

The Subsidies Code agreed to in the Tokyo Round contains a two-track procedure. Track I regulates the imposition of countervailing duties by a signatory on products imported from another signatory. Article 2 of the Code stipulates that countervailing duties may be imposed only after there has been an investigation and findings of (a) a subsidy and its amount, (b) material injury or the threat of material injury to a domestic industry, and (c) a causal link between the subsidized imports and the alleged injury.

Track II of the Subsidies Code provides for government-to-government consultations, conciliation, dispute settlement, and authorized countermeasures within the context of the GATT system. Articles 8 through 11 of the Code recognize the right of governments to use subsidies to promote important objectives of social and economic policy, prohibit the use of export subsidies on products other than certain primary products, and enjoin signatories to avoid causing, through the use of any subsidy, injury to a domestic industry or serious prejudice to the interests of another signatory. Article 11 has particular importance for Canada, since it acknowledges the right to use domestic (nonexport) subsidies to promote such policy objectives as the elimination of industrial, economic, and social disadvantages of regions; to facilitate the restructuring of certain sectors made necessary by changes in trade patterns; to combat unemployment and promote retraining; to encourage research and development, especially in high-technology industries; to promote economic and social development of developing countries; and to encourage redeployment of industry to avoid congestion and environmental problems.

As a result of their unique histories and political cultures, the United States and Canada have developed different philosophical views both on the use of subsidies as an instrument of government policy and on the international discipline of subsidies through the use of countervailing