

# **CERTAIN FISH FROM CANADA**

**Determination of No Injury or  
Likelihood Thereof in Investigation  
No. 303-TA-3 Under Section  
303(b) of the Tariff Act of 1930,  
as Amended, Together With the  
Information Obtained in  
the Investigation**



**USITC PUBLICATION 919**

**SEPTEMBER 1978**

# UNITED STATES INTERNATIONAL TRADE COMMISSION

## COMMISSIONERS

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Bill Alberger, Vice Chairman  
George M. Moore  
Catherine Bedell  
Italo H. Ablondi  
Daniel Minchew

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Kenneth R. Mason, Secretary to the Commission

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C O N T E N T S

	<u>Page</u>
Determination-----	1
Statement of reasons of Chairman Joseph O. Parker, Vice Chairman Bill Alberger, and Commissioners George M. Moore, Catherine Bedell, and Italo H. Ablondi-----	3
Information obtained in the investigation:	
Summary-----	A-1
Introduction-----	A-5
Description and uses-----	A-6
U.S. tariff treatment-----	A-8
Nature and extent of the bounties or grants being paid or bestowed---	A-11
Direct payments to fishermen for production-----	A-11
Direct payments to processors for production-----	A-11
Direct payments to fishermen for fishing vessel construction-----	A-11
Indirect assistance in the form of Government construction of port facilities and processing plants and other subsidies-----	A-12
Volume of goods potentially subject to countervailing duties-----	A-13
U.S. industry-----	A-14
Consideration of injury or likelihood thereof:	
U.S. production and exports:	
Fish-----	A-16
Fish products-----	A-18
U.S. exports-----	A-18
Capacity utilization-----	A-18
U.S. imports-----	A-18
Employment-----	A-20
Inventories-----	A-22
Financial experience of domestic producers-----	A-22
Consideration of the causal relationship between Canadian imports and the alleged injury:	
Market penetration of Canadian imports-----	A-23
Loss of sales-----	A-23
Prices:	
West coast prices-----	A-24
East coast prices-----	A-24
Appendix A. Letter of advice from Robert H. Mundheim, General Counsel of the Treasury to the Chairman, United States International Trade Commission, received June 27, 1978-----	A-35
Appendix B. Treasury Department's notices of liquidation of duties (43 F.R. 25995 and 43 F.R. 25996, June 16, 1978)-----	A-39
Appendix C. United States International Trade Commission notice of investigation, public hearing, and request for written views, as amended, issued July 14, 1978-----	A-43
Appendix D. Section 303 of the Tariff Act of 1930, as amended by the Trade Act of 1974-----	A-47
Appendix E. Memorandum to the Commission from the General Counsel of the U.S. International Trade Commission on the subject of Treasury's waiver authority, dated July 19, 1978-----	A-53
Appendix F. Statistical tables-----	A-59

## CONTENTS--Continued

	<u>Page</u>
Appendix G. Information supplied to the Commission by the Department of the Treasury as to the nature and extent of the Canadian bounties and grants to the Canadian fisheries industry-----	A-77
Appendix H. Probable economic effects of tariff changes under title I and title V of the Trade Act of 1974 for Trade Agreement Digest Nos. 10030, 10035, 10039, 10040, and 10049, July 1975-----	A-85

## STATISTICAL TABLES

1. Certain fish and fish products: U.S. imports for consumption, from Canada, by TSUSA item, 1974-77, January-June 1977, and January-June 1978-----	A-60
2. Cod, fresh or chilled, whole, or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed (TSUSA item 110.1585): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978-----	A-61
3. Cod, frozen, whole, or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed (TSUSA item 110.1589): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978-----	A-62
4. Cod, skinned and boned, whether or not divided into pieces, and frozen into blocks, each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weights and dimensions (TSUSA item 110.4710): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978-----	A-63
5. Flatfish, except turbot, skinned and boned, whether or not divided into pieces, and frozen into blocks each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weights and dimensions (TSUSA item 110.4726): U.S. imports for consumption, by principal sources, 1975-77, January-June 1977, and January-June 1978-----	A-64
6. Flatfish, except halibut, fresh or chilled, otherwise processed (whether or not heads, viscera, fins, scales, or any combination thereof have been removed) (TSUSA item 110.7033): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978-----	A-65
7. Flatfish, except halibut or turbot, frozen, otherwise processed (whether or not heads, viscera, fins, scales, or any combination thereof have been removed) (TSUSA item 110.7039): U.S. imports for consumption, by principal sources, 1975-77, January-June 1977, and January-June 1978-----	A-66

