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SOFTWOOD LUMBER

•The Embassy, working closely with the Canadian industry, continues to conduct an aggressive campaign in the Congress and the U.S. media to ensure that legislators and opinion makers fully understand Canada's position. Ambassador Burney wrote to all Senators and Congressmen with lumber interests and a series of fact sheets were delivered, followed by meetings. By March 5, the Department of Commerce will make a preliminary determination of whether countervailable subsidies are received by the Canadian lumber industry. Canada continued its challenge in the GATT and the final determinations of the U.S. authorities can be challenged under the FTA binational panel procedures.

NEGOTIATIONS

•Negotiations for a North American Free Trade Agreement continued at an intensive pace as chief negotiators for Canada, the United States and Mexico met in Dallas February 17-21. Working groups for the various areas under negotiation made good progress in advancing the draft consolidated bracketed text of an agreement.

•The next round of negotiations for a Canada-United States air services agreement is scheduled for March 24-26 in Ottawa. The February session was postponed at the request of the United States to allow more time to prepare a response to the Canadian proposals tabled last December. Daniel Molgat, a senior career diplomat, replaces James Harris, who retired in January, as Canada's chief air negotiator.

UNDER THE FTA

•Canada is challenging several unilateral U.S. interpretations of the FTA rules of origin. An FTA dispute settlement panel has been established to consider Canada's claim that the U.S. Customs Service improperly ruled that non-mortgage interest costs are not eligible when determining Canada-United States content. More recently Canada requested consultations under the FTA on several additional interpretations which are particularly important for the automotive sector and which have become evident as the U.S. Customs Service audit of imports from Honda Canada proceeds towards an end-of-February conclusion. Ambassador Burney publicly indicated that Canada is prepared to challenge U.S. rulings that are inconsistent with the FTA in the most forceful manner possible.

IN THE ADMINISTRATION

•The Food and Drug Administration (FDA) is reviewing public comments on its sweeping nutrition labelling proposals issued last November. The Nutrition Labeling and Education Act of 1990, which makes significant changes to nutrition labelling for food products, including imports, requires the FDA to finalize regulations by November 1992 and implement them by May 1993. The U.S. Department of Agriculture has also issued proposals on the labelling of meat and poultry products that parallel those of the FDA. Canada submitted comments to both agencies and is pressing for an extension of the compliance period. For Canadian exporters, a series of seminars on the proposed changes organized

by the Department of External Affairs and International Trade is underway (contact Peter Egedy at 613 991-9483).

•In its preliminary injury determination on February 13, the U.S. International Trade Commission threw out the U.S. industry's antidumping case against potassium hydroxide from Canada. The investigations by both the Commission and the Commerce Department are therefore terminated.

•On February 13, the Commerce Department issued a preliminary determination that imports of magnesium from Norsk Hydro, Canada are being dumped by almost 33%. A second exporter, Timminco Ltd., was given a negligible rate. In December, the preliminary determination in the parallel countervailing duty investigation yielded the same results. A final determination in both cases is due April 27. Canada is challenging the standing of the U.S. industry in the GATT Subsidies Committee.

•On February 12, a request for a countervailing duty investigation was filed against imports of portable seismographs from Canada. The Commerce Department has twenty days to decide whether to initiate a case.

•On February 20, the Commerce Department initiated an antidumping investigation against imports of medium voltage underground electrical distribution cable from Canada. The preliminary injury determination by the U.S. International Trade