

Canada-United States Air Transport Negotiations

- On October 3, Transport Minister Lewis and U.S. Transportation Secretary Skinner launched negotiations for a new air transport agreement, covering passengers and cargo, scheduled and charter services and cabotage. The objective is a bold new agreement which dramatically expands air services between Canada and the United States by allowing goods and passengers to flow unimpeded by government regulation on routes and fares.

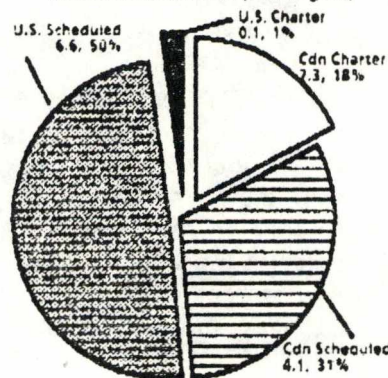
Under the FTA...

- Trade Minister Crosbie and U.S. Trade Representative Hills held the fourth meeting of the FTA bilateral Trade Commission on October 11 in St. John's, Newfoundland. The Commission adopted several important changes in the rules of origin (FTA Chapter 3) and the list of professions eligible to benefit from the temporary entry provisions (FTA Chapter 15). The Commission also recorded satisfaction with the operation of the dispute settlement provisions of the FTA.

- Further to Embassy representations, the Small Business Administration (SBA) decided that restricting federal small business set-aside contracts to U.S.-owned enterprises would be contrary to the spirit of the FTA. Small businesses were awarded U.S. federal government contracts worth over \$61 billion in fiscal 1988.

Canada-U.S. Transborder Scheduled and Charter Air Services

(1989, in millions of passengers)



Total: 13.1 million

Source: Transport Canada

- After vigorous protests of unfair treatment by the Alberta government and producers of Canadian natural gas exports to California, a settlement was reached between the California Public Utilities Commission (CPUC) and the Alberta Petroleum Marketing Commission. The compromise was prompted by Embassy representations and the apparent desire of the CPUC to avoid a challenge under the FTA. The settlement will assure continued access to the valuable California market for Canadian annual exports valued at \$800 million.

- Following the success last year of accelerated tariff reductions, Canada and the United States have published a consolidated list of proposals for the second round in the Canada Gazette (October 6) and the U.S. Federal Register (October 5). Over 500 proposals were received from businesses in

both countries. Following public comments on the list and bilateral discussions, implementation is planned for July 31, 1991.

- In the countervailing duty case on processed pork, the U.S. International Trade Commission reconsidered its injury finding using corrected data further to the binational panel's order. The Commission found that imports from Canada pose a slight threat of injury to the vulnerable U.S. industry. Ministers Crosbie and Mazankowski expressed disappointment with the Commission's decision. The binational panel will decide whether to review the revised finding.

- Canadian, U.S. and Mexican officials held trilateral consultations on October 16 in Houston. These consultations to determine the basis for a North American free trade agreement will continue over the next several months.

In the Congress...

- As of October 26, Congress and the Administration are close to adopting a five year package of income and sales tax (including on gasoline) increases and spending cuts designed to reduce the budget deficit by \$500 billion. Adoption will avert a shutdown of the U.S. Government.