



Canada-United States Air Transport Negotiations

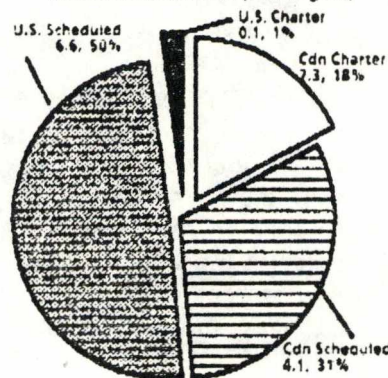
- On October 3, Transport Minister Lewis and U.S. Transportation Secretary Skinner launched negotiations for a new air transport agreement, covering passengers and cargo, scheduled and charter services and cabotage. The objective is a bold new agreement which dramatically expands air services between 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.

- After nine years of persistent pressure from the most senior levels in Canada, Congress is poised to pass clean air legislation which includes effective acid rain controls acceptable to Canada. Negotiations on a Canada-United States bilateral accord are proceeding with completion expected by the end of the year.

- Congress passed the 1990 farm bill. The main feature of interest to Canada is a 25% reduction in subsidies to U.S. agriculture (as part of the budget), a good part of which will occur in the grains sector. U.S. export subsidies, pending the results of the Uruguay Round, however, will remain high.

- Maritime legislation affecting longshore work is likely to pass Congress. As a result of strong Embassy representations, the language has been modified to meet some Canadian concerns.

- Legislation to allow the regional Bell operating companies to manufacture equipment will probably not pass Congress. The Embassy has protested discriminatory provisions in the bill which are inconsistent with the FTA and the GATT.

- Legislation to require the aggregation of existing data on foreign investment and the broader sharing of this information by government agencies has cleared Congress and

seems likely to be approved by the President. Embassy efforts to ensure protection for commercially confidential information were successful.

- Legislation to reregulate the cable television industry is virtually dead this session of Congress.

- A House/Senate conference has agreed on revisions to the Export Administration Act to liberalize export control licencing. Despite Embassy opposition, the bill also includes Cuba sanctions which would block sales to Cuba by U.S.-owned Canadian companies. The Administration objects to several provisions which may prompt a Presidential veto. Canada is considering imposing blocking orders under the Foreign Extraterritorial Measures Act.

- On October 10, a House vote fell short of the two-thirds margin needed to override the President's veto of the Textiles, Footwear and Apparel Act.

- Defence spending legislation exempts two projects of Canadian interest (air defence anti-tank system and the Canadair CL227 unmanned air vehicle system) from major expenditure cuts. However, provisions that preclude Canadian participation in such procurements as naval anchor chain and electrical circuit breakers are included.

- The 101st Congress is expected to adjourn immediately upon passage of the budget. Congressional elections, involving all 435 House seats and one-third of the Senate, will take place on November 6, with the first session of the 102nd Congress scheduled to commence in January, 1991

In the Administration...

- The Embassy is working for an affirmative decision on the Iroquois natural gas pipeline to be reached by the Federal Energy Regulatory Commission by November 28.

- On October 19, four of the five million barrels authorized to be released from the U.S. strategic petroleum reserve were sold for November delivery. Eleven companies were chosen to participate. In this test sale, bids ranged from \$27.85 to \$39.06 per barrel.

- The Federal Elections Commission has scheduled hearings for October 30 and 31 on a proposed rule to prohibit foreign-owned U.S. based companies from establishing Political Action Committees (PAC's). A similar proposal by Senator Bentsen, Chairman, Senate Finance Committee, remains included in campaign financing reform legislation.

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.

FTA & Trade Policy

William Dymond, Minister-Counsellor,
ext. 7334

Economic Policy

Philip Somerville, Minister-Counsellor,
ext. 7427

Congress

Jonathan Fried, Counsellor,
ext. 7344

Trade Development

David Ryan, Minister-Counsellor,
ext. 7742

Environment

Ross Glasgow, First Secretary,
ext. 7736

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PST
TPS
UGB

EPD
EST
PNJ
TDA
UEA
UGM

The Consulate General of Canada
Suite 400, South Tower
One CNN Center
Atlanta, GA 30303-2705
U.S.A.

The Consulate General of Canada
St. Paul Place, Suite 1700
750 North St. Paul Street
Dallas, Texas 75201
U.S.A.

The Consulate General of Canada
3 Copley Street, Suite 400
Boston, MA 02116
U.S.A.

The Consulate General of Canada
Suite 1100
600 Renaissance Center
Detroit, Michigan 48243-1704
U.S.A.

The Consulate of Canada
Suite 3550
Marine Midland Centre
Buffalo, New York 14203-2884
U.S.A.

The Consulate General of Canada
10th Floor
300 South Grand Avenue
Los Angeles, California 90071
U.S.A.

