improve and enhance this critical bilateral relationship.

The Security and Prosperity Partnership: It's All About Competitiveness

The rapid emergence of China, India, and others in the global marketplace has caused some anxiety among many observers, but only in relatively few instances are coordinated steps being taken to gain full economic and political advantage in this new world. That has particularly been true within North America, which has largely relied on the NAFTA relationship, and before that the US-Canada bilateral FTA, to promote a more competitive North America. In fact, despite NAFTA going into effect in 1994, only recently have North American leaders envisioned and sought the competitive benefits accruing with even greater regional economic integration. To the extent such efforts have occurred, it has generally been within the context of "making NAFTA work better."

To be sure, NAFTA can work better, and it should, particularly in terms of the dispute resolution process, and we take note of the recent resolution in principle of the long-standing softwood lumber dispute and look forward to the final resolution of wording and implementation procedures. But the original trade agreements were only the first step. If North American economic integration ends with NAFTA, we will soon find ourselves at a competitive disadvantage with Asia, because the relative gains in comparative advantage from NAFTA have already largely been eroded by the Chinese and, to a lesser extent, Indian economic explosions.

To remain competitive in the global marketplace, North American producers must be able to take better advantage of the massive economies of scale and internal markets that the region provides. As a result, the US-Canada relationship must increasingly be seen in North American terms, from the Yukon to the Yucatan. Consistent with this approach, on March 23, 2005 then-Prime Minister Paul Martin and President George Bush joined with Mexico's President Vicente Fox to launch the Security and Prosperity Partnership. The SPP, as developed in a cooperative effort by the three governments and as detailed in a June 23, 2005 Report to Leaders, addresses numerous subjects of mutual interest and concern among the North American nations in areas as diverse as the movement of goods, traveler security, energy, environment, and health. The SPP is designed to identify areas whereby increased coordination and harmonization of regulations, provisions, and the like would improve the effectiveness of cross-border commerce while increasing the chances that law breakers and those who threaten our security would be deterred. The SPP initiative was further developed on March 31, 2006 in Cancun, where Prime Minister Stephen Harper joined the US and Mexican Presidents to agree to establish a North American Competitiveness Council to identify and address these issues.

With sustained high level attention, the SPP has the potential to institutionalize a public-private dialogue that will remain separate from the respective political currents in each of the three North American nations. Areas for priority attention include, but are not necessarily limited to, supply chain management and customs facilitation, energy efficiency and integration, harmonization of regulatory standards, measures to combat counterfeiting, and the enhancement of border security. These topics in and of themselves are important; together, they form an interlocking web of actions to improve North American competitiveness by addressing primary obstacles to further integration.

The NABC strongly encourages that the SPP be made a cornerstone of the overall agenda, and that appropriate political level participation including Congress be maintained and even increased.

Energy Security

One of the core requirements for global competitiveness, and an issue with true national security implications for the United States, is the secure access to global energy resources on market terms. In fact, the devastation wrought by Hurricanes Katrina and Rita is a tangible reminder of the potential impact on the health of the US economy and the well-being of US citizens when energy supplies are interrupted. Few issues have as significant a strategic national component. Fortunately, Canada has been blessed with abundant energy resources, and the United States receives more energy from Canada, including oil, natural gas, and electricity, than from anywhere else in the world. As a result, energy issues must be made a priority in the overall bilateral relationship.

Canada exports over 30 percent of its total energy production, and the United States is the main customer. Almost 90 percent of US natural gas imports come from Canada. As well, Canada possesses an astonishing 179 billion proven barrels of crude oil, including oil sands, representing the world's largest proven crude reserves after Saudi Arabia. In 2003, Canada's total oil production averaged 3.1 million barrels per day and is expected to increase as new oil sands production comes on line, now economically viable given the historic nominal prices for oil. Over the medium-term, in fact, the increase in oil sands production will offset a decline in conventional crude production, thereby becoming Canada's main energy source. Forecasts estimate that by 2012, combined production of oil sands and conventional oil will reach 3.7 million barrels per day. With such vast potential in the oil sector, Canada has seen significant mergers, acquisitions, and investment in recent years, and has proven to be a reliable energy partner while maintaining an investor friendly environment.