## CONTENTS

	<u>Page</u>
8. Cod, cusk, haddock, hake, and pollack, salted or pickled, whole, or processed by removal of heads, fins, viscera, scales, vertebral columns, or any combination thereof, but not otherwise processed, and not in airtight containers (TSUSA item 111.2200): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978-----	A-67
9. Cod, cusk, haddock, hake, and pollack, smoked or kippered, whole, or processed by removal of heads, fins, viscera, scales, vertebral columns, or any combination thereof, but not otherwise processed, and not in airtight containers (TSUSA item 111.6400): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978-----	A-68
10. Cod, cusk, haddock, hake, and pollack, smoked or kippered, otherwise processed (whether or not heads, viscera, vertebral columns, or any combination thereof have been removed), and not in airtight containers (TSUSA item 111.6800): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978-----	A-69
11. U.S. commercial landings of major types of fish landed by vessels that fish for groundfish covered by this investigation, by types, 1974-77, January-June 1977, and January-June 1978-----	A-70
12. Major groundfish fillets: U.S. production, by major type of fish, 1974-77, January-June 1977, and January-June 1978-----	A-71
13. Cod, fresh, chilled or frozen, except cod frozen in blocks: U.S. production, imports for consumption, and apparent consumption, 1975-77, January-June 1977, and January-June 1978-----	A-72
14. Flatfish, fresh, chilled, or frozen, except flatfish frozen in blocks: U.S. production, imports for consumption, and apparent consumption, 1975-77, January-June 1977, and January-June 1978---	A-73
15. Frozen fish blocks weighing over 10 pounds each: U.S. production, imports for consumption, and apparent consumption, by types and by sources, 1975-77-----	A-74
16. Frozen fish blocks weighing over 10 pounds each: Ratios of imports to apparent consumption, by types and by sources, 1975-77-----	A-75
17. Fresh and frozen flounder fillets: U.S. production, imports for consumption, and apparent consumption, 1975-77-----	A-76



UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

(303-TA-3)

CERTAIN FISH FROM CANADA

Determination of No Injury or Likelihood Thereof

On the basis of information developed during the course of investigation No. 303-TA-3, undertaken by the United States International Trade Commission under section 303(b) of the Tariff Act of 1930, as amended, the Commission determines unanimously 1/ that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established, by reason of the importation of certain duty-free fish from Canada, provided for in items 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800 of the Tariff Schedules of the United States Annotated (1978)(TSUS), upon which the Department of the Treasury has determined that a bounty or grant is being paid within the meaning of section 303 of the Tariff Act of 1930, as amended.

On June 27, 1978, the U.S. International Trade Commission received advice from the Department of the Treasury that a bounty or grant is being paid with respect to certain duty-free fish imported from Canada that are entered under TSUS items 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800. Accordingly, the Commission, on July 13, 1978, instituted investigation No. 303-TA-3, under section 303(b) of the Tariff Act of 1930, as amended, to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

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1/ Chairman Joseph O. Parker, Vice Chairman Bill Alberger and Commissioners George M. Moore, Catherine Bedell, and Italo H. Ablondi concurred in the negative determination. Commissioner Daniel Minchew did not participate in the determination. 1

Notice of the institution of the investigation, public hearing, and request for written views was published in the Federal Register of July 19, 1978 (43 F.R. 31072). On August 15, 1978, a public hearing was held in Washington, D.C., at which all persons who requested the opportunity were permitted to appear in person or by counsel.

The Treasury investigation resulting in the countervailing duty determination was initiated as a result of a petition filed with the Treasury Department on June 10, 1977, by the Fishermen's Marketing Association of Washington, Inc., Seattle, Washington. The petition was supported by the Point Judith Fishing Cooperative, Point Judith, Rhode Island.



STATEMENT OF REASONS FOR CHAIRMAN JOSEPH O. PARKER  
 VICE CHAIRMAN BILL ALBERGER AND COMMISSIONERS  
 GEORGE M. MOORE, CATHERINE BEDELL, AND  
 ITALO H. ABLONDI

On June 27, 1978, the United States International Trade Commission received advice from the Department of the Treasury, in accordance with section 303(b) of the Tariff Act of 1930, as amended, that a bounty or grant is being paid with respect to certain duty-free fish and fish products from Canada that enter the United States under items 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800 of the Tariff Schedules of the United States Annotated (1978) (TSUS). Accordingly, the Commission, on July 13, 1978, instituted investigation No. 303-TA-3 under section 303(b) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(b)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Determination

On the basis of information obtained in the investigation, we determine that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established, 1/ by reason of the importation of certain duty-free fish from Canada, provided for in items 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800 of the TSUS upon which the Department of the Treasury has determined that a bounty or grant is being paid within the meaning of section 303 of the Tariff Act of 1930, as amended.

The products under investigation and the relevant  
 U.S. industry

The imported articles that are the subject of this investigation are: whole cod, fresh, chilled, or frozen; salted, pickled, smoked, or kippered cod, cusk, 3

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1/ Prevention of establishment is not an issue in this investigation and will not be discussed further in this statement of reasons.

haddock, hake, and pollock; cod and flatfish (except turbot) meat frozen in blocks of 10 pounds or more each; flatfish fillets, fresh or chilled (except halibut); and flatfish fillets, frozen (except halibut or turbot). The principal imported flatfish products included in the investigation are fillets and frozen blocks of flounder. Whole cod and frozen cod blocks are also important in terms of imports. Together, the cod, cusk, hake, pollock and flatfish covered herein are referred to as groundfish.

In this determination we consider the relevant U.S. industry to consist of those facilities, including fishing boats, devoted to the catching or processing of cod, cusk, haddock, hake, pollock, and flatfish. The groundfish that are the subject of this investigation are landed by an estimated 700 east coast and 300 west coast fishing vessels and are processed by about 100 east coast and 25-30 west coast processing plants.

