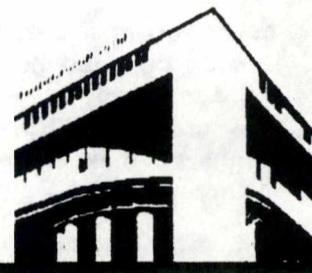


Washington Advisory

A Canadian Embassy Newsletter on Trade and Economic Affairs

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NEGOTIATIONS

Both the House of Representatives and the Senate voted to extend, until June 1993, the "fast-track" procedure for the implementation of trade agreements. Negotiations for a North American Free Trade Agreement between Canada, Mexico and the United States should begin soon. The Uruguay Round of multilateral trade negotiations, stalled since December 1990, should resume shortly. The vote in both the House and the Senate was relatively close because of opposition to negotiations by a coalition representing labour, environmental, textile and farm interests.

The second round of negotiations to liberalize the bilateral aviation agreement will be held in Washington, D.C. on June 5 to 7. Canada will present its views on the kinds of safeguards and phasing which would be required to make a liberalized agreement work. The U.S. negotiating team is expected to respond to Canadian concerns about airport access and to present U.S. views on a range of aviation services, including charters and cargo.

UNDER THE FTA

On pork (injury), at a May 15 hearing of the Extraordinary Challenge Committee (ECC), Canada argued that the Chapter 19 panel acted fully within its mandate in effectively reversing the International Trade Commission finding that

Canadian pork threatens to injure the U.S. industry. Canada further argued that there were no grounds for an extraordinary challenge which, if successful, could undermine the integrity of the Chapter 19 process. The ECC is expected to issue its ruling by June 14, 1991.

On May 24, the FTA Chapter 19 panel on paving equipment parts from Canada remanded a Department of Commerce decision to apply dumping duties of 30.61%. The panel instructed Commerce, within 90 days, to recalculate the dumping margin and to explain how it has determined the new margin.

On May 3, Trade Minister Wilson announced that Canada and the United States reached agreement, under the FTA, on the calculation of support levels for each country for wheat and barley. Based on the calculations, import licences will continue to be required for U.S. barley and barley products entering Canada. Import licences for wheat and wheat products will no longer be required. Under the FTA, Canadian licencing requirements are to be removed if U.S. support levels for individual grains are calculated to be equal to or less than the Canadian support level for that grain.

On May 29, Canada and the United States held consultations under Article 1804 of the FTA to discuss Canadian provincial pricing and listing policies for wine and spirits which the United States claims discriminate against U.S. products.

Canada obtained the establishment of a GATT dispute settlement panel to confirm that U.S. federal and state practices discriminate against Canadian beer, wine and cider. Also in the GATT, Canada made its second submission to the panel established to examine U.S. complaints about provincial listing and pricing policies on beer.

IN THE CONGRESS

The Senate Energy and Natural Resources Committee approved the National Energy Security Act (S.341- Johnston and Wallop). The bill provides for the opening of the Arctic National Wildlife Refuge to oil production and a competitiveness test for imports (Domenici-Wirth amendment) which would discriminate against Canadian natural gas in violation of the FTA. The Embassy continues to protest strongly these measures in preparation for the next legislative step, the full Senate vote, which is expected before the summer recess. No equivalent proposals have emerged in the House of Representatives, where the debate is less advanced.

Senator Hollings' bill (S. 173), which would free the Bell Operating Companies (BOC's) to engage in manufacturing activities in the United States, is headed for the Senate floor in June. Canada protested that the bill's domestic content provisions run counter to U.S. obligations under the FTA and GATT, but these provisions remain unchanged, representing, as they

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do, an agreement between U.S. labour groups and the BOC's. The U.S. Administration has opposed these provisions. The Embassy will continue to make representations as appropriate.

•The development of a new transportation policy for the next five years continues to be one of the important agenda items under consideration in both the House and the Senate. Reauthorization for surface transportation programs takes place every five years. The Senate Committee on Environment and Transportation has endorsed a bill that will face opposition from the Administration and will inevitably undergo significant changes on the floor of the Senate. The House Committee will be introducing a bill in the next few days. The Embassy continues to make representations to limit "Buy America" restrictions as the legislation develops.

•The Senate passed campaign finance reform legislation, including a provision prohibiting non-U.S. citizens from giving money to political action committees (PAC's). Since PAC's were already prohibited from accepting foreign contributions, this new bill effectively represents the status quo. A much more restrictive proposal by Senator Bentsen, that would have prohibited U.S. employees of foreign-owned companies from contributing to PAC's, failed to

gain sufficient support. The Senate's move recognizes the political rights of employees of foreign-owned companies operating in the United States. The bill, (S-3), faces uncertain prospects in the House, and a high probability of a Presidential veto.

•On a related matter, the Federal Elections Commission is expected to render in June a decision on a proposed rule to prohibit foreign-owned companies from organizing PAC's. The Commission is expected to reject the proposed rule.

•The House of Representatives approved a \$291 billion defence authorization bill. The bill would cut funding for certain major defence programs but does not appear to reduce overall procurement funding. Provisions to increase funding for research and development could have a positive long term impact on U.S. and Canadian industries. The bill is expected to be negotiated with the Senate later this summer in a House/Senate Conference.

•Senator Baucus introduced S.976, a comprehensive bill that would reauthorize the Resource Conservation and Recovery Act (RCRA), the main legislation governing waste disposal in the United States. The bill covers waste reduction and disposal standards, and recycling. It would set targets for the use of recycled materials in products, notably

newsprint. The debate over RCRA reauthorization will likely extend to end of this session of Congress (fall 1992).

•Bills to implement the Basel Convention on Transboundary Movement of Waste have been introduced in both the House and the Senate. These bills seek to impose various degrees of control over exports and imports of, principally, hazardous waste to and from the United States, including recyclable materials. One of the House bills (HR2358-Synar), contains measures that Canada considers intrusive, such as mandatory inspection of foreign waste treatment facilities by U.S. inspectors.

IN THE ADMINISTRATION

•Until April 30, the State Department had prevented U.S. television superstation carriers from transmitting into Canada. The State Department, which had concerns about Canada's copyright royalty regime (to provide compensation for the transmission of distant signals), is now satisfied. The Federal Communications Commission can now begin to remove existing conditions on the issuance of licenses.

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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.

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