Our national security depends on continued energy inflows from stable, friendly nations like Canada. To prevent our energy security from being harmed by unfriendly, politically-volatile nations, we must seek enhanced engagement with trusted partners. Energy is the lifeblood of our economy, and for that reason, our economic future will depend more and more on working collaboratively with Canada to explore new energy sources, efficiencies, and means of delivery for our collective benefit.

Given the importance of Canadian energy supplies to the United States, the NABC believes it is imperative we find new ways to continue cross-border energy cooperation to deepen partnership in this critical sector with Canada and throughout North America.

Border Security

The Intelligence Reform and Terrorism Prevention Act of 2004 mandated that the US Secretaries of Homeland Security and State develop and implement a plan to require US citizens and foreign nationals to present a passport or other appropriate identity document when entering the United States. As developed, the Western Hemispheric Travel Initiative (WHTI) requires that by January 1, 2008, all citizens of the United States, Canada, Bermuda, and Mexico must have a passport or other acceptable document when entering the United States. This initiative seeks to standardize documents presented at ports of entry to demonstrate both identity and citizenship. It is a well-meaning initiative which will nonetheless have unintended side effects.

For example, the US government understands that full implementation of the WHTI will have implications for the conduct of cross-border commerce, particularly to the extent that the initiative slows down or unnecessarily delays cross-border exchange. This would be a significant burden for businesses, for example in Michigan, where the smooth and efficient flow of goods and people is essential for just-in-time manufacturing processes. In fact, a shutdown or significant slowdown in the movement of goods across the border could bring auto assembly operations to a standstill within one day, with ripple effects throughout the broader economy.

As a result, several initiatives have been proposed to expedite border crossings. The SENTRI program, of course, was established for the Southern border, while the NEXUS and FAST programs have been established for the border with Canada. However, these initiatives have had limited success. On the border with Canada, for example, FAST card technology has not been implemented at all border crossings, an insufficient number of personnel are in place to expedite those with FAST cards, and "FAST lanes" are not available at all border crossings.

Clearly, NABC supports the need to secure US borders and to protect our citizens. The border relationship with Canada is critical to this fundamental national security requirement. At the same time, however, we should not take steps which will have the unintended impact of lessening our *economic* security, which also depends on the relationship with Canada, even as we are attempting to strengthen our *national* security.

The NABC recommends that the US government delay implementation of the WHTI until such time as both the US and Canadian governments are able reasonably to assess the effectiveness of existing initiatives. At that point, it may be appropriate to move forward with the WHTI. It might also become apparent that a different approach would be better. Given the huge stakes involved, it is worth exploring all options and their ramifications in order to do border management right.



CANADIAN AMERICAN BUSINESS COUNCIL
CONSEIL DES AFFAIRES CANADO-AMERICAINES

CANADIAN AMERICAN BUSINESS COUNCIL
Statement Prepared for Hearing with Chairman Burton
Western Hemisphere Subcommittee
House International Relations Committee
May 25, 2006

* The Canadian American Business Council (CABC) is the voice of the private sector in the world's most prosperous relationship. The CABC is a non-partisan, non-profit, issues based organization with corporate membership in the United States and Canada. US members include large and small businesses like EDS, Campbell's Soup, Procter & Gamble, and FMC to name a few.

* We appreciate the opportunity to offer these thoughts about the importance of the Canada/US relationship to the overall prosperity of North America. It is important to understand some key facts about the Canada/US relationship. For example:

- () The US/Canada commercial trading relationship is worth over \$1.8 billion per day.

- () Canada is our best customer and the number one partner for 39 states, it is number two for the rest. Canada is a larger market for U.S. goods than all 25 countries of the European Union combined, which has more than 15 times the population of Canada. To say we are "trading partners" does not do the relationship justice - although we are each other's largest customer and supplier. Rather - we "build things together". And not just cars - we build/make everything from high tech defense equipment to Blackberry handsets to medical devices to packaged food. We grow things together too - from hogs to cattle to canola beans.

- () The United States and Canada share one of the world's largest investment relationships. In 2004 Canadian direct investment in the United States reached close to \$165 billion, making Canada the 7th largest investor in the United States.