#### Nature of extent of countervailable Canadian bounties and grants

Treasury's investigation of Canadian bounties and grants covered the period 1976 through mid 1978. The countervailable bounties and grants found by Treasury applied to virtually the entire output of the Canadian fishing and fish processing industry. Only a small proportion of the bounties and grants prior to April 1, 1978 did not apply to the entire Canadian catch of groundfish. These are certain bounties and grants given to the Newfoundland fishermen and fishermen in other Atlantic Provinces in the form of loans and other assistance from the Federal and Provincial governments. Treasury found the total countervailable bounties and grants to be equal to 17.22 percent of the value of U.S. imports of groundfish and

groundfish products from Canada prior to April 1, 1978. Effective April 1, 1978, some of the bounties and grants were eliminated and the remainder were estimated by Treasury to be equivalent to 5.22 percent of the value of U.S. imports from Canada. With the termination of direct cash grants to fishermen, effective October 1, 1978, Treasury estimates the Canadian bounties and grants remaining will be equivalent to 1.22 percent of the value of all of U.S. imports of groundfish and groundfish products from Canada. Furthermore, for those groundfish and groundfish products imported from the Canadian west coast fisheries, the remaining level of Canadian bounties and grants will be equivalent to only 0.85 percent of the value of the imports. Based on the actions by the Canadian government to eliminate virtually all of the bounties and grants by October 1, 1978, and the other statutory criteria for granting a waiver, Treasury has stated its intention to waive countervailing duties under section 303(d) of the Tariff Act of 1930, as amended.

#### No injury

In making its determination the Commission has construed the statutory criteria of section 303(b) in the same way it has construed the identical language in section 201(a) of the Antidumping Act, 1921, as amended. This construction is supported by the report of the House Ways and Means Committee which states in part:

The relevant language regarding injury determinations by the Tariff Commission was derived verbatim from the Antidumping Act, 1921, and is intended to have the same meaning. 1/

After considering these criteria we have determined that the information obtained in this investigation does not establish that the domestic industry is being or is likely to be injured within the meaning of the statute.

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1/ H. Rept. No. 93-571 93rd Cong. 1st Sess. (1973) p. 74.

While total U.S. imports from Canada of groundfish and groundfish products subject to countervailable bounties and grants increased from 84 million pounds in 1975 to 126 million pounds in 1977, such imports accounted for only 17 percent of total U.S. imports of groundfish and groundfish products in 1977. Although imports from Canada of groundfish and groundfish products subject to countervailable bounties and grants accounted for an increasing percentage of apparent of U.S. consumption from 1975 to 1977, the percentage of apparent U.S. consumption accounted for by domestic producers also increased during this period. It is, therefore, apparent that the impact of the imports from Canada was primarily on imports from other sources, which declined as a percentage of apparent domestic consumption.

U.S. production (landings) of all groundfish rose from 147 million pounds fillet weight in 1975 to 174 million pounds in 1977, or by 18 percent. The 1977 production level was the highest reached in recent years. In January-June 1978, U.S. production amounted to 96 million pounds fillet weight, 8 percent above the January-June 1977 level. Landings of cod increased by 28 percent between 1975 and 1977, and by 28 percent between 1976 and 1977 and by another 20 percent between January-June 1977 and January-June 1978. Landings of all subject groundfish increased by 21 percent between 1975 and 1977, and increased by 15 percent between January-June 1977 and January-June 1978. Increased boat building activity is believed to have substantially increased the capacity of the New England groundfishing fleet in recent years.

Although data on overall employment trends in the domestic industry were sought through the Commission's questionnaires, the domestic industry did not supply such information. It might be inferred, however, that U.S. employment in the production of groundfish and groundfish products has probably risen in line with the recent increases in groundfish landings and in the production of ground- 6 fish products.

Specific profit-and-loss data for U.S. producers were also requested through Commission questionnaires but most respondents indicated that they could not provide such data. Despite the absence of such data, rising prices for most categories of groundfish and groundfish products coupled with increases in production indicate that the financial situation for U.S. producers may be improving.

Price comparisons for domestic and imported groundfish can be made only at principal markets. Nearly half of the constructed monthly prices compared for whole cod at Boston (the major east coast groundfish market) during the period January 1976-June 1978, showed Canadian cod selling for higher prices than U.S. cod. Since March 1978, there have been no months when the average constructed price of Canadian whole cod was below the price of the U.S. product in the Boston market. In the west coast market Canadian and U.S. whole cod bring virtually the same price. While east coast prices for whole cod may have dropped recently, west coast prices have increased. In 1977, cod accounted for 26 percent of the total U.S. catch of the subject groundfish; over 80 percent of the groundfish covered by this investigation are caught by the Atlantic fleet. Most other sales of Canadian groundfish and groundfish products appear to have been at approximately the same prices as the U.S. products. In addition, it appears that the most rapid drop in the U.S. prices for groundfish, occurring in the Boston market for whole cod, occurred during April-June 1978, at the same time that Canadian subsidies were in the process of being considerably reduced.

#### No likelihood of injury

The bounties and grants found by Treasury to be bestowed upon Canadian exports of groundfish and groundfish products are scheduled to be virtually

eliminated, effective October 1, 1978. The remaining bounties and grants, estimated by Treasury to be equivalent to 1.22 percent of the value of the imports from Canada, are not likely to have any injurious impact on the U.S. industry. In addition, imports into the west coast will be subject to bounties and grants equivalent to only 0.85 percent of the value of such imports. Other factors indicate that fish stocks presently depleted will be replenished and that many foreign vessels will be excluded from the recently expanded territorial fishing grounds of the United States.

