Premier Wells is mistaken again when he says that the Free Trade Agreement between Canada and the U.S. includes an agreement not to subsidize the private sector. This is simply totally incorrect. There is no such agreement. If either Canada or the U.S. wishes to subsidize the private sector this will not mean that tariffs would immediately be placed on "subsidized" fish or any other product. There is a recognized procedure or investigation with reference to any allegations with regard to subsidized product and, in addition, countervailing tariffs cannot be applied unless it is proven that "subsidized" imports caused injury.

It will be recalled that in 1986, over two years before the Free Trade Agreement was entered into, a countervailing duty of 5.82% was imposed on whole fresh Atlantic groundfish exported to the U.S. on the grounds that certain programs, including equity infusions into National Sea and Fishery Products International, conferred countervailable subsidies. The U.S. legislation existed prior to the FTA and is not affected by the FTA except that there will now be an appeal process through a joint dispute panel under the FTA in the event that any countervail action based on subsidy allegations is initiated.

Let me reiterate there is no provision in the Free Trade Agreement to prevent the Government of Newfoundland purchasing and operating the National Sea Plant at St. John's or any other fish plant. There is nothing to prevent the Government of Newfoundland subsidizing the operation of any particular plant. Any such action might later result in a complaint in the United States with reference to the export of fishery products to the United States based on allegations that such exports are unfairly subsidized. If any such complaint were made the complainor will have to follow the full procedure laid down in U.S. legislation to prove both that there were subsidies and that those subsidized exports caused injury in the U.S. Such a decision could then be appealed to a panel under the appropriate chapter of the Free Trade Agreement.

The Free Trade Agreement between Canada and the United States does not prevent the Government of Newfoundland or any other government from either purchasing or subsidizing the operations of a fish plant. It may well not be wise to take such action in view of the possibility of a later countervail action but this is possible as a result of domestic U.S. legislation and not the Free Trade Agreement.

The problem of the fishing industry is that there is very great over-capacity in terms of the present state of the fish stocks so that all present fish plants can no longer operate in an economically viable manner.