investment limits, the elimination of monopolies and the regulatory regime required to ensure competition when monopolies are eliminated. Increased access to the U.S. and certain other markets is essential for future growth of the Canadian industry. It is therefore important that an MFN-based outcome to the negotiations be achieved that will open up markets. The position of the U.S. is central to the success of the negotiations. Significant interests in the U.S. have a strong preference for bilateral sectoral reciprocity in telecommunications, which has led the U.S. to resist MFN obligations unless there is a "critical mass" of countries (as yet undefined) which have agreed to open their markets.

Maritime Transport

A range of U.S. programs and legislation serve to benefit the U.S. shipping, and shipbuilding and repair industries. For example, an operating differential subsidy (ODS) is paid to some U.S.-flag vessels in international shipping services to improve their competitiveness with respect to foreign-flagged vessels. The ODS program will expire in 1997; in early 1996 Congress was considering legislation for a successor program that would provide up to $1 billion in subsidies for approximately 50 vessels over ten years. Under the Capital Construction Fund (CCF) and the Construction Reserve Funds (CRF) tax deferral benefits are available to operators and owners of American vessels to construct, reconstruct or acquire vessels which have been constructed in the United States.

Under the provisions of the OECD Shipbuilding Agreement (see I. Subsidies/Shipbuilding Subsidies) the ODS, CCF and CRF programs will have to be modified to conform with the provisions of the Agreement. The 50% ad valorem duty charged on non-emergency repairs to U.S. flag ships undertaken abroad will also have to be removed (this tariff is already being progressively reduced vis-a-vis Canada under the provisions of the Free Trade Agreement and is to be eliminated entirely by January 1, 1998; the current rate is 7.5%).

In 1994, regulations enacted under the Oil Pollution Act (OPA 90) introduced U.S. requirements for insurance certificates of financial responsibility and tug escorts for tankers transiting short sections of U.S. territorial waters in the Strait of Juan de Fuca on voyages into B.C. ports. The resulting expenses imposed upon Canada-bound shipping have three effects: (1) a higher cost for Canada's international transportation services, (2) enhanced revenues for U.S. services suppliers, and consequently (3), a potential for U.S. services suppliers reaching greater economies of scale with the additional Canadian revenues, thereby reducing their unit costs and effectively subsidizing U.S. commerce.

Under the Alaska Power Administration Asset Sale and Termination Act, which became law in November, 1995, the U.S. Coast Guard discriminates against foreign shipping interests by requiring that Alaskan crude oil be carried solely by U.S. flagged and U.S. owned vessels.

Concern also exists about the absence of an offer by the United States in the WTO/GATS negotiations on maritime transportation services, which are scheduled to conclude in June, 1996. The objective of the negotiations is to achieve commitments and eliminate restrictions in international shipping (domestic cabotage is excluded), auxiliary services (e.g. cargo handling, freight forwarding), and access to and use of port facilities. The negotiations are unlikely to be successful without a significant U.S. offer.