

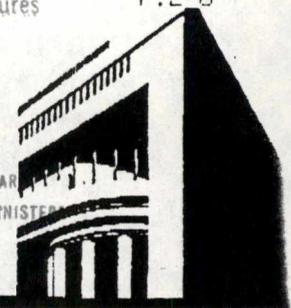
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# Washington Advisory

A Canadian Embassy Newsletter on Trade and Economic Affairs  
Volume 2, No. 7

November 1991

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## SOFTWOOD LUMBER

On October 4, Canada terminated its export charge on softwood lumber as previously announced. Bowing to protectionist pressures from Congress and the U.S. industry, the Administration self-initiated a countervailing duty investigation alleging that provincial timber pricing practices (stumpage programmes) constitute subsidies. Pending a preliminary decision in January 1992, interim customs measures (a bonding requirement) were imposed on exports of softwood lumber from provinces subject to the export charge at the time of termination. Lumber exports from the Atlantic provinces are excluded from the investigation and the bonding requirement.

The Federal Government is leading a coordinated effort, involving the provinces and the Canadian industry, to defend the Canadian position. Canada immediately challenged both the investigation and the interim bonding requirement in the GATT as being contrary to U.S. international obligations. In a recent speech in Detroit, Ambassador Burney stressed that just because Canadian policies and practices are different does not mean that Canada is automatically wrong.

## NEGOTIATIONS

In the negotiations for a North American Free Trade Agreement (NAFTA), Trade Minister Michael Wilson met with his U.S. and Mexican counterparts in Zacatecas, Mexico on October 26-28 for the third top-level session since the negotiations began. The three Trade Ministers discussed the range of

issues on the table, providing guidance to their negotiators to carry the talks forward.

Negotiations for a Canada-United States aviation agreement continue. The Canadian Government, wanting to consult fully with labour, community and aviation groups interested in the negotiations, postponed a round of talks in Denver, Colorado in October. The next round is tentatively scheduled for the last half of November.

## IN THE CONGRESS

Congress has approved full funding of over \$2 billion for Space Station Freedom for next year. Funding for the space station had been deleted earlier by the House Appropriations Committee. This landmark approval resulted, in large part, from the efforts of Canada and other countries to persuade Congress that sustaining Freedom's development was critical to successful international collaboration in space. Spar Aerospace Canada is building a significantly larger and enhanced version of the remote manipulator arm to assemble, repair and service the space station.

A Senate vote on the National Energy Security Act could still proceed in the near future, although a filibuster has delayed Senate consideration of the legislation. The Embassy has made representations, both to the Congress and the Administration, against the proposed opening of the Arctic National Wildlife Refuge (ANWR) to oil production and against a competitiveness test for imports (Domenici-Wirth amendment) which would discriminate against Canadian natural gas in violation of the FTA.

The House will not likely vote on energy legislation until next year.

Language used in a Senate Defense Appropriations Committee report could restrict Canadian sales of synthetic fabric fuel containers for military aircraft. This would represent a broadening of the well-established Berry Amendment, originally used to protect U.S. food and clothing industries. The Embassy is making representations to keep this market open.

Reauthorization of the highly complex RCRA (the Resource Conservation and Recovery Act) is proceeding slowly and votes will likely not occur until 1992. RCRA, which governs U.S. waste management practices, is a major piece of environmental legislation. Congress wants to broaden its scope to include recycling, including requiring minimum recycled content for newsprint. Both the Senate and House intend to include Basel Convention implementing legislation (governing the export and import of hazardous wastes) as part of the larger RCRA package, which may mean significant delays to U.S. ratification of the Convention. Movement of hazardous wastes between Canada and the United States is governed by a bilateral agreement. The Embassy is making representations to avoid the impact on Canadian newsprint exports of any minimum recycled content requirement and to ensure that various proposals to implement the Basel Convention do not result in total bans of trade or any extraterritorial reach of U.S. hazardous waste rules.

## UNDER THE FTA

Canadian exports to the United States in August grew by \$548 million to reach \$9.7 billion, their highest monthly level ever. As a result, Canada's August trade surplus with the U.S. was \$1.9 billion, \$734 million higher than in July.

In response to the Commerce Department's decision in the fifth administrative review on live swine, Canada, along with the Quebec government and the Canadian Pork Council, launched an appeal to a binational panel under Chapter 19 of the FTA. The fifth annual review increased the countervailing duty to 9.3 cents per pound. A panel decision is expected by August 21, 1992.

Under pressure from certain members of Congress, on October 22, the U.S. Administration requested consultations under Chapter 18 of the FTA on Canadian Wheat Board sales of durum wheat to the United States. The Administration had earlier pressed Canada for Canadian Wheat Board pricing information but Canada refused stating that in Canada, as in the United States, export prices are confidential between buyer and seller. In a press interview, Ambassador Burney stressed that U.S. and E.C. export subsidies have driven wheat prices to disastrously low levels. He also underlined the damage to Canadian farmers caused by U.S. subsidies despite assurances that the U.S. is targeting the E.C.

## IN THE ADMINISTRATION

On October 21, the U.S. Fifth Circuit Court of Appeal ruled that the Environmental Protection Agency (EPA) had insufficient evidence to justify its 1989 ban of asbestos. The court returned the matter to EPA for further consideration. Since EPA banned asbestos rather than adopting a controlled use approach (as Canada and other countries have done), the court found EPA had not complied with statutory requirements to choose the least burdensome regulatory alternative. The Government of Canada and the Government of Quebec had both submitted amicus curiae briefs to the court in support of the Canadian industry.

Bowing to political pressures, the U.S. Department of Agriculture officially withdrew on October 17 its earlier proposal to end U.S. border inspection for Canadian meat and create an "open border" for bilateral trade in meat. Canada has responded by implementing a parallel inspection system on U.S. meat.

On October 17, the Canadian International Trade Tribunal released its decision that the dumping of beer in British Columbia by Pabst, Heileman and Stroh was causing injury to Canadian brewers. Imports will attract antidumping duties of almost 30%. A GATT panel requested by the United States, on Canadian provincial marketing regulations and practices for beer, has given its report to the two countries for review before being

circulated to other GATT members. The panel report remains confidential. At the request of Canada, a separate GATT panel has been established on U.S. federal and measures that discriminate against Canadian wine and beer. The panel's report is expected in early 1992.

Over Embassy objections, on October 18, the Commerce Department initiated an investigation to decide whether imports of brass plate from a Canadian exporter are circumventing an existing antidumping duty order on imports of brass sheet and strip from Canada. The circumvention investigation, which was requested by the U.S. industry, will reach a preliminary decision by March 6.

On October 16, the U.S. International Trade Commission made a preliminary determination that imports of magnesium from Canada were injuring the U.S. industry. Antidumping and countervailing investigations initiated in September will therefore continue. A preliminary decision in the countervailing duty case is scheduled for November 29 and a similar decision in the antidumping case by February 12, 1992. The final decisions will be subject to binding dispute settlement procedures under Chapter 19 of the FTA.



### Need More Information?

Here is a list of Embassy officers following the developments described in this advisory.

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#### Economic Policy

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