low-cost products that Chinese consumers can afford.

Although China consumes 98 per cent of output domestically, foreign trade is growing rapidly. Low labour costs have attracted many foreign investors to begin processing some seafood products in China for re-export to Western and Asian markets.

Market Opportunities

China is increasingly open to trade, investment, joint ventures, technology transfer and co-operative production in the fish products sector. China's fishing fleets and processing plants are also in need of modernization.

Joint ventures in production, processing and marketing can benefit both countries. The combination of Chinese strengths (low-cost labour, species diversity) and Canadian strengths (advanced technology, distribution channels in the United States and European Union) could increase economic returns for both partners. Through joint ventures, Canadian processors gain better access to groundfish from the northwest Pacific Ocean.

Canadian processors have established close relations with Chinese companies for primary processing of groundfish and further processing of herring roe. Prospects exist for joint-venture processing operations in Canada to supply the Chinese market for chitan/chitosan and possibly seafood sauces.

Primarily engaged in freshwater aquaculture, the Chinese industry is specifically interested in joint ventures involving the processing and marketing of new species, and feed production technology and related equipment. Particular prospects exist in co-operative research and technology exchange programs in fields such as fish nutrition, immunology, disease diagnosis and control, and genetic technology.

Canadian seafood exports to China have grown from $6.4 million in 1991 to $56 million in 1995. China is expected to absorb more of Canada's lower-valued pelagic species (such as male capelin and male herring) as well as food-quality herring carcasses left over from roe extraction. Potential exists for exports of mackerel and dogfish products (shark fins) and head-on Pacific chum salmon, which is currently being marketed. According to recent market-testing experiments, Canadian seal meat products are also in demand.

Constraints

At present, Canadian seafood exports face tariff and non-tariff barriers that impede access to the China market. Canadian exports would benefit from trade liberalization, especially lower import duties on live lobster, frozen salmon, herring, mackerel, capelin, turbot, redfish and frozen and salted roes. Further liberalization of China's centralized trading regime to permit direct imports would also be beneficial.