

The Canadian proposal - the first comprehensive submission since the Framework for Negotiations was agreed to - builds upon the agreed Framework and contains these major elements:

- extension of the existing GATT prohibition on industrial export subsidies to primary products, notably agriculture;
- enshrining in the GATT, as conditions for countervail, the "specificity" and "financial contribution" requirements which would define the parameters of countervailable subsidies;
- introducing a requirement on a country taking countervail action to "net out" or deduct the subsidies received by its own industry;
- establishing a tighter injury standard for application of countervail;
- establishing a minimal level of subsidization below which countervail would not apply;
- strengthening the existing multilateral rules and conditions of the GATT subsidies agreement, to ensure that certain forms of government assistance, such as regional development, would not be subject to countervail;
- establishment of a standing multilateral panel to hear disputes, interpret the rules and authorize trade remedies where warranted.

The proposal would maintain the necessary flexibility for Canadian governments to pursue economic development policies and social programs. This would be achieved mainly through building on the concept of general availability, which is now accepted by many GATT members as a basic criterion for non-countervailability. This concept of general availability would then become enshrined in a revised GATT subsidies agreement. Specific conditions for non-countervailability would be set out with reference to regional development subsidies, research and development, infrastructure, and worker adjustment assistance.

Future foreign countervail actions against non-trade-distorting Canadian programs could be forestalled by references to a multilateral panel for rulings as to whether a program falls within the non-actionable category.