

may also be regarded as countervailable. Similarly, provincial industrial development and agricultural programs may be regarded as countervailable. Current attempts in the U.S. Congress could extend the definition of countervailable subsidies to target such provincial practices as B.C. stumpage fees, or the Alberta dual pricing system for natural gas.

Therefore it may be expected that international trade negotiations, and in particular bilateral negotiations with the United States, would attempt to develop a stronger discipline on the use of subsidies which would affect provincial as well as federal practices.

From a domestic point of view, subsidy programs may also have undesirable effects on the trading capacity of Canadian industry. Competing provincial industrial development subsidies can have the same result as provincial procurement or liquor regulation policies, in creating a fragmented industrial structure which cannot take advantage of the entire Canadian market to achieve a scale that would make it internationally competitive. The regional element of federal subsidy programs can accentuate this tendency, where new firms established with federal assistance may in some cases further fragment the market available to sustain viable firms in other regions.

Conclusion

One striking aspect of the examples examined in this paper is the role played by the federal government in maintaining internal barriers to trade. In liquor regulation, marketing boards and interprovincial trucking, federal legislation strengthens provincial barriers by conceding authority over interprovincial trade. Federal development and subsidy programs also have strong regional elements which may be perceived as barriers to trade.

In terms of solutions, previous reviews have suggested a range of options, from constitutional amendments, to unilateral federal action, none of which has gained acceptance. One instance described in the paper, interprovincial trucking, is noteworthy in that it has achieved some progress, however modest, in reducing interprovincial barriers. It has done so by means of federal-provincial conferences of the relevant ministers, attempting to achieve a consensus on removal of barriers. More may be needed in this area depending on developments in bilateral discussions with the U.S.A.

With the progress of international trade negotiations, Canada's internal barriers to trade are likely to come under increasing scrutiny. Liquor regulations are already resulting in criticism of Canada by the international trading community, and the EEC has initiated a GATT panel to examine the question. The United States is interested in the Canadian market for beer and wines. In the course of