

A working group is addressing the issue of subsidies and trade law remedies with a view to establishing a better regime for North America within a deadline of five to seven years. Needless to day, they are looking at subsidies in both countries. However, cliches must give way to reality in this case.

There is a perception in the United States that you have a "free market" economy and government subsidies do not play a significant role.

I was frankly astonished to learn that the U.S. administration this week announced as part of the new budget proposals a sharp increase - to \$900 million - in the funding for one of the U.S.'s agricultural subsidies programs which most hurts Canadian farmers. I am speaking of the Export Enhancement Program which pits the U.S. treasury against Canadian farmers. This program directly subsidizes commercial sales of grain by U.S. farmers in targeted 3rd country markets. And wouldn't you know it, the markets targeted so far have been traditional Canadian grain markets - such as the Soviet Union, China, Saudi Arabia & Algeria.

My Cabinet colleagues and I have objected to this unneighborly behavior with some members of the U.S. administration. Each time, we are told that the E.E.P is aimed at the E.E.C. Well, Canada is not the E.E.C. and it disturbs me that our American friends refuse to change an export subsidy program which is hurting Canada, when we are told that it is not intended to harm Canada.

So far, eleven binational panels have been set up to resolve various differences which have arisen about U.S. or Canadian trade measures. In the old days, these issues could have festered for years or escalated into retaliation and counter-retaliation. Now we have a better way and we are using it.

But we must remember that the Agreement is also intended to head off disputes in the first place. We must use it to that end as well.

We are living in remarkable times for international commerce. Trade has never been more important for us, and trade has never been more at risk in the postwar period.

In the Uruguay Round, we are now in the eighth general negotiation since the GATT was created forty years ago. The rhetoric of free trade still abounds. The reality is now far less reassuring.