

IV. EFFECTS OF THE ORDER ON CANADA

80. The Order has had an adverse effect on imports of Canadian scallops into France. Prior to the introduction of the Order, the volume of Canadian scallop exports to France and the share of the French market had been increasing. Canadian scallops gained an increasing share of the French market in the early 1990's, with exports rising sharply from 1989 to 1992.

81. The Order and its subsequent amendments caused a decrease in Canada's share of the French scallop market. The Canadian market share, which had risen to over 11% in 1992, fell to 8% in 1994 and is expected to fall much further in 1995. French monthly import statistics to May 1995 indicate that there has already been a sharp drop in Canadian scallop exports to France, since the requirement to use the term "pétoncles" on the label came into force on January 1, 1995. The volume of Canadian scallop exports to France are at the lowest level of the past five years.

82. The annual import statistics included in the EC's written response to Canada's questions raised in the June 19, 1995 consultations also reflect the adverse impact of the Order and its amendments on Canadian scallop exports.

83. As a result of the Order, food products containing scallops may only use the term "coquilles Saint-Jacques" if the scallops used in the production of the product are *Pectens*. The consumer preference for "coquilles Saint-Jacques" extends to food products that are made with scallops identified as "coquilles Saint-Jacques". Thus, seafood products containing "pétoncles" could not compete effectively in the market.

84. In addition, the Order, including the modifications of December 1993 and October 1994, has created great uncertainty regarding labelling requirements for scallops in France and has destabilized the French market for scallops. This has led to generally lower sales and higher costs for Canadian exporters who are now as a result were required to make several packaging changes and to export in smaller lot sizes. Again, French import statistics show that imports of Canadian scallops rose until March 1993, then dropped following the introduction of the Order, rose again in 1994 as exporters found that they were again able to sell using the words "Saint-Jacques", and then fell again in late 1994 following the October amendment.

85. Exports in 1995 have been especially poor. Despite strong international prices for scallops, French importers have lowered the price they are willing to pay for Canadian scallops, and are reducing orders or simply not purchasing large Canadian scallops that would normally compete directly with other large scallops still permitted to use the label "coquilles Saint-

Agreement), the GATT and the TBT Agreement (pursuant to Article 14.1 of the TBT Agreement).
