

reached its full potential in recent years. Since 1986, when the European Community was enlarged to 12 member states with the accession of Spain and Portugal, Canadian fish exports to the EC have been growing each year, but the rate of growth has been slower than in Canada's two other major markets, the United States and Japan. At the beginning of the same period, Japan displaced the Community as Canada's second most important fisheries export market (after the United States) and has since remained in this position.

In 1986, the EC's share of Canada's total fisheries exports of approximately \$2.5 billion dropped to 14 percent while that of Japan rose to 18 percent, a trend which is continuing. The main fisheries products supplied by Canada to the EC are groundfish, salmon, lobster and crab.

Canada's below-potential fisheries export performance in the Community is due in part to factors such as fluctuating exchange rates and the geographic proximity of our competitors such as Norway, Iceland and the Faroe Islands to the EC market. Canada's competitive position in the Community is also affected by the preferential tariff and quota arrangements enjoyed by Scandinavian and other European Free Trade Area (EFTA) countries and the Community's Common Fisheries Policy's import regime for fisheries products. This consists of higher than normal tariff rates for frozen, semi-processed and fully processed products (up to 25% ad valorem on a C.I.F. basis) coupled with a wide array of non-tariff barriers. Of prime importance are global tariff quotas at the Community level for cod fillets, herring, wet and dried salted cod; individual member state import quotas and technical standards particularly in France, Spain and Portugal; and the application at the border of minimum import or reference prices for a large number of fisheries products which include the majority of those supplied by Canada. These border price measures are designed to equalize the prices of foreign imports with those of comparable domestic products.

The existence of these trade restrictive measures will unavoidably dilute whatever benefits Canadian exporters might derive from European market integration. The Federal Government is thus deploying a considerable amount of effort in the Uruguay Round of Multilateral Trade Negotiations to have these barriers liberalized. However, given the EC's continued efforts to establish linkage between fishing rights in Canadian and other coastal states' waters in return for the liberalization of its import regime, major gains for market access into the EC will likely prove difficult to achieve.

Some member states of the EC have counselled patience on this matter. For one thing, they cite declining EC catches for a number of groundfish species which have forced EC processors to successfully lobby the Commission to allow sizeable increases in