

("blue" programs). Subsidies with no, or minimal, effects on trade are also exempt and free from countervail ("green" programs). Subject to certain conditions, the following types of programs may be in the "green box": environmental programs, direct payments to producers, decoupled income support, government participation in income-assurance and safety net programs, structural adjustment assistance, regional assistance, payments for relief of natural disasters, and government services to agriculture and the rural community.

B. POTENTIAL ENVIRONMENTAL IMPLICATIONS

Canada has already met its requirements to cut domestic support payments under "amber" programs because of its unrelated reductions since 1986-1988. The Agreement, therefore, will not have environmental policy implications in this regard during the implementation period. In the longer term, however, the emphasis on reduced government protection and support is expected to complement a shift toward less intensive and more extensive forms of agriculture that may be more compatible with both market and environmental conditions.

The "green box" provisions are expected to encourage a shift from output-related to more production-neutral support.

The Agreement has potentially positive implications for the funding of environmental programs, as such programs are explicitly safeguarded under the "green box" provisions.

Increased diversification of agriculture in the Prairies is an example of an environmental policy objective that would be supported by a shift to decoupled, whole-farm support programs and increased funding for environmental programs. The Permanent Cover Program is an existing cropland diversification program. If the Agreement were to provide an impetus for reform in this direction, the potential environmental impact would be positive.

Overall, the implications for sectoral environmental policy of the Agreement on Agriculture are expected to be positive and small.