

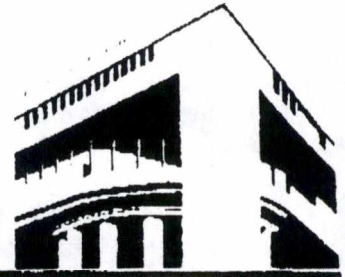
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UNDER THE FTA

●Thanks to the FTA, Canadian pork producers will be getting back \$17 million in countervailing duties from the United States. In a precedent-setting decision on February 12, the U.S. International Trade Commission (ITC) unanimously reversed its finding that imports of Canadian processed pork threaten to injure the U.S. industry. The reversal complied with the FTA panel decision that the ITC's threat of injury was not supported by the evidence. As a result, the countervailing duty order will be revoked. The reversal of the injury finding demonstrated the effect and value of the FTA dispute settlement mechanism and was crucial to the economic well-being of the Canadian industry.

●Canadian businesses and professionals will benefit from recent changes to the FTA's business travel provisions. Thirteen professions (e.g. chemists and geologists) have been added to the list of professions entitled to the FTA's expedited immigration procedures and the minimum educational requirements for eligible professions have been more clearly defined.

NEGOTIATIONS

●On February 5, Prime Minister Mulroney and Presidents Bush and Salinas jointly announced their intention to pursue a comprehensive North American free trade agreement. This would expand trade and investment in a

market comprising over 360 million people and \$6 trillion U.S. in output. Trilateral negotiations are expected to commence later this spring.

●Transport Minister Doug Lewis set the stage for the upcoming bilateral aviation negotiations during his visit to Washington D.C. on Feb 12 and 13. In his meetings with Transportation Secretary Sam Skinner, American carriers, airports, and unions, and in his speech to the Aero Club, the Minister sent a clear message that Canada is interested in a fair deal which will expand opportunities for all concerned.

●Negotiations for a Canada-United States air quality accord continue and are expected to be concluded shortly.

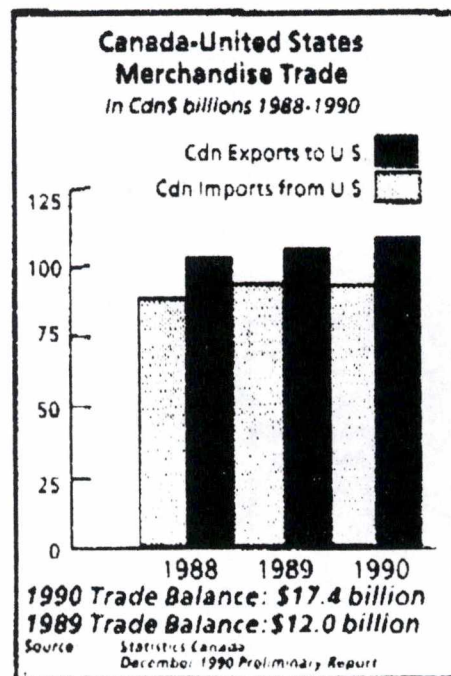
IN THE ADMINISTRATION

Financial System Reform

●On February 6, the Treasury Department released long-awaited proposals for modernizing the U.S. financial system. One of the core proposals is to allow well-capitalized banks to affiliate with securities firms, insurance companies and/or mutual funds under the umbrella of financial services holding companies which, in turn, could be owned by commercial firms. Interstate restrictions, where they exist, would disappear (although some intrastate branching restrictions could persist). National treatment would be extended to Canadian banks, consistent with the FTA. At this early stage in the debate, Congress appears reticent to embrace such sweeping reforms. Instead, its first order of business is to deal with the Bank Insurance Fund whose limited reserves could be exhausted by the end of 1991.