#### Conclusion

Based on the foregoing, it is our determination that an industry in the United States is not being injured, is not likely to be injured, and is not prevented from being established, by reason of the importation of certain duty-free fish and fish products from Canada which Treasury has determined are subject to Canadian bounties and grants.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Summary

On July 13, 1978, the U.S. International Trade Commission instituted investigation No. 303-TA-3 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of certain duty-free fish from Canada that enter the United States under items 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800 of the Tariff Schedules of the United States, which the Department of the Treasury advised the Commission, on June 27, 1978, are subject to Canadian bounties or grants. A public hearing was held in Washington, D.C., on Tuesday, August 15, 1978. The Commission's determination is due to be reported to the Secretary of the Treasury on September 27, 1978.

In its letter of advice to the Commission, Treasury indicated that it intended to waive the collection of countervailing duties in the event that the Commission makes an affirmative injury determination. It should be noted, however, that Treasury's authority to waive collection of such duties is scheduled to expire on January 3, 1979, and that the assessment and collection of countervailing duties on fish, if the Commission makes an affirmative finding, should commence at that time.

The fish and fish products covered by this investigation are all groundfish or groundfish products. Groundfish are fish that are caught at or near the sea bottom in cold or temperate waters. Included in the investigation are whole cod, fresh, chilled, or frozen; salted, pickled, smoked, or kippered cod, cusk, haddock, hake, or pollock; cod and flatfish (except turbot) meat frozen in blocks of 10 pounds or more each; and flatfish fillets, fresh, chilled, or frozen (except halibut or turbot). The most common flatfish covered are flounder, sole, dabs, and fluke. The names are used interchangeably; as a group, they are often collectively called "flounder." In the aggregate, the imports being investigated accounted for about 17 percent of total U.S. imports of all groundfish and groundfish products and about 14 percent of total U.S. consumption of such articles in 1977. Groundfish and groundfish products in turn accounted for about 30 percent of all the fish and fish products consumed in the United States in 1977. All the groundfish and groundfish products covered herein were granted duty-free treatment as a result of U.S. concessions made during the Kennedy round of trade agreements negotiated in the General Agreement on Tariffs and Trade.

The bounties and grants provided on Canadian exports of the subject fish to the United States, as found by Treasury, accounted for an estimated 17.22 percent of the value of the imports from Canada prior to March 31, 1978. During April 1, 1978-September 30, 1978, the subsidies and grants are estimated to have been equivalent to 5.22 percent of the value of the subject imports from Canada, and beginning October 1, 1978, the subsidies and grants are estimated to have been equivalent to 1.22 percent of the value of the subject imports from Canada. All the fish covered by this investigation that are imported from Canada are subject to the bulk of the subsidies, but subsidies equivalent to 0.37 percent of the value of the imported products areA-1 applicable only to fish imported from the Atlantic Provinces.

The following table shows the nature and extent of the various countervailable subsidy programs undertaken to support the Canadian fisheries industry.

Estimated ratios of the value of Canadian bounties and grants to the value of U.S. imports, by Canadian subsidy programs, and by specified periods, as calculated by Treasury

Type of subsidy	(In percent)		
	: Period ending : : Mar. 31, 1978 :	Apr. 1, 1978 to: : Sept. 30, 1978 :	Period beginning : Oct. 1, 1978
Direct payments to fishermen:	:	:	:
Offshore and all British Columbia	:	:	:
fishermen-----	4.00 :	- :	-
Inshore, except British Columbia	:	:	:
fishermen-----	4.00 :	4.00 :	-
Direct payments to processors-----	8.00 :	- :	-
Direct payments to fishermen for	:	:	:
fishing vessel construction-----	.85 :	.85 :	0.85
Department of Regional Economic	:	:	:
Assistance grants to Newfoundland	:	:	:
fisheries-----	.27 :	.27 :	.27
Other countervailable bounties or	:	:	:
grants to Atlantic Provinces	:	:	:
fisheries-----	.10 :	.10 :	.10
Total-----	17.22 :	5.22 :	1.22

Source: Compiled from material submitted to the U.S. International Trade Commission by the U.S. Department of the Treasury.

An estimated 700 New England and 300 west coast fishing vessels land the subject groundfish in the United States. U.S. landings of the subject groundfish covered by this investigation increased slowly from 1974 through 1976 but increased much more rapidly between 1976 and 1977, as shown in the following table.

U.S. commercial landings by U.S. vessels of groundfish of the types covered by this investigation, 1974-77, January-June 1977, and January-June 1978

Item	(In thousands of pounds product weight)					
	: 1974	: 1975	: 1976	: 1977	: Jan.-June--	
					: 1977	: 1978
New England landings-----	205,731	209,699	211,053	263,488	136,000	161,000
West Coast landings-----	64,619	62,231	70,375	64,132	30,300	30,000
Total-----	270,350	271,930	281,428	327,620	166,300	191,000

Source: Compiled from official statistics of the U.S. Department of Commerce.



U.S. imports of groundfish of the types covered by this investigation are shown in the following table.

Groundfish and groundfish products of the types covered by this investigation:  
U.S. imports for consumption, by sources, 1975-77

Source	1975	1976	1977	Jan.-June--	
				1977	1978
Quantity (1,000 pounds product weight)					
Canada-----	87,306	108,048	128,379	46,209	52,108
All other countries-----	158,868	168,997	166,591	94,615	81,811
Total-----	246,174	277,045	294,970	140,824	133,919
Value (1,000 dollars)					
Canada-----	61,437	90,726	121,933	42,202	51,354
All other countries-----	92,534	110,835	149,912	83,913	76,886
Total-----	153,971	201,561	271,845	126,115	128,240

Since the groundfish and groundfish products covered by this investigation are essentially interchangeable at various stages of production and consumption, the imports from Canada of groundfish and groundfish products that are subject to the investigation are compared with U.S. production, imports, and consumption of all groundfish and groundfish products in the following table. Exports of groundfish and groundfish products are negligible.

