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# Washington Advisory

*A Canadian Embassy Newsletter on Trade and Economic Affairs*  
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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

Commission is due by March 16 and the Commerce Department's preliminary determination of dumping by July 9.

•The Commerce Department's final determination of dumping in the antidumping case against imports of nepheline syenite from Canada is due by March 10. Last December, a preliminary dumping margin of just under 10% was determined for the single Canadian exporter.

•On beer, the GATT panel established to decide Canada's complaint concerning discriminatory U.S. federal and state practices released its report to the two governments on a confidential basis. On February 18, GATT members formally adopted the panel report on Canadian beer marketing practices and Canada indicated again its intention to implement the recommendations consistent with the panel's report.

### IN THE CONGRESS

•On February 17, the Senate passed national energy security legislation. The Embassy, working with an industry coalition, succeeded in getting the FTA-inconsistent Domenici-Wirth provisions stripped from the bill. These measures would have discriminated against Canadian natural gas. Proposals to open the Arctic National Wildlife Refuge, which Canada opposed, were dropped from the legislation earlier.

The Embassy continues to object to a Senate-approved provision which would restrict a voluntary overfeed program for uranium enrichment to U.S. suppliers. The House is expected to consider similar energy legislation shortly.

•Congress included Cuba sanctions in the Export Administration Act which will go to the President for signature. The prohibition on trade with Cuba by foreign subsidiaries of U.S. companies stands a better chance of enactment because the broader legislation which contains the sanctions is less likely to provoke a Presidential veto than previous versions. One controversial issue remaining in the legislation is the greater liberalization of telecommunications and software exports to the former Soviet Union, an issue which divides the Administration and Congress.

•The Defense Production Act, which has been at the House/Senate conference stage for several months, has assumed greater urgency as the extension of the previous authorization expires at the beginning of March. The bill under consideration deals equitably with Canadian suppliers.

•How to deal with reductions in defence expenditures without crippling the defence industrial base is a topic of debate among industry,

the Administration and Congress. Defence reductions and new acquisition policies by the Pentagon have been condemned by Congress and industry as unrealistic and impossible to implement without sacrificing future industrial capability. The debate is expected to continue over several months as job creation assumes a greater importance in election-year politics.

### WORLD BANK

•Most of the Republics of the former Soviet Union have applied for membership in the International Monetary Fund and the World Bank Group. The World Bank is presently in the early stages of gearing up a pipeline of projects in order that significant lending operations could go forward by the middle of 1993. A proposal to hire an additional 130 professional staff to accommodate the need to develop such a significantly increased level of lending is before the World Bank board and is likely to be approved.

### TRADE DEVELOPMENT

•The Embassy is launching a quarterly newsletter to provide timely market intelligence on the U.S. environmental products and services market - a market in excess of US\$100 billion. Interested Canadian companies can receive this newsletter by sending a request to the Embassy (Peter Drabble: fax (202) 682-7619.)

### 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**  
Guy Saint-Jacques or  
Margaret Martin, Counsellors

**Economic Policy**  
Ted Hobson, Minister-Counsellor  
ext.7427

**Congress**  
Michael Lair, Counsellor  
ext. 7344

**Trade Development**  
David Ryan, Minister-Counsellor  
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**World Bank**  
Astrid Pregel, Counsellor  
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