

Mr. Broadbent said,

"[Mr. Mulroney] has agreed to let the americans have a say in the future of our social programs, such as unemployment insurance and medicare..."

Mr. Turner said,

"[The Free Trade Agreement] sets up a subsidy negotiation that will wipe out our social programs..."

The negotiations that both men spoke about are provided for under Article 1907 of the Agreement. That Article reads (in part):

"The Parties shall establish a working group that shall seek to develop more effective rules and disciplines concerning the use of government subsidies."

What are the "subsidies" that Canada and the U.S. refer to in this Article? Do they include social programs? No, they do not.

To understand what "subsidies" means in this context, you have first to look at the GATT, at Article XI of the GATT Code on subsidies.

It reads (in part):

"[GATT members] recognize that subsidies... are widely used as important instruments for the promotion of social and economic policy objectives and do not intend to restrict the right of [GATT members] to achieve these and other important policy objectives which they consider desirable."

What does this mean in practice? The Economic Council of Canada explains it this way, that under GATT rules,

"trade remedy laws [like countervail] cannot legitimately be invoked against social policies that are designed solely to...re-distribute income...among citizens."

That's what social programs do, re-distribute income among citizens, from everyone who pays taxes to those who need social services.