

News Release

Minister for
International
Trade



Communiqué

Ministre du
Commerce
extérieur

No. 312

December 19, 1989.

PUBLIC STATEMENT IN CONNECTION WITH REPORTED STATEMENTS

BY PREMIER WELLS OF NEWFOUNDLAND

ISSUED BY THE HONOURABLE JOHN C. CROSBIE

MINISTER FOR INTERNATIONAL TRADE

DECEMBER 19, 1989

Premier Clyde Wells, if quoted correctly in the St. John's Evening Telegram of December 18th and in a Canadian Press wire service report of December 19th, is mistaken with reference to any alleged effect of the Free Trade Agreement between Canada and the United States on the East Coast fishery and the opening or closing of fish plants.

There is absolutely nothing in the Free Trade Agreement that has any effect whatsoever with respect to the use by the United States of its subsidies and countervail legislation.

Premier Wells is quoted as saying that before the Free Trade Agreement it would have been easier to buy the shares of National Sea to keep their plant open at St. John's or to subsidize the operations at that plant. This is completely wrong. The U.S. laws existed before the Free Trade Agreement was entered into. The FTA does not affect the laws either of Canada or of the U.S. with respect to subsidies and countervail actions by either country except for the new Joint Panel Appeal Process which protects Canada from the biased application of U.S. countervail law.

If the Government of Newfoundland wishes to keep the St. John's plant open then the Free Trade Agreement with the United States does not prevent that. Nothing in the FTA prevents the Government of Newfoundland from either buying the National Sea Plant or subsidizing the operation of that plant. The Government can either buy the plant or subsidize the operations of that plant and the Free Trade Agreement will not prevent either action.

.../2

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.