The Consulate General of Canada
Suite 1200
310 South Michigan Ave.
Chicago, Illinois 60604-4295
U.S.A.

The Consulate General of Canada
701 - 4th Avenue South
Minneapolis, Minn. 55415
U.S.A.

The Consulate of Canada
Illuminating Building
55 Public Square
Cleveland, Ohio 44113-1983
U.S.A.

The Consulate General of Canada
1251 Ave. of the Americas
New York, N.Y. 10020-1175
U.S.A.

The Consulate General of Canada
Suite 2100
50 Fremont Street
San Francisco, California 94105
U.S.A.

The Consulate General of Canada
412 Plaza 600
Sixth and Stewart
Seattle, Washington 98101-1286
U.S.A.

Consul and Trade Commissioner
(Defense Prod.)
MCLDDP AREA B, Bldg., 11A, Room 148
Wright Patterson Air Force Base
Dayton, Ohio 45433
U.S.A.

Canadian Government Trade Office
Suite 1400, 20 N. Orange Avenue
Orlando, Florida 32801
U.S.A.

Trade Commissioner
Canadian Defence Liaison Office
11th Floor
222 North Sepulveda Blvd.
El Segundo, California 90245
U.S.A.

Canadian Consulate Trade Office
4677 Ironside Drive, Suite 270
Santa Clara, California 95054
U.S.A.

Consul and Trade Commissioner
Canadian Consulate Trade Office
4350 LaJolla Village Drive
Suite 300
San Diego, California 92122
U.S.A.

Canadian Government Trade Office
3935 Westheimer Road, Suite 301
Houston, Texas 77027
U.S.A.

Canadian Defence Production Office
Navy Aviation Supply Office
700 Robbins Avenue Bldg., 15
Philadelphia, Pennsylvania 19111
U.S.A.

Canadian Government Trade Office
One Gateway Center
9th Floor, S., Wing
Pittsburgh, PA 15222
U.S.A.

Canadian Government Trade Office
231 South Bemiston Avenue
Suite 300
St. Louis, Missouri 63105
U.S.A.

Canadian Government Trade Office
Princeton Corporate Center
5 Independence Way
Princeton, New Jersey 08540
U.S.A.

Canadian Government Trade Office
250 East Fifth Street
Suite 1500
Cincinnati, Ohio 45202
U.S.A.

International Trade Centre
Scotia Tower
900 - 650 West Georgia Street
P.O. Box 11610
Vancouver, British Columbia
V6B 5H8

Canadian Government Trade Office
Consul and Trade Commissioner
801 Brickell Avenue, 9th Floor, #920
Miami, Florida 33131
U.S.A.

International Trade Centre
8th Floor
330 Portage Avenue
P.O. Box 981
Winnipeg, Manitoba
R3C 2V2

Canadian Government Trade Office
Consul and Trade Commissioner
Plaza Scotia Bank
6th Floor
273 Ponce de Leon Avenue
San Juan, Puerto Rico 00917

International Trade Centre
Central Guarantee Trust Building
1801 Hollis Street
P.O. Box 940, Station M
Halifax, Nova Scotia
B3J 2V9

Canadian Government Trade Office
999 - 18th Street, Suite 1000
Denver, Colorado 80202
U.S.A.

International Trade Centre
Edmonton Office
Canada Place
Suite 540
9700 Jasper Avenue
Edmonton, Alberta
T5J 4C3

International Trade Centre
Dominion Public Building
4th Floor
1 Front Street West
Toronto, Ontario
M5J 1A4

International Trade Centre
6th Floor
105 - 21st Street East
Saskatoon, Saskatchewan
S7K 0B3

International Trade Centre
Confederation Court Mall
134 Kent Street, Suite 400
P.O. Box 1115
Charlottetown, Prince Edward Island
C1A 7M8

Internaitonal Trade Centre
Assumption Place
770 Main Street
P.O. Box 1210
Moncton, New Brunswick
E1C 8P9

International Trade Centre
Calgary Office
11th Floor
510 - 5th Street S.W.
Calgary, Alberta
T2P 3S2

Mr. Larry Bagnell
Suite 301
108 Lambert Street
Whitehorse, Yukon
Y1A 1Z2

International Trade Centre
Stock Exchange Tower
800 Victoria Square
Suite 3800
P.O. Box 247
Montreal, Quebec
H4Z 1E8

Mr. Jeff Titterington
10th Floor
Precambrian Building
P.O. Bag 6100
4922 - 52nd Street
Yellowknife, Northwest Territories
X1A 2R3

International Trade Centre
90 O'Leary Avenue
P.O. Box 8950
St. John's, Newfoundland
A1B 3R9

Mr. Gordon Wendt
Service Industries and Consumer Goods
ISTC
10 East
235 Queen Street
Ottawa, Ontario
K1A 0H5