All groundfish and groundfish products: U.S. production, imports for consumption, and apparent consumption, 1975-77, January-June 1977, and January-June 1978

Period	(Quantity in fillet weight)						Ratio to apparent U.S. consumption of--					
	Imports			Apparent consumption			Imports of					
	U.S. production	Subject groundfish products from Canada	All other	Total	U.S. production	Subject groundfish products from Canada	All other	Total	Imports of subject groundfish products from Canada	Percent	Percent	Percent
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	Percent	Percent	Percent	Percent
1975	146,334	84,213	567,494	651,707	798,691	10.5	71.1	81.6				
1976	153,846	105,689	639,775	745,464	899,310	11.8	71.1	82.9				
1977	174,149	125,988	606,716	732,704	906,853	13.9	66.9	80.8				
January-June 1977	88,858	44,956	265,175	310,131	398,989	11.3	66.5	77.7				
1978	95,918	51,046	267,537	318,583	414,501	12.3	64.5	76.9				

Source: Compiled from official statistics of the U.S. Department of Commerce.

## Introduction

On June 27, 1978, the United States International Trade Commission received advice from the Department of the Treasury, in accordance with section 303(b) of the Tariff Act of 1930, as amended, that a bounty or grant is being paid with respect to certain duty-free fish and fish products imported from Canada that enter the United States under items 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800 of the Tariff Schedules of the United States Annotated (1978) (TSUSA). 1/ Accordingly, the U.S. International Trade Commission, on July 13, 1978, instituted investigation No. 303-TA-3 under section 303(b) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(b)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing in connection with the investigation was held in Washington, D.C., on August 15, 1978. Notice of the institution of the investigation, public hearing, and the request for written views was published in the Federal Register of July 19, 1978 (43 F.R. 31072). 2/

This investigation resulted from a countervailing duty petition which was filed with the Treasury Department on June 10, 1977, by the Fishermen's Marketing Association of Washington, Inc., Seattle, Washington. The petition was supported by the Point Judith Fisherman's Cooperative Association, Inc., of Nanagansett, R.I.

On January 27, 1978, a "Notice of Preliminary Countervailing Duty Determination" was published in the Federal Register (42 F.R. 3786). This notice stated that Treasury had made a preliminary determination that benefits had been received by Canadian fishermen and processors which constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended.

As amended by the Trade Act of 1974, the Tariff Act of 1930 provides that, for duty-free merchandise that has been found by the Secretary of the Treasury to be subject to bounties or grants paid or bestowed by a foreign country, or other foreign entity, the U.S. International Trade Commission shall determine within 3 months after being so advised by Treasury whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. In the event of an affirmative determination by the Commission, the law provides that the Secretary of the Treasury shall direct the assessment and collection of countervailing duties in the amount of the bounty or grant.

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1/ A copy of Treasury's letter of advice is presented in app. A, and a copy of Treasury's notice of liquidation of duties is presented in app. B.

2/ A copy of the Commission's notice, as amended, is presented in app. C.

Section 303(d), however, provides for certain instances in which the collection of countervailing duties may be waived until January 3, 1979. 1/ In the Treasury letter of advice to the Commission, 2/ the General Counsel of the Treasury informed the Commission that conditions exist that, in effect, make it appropriate to waive the collection of countervailing duties on the duty-free fish that are the subject of this investigation. It appears, however, that if the Commission makes an affirmative determination in this investigation, the assessment and collection of countervailing duties must commence on January 3, 1979. 3/

Since 1950, the Commission has conducted three investigations on imports of the types of fish and fish products covered by this investigation. In the first of these investigations the Commission determined that no injury had occurred to a domestic industry. 4/ In both of the other investigations, the Commission recommended that the President modify and restrict the tariff concessions that the United States had granted in the General Agreement on Tariffs and Trade (GATT). 5/ The President did not follow the recommendations of the Commission in either of the latter two investigations, nor did he take any other actions restricting the subject imports.

#### Description and Uses

The fish and fish products covered by this investigation are limited to certain duty-free groundfish and certain duty-free products of such fish. The term "groundfish" encompasses many types of common food fish having fins and caught on or near the sea bottom in cold or temperate waters. Among the groundfish and groundfish products covered by this investigation are certain flatfish products, cod and certain products thereof, and cusk, haddock, hake, and pollock and certain products thereof. Collectively, all the above are referred to in this report as groundfish and groundfish products.

Flatfish are horizontally flattened fish, with both eyes on the upper side of the body; they include flounder, sole, dabs, halibut, and turbot. In most of their commercial forms, however, halibut and turbot are not included in the scope of this investigation.

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1/ Sec. 303 of the Tariff Act of 1930, as amended by the Trade Act of 1974, is presented in app. D.

2/ A copy of Treasury's letter of advice is presented in app. A.

3/ See memorandum of the General Counsel of the U.S. International Trade Commission to the Commission (July 19, 1978) in app. E.

4/ Groundfish Fillets: Report on the Escape Clause Investigation, Report No. 182, 2d ser., 1953.

