

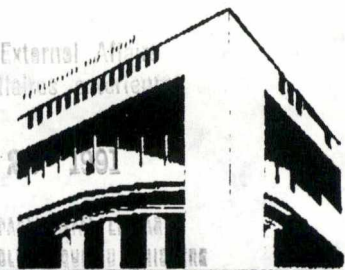
Washington Advisory

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Ministry of External Affairs
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RETOURNER A LA BUREAU

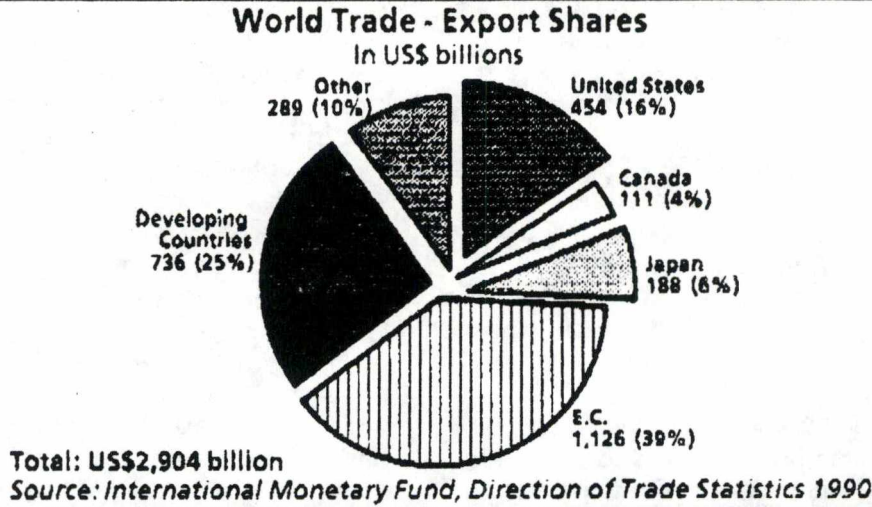


NEGOTIATIONS...

● Negotiations on a Canada-U.S. air quality accord are expected to be completed by the end of this year. The accord will set out mutual commitments regarding transboundary acid rain levels and procedures to manage other shared air pollution problems. Prime Minister Mulroney welcomed President Bush's signing of the U.S. Clean Air Act on November 15 and said it "is a significant victory for those who worked so hard for so many years to revise U.S. environmental legislation...and will improve the quality of air on the continent".

● A second round of trilateral consultations between Canada, the United States and Mexico was held in Washington on November 20. Ministers are scheduled to meet in early December. A formal launch of negotiations is expected in the New Year.

● Canada's negotiator in the Canada-United States air negotiations will be Jim Harris, a senior External Affairs official, recently Canadian High Commissioner to India. The U.S. side will be led by Charles Angevine, Deputy Assistant Secretary, State Department. The Canadian government is consulting interested parties and formal negotiations will begin early next year.



● Quebec exports of softwood lumber to the United States are benefitting from a new four-year agreement amending the Memorandum of Understanding. Effective November 1, 1990, the existing federal export charge of 8% for lumber from Quebec will drop to 6.2% for the first year, 3.1% for the second year and 3% for the next two years.

UNDER THE FTA...

● Canadian exports of natural gas to the United States will benefit from a decision by the Federal Energy Regulatory Commission (FERC) approving the U.S. \$583 million, 575 km. Iroquois natural gas pipeline project. The Canadian National Energy Board has approved the TransCanada Pipelines partial facilities expansion project to feed Alberta natural gas into the northeastern United States. The projects will trigger employment and capital investments in Canada of \$600 million, provide increased capacity

to supply gas to U.S. and Canadian consumers and bring substantial economic and environmental benefits to both countries. Canadian exports of natural gas to the United States in 1989 totalled approximately \$3 billion Cdn.

● The Embassy has strongly protested a discriminatory tax benefit for small U.S. producers of beer and wine, including cider, contained in the October budget agreement. The tax treatment would be inconsistent with the FTA and the GATT.

● On processed pork, Canada has challenged the International Trade Commission's reconfirmation of its injury finding. The binational panel will make its decision by January 22. On the question of countervailable Canadian programs in the pork case, the U.S. Commerce Department has until December 7 to report back to the binational panel with its detailed explanation to support its subsidy finding.

●The FTA is shielding Canada from potential U.S. retaliation against Europe flowing from a long-standing U.S.-E.C. dispute on corn and oilseed trade. Under GATT rules, Canada would be sideswiped by tariff increases since the retaliation would apply to imports from all countries. The FTA prevents this from happening.

IN THE CONGRESS...

●Despite a widespread anti-incumbent mood, the Congressional balance of power remained essentially unchanged after the November 6 mid-term election. The Democrats picked up 8 House seats, increasing their majority from 259 to 267 of 435, and one Senate seat, increasing their majority there from 55 to 56 of 100. Results of 36 gubernatorial races, key to redistricting and electoral votes for the 1992 Presidential elections, were a draw, as the Democrats picked up Texas and Florida while the Republicans held California and gained Illinois, Michigan, Minnesota and Massachusetts.

●The 101st Congress adjourned on October 28, 1990. Of the 9,357 bills introduced in the last two years, only 404 have been enacted. The first session of the 102nd

Congress begins on January 3, 1991, although members will only get down to business following the President's State of the Union message, expected to be given at the end of January.

●Congress failed to renew the Defense Production Act (DPA) resulting in the lapsing of Section 721 (Exon-Florio) affecting foreign investment. Nonetheless, the Committee on Foreign Investment in the United States (CFIUS) will continue to receive notices of mergers, acquisitions and takeovers, and will review them according to the timetable established in Section 721. Congress is expected to turn to reauthorization of Section 721 early in the new session. Congress could strengthen the Exon-Florio provisions in order to bring foreign investments under closer scrutiny.

IN THE ADMINISTRATION...

●Cuba sanctions, which aimed to block sales to Cuba by U.S.-owned Canadian companies, died when President Bush declined to sign the Export Administration Act by the deadline of November 17. Canada had opposed the amendment vigorously and had

responded with a blocking measure under the Foreign Extraterritorial Measures Act. To salvage some of the bill's elements, the President issued executive orders that would implement the principal goals of the legislation including measures to prevent the proliferation of chemical and biological weapons.

●The President has signed immigration legislation which includes maritime provisions affecting longshore work. Embassy objections resulted in some modifications which improve the longshore work provisions from a Canadian standpoint.

●The Federal Election Commission (FEC) held hearings on Oct. 30 and 31 on a proposed rule to prohibit foreign-owned U.S.-based companies from establishing Political Action Committees (PACs). Witnesses overwhelmingly opposed the proposal, principally citing the extent to which it would infringe upon employees' rights to participate in the political process. Should the FEC decide not to place new restrictions on PACs, sponsors of legislative action to achieve a similar end will probably renew their efforts in Congress.

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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