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A Canadian Embassy Newsletter on Trade and Economic Affairs
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TRADE RELATIONS

In an interview with Canadian news media representatives, Ambassador Burney predicted 1992 will be a tough year on the trade front. He emphasized the FTA's role as Canada's best instrument to cope with protectionist pressures building in the United States but noted the need for constant vigilance for measures which violate the FTA. Trade rights and obligations and protectionist pressures run in both directions. The Ambassador called for equivalent Canadian actions to counter aggressive U.S. actions in bilateral trade relations and, above all, a united front in Canada in responding to U.S. pressures on issues like softwood lumber.

STATE OF THE UNION

In his State of the Union address on January 28, President Bush said that the United States would "get more good jobs... through the NAFTA," but he did not set any deadline for completing negotiations.

NEGOTIATIONS

The fifth round of bilateral aviation negotiations is scheduled for February 25-27 in Ottawa. U.S. negotiators are expected to present a counterproposal for the liberalization of the bilateral aviation regime. Canada awaits a U.S. response to Canadian concerns on airport access. Bilateral consultations under the preclearance agreement and a working group meeting on facilitation will be held in Washington during the week of February 3.

In January, Canadian, Mexican and U.S. officials met in Washington to discuss a draft text of a possible North American Free Trade Agreement. Much work remains for negotiators to arrive at a common text and negotiations continue at an intensive pace.

UNDER THE FTA

On January 6, Trade Minister Wilson requested the establishment of an FTA binational panel on the treatment of non-mortgage interest costs under the FTA rules of origin. Canada disputes a unilateral U.S. interpretation that these costs should be excluded from the direct cost of processing when the FTA origin rules require a percentage value added calculation.

Changes in technical sanitary regulations have blocked Canadian exports of ultra-high temperature (UHT) milk to Puerto Rico. On January 8, bilateral consultations under the FTA were held at Canada's request.

ENERGY

On natural gas, Canada and the United States continue to discuss the November decision by the California Public Utilities Commission which would unilaterally terminate certain existing contractual arrangements. While there is agreement by the parties on the long-term objectives which should govern the export of Canadian natural gas and trading relationships between California and Canadian exporters, difficult issues remain unresolved. The Canadian National Energy Board has

announced a review of export licenses related to Canadian imports of natural gas from California.

PHYTOSANITARY ISSUES

Canada is working hard to eradicate the PVYⁿ virus in potatoes to allow the resumption of exports from Ontario and PEI. Two shipments of potatoes from California to Canada were found to have the virus and, consequently, Canada has restricted shipments from the United States.

At Canada's request, following a routine inspection, the U.S. Department of Agriculture delisted Best Foods Caribbean Inc., a Puerto Rican plant which ships soup mixes to Canada, due to unsanitary conditions at the plant.

IN THE ADMINISTRATION

In the countervailing duty investigation on softwood lumber, the Department of Commerce decided in mid-January to pursue only 11 of 334 certified Canadian applications for company exclusions. The Embassy strongly protested this arbitrary refusal to consider further the other 323 legitimate applications. Ambassador Burney objected publicly to the many Commerce Department decisions imposing the greatest procedural burden possible on the Canadian respondents. The preliminary subsidy determination will be issued February 24. In the GATT, members for a dispute settlement panel are being selected to hear Canada's challenge under GATT rules.