

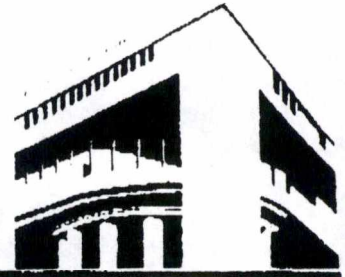
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UNDER THE FTA

●Thanks to the FTA, Canadian pork producers will be getting back \$17 million in countervailing duties from the United States. In a precedent-setting decision on February 12, the U.S. International Trade Commission (ITC) unanimously reversed its finding that imports of Canadian processed pork threaten to injure the U.S. industry. The reversal complied with the FTA panel decision that the ITC's threat of injury was not supported by the evidence. As a result, the countervailing duty order will be revoked. The reversal of the injury finding demonstrated the effect and value of the FTA dispute settlement mechanism and was crucial to the economic well-being of the Canadian industry.

●Canadian businesses and professionals will benefit from recent changes to the FTA's business travel provisions. Thirteen professions (e.g. chemists and geologists) have been added to the list of professions entitled to the FTA's expedited immigration procedures and the minimum educational requirements for eligible professions have been more clearly defined.

NEGOTIATIONS

●On February 5, Prime Minister Mulroney and Presidents Bush and Salinas jointly announced their intention to pursue a comprehensive North American free trade agreement. This would expand trade and investment in a

market comprising over 360 million people and \$6 trillion U.S. in output. Trilateral negotiations are expected to commence later this spring.

●Transport Minister Doug Lewis set the stage for the upcoming bilateral aviation negotiations during his visit to Washington D.C. on Feb 12 and 13. In his meetings with Transportation Secretary Sam Skinner, American carriers, airports, and unions, and in his speech to the Aero Club, the Minister sent a clear message that Canada is interested in a fair deal which will expand opportunities for all concerned.

●Negotiations for a Canada-United States air quality accord continue and are expected to be concluded shortly.

IN THE ADMINISTRATION

Financial System Reform

●On February 6, the Treasury Department released long-awaited proposals for modernizing the U.S. financial system. One of the core proposals is to allow well-capitalized banks to affiliate with securities firms, insurance companies and/or mutual funds under the umbrella of financial services holding companies which, in turn, could be owned by commercial firms. Interstate restrictions, where they exist, would disappear (although some intrastate branching restrictions could persist). National treatment would be extended to Canadian banks, consistent with the FTA. At this early stage in the debate, Congress appears reticent to embrace such sweeping reforms. Instead, its first order of business is to deal with the Bank Insurance Fund whose limited reserves could be exhausted by the end of 1991.

National Energy Strategy

●The comprehensive National Energy Strategy was released on February 20. The proposed measures include exploration and new production in Alaska and the outer continental shelf, the development and adoption of alternative fuels in the transportation sector, deregulation in the gas and electricity industries and encouragement of the nuclear option through streamlined licencing. This policy, which seeks to balance energy sufficiency with efficiency and environmental concerns within a free market approach, has been criticized as

