to be used in markets that had a strong EU presence. However, this has not always been the case, since the nature of the foreign competition is only one of the criteria determining whether EEP allocations will be issued.

Over time, the EEP program has expanded first to include countries that have a small EU market presence, and now to countries where the EU has only the potential for sales. For example, the United States reinstated EEP subsidies on wheat shipments to Mexico for the 1994/95 crop year, targetting a traditional Canadian export market. As a result of the trade subsidy war between the United States and the EU, very few markets are not targeted under the EEP. This has caused a severe reduction in the overall world price and has resulted in devastatingly low returns to Canadian producers.

Although several agricultural commodities are eligible for export subsidies under the EEP, historically about 90% (U.S. \$5.7 billion) of EEP expenditures have been used to subsidize grains, oilseeds and their products. Program funding is budgeted at U.S.\$1 billion for the 1994 fiscal year. However, there is currently no cap on EEP funding.

Market Promotion Program

The U.S. Market Promotion Program (formerly the Targeted Export Assistance Program) is authorized under the Farm Bill and is administered by the USDA's Foreign Agricultural Service. The program was originally allotted \$200 million annually from USDA's Commodity Credit Corporation for fiscal years 1991 through 1995 to finance promotional activities for U.S. agricultural products. Funding for the 1994 and 1995 fiscal years is estimated at \$100 million and \$75 million, respectively. Canadian industry has raised concerns about the impact of the program on Canadian exports to third country markets.

Intermediate-Term Export Credit Guarantee Program (GSM-103)

The GSM-103 program authorizes the Commodity Credit Corporation (CCC) to provide low interest loans to facilitate the sale of a wide range of U.S. primary and processed agricultural products. The CCC guarantees 98 percent of the principal and a portion of the interest accrued during the financing period, which may range from three to ten years. If importers or their banks default on these loans, the CCC honours the guarantee by paying to the exporter or the exporter's bank the amount of the principal and interest covered by the guarantee.

GSM-103 sales distort trade due to the subsidized interest rates and the concessional nature of the loan terms, which exceed the normal commercial duration of 3 years.