National Energy Strategy

●The comprehensive National Energy Strategy was released on February 20. The proposed measures include exploration and new production in Alaska and the outer continental shelf, the development and adoption of alternative fuels in the transportation sector, deregulation in the gas and electricity industries and encouragement of the nuclear option through streamlined licencing. This policy, which seeks to balance energy sufficiency with efficiency and environmental concerns within a free market approach, has been criticized as



inadequate by conservation interests. The adoption of higher corporate average fuel economy (CAFE) standards may well be at the centre of the debate as Congress begins legislative action. The proposed opening of the Coastal Plain of the Arctic National Wildlife Refuge to exploration and drilling is of particular concern to Canada.

●On February 5, President Bush submitted his budget proposals for the 1992 fiscal year (which begins October 1). The deficit for FY 1991 is expected to be \$318 billion, significantly higher than the \$220 billion registered in FY 1990. The deficit expected for FY 1992 is \$281 billion; this figure does not include the costs of Desert Storm -- much of which will be borne by the Gulf States. The President's budget proposals are consistent with the 5-year deficit reduction plan so painfully achieved last fall. Specifics of the President's proposals will now be subjected to Congressional scrutiny and debate through much of this year.

●On February 13th, President Bush unveiled the U.S. Administration's proposal for a five year, US\$105 billion national transportation plan for highways and mass transit. The Surface Transportation Assistance Act of 1991 is designed to improve the interstate highway system through expansion and capital improvements. The current legislation imposes severe "Buy

American" restrictions which limit the ability of Canadian companies to win contracts. The Embassy will be working to have these restrictions relaxed.

●On February 12, the U.S. ball bearing industry requested an antidumping investigation on imports of ball bearings from several countries including Canada. It is likely the Commerce Department will initiate an investigation.

IN THE CONGRESS

●On February 20, the Senate passed the Export Administration Reauthorization Act including Cuba sanctions to block sales to Cuba by U.S.-owned foreign companies. The legislation has yet to receive House approval. Canada will take firm action to counteract the Cuba sanctions through blocking measures under the Foreign Extraterritorial Measures Act should the U.S. legislation become law.

●The Administration has requested Congress to extend the "fast track" process for the negotiation and approval of trade agreements (e.g. for the current GATT multilateral trade negotiations and for a North American free trade agreement). Under fast track procedures, Congress cannot amend a trade agreement implementing bill but must approve or disapprove the agreement as a whole. Opposition is expected from

textile, labour, agriculture and other interests. A major debate is likely. Unless Congress approves the Administration's request by June 1, 1991, fast track procedures will expire.

WORLD BANK CONTRACTS

●The Embassy continues to provide assistance to Canadian business competing for World Bank contracts. Canadian companies won over \$200 million in project opportunities in 1990. The Canadian consulting industry turned in a strong performance capturing contracts worth about \$54 million or 10% of all World Bank spending in the sector. World Bank lending is expected to exceed \$22 billion in 1991 with over \$5 billion slated for eastern Europe.

SPACE TECHNOLOGY

●Heralding another landmark in bilateral space technology collaboration, Canada and the United States signed a Memorandum of Understanding on the Canadian remote sensing satellite RADARSAT on February 27, 1991. NASA will launch the satellite in 1994 in exchange for access to its data. RADARSAT's all-weather and night-time scanning capacities will permit it to generate unique scientific and economic data on ice, water, land and climatic conditions over much of the earth. Benefits for the Canadian private and public sectors are estimated to exceed \$1 billion.

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

Energy

Jean-Pierre Gombay or
Margaret Martin, Counsellors,
ext. 7741 and 7506

Economic Policy

Philip Somerville, Minister-Counsellor,
ext. 7427

Congress

Jonathan Fried, Counsellor,
ext. 7344

World Bank

Astrid Pregal, Counsellor,
ext. 7719

Trade Development

David Ryan, Minister-Counsellor,
ext. 7742

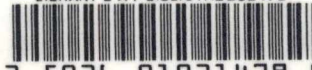
Environment

Ross Glasgow, First Secretary,
ext. 7736

Business Travel

Ian Rankin, Counsellor,
ext. 7755

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