

●The FTA is shielding Canada from potential U.S. retaliation against Europe flowing from a long-standing U.S.-E.C. dispute on corn and oilseed trade. Under GATT rules, Canada would be sideswiped by tariff increases since the retaliation would apply to imports from all countries. The FTA prevents this from happening.

IN THE CONGRESS...

●Despite a widespread anti-incumbent mood, the Congressional balance of power remained essentially unchanged after the November 6 mid-term election. The Democrats picked up 8 House seats, increasing their majority from 259 to 267 of 435, and one Senate seat, increasing their majority there from 55 to 56 of 100. Results of 36 gubernatorial races, key to redistricting and electoral votes for the 1992 Presidential elections, were a draw, as the Democrats picked up Texas and Florida while the Republicans held California and gained Illinois, Michigan, Minnesota and Massachusetts.

●The 101st Congress adjourned on October 28, 1990. Of the 9,357 bills introduced in the last two years, only 404 have been enacted. The first session of the 102nd

Congress begins on January 3, 1991, although members will only get down to business following the President's State of the Union message, expected to be given at the end of January.

●Congress failed to renew the Defense Production Act (DPA) resulting in the lapsing of Section 721 (Exon-Florio) affecting foreign investment. Nonetheless, the Committee on Foreign Investment in the United States (CFIUS) will continue to receive notices of mergers, acquisitions and takeovers, and will review them according to the timetable established in Section 721. Congress is expected to turn to reauthorization of Section 721 early in the new session. Congress could strengthen the Exon-Florio provisions in order to bring foreign investments under closer scrutiny.

IN THE ADMINISTRATION...

●Cuba sanctions, which aimed to block sales to Cuba by U.S.-owned Canadian companies, died when President Bush declined to sign the Export Administration Act by the deadline of November 17. Canada had opposed the amendment vigorously and had

responded with a blocking measure under the Foreign Extraterritorial Measures Act. To salvage some of the bill's elements, the President issued executive orders that would implement the principal goals of the legislation including measures to prevent the proliferation of chemical and biological weapons.

●The President has signed immigration legislation which includes maritime provisions affecting longshore work. Embassy objections resulted in some modifications which improve the longshore work provisions from a Canadian standpoint.

●The Federal Election Commission (FEC) held hearings on Oct. 30 and 31 on a proposed rule to prohibit foreign-owned U.S.-based companies from establishing Political Action Committees (PACs). Witnesses overwhelmingly opposed the proposal, principally citing the extent to which it would infringe upon employees' rights to participate in the political process. Should the FEC decide not to place new restrictions on PACs, sponsors of legislative action to achieve a similar end will probably renew their efforts in Congress.

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Need More Information?

Here is a list of Embassy officers following the developments described in this advisory.

The main Embassy phone number is: (202) 682-1740.

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