o provision by governments (or special institutions controlled by governments) of export credit guarantee or insurance programs, or of exchange risk programs, at premium rates, that are manifestly inadequate to cover the long-term operating costs and losses of the programs.

Both the GATT Subsidies Code and U.S. law have treated export subsidies as inherently bad, and both the U.S. Treasury Department and the ITA have countervailed such subsidies consistently. For example, Export Development Corporation's $563 million loan to Bombardier Inc. at 9.7 percent interest over 15 years was clearly an export subsidy and the ITA and the ITC determined it to be countervailable in 1983.[13]

Although the United States levied countervailing duties on some foreign domestic subsidies as early as the 1920s, it was not until the 1960s, with increasing U.S. trade deficits, that the Treasury Department began to apply countervailing duty laws more aggressively to imports bearing production subsidies. In 1973, the Michelin Tire case became the first in which countervailing duties were imposed on domestic subsidies. In 1967, after an intense North American competition, Michelin Tire had been induced to locate a plant to manufacture steel-belted radial tires in Nova Scotia. Michelin's decision was influenced by a package of grants and special accelerated depreciation from the federal government, grants and low-interest loans from the Nova Scotia government, and concessions on property taxes from the municipalities involved. The U.S. Treasury Department's 1973 ruling was based on the theory that the subsidies had an export stimulative effect, since 75 percent of the plant's production was to be exported to the United States.

The Trade Agreements Act of 1979 was the first U.S. trade legislation specifically to include a definition of domestic subsidy. According to the act, countervailable domestic subsidies include: