Market Promotion Program

The U.S. Market Promotion Program is authorized under the U.S. Food and Agriculture, Conservation and Trade Act of 1990 (1990 Farm Bill) and is administered by the USDA's Foreign Agricultural Service. The program was originally allotted $200 million annually from USDA's Commodity Credit Corporation for fiscal years 1991 through 1995 to finance promotional activities for U.S. agricultural products. Funding for the 1994 and 1995 fiscal years is estimated at $100 million and $75 million, respectively. Canadian industry has raised concerns about the impact of the program on the Canadian domestic market and on Canadian exports to third country markets. The U.S. Administration has asked for US$110 million in funding for 1996.

Defence and Research and Development

Preferential government procurement (which allows contractors to add overhead charges on the value of their sales to government departments or agencies) represents an excess payment for goods and services and constitutes a subsidy. For example, the Independent Research and Development Program allows contractors supplying NASA and the Department of Defense to apply additional charges to the selling price. The U.S. Manufacturing Technology Program provides capital assistance to defence contractors for general plant capacity increases and upgrades, unrelated to specific procurement contracts.

U.S. Inland Waterway Transportation Subsidies

Major inland waterways in the United States (e.g. the Mississippi-Missouri and the Tennessee-Tombigbee river systems) have been developed by and are maintained at the expense of the federal government, with services provided by the U.S. Army Corps of Engineers. There are no lockage fees or other user tolls. However, barge operators pay fuel taxes which are targeted for new construction only. This system of waterways, canals, and locks, and its maintenance, constitutes a subsidy to inland transportation. By reducing the cost of bulk transportation for products, significant benefits accrue to users of the inland waterways.

Intermediate-Term Export Credit Guarantee Program (GSM-103)

The GSM-103 program authorizes the Commodity Credit Corporation (CCC) to provide low interest loans to facilitate the sale of a wide range of U.S. primary and processed agricultural products. The CCC guarantees 98 percent of the principal and a portion of the interest accrued during the financing period, which may range from three to ten years. If importers or their banks default on these loans, the CCC honours the guarantee by paying to the exporter or the exporter's bank the amount of the principal and interested covered by the guarantee. GSM-103 sales distort trade due to the subsidized interest rates and the concessional nature of the loan terms, which exceed the normal commercial duration of 3 years.

U.S. Pension Benefits Guaranty Corporation

While its operations are apparently funded entirely through premiums, the underwriting of 100% of corporate pension liabilities would not be available but for this U.S. government program. There is no comparable private sector guaranty available, at least at PBGC premium rates. The backstopping of pension obligations effectively allows companies access to borrowings at lower rates than would otherwise apply. Moreover, in certain Chapter 11 proceedings, such as in the airline and steel sectors, pension obligations to the PBGC were settled on favourable terms.