

Under the action plan, both sides have agreed to remove a range of measures that restrict access for livestock, equine semen, horticultural products and nursery stock. The agreement also addresses industry concerns related to veterinary drugs and pest control products. Canadian and U.S. agencies responsible for these issues have agreed on work plans to increase information exchange and the harmonization of their regulatory systems.

### **Agricultural Export Subsidies/Credits**

Canada remains concerned about the possibility of increased use by the United States of export subsidies in third-country markets. Elimination of such subsidies is a priority for Canada in the new round of WTO agriculture negotiations. As well, Canada supports the view that agricultural export credits must be brought under effective international discipline, with a view to ending government subsidization of such credits.

### **Michigan Single Business Tax**

On June 1, 1999, Michigan Governor Engler introduced amendments to the Single Business Act (SBT Act), including a phase-out of the SBT tax rate over a 23-year period by 0.1 percent per year (currently at 2.2 percent). The legislative package included potentially harmful amendments to the way Canadian and other foreign corporations would be taxed on a prospective basis. Amendments to the Michigan SBT Act were enacted in mid-1999, following an intense advocacy campaign by Canadian industry, provincial and federal governments. The amended SBT Act provides for a mechanism to tax foreign companies for tax years beginning on or after January 1, 2000. For Canadian firms, there will be no retroactive application of the tax unless they had permanent establishments in the United States and were obliged to pay federal taxes in the United States under the Canada-U.S. Tax Treaty. Companies that paid the tax in the past but did not have permanent establishment in the United States may be eligible for refunds.

Canadian firms must be aware of their tax liability in Michigan. For Canadian firms, guidance on the tax can be taken from four Revenue Administration Bulletins (RABs) from the Michigan Treasury: on nexus (February 1999); on retroactivity (November 1999);

on the tax base (January 2000); and on the transportation sector (February/March 2000). For more information, please visit the following websites: <http://www.treasury.state.mi.us/lawrules/rabs/rabindex.htm> and <http://www.dfait-maeci.gc.ca/geo/usa>

### **Section 110**

Section 110 of the 1996 U.S. Immigration Act directs the Immigration and Naturalization Service to create a system to document the entry and exit of all foreigners. If implemented, the provision would create intolerable delays at already congested Canadian border crossings. In October 1998, implementation of Section 110 was delayed to March 30, 2001, providing that it does not significantly disrupt trade, tourism or other legitimate cross-border traffic. Canada and its allies continue to seek a permanent legislative solution to this problem to avoid gridlock at the border.

### **Fast Track**

"Fast track" is a mandate to the U.S. Administration by which Congress sets out negotiating objectives and undertakes to approve or disapprove, without amendment, trade-liberalization agreements thereby negotiated. The Administration is currently without such a mandate, and it is unlikely to be obtained during the election year 2000. In these circumstances, at some point during the new WTO agricultural and services negotiations and the FTAA negotiations, countries are likely to become reluctant to continue negotiating with the United States for fear that concessions achieved at the bargaining table could be withdrawn by Congress. It will be important for the next Administration to obtain "fast track" in 2001.

### **Legislative Interference**

In 1999, a Vermont Senator proposed an amendment to a federal bankruptcy bill that would have annulled Hydro-Quebec's \$4-billion, 30-year contract with Vermont utilities. The Canadian Ambassador, along with key U.S. allies, countered the move as a dangerous precedent of legislative interference with transnational contracts. Congressional sources have indicated that the amendment will not become law. Canada will continue to watch for any restrictions on electricity exports and on Hydro-Quebec's ability to do business in the United States.