

Tire decision in 1973, in which the United States found Canadian regional development grants -- not previously a target -- to be a subsidy that called for countervailing U.S. duties. Some legislation currently before Congress, by defining many Canadian resource policies as subsidies, is part of the trend to U.S. unilateral action to redefine what constitutes unfair trade. If the legislation is passed, pressure will be put on Canada to change its resource policies. In addition, present U.S. practice allows countervailing duties to be imposed on any domestic subsidies that are determined to be targeted to a "specific industry or group of industries." The application of countervailing duties in such cases is determined through what is referred to as the "specificity test". At the same time, political pressures exist in the United States to reverse the current rule that widely available domestic subsidies -- such as Canada's subsidy to research and development -- are not countervailable under U.S. law.

Canadian forest product policies are under particular legislative pressure in Congress. The Gibbons and Bonker bills aim to overturn the U.S. International Trade Administration's softwood products decision in 1983, which found Canadian stumpage policies not to be countervailable subsidies under U.S. law.⁴ Both bills would impute a subsidy based on a comparison of average Canadian stumpage rates with average U.S. stumpage rates, disregarding the differences in the stumpage and resource-tenure systems of the two countries.

The Gibbons bill has broader implications than the current dispute about lumber trade since it is intended to make any discrimination between domestic and export prices for resource products a countervailable subsidy. If successful, such legislation would create important new constraints on the range of policies Canada traditionally has employed. For example, made-in-Canada energy prices, which were an important element of the National