



FEB 27 1991

THE MOOD IN WASHINGTON

Two issues dominate Washington as the holiday season approaches: the prospects for conflict in the Persian Gulf and the gloomy economic picture. Washington is also concerned that unless the GATT negotiations--currently suspended--succeed, there could be a damaging outbreak of world-wide protectionism.

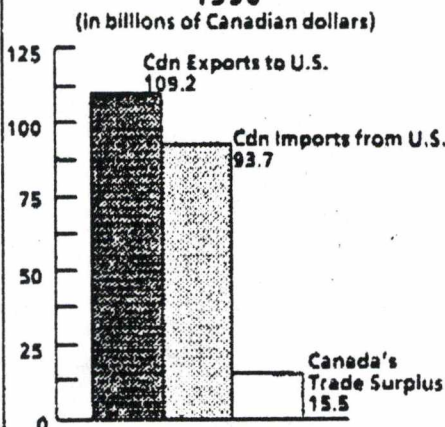
THE ECONOMY

The U.S. economy is weakening. There is a growing consensus that the United States is in a recession. Unemployment rose in November to 5.9%. The Federal Reserve has been easing interest rates but the effects will not be felt for some months. One of the uncertainties is the fragility of the financial sector. While the export sector is doing reasonably well, not least because of the weak U.S. dollar, even a shallow recession will intensify the protectionist pressures. Any conflict in the Persian Gulf would have a major impact on the U.S. economy.

THE POLITICAL SCENE

The 102nd Congress is scheduled to convene on 3 January 1991 and may then stay in session to debate developments in the Persian Gulf. President Bush will deliver his State of the Union speech on 29 January in which he will set out his agenda for the coming year. There is speculation that a main

Bilateral Merchandise Trade 1990



Total Trade: \$202.9 billion
Source: Projections based on StatsCan figures for 1990.

theme of the President's speech will be "market-oriented empowerment", to apply solutions with greater individual choices to the problems in various areas such as education, health and poverty.

JOHN CROSBIE IN WASHINGTON

On December 17, Trade Minister Crosbie met with U.S. Trade Representative Carla Hills and Mexico's top negotiator, Herminio Blanco, to review progress in the trilateral consultations on a North American free trade agreement. Following the meeting, Mr. Crosbie said "We're not a suppliant to anyone", adding that Canada will either have full status at the negotiating table or none at all. He saw no major obstacles to Canadian participation based on preliminary talks held to date.

THE ENVIRONMENT

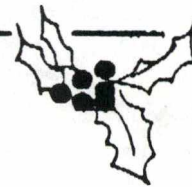
An historic Canada-United States air quality accord is on the verge of completion. Coincident with the release of the Green Plan in Canada and on the heels of the U.S. Clean Air Act, the bilateral accord will enshrine mutual commitments on transboundary acid rain levels and procedures to manage other shared air pollution problems.

AIR NEGOTIATIONS

As part of the preparatory work for a new bilateral air transport agreement, the special Parliamentary Committee on Canada-U.S. Air Services visited Washington to meet with a cross-section of interested U.S. parties. The House of Representatives Subcommittee on Aviation went to Ottawa to hear Canadian views.

THE FTA

On processed pork, Trade Minister Crosbie and Agriculture Minister Mazankowski expressed disappointment with the U.S. Commerce Department's decision to uphold substantially its countervailing duty finding. In its response to the FTA panel, Commerce decreased the duty to 6.6 cents per kilogram from 8 cents, but maintained that Canadian programs provide countervailable subsidies. Canadian governments and industry are considering a further appeal to the binational panel.



ANN
191
1916



●Another binational panel on processed pork will rule by 22 January on the Canadian challenge to the U.S. International Trade Commission's reconfirmation of its injury finding.

●In the GATT, Canada continues to press the United States to adopt and implement the GATT panel decision that the U.S. law which led to the countervailing duty on processed pork is inconsistent with U.S. GATT obligations.

●Binational panels have been established to hear two new appeals. A Canadian exporter has appealed the U.S. Commerce Department's revised procedures under the scope ruling for the antidumping order on oil country

tubular goods. A decision is due by 16 September 1991. The Canadian International Trade Tribunal's decision that dumped integral-horsepower induction motors cause injury, will be reviewed by a panel with a decision due by 11 September 1991. This is the second case brought against Canadian trade remedy action under the FTA.

●The process leading to a second round of accelerated FTA duty reductions continues. In early December, the U.S. International Trade Commission held a hearing on the list of items published in October. Over 500 applications were received by the two governments. Following negotiations, implementation of the second round of cuts is planned for July 1990.

●The U.S. Department of Agriculture is expected to implement soon the open border agreement on meat inspection. The agreement recognizes the equivalence of the Canadian and U.S. meat inspection systems and will liberalize trade conditions while ensuring the highest levels of safety and quality.

●Canada has objected strongly to a tax credit available only to small U.S. producers that will off-set increases in the excise tax on beer and wine, including cider, scheduled to take effect in January. The Embassy has informed the Administration that Canada considers this lack of national treatment to be inconsistent with the FTA. The Administration is expected to respond shortly.

This edition completes the first year of the "Washington Advisory." Each month, the Advisory provides a check list of the major U.S. trade and economic issues important to Canada and to Canadian business. I encourage you to get in touch with us for further information on any item.

Our first 1991 edition will come out at the end of January. It will focus on the year ahead.

I would welcome your comments on the format and content as we head into our second year.

With all best wishes for the holiday season and a happy new year.

D. H. Burney
Ambassador

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

Economic Policy

Philip Somerville, Minister-Counsellor,
ext. 7427

Congress

Jonathan Fried, Counsellor,
ext. 7344

Trade Development

David Ryan, Minister-Counsellor,
ext. 7742

Environment

Ross Glasgow, First Secretary,
ext. 7736



LIBRARY E A / BIBLIOTHÈQUE A E



3 5036 01031478 2



60984 81800