

4

Elements of the Canada-U.S. Free Trade Agreement

Several elements of the Canada-U.S. Free Trade Agreement will directly benefit the fishing industry. These include provisions dealing with tariff elimination, the binational dispute settlement process for antidumping and countervail duty cases, quantitative restrictions, technical barriers to trade and foreign investment.

Tariffs

Tariff elimination is a major accomplishment of the Agreement. All tariffs will be eliminated by January 1, 1998. Some tariffs will be removed immediately; some in five equal annual steps; and some in 10 equal annual steps. The process will begin January 1, 1989. (Section 5, IMPACTS provides further information and commentary.)

The most significant benefit for the processing sector will be the competitive edge that Canadian exporters will have in the U.S. market over major competitors from Norway, Denmark and Iceland.

Currently, most Canadian fish products are semi-processed and enter the U.S. either free of duty or at relatively low rates of duty. However, U.S. tariffs are higher for further processed products and this discourages processing in Canada. In 1985, approximately \$444 million, or 32 per cent, of Canadian exported fish products were subject to U.S. duty. Correspondingly, American imports into Canada subject to duty were valued at approximately \$40 million or 15 per cent of Canadian fish imports from the United States.

Binational Dispute Settlement for Antidumping and Countervail Duty Cases

The new binational dispute settlement mechanism for antidumping and countervail duty cases will be particularly important to the fishing industry. U.S. countervail and antidumping laws

and associated rules and definitions have sometimes been interpreted to limit the access of the Canadian fishing industry to the U.S. market. These actions are becoming a serious and growing handicap to exports to the United States. However, with U.S. countervail and antidumping findings subject to review by a binational panel, Canadian exporters will be assured that cases will be judged strictly in accordance with the law.

Provision has been made in the Agreement for an impartial binational panel to be constituted whenever either party considers that countervail and antidumping laws have been unfairly applied. For example, in a case which is still in the U.S. courts, the Canadian industry protested the imposition of countervailing duties by the United States on fresh Atlantic groundfish on the basis that

- a) it had not been determined, as required by U.S. trade law, that the petitioner was fully representative of American industry interests on the issue;
- b) economic assistance programs in Canada were judged to constitute trade subsidies regardless of whether they were generally available to all Canadians or targetted specifically to the fishing sector, or whether they influenced the level of exports;
- c) imports from Canada were judged to have injured the U.S. industry without taking into account the fact that much more serious factors such as a declining U.S. resource base were at the heart of the problems facing the U.S. fishing industry.