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# Washington Advisory

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A Canadian Embassy Newsletter on Trade and Economic Affairs  
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## TRADE RELATIONS

● In an interview with Canadian news media representatives, Ambassador Burney predicted 1992 will be a tough year on the trade front. He emphasized the FTA's role as Canada's best instrument to cope with protectionist pressures building in the United States but noted the need for constant vigilance for measures which violate the FTA. Trade rights and obligations and protectionist pressures run in both directions. The Ambassador called for equivalent Canadian actions to counter aggressive U.S. actions in bilateral trade relations and, above all, a united front in Canada in responding to U.S. pressures on issues like softwood lumber.

## STATE OF THE UNION

● In his State of the Union address on January 28, President Bush said that the United States would "get more good jobs... through the NAFTA," but he did not set any deadline for completing negotiations.

## NEGOTIATIONS

● The fifth round of bilateral aviation negotiations is scheduled for February 25-27 in Ottawa. U.S. negotiators are expected to present a counterproposal for the liberalization of the bilateral aviation regime. Canada awaits a U.S. response to Canadian concerns on airport access. Bilateral consultations under the preclearance agreement and a working group meeting on facilitation will be held in Washington during the week of February 3.

● In January, Canadian, Mexican and U.S. officials met in Washington to discuss a draft text of a possible North American Free Trade Agreement. Much work remains for negotiators to arrive at a common text and negotiations continue at an intensive pace.

## UNDER THE FTA

● On January 6, Trade Minister Wilson requested the establishment of an FTA binational panel on the treatment of non-mortgage interest costs under the FTA rules of origin. Canada disputes a unilateral U.S. interpretation that these costs should be excluded from the direct cost of processing when the FTA origin rules require a percentage value added calculation.

● Changes in technical sanitary regulations have blocked Canadian exports of ultra-high temperature (UHT) milk to Puerto Rico. On January 8, bilateral consultations under the FTA were held at Canada's request.

## ENERGY

● On natural gas, Canada and the United States continue to discuss the November decision by the California Public Utilities Commission which would unilaterally terminate certain existing contractual arrangements. While there is agreement by the parties on the long-term objectives which should govern the export of Canadian natural gas and trading relationships between California and Canadian exporters, difficult issues remain unresolved. The Canadian National Energy Board has

announced a review of export licenses related to Canadian imports of natural gas from California.

## PHYTOSANITARY ISSUES

● Canada is working hard to eradicate the PVY<sup>n</sup> virus in potatoes to allow the resumption of exports from Ontario and PEI. Two shipments of potatoes from California to Canada were found to have the virus and, consequently, Canada has restricted shipments from the United States.

● At Canada's request, following a routine inspection, the U.S. Department of Agriculture delisted Best Foods Caribbean Inc., a Puerto Rican plant which ships soup mixes to Canada, due to unsanitary conditions at the plant.

## IN THE ADMINISTRATION

● In the countervailing duty investigation on softwood lumber, the Department of Commerce decided in mid-January to pursue only 11 of 334 certified Canadian applications for company exclusions. The Embassy strongly protested this arbitrary refusal to consider further the other 323 legitimate applications. Ambassador Burney objected publicly to the many Commerce Department decisions imposing the greatest procedural burden possible on the Canadian respondents. The preliminary subsidy determination will be issued February 24. In the GATT, members for a dispute settlement panel are being selected to hear Canada's challenge under GATT rules.

On January 22, the Commerce Department launched an anti-dumping duty investigation into imports of potassium hydroxide from Canada, the United Kingdom and Italy. The U.S. International Trade Commission will make a preliminary injury determination by February 17, 1992. If no injury is found, the investigation will terminate.

In the antidumping and countervailing duty investigations on magnesium from Canada, the final subsidy determination is expected by February 12. If subsidies are found, the case will move to the International Trade Commission for a final injury determination by late March. Canada's GATT challenge of the launch of this case continues with the establishment of a panel on January 27. A preliminary determination on dumping of magnesium from Canada and Norway is also expected by February 12.

In the first U.S. policy statement on foreign investment since 1983, President Bush strongly endorsed an open international investment regime calling on nations to eliminate barriers to the free flow of investment. The statement came in advance of his Asian trip where investment barriers were on the agenda.

A January 17 agreement with China means that the United States successfully negotiated progress on intellectual property protection with each of the three countries (China, India and Thailand) which in April, 1991, were listed under Section 301 of the Trade Act as "Priority Foreign Countries". Accordingly, no sanctions will be applied this year against any countries under this statute. The process begins anew, however, with the release in April 1992 of the next list under Section 301.

President Bush nominated Andrew Card as the new Secretary of Transportation. Card was Deputy to former White House Chief of Staff John Sununu. Card will be replaced by Henson Moore, formerly Deputy Secretary of Energy.

In December, Canada formally announced its contribution of \$35 million over five years to the Multilateral Investment Fund of U.S. Enterprise for the Americas Initiative. Over months of negotiations, Canada was successful at helping shape the Fund which is in accord with Canadian development priorities. The Fund will be administered by the Inter-American Development Bank.

#### TRADE DEVELOPMENT

On January 20, Trade Minister Wilson announced that two important sections of the Program for Export Development (PEMD) have been reinstated as a result of a \$1.5 million increase in funding. PEMD had become fully committed in November 1991 due to an unprecedented surge in demand and was temporarily suspended.



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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*

**FTA & Trade Policy**  
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Michael Leir, Counsellor  
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Ann Cronin-Cossette, First Secretary  
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