

facilitating regional and economic development or structural adjustment. The GATT must now go on to better define the circumstances and form in which subsidies can be regarded as neutral and non-trade-distorting and therefore not countervailable. The absence of clear rules and definitions of subsidies which are trade-distorting, and those which are not, has contributed to the unilateral expansion in the application of countervail.

Canada has faced both sides of this issue. As a major trader, we have suffered from the disruption which undisciplined subsidization causes in our market and for our exports in foreign markets. We have applied countervail to protect our industry from the adverse impact of unfair subsidies and we have faced such protection in our export markets. We have been involved in a number of disputes with our trading partners both as a result of their actions against our exports and because of import measures we have imposed.

The issues of discipline on trade-distorting subsidies and countervailing duties and dispute settlement are very much interwoven. This needs to be reflected in the negotiating agenda and in the proposals brought forward. We are working toward a negotiating framework in this area which is balanced and comprehensive and which avoids dealing with one side of the equation to the exclusion of the other. If such a negotiating framework emerges from the Montreal Meeting, it could be an important contribution toward finding better international rules in an area of importance to Canada.