5/ Groundfish Fillets: Report to the President on Escape Clause Investigation No. 25, 1954, and Groundfish Fillets (1956): Report to the President on Escape Clause Investigation No. 47, 1956.

The products included within the scope of the investigation are listed below:

Groundfish, except flatfish:

Cod:

Whole:

Fresh or chilled (TSUSA item 110.1585)

Frozen (TSUSA item 110.1589)

Salted or pickled (TSUSA item 111.2200(pt.))

Smoked or kippered (TSUSA item 111.6400(pt.))

Not whole:

Frozen, in blocks (TSUSA item 110.4710)

Smoked or kippered (TSUSA item 111.6800(pt.))

Cusk, haddock, hake, or pollock:

Whole:

Salted or pickled (TSUSA item 111.2200(pt.))

Smoked or kippered (TSUSA item 111.6400(pt.))

Not whole:

Smoked or kippered (TSUSA item 111.6800(pt.))

Flatfish:

Except halibut or turbot:

Not whole:

Frozen, in blocks (TSUSA item 110.4726(pt.))

Fillets, fresh or chilled (TSUSA item 110.7033(pt.))

Fillets, frozen (TSUSA item 110.7039)

Halibut, not whole, frozen, in blocks (TSUSA item 110.4726(pt.))

Turbot, not whole, fillets, fresh or chilled (TSUSA item 110.7033(pt.))

The whole fish covered by this investigation may have their heads, viscera fins, or any combination thereof removed. However, whole salted or smoked fish may also have their vertebral columns removed, and salted fish may also have their scales removed.

The frozen fish blocks covered by this investigation are generally skinless and boneless fish meat--usually fillets or pieces of fillets-- compacted together and frozen to form blocks or slabs each weighing over 10 pounds. Frozen fish blocks made of minced fish flesh and frozen fish blocks weighing under 10 pounds each are not included in the scope of the investigation.

The flatfish fillets covered by this investigation are boneless, or nearly boneless, sides of fish cut away from the backbone. At the retail level, fish portions--pieces of frozen fish blocks--are often labeled "fillets."

Imported and domestically produced groundfish blocks are used by fish processors in manufacturing fish portions, such as those sold in fast-food outlets or frozen dinners. A substantial portion of domestic production of such blocks is unreported in official production statistics, however, because the block is an intermediate product of some firms that purchase the whole fish and eventually produce fish portions. The groundfish portions may lose their species identity (e.g., cod or flounder) and may sell at retail simply as fish sticks, fish portions, or as ingredients of fish sandwiches or fish platters.

Most whole imported and domestically produced groundfish are cut into fillets by domestic processors, although some are sold on the retail market in the whole form. Larger groundfish may be cut into steaks. Fresh, chilled, and frozen fillets are sold through retail outlets, restaurants, and institutions.

Inasmuch as this investigation covers no dutiable fish or fish products, the investigation does not include such groundfish as Atlantic Ocean perch; whole, fresh, chilled, or frozen cusk, haddock, hake, or pollock that are not otherwise processed; cod, cusk, haddock, hake, or pollock fillets or steaks; or whole fresh, chilled, or frozen flatfish. Since these articles are often inseparably linked with the duty-free articles covered by the investigation on the production and consumption levels, both the dutiable and duty-free articles are discussed in various sections of this report.

The bulk of U.S. production and trade in the groundfish articles covered by this investigation are in cod and products thereof and in flounder products. Cusk, haddock, hake, pollock, halibut, and turbot products covered by this investigation are of minor commercial significance. In the aggregate, the imports being investigated accounted for about 17 percent of total U.S. imports of all groundfish and groundfish products and about 14 percent of U.S. consumption of such articles in 1977. Groundfish and groundfish products in turn accounted for about 30 percent of all the fish and fish products consumed in the United States in 1977.

#### U.S. Tariff Treatment

All the articles covered by this investigation are duty free as a result of concessions granted by the United States in the Kennedy round of trade agreement negotiations under the GATT. The effective date of the duty-free treatment varies according to the TSUSA item concerned, as shown in the following table:

Certain fish: U.S. rates of duty, by TSUSA items, and effective date of duty-free treatment, Dec. 31, 1967, to present

(Cents per pound)

TSUSA item No.	Brief description	Rate of duty			Effective date of duty-free treatment
		Col. 1		Col. 2	
		Current rate	On Dec. 31, 1967		
	Fish, fresh, chilled, or frozen: Whole; or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed:				
	Cod:				
110.1585:	Fresh or chilled----	Free	0.5¢	1¢	Jan. 1, 1971
110.1589:	Frozen-----	Free	0.5¢	1¢	Jan. 1, 1971
	Skinned and boned, whether or not di- vided into pieces, and frozen into blocks each weighing over 10 pounds, im- ported to be minced, ground, or cut into pieces of uniform weight and dimen- sions:				
110.4710:	Cod-----	Free	1¢	1.25¢	Jan. 1, 1972
110.4726:	Flatfish, except turbot. Otherwise processed (whether or not heads, viscera, fins, scales, or any combination thereof have been removed): Flatfish, except halibut:	Free	1¢	1.25¢	Jan. 1, 1972
110.7033:	Fresh or chilled----	Free	1.5¢	2.5¢	Jan. 1, 1972
110.7039:	Frozen, except turbot.	Free	1.5¢	2.5¢	Jan. 1, 1972
	Fish, salted or pickled, whether or not whole, but not otherwise processed or pre- served, and not in airtight containers: Cod, cusk, haddock, hake, and pollock:				

