Subsidies and Countervailing Duties

The Uruguay Round contains a clear set of rules on subsidies and countervailing duties (penalties imposed in retaliation for unfair subsidies) -- a major objective for Canada in the Uruguay Round. The agreement contains, for the first time, an internationally agreed definition of subsidy. Certain categories or types of subsidies, for example those for regional development, the environment, and research and development, will not be subject to retaliatory duties, provided that they are administered in a way that is consistent with the agreement. These disciplines will apply to federal and provincial governments equally.

The agreement also sets the subsidy threshold at 1 percent, which means that if the value of an imported product is found to contain a subsidy of less than 1 percent, the product will not be subject to a countervailing duty. Based on Canada's past experience with U.S. countervail action, this threshold will effectively exclude many Canadian subsidies at both the federal and provincial levels from U.S. retaliatory action. The Uruguay Round agreement strengthens the existing GATT safeguards regime by providing clearer rules governing the application of safeguard measures.

Anti-Dumping

Dumping is the sale of an imported commodity at a price lower than that at which it is sold within the exporting country.

The Uruguay Round agreement contains a series of modifications to existing anti-dumping practices under the GATT, covering such matters as who is entitled to file a complaint, a "sunset" clause limiting the duration of anti-dumping cases, and more transparent procedures for conducting anti-dumping investigations. These changes will provide modest benefits to Canadian exporters while preserving the right of Canadian industries to take action against injurious foreign trading practices.

For North American trade, Canada expects to improve on these anti-dumping provisions, as well as on subsidy/countervail measures, through working groups recently agreed to by Canada, the United States and Mexico.

Trade-Related Investment Measures

The agreement on trade-related investment measures deals with investment measures that have an adverse effect on trade and will benefit Canadian companies with operations in other countries. This agreement reaffirms that foreign governments cannot require enterprises to operate in a way that restricts or distorts trade as a condition of investment (for example, requiring them to use products of domestic origin in their production). Such measures must be eliminated within a defined time frame.