

a country whose practices are prejudicial to U.S. commerce. The only example of a Section 301 action to date is the border broadcasting case, where the United States enacted mirror tax legislation to counteract Canada's special income tax regulations intended to discourage Canadian firms from advertising on U.S. border stations.

Regulatory issues in particular sectors: In highly regulated sectors, U.S. unfair trade laws can be directed against Canadian domestic regulatory policies. Two sectors in which such actions are particularly evident are agriculture and services.

Normal economic forces limit the policy instruments that are available to Canadian governments for their agricultural policies. The United States, being a large trading nation, can adopt policies designed to influence world prices of internationally traded agricultural commodities. A small country such as Canada must accept world prices as given. This means that the subsidy must be the major instrument used to transfer income to producers of exported agricultural commodities.

U.S. countervail law, however, is currently threatening to restrict the use of subsidies. A subsidized export to the U.S. market is countervailable (if it passes the injury test), even if similar subsidies exist for U.S. producers. Because U.S. countervail law works on gross foreign subsidies rather than on the net difference between foreign and often large U.S. subsidies, it does not work to create the much-couted "level playing field". Instead, it puts pressure on Canadian governments to alter their agricultural support policies to conform with a laissez-faire ideal that differs greatly from the reality of agricultural policies in the United States or elsewhere.