- () Canada is the largest foreign supplier of oil, gas and uranium to the U.S. Canada will play an important role in decreasing the United States' dependence on oil from unfriendly or unstable nations globally. As of January 1, 2005 Canada's proved reserves were approximately 179 billion barrels -- 4.3 billion barrels of conventional oil and 174.5 billion barrels from the oil sands reserves -- ranking second only to those of Saudi Arabia. Importantly -- Alberta, Canada can go from its current one million barrels of day of production to 3 million in the next few years - but the US has to make some decisions that it wants to help develop that resource. Issues like refining capacity and availability of new technologies are key. Congress has an important role in ensuring the securing of North America's energy supply

- () On the issue of border security, it is important for U.S. policy makers to appreciate the distinct challenges posed by the northern and southern borders. For example:
 - * Illegal immigration is a key challenge on the southern border, not on the northern border. According to the U.S. Census Bureau, Canada is not in the top ten source countries for illegal immigrants into the U.S.

 - * Approximately every 4.7 seconds, a commercial cargo truck with goods destined for U.S. businesses crosses into the U.S. from Canada. That is roughly 5,500 more trucks per day that enter from Canada than from Mexico.

 - * The northern border presents opportunities to increase the flow of goods, services and people. Canada and the US should focus on ways to manage the border making it as efficient and secure as possible. For example, with respect to border trade, the CTPAT process has worked for some industries, but not for others. Particularly, the food industry does not benefit, due to issues and

regulations involving BSE. Processing times at ports of entry, especially for food shipments, have generally doubled since 9/11 and especially since the creation of the Department of Homeland Security, and the integration of Agriculture Quarantine Inspection (AQI) Units from USDA's Animal Plant Health Inspection Service (APHIS) into the cabinet agency. And because of the USDA's "Minimal Risk Region" (MRR) regulation following the outbreak of BSE in Canada, secondary inspections of food shipments containing meat and poultry ingredients -- and even some that do not -- prevent the food industry from the benefits of CTPAT membership. New and creative approaches are needed to enhance the movement of food and other goods across the US-Canada border that will only strengthen border security. One such creative approach might be the creation of a Government-sponsored certification program, involving both CBP and Customs Canada officials, along with relevant food inspection agencies, that permit "pre-clearance" or pre-inspection of food shipments at manufacturing facilities to avoid delays at ports of entries due to requirements for secondary inspections or sampling.

Second, while there is generally good cooperation between US and Canadian food safety agencies, there is a serious lack of harmonization involving regulations and standards. For example, while the FDA permits fortification of food products, the USDA does not, and only recently has Health Canada changed its policies and begun drafting new regulations to permit fortification. The same is largely true for health claims. In addition, Canada regulates the size of cans for fruit and vegetable products, while the US does not. Also, as incidences of BSE continue to abate in both the US and Canada, the US should modify the MRR rule referenced above to eliminate the requirement of secondary inspection for all meat-containing food products. In many instances, foods processed in Canada contain meat derived from other countries, yet is treated as Canadian beef under US policy.

* People along the US/Canada border generally live in cross-border communities,

living, working and shopping on both sides of the border. There has been a historically seamless way of life along the northern border of the U.S. It is important that policy makers recognize the unique way of life that exists along our northern border.

* The fact that business has become so integrated over the past two decades underscores the need for policy makers to take into consideration the special relationship between the US and Canada when legislating. This applies to procurement, border security and port management. We want to make sure that North America continues its competitive advantage in the global marketplace - as competitors from Europe, China and India emerge in the years to come.

* Keeping the border "open for business" while securing it from external threats is a key challenge. It is important to connect national security with economic security. Maintaining the world's most prosperous trading relationship that exists between Canada and the United States should be considered part of the solution to securing our borders. It is a unique challenge in which policy makers must establish an effective balance between securing our borders and maintaining an efficient and prosperous flow of goods, services and people across the 39th parallel.

Mr. BURTON. Thank you very much for being here.
We stand adjourned.
[Whereupon, at 4:10 p.m., the Subcommittee was adjourned.]

