

Impacts

The Canadian fishing industry is highly dependent on international markets. To be successful, the industry must be internationally competitive and must have access to major fish markets. The Canada-U.S. Free Trade Agreement is an important step in the process of liberalizing trade with the United States, Canada's primary market. To respond to enhanced opportunities, Canadian fish exporters will need to continue to develop quality products at competitive prices which are attractive to consumers.

The provisions of the Agreement for tariff elimination coupled with effective management of Canada's fishery resources and close geographic proximity to the United States will give Canadian exporters an advantage over competing exporters to the United States.

Tariffs will be eliminated in three phases: some immediately, some in five equal annual steps, and some in 10 equal annual steps. The process will begin on January 1, 1989. Applicable rates and schedules for the elimination of key fish and fish product tariffs are summarized in Table 5.1.

Three product categories represent over 90 per cent of the Canadian fish exports to the United States which are subject to tariffs. The first category is fresh and frozen fish where the reduction of tariffs will enhance the competitiveness of Canadian exporters. This tariff reduction on groundfish products will benefit both Atlantic Canada, including Quebec, and British Columbia. While Canadian groundfish exporters in 1987 continued to receive high prices for these products, new exports from around the world have been drawn to the United States by favourable market conditions. As competition intensifies, this tariff elimination for Canadian exporters will help maintain or expand export sales from Canada.

The second product category where tariff eliminations are of critical importance is "value-added products" such as fish sticks and prepared meals. Tariffs imposed by both countries have resulted in cross-border investment in processing facilities to serve export markets. With the elimination of tariffs, Canadian exporters will have enhanced opportunities to service from Canada a market 10 times the size of the Canadian domestic market. Since the market segment for ready-to-serve processed products is growing rapidly, there is the potential for new investment and job creation in Canada associated with increased exports of these products. While this opportunity is particularly applicable to current Canadian processors of value-added products across Canada, it will also be possible for Canadian processors not currently in the value-added field to develop new product opportunities. Canadian processors have already indicated that new jobs will be created in Canada to serve the North American market.

The third product group, which will benefit significantly from tariff elimination, is crab products. Both Pacific coast and Atlantic coast processors already export competitive products to the United States under this tariff item. The savings resulting from tariff elimination will enable exporters to remain price competitive should the significant Alaskan resource rebound and become a significant factor in the American market.