

a. Governing Principles or Guidelines
for Determining Which Economic
Programs Will Be Countervailable
and Which Will Not

The FTA could state, for example, that each nation is free to adopt macroeconomic policies of its own choosing and that programs essential to the conduct of those policies would be presumptively considered not countervailable subsidies, even though they might make it more attractive to engage in a particular business in one country than in the other. This principle would include, for example, tax rates; money supply and interest rates; natural resource utilization policies; environmental regulations, etc.

The principles could also state that both countries will try to avoid programs which are not essential elements of macroeconomic policy and which confer benefits on individual industries in a way which is likely to discourage investors from establishing or pursuing business in the other country. Such programs could be presumptively considered as countervailable subsidies.

Evaluation: We see no reasonable basis for the U.S. Government to object to a formulation of governing principles; indeed, we would expect this proposal to be welcomed.