Certain fish: U.S. rates of duty, by TSUSA items, and effective date of duty-free treatment, Dec. 31, 1967, to present

(Cents per pound)

TSUSA item No.	Brief description	Rate of duty			Effective date of duty-free treatment
		Col. 1		Col. 2	
		Current rate	On Dec. 31, 1967		
111.2200:	Whole; or processed by:	Free	0.2¢	1.25¢	Jan. 1, 1970
:	removal of heads,	:	:	:	:
:	fins, viscera,	:	:	:	:
:	scales, vertebral	:	:	:	:
:	columns, or any com-	:	:	:	:
:	bination thereof,	:	:	:	:
:	but not otherwise	:	:	:	:
:	processed.	:	:	:	:
:	Fish, smoked or kippered,	:	:	:	:
:	whether or not whole,	:	:	:	:
:	but not otherwise pre-	:	:	:	:
:	pared or preserved,	:	:	:	:
:	and not in airtight	:	:	:	:
:	containers:	:	:	:	:
:	Cod, cusk, haddock,	:	:	:	:
:	hake, and pollock:	:	:	:	:
111.6400:	Whole; or processed	Free	0.5¢	2.5¢	Jan. 1, 1971
:	by removal of	:	:	:	:
:	heads, viscera,	:	:	:	:
:	or vertebral	:	:	:	:
:	columns, or any	:	:	:	:
:	combination there-	:	:	:	:
:	of, but not other-	:	:	:	:
:	wise processed.	:	:	:	:
111.6800:	Otherwise processed	Free	1¢	3¢	Jan. 1, 1972
:	(whether or not	:	:	:	:
:	heads, viscera,	:	:	:	:
:	vertebral columns,	:	:	:	:
:	or any combina-	:	:	:	:
:	tion thereof have	:	:	:	:
:	been removed).	:	:	:	:

U.S. imports from Canada of the fish and fish products covered by this investigation, by TSUSA items, are shown in table 1, appendix F. Statistical tables 2-10 present data on imports from all countries, by TSUSA items, for 1974-77, January-June 1977, and January-June 1978.



Nature and Extent of the Bounties or  
Grants Being Paid or Bestowed

In its countervailing-duty investigation on certain duty-free fish from Canada, the Treasury Department determined that the Federal or local governments had provided the Canadian fisheries industries with four major types of countervailable bounties or grants. Treasury determined that the bounties and grants amounted to 5.22 percent of the value of Canadian fisheries production in July 1977. The bounties or grants were in the form of--

1. Direct payments to fishermen for production;
2. Direct payments to processors for production;
3. Direct payments to fishermen for fishing vessel construction; and
4. Indirect assistance in the form of Government construction of port facilities and processing plants.

Because the Government of Canada has eliminated or has taken steps to eliminate these bounties or grants, as reported below, the Treasury Department has announced that it will waive the implementation of countervailing duties on imports of the subject fish from Canada if the U.S. International Trade Commission's injury determination is in the affirmative. 1/

Direct payments to fishermen for production

The Canadian Government has provided a subsidy of 2 cents per pound to fishermen, based on the landed weight of the fish; it is equivalent to a subsidy of 6 cents per pound for frozen blocks or fillets. This subsidy, applied to an average value per pound of 75 cents is equivalent to 8 percent ad valorem. It was eliminated for offshore fishermen on March 31, 1978, and that for inshore fishermen, representing about half the Canadian catch, is scheduled to be eliminated on October 1, 1978. Therefore the entire 8 percent ad valorem subsidy in the form of direct payments to fishermen is scheduled to be eliminated, effective October 1, 1978.

Direct payments to processors for production

The Canadian Government provided a subsidy of 6 cents per pound to fish processors for their production; it was equivalent to about 8 percent ad valorem. Effective March 31, 1978, the entire subsidy to processors was eliminated.

Direct payments to fishermen for fishing  
vessel construction

The Treasury Department estimates that during the last \* \* \* years the Canadian program for direct assistance to the construction of fishing boats

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1/ See the introduction to the report for a discussion of Treasury's waiver authority. A-11

less than 75 feet in length has averaged \$ \* \* \* million a year, and during the last \* \* \* years, the Canadian program for direct assistance to the construction of fishing boats 75 feet in length or longer averaged \$\*\*\* million a year. The two subsidy programs were estimated by Treasury to be equivalent to 0.85 percent of the value of the Canadian fish catch in 1977. There is no indication from Treasury that the fishing vessel subsidy will be phased out.

Indirect assistance in the form of Government construction of port facilities and processing plants and other subsidies

The major remaining countervailable subsidies found to exist by the Treasury department consist of Canadian Department of Regional Economic Assistance grants for the purpose of building port facilities, fish plant water systems, and marine service centers in Newfoundland. The total amount of the grants--\$\*\*\* million--when amortized over a period of \*\*\* years results in an annual subsidy of 0.27 percent when measured against the value of the 1977 Canadian fish catch. There is no indication from Treasury that this subsidy program will be phased out or eliminated.

Other subsidies found to exist by Treasury include primarily low interest loans for fishing boat construction or repair, and low interest loans for processors, financed by various Provinces. Although Treasury has not calculated the ad valorem rate of subsidy for each of these loan programs, it estimates that in 1977 they were equivalent, in the aggregate, to 0.10 percent of the value of the annual Canadian fish catch. There is no indication from Treasury that these loan programs will be phased out or terminated in the near future.

