

Industrial Alcohols

Canadian exporters of industrial alcohol to the United States must channel shipments through a U.S. distilled spirits plant (DSP), to enter the manufacturing process free of U.S. excise tax. This negatively affects the competitiveness of their product, since these DSPs are operated by U.S. competitors, or potential competitors, of Canadian producers.

Canada is preparing a proposal, for presentation to U.S. authorities on alternative arrangements to allow product to be shipped directly to U.S. industrial users.

Mutual Recognition Agreement on Fish Inspection Systems

The United States adopted mandatory Seafood Hazard Analysis Critical Control Point (HACCP) regulations in December 1997, which apply to both domestic and imported products. The Canadian Food Inspection Agency (CFIA) and U.S. Food and Drug Administration (FDA) are working towards the establishment of an MRA on fish-inspection systems. The two sides agreed, in December 1997, to an interim arrangement whereby U.S. importers purchasing from Canadian fish and seafood facilities included on the CFIA approved plant list are deemed to have met the "affirmative steps" obligations of the HACCP regulations. This arrangement has effectively allowed the uninterrupted flow of Canadian seafood products. CFIA and FDA are continuing efforts to complete the MRA as soon as possible.

IMPROVING ACCESS FOR TRADE IN SERVICES

Financial Services

Canada is closely monitoring initiatives in the United States aimed at modernizing that country's financial services sector. With respect to the cross-border provision of services, Canada wishes to see a more level playing field in the securities sector. Under the NAFTA, Canada, Mexico and the United States are committed to revisiting this issue by the year 2000.

Telecommunications

The United States has implemented its commitments through two orders of the Federal Communications Commission. Under both the *Foreign Participation Order* and the *Domestic International Satellite Consolidation Order* companies from WTO Member Countries now benefit from a rebuttable presumption that applications for the provision of international telecommunications services do not introduce concerns that would justify denial of an application on competitive grounds. The same presumption is now made in respect of applications for cable landing licences and applications to exceed the 25 percent foreign indirect ownership benchmark in a common carrier radio licence. A license may still be denied, however, if there are national security, law enforcement and foreign policy or trade concerns raised by the Executive Branch.

Canada will continue to closely monitor the implementation of the United States commitment to allow foreign suppliers to provide local, long distance and international telecommunications services, on a transparent and timely basis, in accordance with the multilaterally agreed regulatory principles.

Shipping

Canadian concerns have increased as a result of a number of maritime laws (collectively known as the "Jones Act") that impose a variety of limits on foreign participation in the U.S. domestic maritime industry. Under these laws, the carriage of cargo or passengers between points in the United States is restricted to U.S.-built and U.S.-crewed vessels owned by U.S. citizens. Similar restrictions apply to dredging, salvage and other commercial marine activities in U.S. waters. In international shipping, there are limitations on foreign ownership of vessels eligible for documentation in the United States. In addition, several subsidies and other support measures are available to operators of U.S. vessels: for example, cargo preference laws restrict the carriage of military cargo and limit the carriage of government non-military cargo, aid cargo and certain agricultural commodities to U.S. vessels.

These and other restrictions (coupled with defence-related prohibitions of the Byrnes/Tollefson Amendment) limit Canadian participation in U.S. shipping activities.