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# Washington Advisory

A Canadian Embassy Newsletter on Trade  
and Economic Affairs

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## NEGOTIATIONS

●Negotiations to expand bilateral air services got off to a good start in Ottawa on April 11 and 12. Canadian and U.S. negotiators agreed on the broad objectives and key issues to be addressed in the negotiations. High on the list for Canada is effective U.S. airport access, including slots, gates and other facilities. The next round will be held on June 5-7 in Washington.

●Congress will decide by June 1 whether to extend fast-track implementation procedures to allow the President to negotiate a North American Free Trade Agreement and complete the GATT Uruguay Round negotiations. Many Members of Congress have expressed serious concerns about environmental, labour and adjustment issues raised by a negotiation with Mexico. The Administration response to these concerns, expected by May 1, will weigh heavily in the outcome of the debate on fast-track extension.

●On April 25 in Montreal, Canada's new Trade Minister, the Honourable Michael Wilson outlined the potential benefits to Canada of a North American Free Trade Agreement (NAFTA). He made it clear that Canada will not allow the United States to obtain concessions that it failed to win in the Canada-United States FTA. In particular, Canada's cultural policies are non-negotiable. While improvements to the FTA may be possible, reducing the

benefits to Canada from the FTA is not a price Canada is willing to pay for a North American accord.

## UNDER THE FTA

●In the processed pork case (injury), an the Extraordinary Challenge Committee has been formed to review the FTA binational panel's decision (which in effect reversed the U.S. International Trade Commission's finding of injury). Two of the three members are Canadian: the Honourable Mr. Justice Willard Z. Estey, formerly Chief Justice of Ontario and Justice of the Supreme Court of Canada, and the Honourable Mr. Justice Gregory T. Evans, formerly Chief Justice of Ontario. The Committee will be chaired by the Honourable Arlin M. Adams, formerly a judge of the U.S. Court of Appeals. Briefs from the participants were submitted April 19, rebuttals are due May 2, a hearing will be held May 15 and a decision is scheduled for June 14. The Committee can affirm the decision of the FTA panel, vacate it or remand it back to the panel for reconsideration.

●On processed pork (subsidies), on April 11 the U.S. Commerce Department complied with the FTA binational panel's decision upholding Canadian arguments on two of the three programs under review. The countervailing duty on Canadian exports to the United States decreases from approximately 8 cents per kilogram to 3 cents per kilogram, pending the outcome of the injury case and of the GATT panel.

●The annual process for determining Canadian and U.S. support levels for wheat and barley and their products has begun. Under the FTA, if U.S. support levels remain higher than Canada's, Canadian import permit requirements for imports from the United States stay in place. If U.S. support levels are equal to or less than Canada's, import permit requirements are to be removed.

●Canada intends to implement border inspection of meat imports from the United States in order to generate support in the United States for an open border for meat inspection. U.S. shipments of meat to Canada would face inspection procedures similar to those experienced by Canadian exporters of meat to the U.S. market.

## IN THE CONGRESS

●Comprehensive national energy security legislation (Johnston-Wallop bill, S.341) is moving quickly through committee stage in the Senate. The Embassy is objecting to provisions which would open the Arctic National Wildlife Refuge in Alaska to exploration and drilling. The Embassy is also protesting an amendment sponsored by Senators Domenici and Wirth which would discriminate against imports of Canadian natural gas by subjecting them to a discriminatory test in violation of the FTA.

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●Draft legislation, supported by the Administration, to amend the Export-Import Bank Act to permit loan guarantees and insurance for commercial military export sales, faces serious opposition from industry and Congress. U.S. industry is concerned that the use of EXIM Bank financing for military sales will reduce its availability for civil commercial exports. Since EXIM Bank support could be applied to sales to developed countries under the proposal, Canadian companies would face increased competitive pressure from U.S. exporters in the world market.

### IN THE GATT

●Following unsuccessful consultations with the United States, on April 24 Canada requested the establishment of a GATT dispute settlement panel to confirm that U.S. federal and state practices discriminate against Canadian beer, wine and cider in violation of the GATT. The United States blocked the request, claiming that it needed more time. The request will be considered again in May at the next meeting of GATT member countries.

●Canada made its first submission on April 11 to the GATT panel established to examine U.S. complaints into the practices of Canadian provincial liquor boards.

●On processed pork (subsidies), the United States continues to refuse to adopt the GATT panel report which upheld the Canadian position. In a strongly worded statement to a meeting of GATT member countries on April 24, Canada condemned the U.S. intransigence. The U.S. position has absolutely no justification under the GATT and contradicts the U.S. stance in the Uruguay Round negotiations to improve GATT dispute settlement procedures.

### IN THE ADMINISTRATION

●Following revised provisions on longshore work contained in immigration legislation passed last year, the U.S. State Department is proposing a regulation to identify countries which prevent U.S. crews from handling cargo in their ports. Inclusion of Canada on the list would require the use of U.S. longshoremen by our shippers using U.S. ports. The Embassy provided information to the State Department to show why Canada should not be on the list of offending countries.

●On April 26, the U.S. Trade Representative released the annual list of countries which, in the Administration's view, infringe intellectual property standards. Along with 22 other countries, Canada appears on the "Watch List" (lowest category), as it has in the last two years, principally due to U.S. concerns about Canadian pharmaceutical patent policy. For the first time, the Administration identified countries in the highest category by listing China, India and Thailand.

### WORLD BANK

●The World Bank will soon issue the first list of environmental projects for funding under the \$1.5 billion global environment facility (GEF). The first group of about 30 projects is valued at more than \$200 million. The GEF is a pilot program to provide grants to developing countries for projects protecting the environment, with funds administered directly by the World Bank and the United Nations Development Program (UNDP). Interested Canadian companies should make themselves known to the project officers in the World Bank and the UNDP and can obtain general information from the Embassy.

### 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

Jean-Pierre Gombay or  
Margaret Martin, Counsellors,  
ext. 7741 and 7506

#### Economic Policy

Philip Somerville, Minister-Counsellor,  
ext. 7427

#### Congress

Jonathan Fried, Counsellor,  
ext. 7344

#### World Bank

Astrid Pregel, Counsellor,  
ext. 7719

#### Trade Development

David Ryan, Minister-Counsellor,  
ext. 7742

#### Environment

Ross Glasgow, First Secretary,  
ext. 7736