

4. TRADE IMPEDIMENTS/CONSTRAINTS

JAPAN

The Standard Import Price System does not always allow the Canadian exporters to market the most profitable combination of products. Exploitation of this system by competing countries, at various times in the past, has put Canada at a disadvantage. As an exporter of high quality frozen pork, Canada is working to ensure that any changes to the standard import price system, as a result of the MTN, do not discriminate against Canadian exporters of pork to this market.

Japanese imports of chilled pork represents 25% of the country's total pork consumption and has the highest annual growth rate, approximately 20%. A few Canadian plants are presently equipped to properly handle this trade. A few major Japanese processors control a large portion of the table meat trade, and it could be difficult to find new Japanese buyers without antagonizing these current customers.

It appears that Japan is everyone's target market and competition there will be fierce. For example, in 1992, the Netherlands were authorized to ship pork to Japan. Belgium, France, Germany and Poland are also negotiating with Japan and should also be granted access by the end of 1993. This "pack mentality" has surfaced in the Japanese meat trade before, and reliance on one major market may create considerable swings in prices. While there is a current recession in Japan there is no certainty that the Japanese consumption of pork will climb indefinitely. Should the Japanese government intervene in some way to protect national production, we will vigorously protect our trading rights.

MEXICO

Mexico is a relatively new market and hence the Canadian exporters are not yet fully familiar with the Mexican distribution system. In addition, the Mexican trade is not fully aware of the Canadian ability to supply. The principal constraint to the growth of Canadian exports is the 20% tariff which is scheduled to be phased out under NAFTA over ten years.

An important question relates to Mexico's ability to continue absorbing higher amounts of pork imports. Under a NAFTA agreement, Canada's pork exporters will greatly benefit, either by going directly into Mexico with products, or by filling market requirements in the Northern U.S. as U.S. producers flow product south into Mexico. A bullish view of Mexico suggests that affluence will grow and red meat consumption will strongly outpace the ability of national production to keep up. However, regardless of Mexico's new free market initiatives, Mexican producers have always found a way to pressure the government into various protectionist stances, and the need to continuously pursue our trading rights will remain.

RUSSIA AND CENTRAL/EASTERN EUROPE

The lack of convertible currency constitutes the major constraint to trade in