the Agricultural Adjustment Act which is the legislative basis for many existing U.S. import restrictions on agricultural products. It was necessary for the U.S. to modify Section 22 to conform with U.S. obligations under the UR Agreements, as the GATT waiver in place since 1955 will no longer apply under the WTO. The legislation will prohibit the application of any new Section 22 quantitative import restrictions or fees on products from WTO members. Existing measures, such as those applicable on sugar, sugar-containing products and peanuts, will be subject to tariffication on the basis of the U.S. WTO tariff schedule, as will certain other products such as peanut butter and crystal drink mixes. The prohibition on the use of Section 22 will provide greater predictability and security of access for Canadian producers who have long been subject to this highly discretionary trade restrictive tool. In the case of wheat, the legislation extends authority for Section 22 action to September 12, 1995 in order to implement the Canada - U.S. MOU on grains.

Duty Drawback

The legislation also contains a provision to deny duty drawback for any agricultural product subject to a tariff rate quota (TRQ). The provision will not deny drawback for exports within the quota level, but only for those exports which would enter at the higher above-quota duty rate.

Export Enhancement Program

The SAA notes the U.S. Uruguay Round commitment to reduce the budgetary outlays for, and quantity levels of, subsidized exports of agricultural products. The legislation specifies that the Export Enhancement Program (EEP) shall be administered in a manner consistent, as determined by the President, with U.S. Uruguay Round obligations. In this context, the bill also broadens the programs for which the EEP may be used and no longer restricts it to instances where the subsidies are being used to fight unfair trade practices of other countries. The SAA notes that the Agriculture Agreement requires further multilateral negotiation in five years, and the use of U.S. subsidies should induce the EU to agree to further reductions. The technical broadening of the EEP is not expected to result in significant change, since the U.S. has already been utilizing EEP more broadly than as a reaction to European export subsidies.

The House appropriation bill provides U.S.$800 million for the EEP in the 1995 fiscal year, below the level the U.S. is allowed to spend on EEP commodities in the first year of the WTO. United States export subsidies, such as the EEP, have had a detrimental effect on Canadian producers, and the new disciplines on these programs will have a positive effect on prices and on returns to Canadian producers.