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PRINCE EDWARD ISLAND

Overview

Prince Edward Island has a growing stake in enhancing and securing better access to the U.S. market. In 1986, the \$87 million or nearly 60% of total exports of goods and resources went to the U.S., dominated by potatoes and lobster exports. These sectors account for approximately 18% of provincial GDP and provide jobs for some 10,000 Islanders. Tourism, the Island's second largest industry, is a growing earner of U.S. currency.

The FTA offers a significant opportunity to add value to some of PEI's resource-based products and to reinforce the further development of its secondary manufacturing and service sectors. At the same time, the scope for federal and provincial governments to promote regional economic development remains intact.

PEI and Canada will benefit from the Free Trade Agreement (FTA):

- A) by gaining the best foreign access to the largest, wealthiest market in the world and
- B) by a major step forward in managing the biggest trading relationship in the world and in securing our access to that market.

More specifically, the FTA will provide the following benefits for PEI:

1) Elimination of tariffs by January 1, 1998.
Already a large proportion of Canada-U.S. trade is duty-free (about 70%). Of the remaining tariffs, over half will be eliminated in ten equal steps and about a third will go in five equal steps, starting on January 1, 1989. The balance of dutiable goods will face tariff elimination on January 1, 1989.

The three categories for tariff elimination were established on the basis of consultations with the private sector, where PEI interests were well represented. Both our export interests and import sensitivities were taken into account in this process, and as a result industries have been given time to adjust to new challenges and opportunities.

For example, there will be scope for PEI to add value to resource-based exports such as potatoes (e.g. specialty products) and fish (e.g. prepared fish products). On the other hand, sensitive industries, including most agricultural products and food processing, will face tariff elimination over ten years.

Dept. of External Affairs
Min. des Affaires extérieures

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