

Section III - Current International Market Conditions

The situation facing Canada's fishery is paradoxical. The healthy state of the resource provides a substantial opportunity to increase production and exports. However, substantial constraints adversely affect the industry's performance: a poor financial state, limited market prospects and stiff barriers to increased penetration of new foreign markets particularly in the EEC, which maintains high tariffs, tariff quotas and restrictive licensing, and in Eastern European and developing countries where imports are controlled by state trading monopolies.

The matter is further complicated because extension of coastal jurisdiction in 1977 forced several foreign countries (the U.K., Spain, West Germany, etc.) with large distant water fleets to reduce their activity in the 200-mile zones and to restructure their fishing operations. The significant economic and social costs involved have made fisheries policy a sensitive political issue in such countries and have aroused protectionist sentiments as well as feelings of resentment against allocations policies that have been tied to trade concessions. Such concessions have been ad hoc and sustainable only with sustained allocations.

The Canadian fishing industry's dependence on exports, combined with the location of much of the industry in Atlantic Canada where incomes are low and where few alternative employment opportunities exist, are also important factors which must be taken into account in the development of an appropriate trade strategy.

United States

Canadian exports to the United States last year amounted to \$972 million. Our major export development strategy in the United States is, in the short term, defensive. We must hold our current 25 per cent share of U.S. fish imports in the face of increasing price competition from Iceland, Norway and Denmark. It will be necessary to develop new markets by broadening the product mix to include more high quality product forms so as to increase the flexibility of the industry in responding to changes in market demand. Another constraint which will determine the level of Canadian exports to the U.S. will be the expansion of the fisheries within the U.S. Major objectives of the U.S. government include the reduction of its fisheries trade deficit and the development of its Alaskan groundfish fishery.

A further constraint to be considered in developing a strategy to secure and enhance Canadian access to the U.S. market is government financial assistance programs for the fishing industry. Canadian dependence on and proximity to the U.S. market thus renders Canada more vulnerable to U.S. protectionist actions, in particular anti-dumping and countervailing duties, than more heavily subsidized exporting nations such as Norway.

Almost all fishery imports enter the U.S. on an MFN basis and most are free of duty. Duties in place rise markedly with the degree of value-added reaching as high as 15 per cent, thus inhibiting further processing of Canadian products for export. Eighty per cent of Canada/U.S. fisheries trade occurs under tariff rates of 3 per cent or less. Selected U.S. tariffs are shown in Table VII.

A few non-tariff measures (NTMs) also exist. Health, sanitary and conservation regulations have acted as barriers as has the "Buy America" program. The U.S. also