

Canadian producers. The U.S. have taken the position that the EEP is needed to maintain pressure on other exporters to negotiate the reduction of subsidies overall and that there will be no relaxation of the program outside of the MTN agreement involving fundamental reform of agricultural subsidy practices of all countries.

The Canada-U.S. Free Trade Agreement provides that each country will take into account the export interests of other country in use of any export subsidy on agricultural goods exported to third markets. The agreement also recognizes that problems of agricultural subsidies go beyond the bilateral context and require the cooperation of all countries; accordingly, Canada and the U.S. agree to work together in the MTN to deal with these problems. The "Standstill" provision in the agreement provides that both parties understand the need to exercise discretion in the period prior to entry into force so as not to jeopardize the approval process or undermine the spirit and mutual benefits of the agreement.

Response

The stated rationale of the U.S. program is to get the EEC and other subsidizing countries to the bargaining table. The U.S. has indicated it is their policy to ask recipient governments for guarantees to purchase traditional levels from non-subsidizing suppliers such as Canada. We are committed to maintaining our share of the world market. Indeed, Canadian market share has increased from 20% to 24% over the past year. Nevertheless, we are seriously concerned about the price depressing effect of the EEP. We believe the program to be wrong and counterproductive.

We have raised our concerns on many occasions. We will continue to do so. This is an issue which calls for a multilateral solution. That is a key Canadian objective in the MTN.

Potash

Why were there no new rules to deal with the anti-dumping case against Canadian potash.

Response

We were not able to reach agreement on a new set of rules to govern anti-dumping and countervail. So until a substitute system of laws can be worked out existing laws will continue to apply in each country. During the first five years, both countries are committed to negotiate a new set of rules for anti-dumping and countervail.