

- o allowing cost offsets for regional development subsidies or a permitted threshold level of such subsidies before countervailing duties become applicable;
- o exempting Canadian resource management and environmental subsidies such as reforestation and pollution control from possible countervailing action;
- o giving greater legislative precision and certainty to the exemption from countervailing duties of widely available subsidies;
- o developing agreed-upon procedures and methods for the calculation of countervailable subsidies.

Resource Policies

Under the status quo, the Gibbons bill and similar legislative proposals represent a direct assault on Canadian resource policies ranging from forestry stumpage practices to the pricing of hydroelectric power and petroleum. A trade agreement that clarifies the subsidy/countervail rules would reduce or eliminate these potential pressures on Canadian resource management policies. In return for limiting the potential application of countervailing duties to Canadian resource policies, the United States might seek to negotiate restrictions on two-price systems that charge lower prices to domestic users than those paid by exporters.

Policies Subject to Negotiating Pressures

Some policies will be subject at the negotiating table to increased pressures for policy harmonization. This will be the case with intellectual property regimes and some investment policies. Such pressures could also arise in some service sectors.