cattle and swine due to the use of chloramphenicol in Canada is a prominent exception.

In addition to border controls, Canadian red meat producers benefit from government stabilization programs at the federal and provincial levels. The federal program, the Agricultural Stabilization Act, has provided a deficiency payment in low-price years, but payments have been small and infrequent. A revised stabilization program for hogs and cattle has now been announced, which is to be financed by producers and by both levels of government, and which will be available to producers in those provinces that choose to belong. Because it features a strong market orientation, and, like the Western Grains Stabilization Act, covers cash costs only, the new program is unlikely to generate serious reservations from the United States in FTA negotiations. In fact, because the program will have modest resource-allocation costs and will stabilize production, the instrument may well be internationally attractive.

Provincial stabilization programs, however, are another matter. They have provided deficiency-payment support to maintain remunerative- or incentive-price levels in several provinces, which has contributed to countervail efforts in the United States. To limit the risk of trade reactions against Canada for subsidies in one or two provinces and to maintain some elements of comparative advantage in regional production patterns, the revised stabilization plan for beef and hogs makes the provinces' participation in the scheme conditional upon phasing out their own provincial subsidies.

Policy harmonization in the red meats sector could involve relaxing health regulations, coordintating trade measures aimed at offshore products such as import quotas and antidumping rules to minimize the risk of product diversion from one market to another, and finding acceptable stabilization