The following tabulation and appendix G show the nature and extent of the various countervailable programs undertaken to support the Canadian fisheries industry.

Estimated ratios of the value of Canadian bounties and grants to the value of U.S. imports, by Canadian subsidy programs, and by specified periods, as calculated by Treasury

(In percent)

Type of subsidy	Period ending Mar. 31, 1978	Period April 1- Sept. 30, 1978	Period begin ning October 1, 1978
Direct payments to fishermen:			
Offshore and all British Columbia fishermen-----	4.00	-	-
Inshore, except British Columbia fishermen---	4.00	4.00	-
Direct payments to processors-----	8.00	-	-
Direct payments to fishermen for fishing vessel: construction-----	.85	.85	0.85
Department of Regional Economic Assistance grants to Newfoundland fisheries-----	.27	.27	.27
Other countervailable bounties or grants to Atlantic Provinces fisheries-----	.10	.10	.10
Total-----	17.22	5.22	1.22

Source: Compiled from material submitted to the U.S. International Trade Commission by the U.S. Department of the Treasury.

#### Volume of Goods Potentially Subject to Countervailing Duties

Virtually all fish and fish products imported from Canada that are within the scope of this investigation are potentially subject to the imposition of countervailing duties if the U.S. International Trade Commission determines in the affirmative. <sup>1/</sup> Most of the subsidies found to exist in Canada apply across the board, to all the groundfish covered in this investigation. Several of the subsidies that will remain after October 1, 1978 are administered by Canada's Atlantic Provinces. All fish caught that are the subject of this investigation could, after October 1, 1978, be subject to a countervailing duty of 0.85 percent (to countervail against the 0.85 percent direct subsidy to fishermen for fishing vessel construction), and those Canadian fish caught in the Atlantic Provinces could be subject to an additional 0.37 percent countervailing duty (to countervail against the 0.27 percent ad valorem Department of Regional Economic Assistance grants and the 0.10 percent ad valorem impact of the Provincial loans to fishermen and processors).

The value of U.S. imports from Canada of the fish and fish products covered by this investigation increased from \$6 million in 1975 to \$12 million in 1977, and accounted for 45 percent of total U.S. imports of such products from all sources in 1977.

<sup>1/</sup> See pages A-5 and A-6 for a discussion of Treasury's authority to waive the collection of countervailing duties.

## U.S. Industry

An estimated 700 New England and 300 west coast fishing vessels land groundfish in the United States. A large share of the west coast vessels fish for other species during part of the year. Only a very few craft are based in Alaska, where there is expected to be an attempt to establish a major U.S. groundfish industry. There are some commercial landings of groundfish in Eastern ports south of New York, but such landings are generally either incidental to other fishing operations or concentrated efforts for only a short period of each year.

A number of new boats have been built for the New England groundfish industry in recent years, and more are presently under construction. No boats have been built solely for the west coast groundfish industry during the last 10 years. Although some new boats capable of use in catching groundfish have been built on the west coast in recent years, their crews primarily seek shellfish and fish other than groundfish.

Most east coast fishing craft are individually owned--that is, one craft to an owner or family. Very few boat owners own more than one vessel. None of the Eastern processing firms are known to own vessels, although many did a number of years ago.

On the west coast also the craft are primarily owned by individuals or families; a few are owned by two or three partners. Some west coast processors hold a small interest in some of the craft. The groundfish industry that is emerging in western Alaska is expected to include ownership of the vessels by the processing plants; in some cases, however, the processors will only finance the Alaskan vessels. A new vessel equipped to fish in Alaskan waters costs more than \$1 million, and vessels with processing equipment (called factory ships) cost several times that amount. Some factory ships are currently under construction, but they are designed more for crab than for groundfish operations.

The number of U.S. fishing craft probably increased somewhat in 1977 and early 1978. Prior to 1977, however, there had been a continuous decline in their numbers as craft left the fleet through attrition faster than they were replaced.

Primary groundfish processing plants, which handle the landings of the domestic fleet, may number 100 on the east coast and 25 to 30 on the west coast. Most are small establishments; none of the plants are considered large. Many of the processors that prepare fresh fillets have freezing equipment so that they can freeze their surplus production. Such processors account for all the domestic production of frozen fish blocks. While some domestically produced fish blocks are sold commercially, the production of fish blocks is not considered to be a separate industry inasmuch as the blocks are merely an intermediate product between fillets and fish portions. Although the number of groundfish processing plants has probably declined slightly during recent years, total production has increased.

There is no known domestic industry that engages extensively in the production of salted, smoked, and kippered cod, cusk, haddock, hake, or pollock. Some is produced by individual fishermen in Maine.

The U.S. fishing industry has been prone to experiencing "boom and bust" cycles. When income is good, more vessels are built; there is then a smaller available supply per vessel. Also there is a tendency for the fleet as a whole to overfish, resulting in lower fish populations and ultimately in lower overall catches. Increased fish prices in the mid-1970's and the establishment of the 200-mile fishing zone in 1977 provided the incentive for a boom in fishing vessel and processing-plant construction. After years of declining production, low fish prices, and the depletion of the fish stocks off the North American coasts by foreign vessels, the U.S. fishing industry anticipated (and anticipates) substantial increases in production and consumption of groundfish. A number of new vessels were built for the New England fleet--mostly for the New Bedford, Mass., area--and orders were placed to build more.

The U.S. catch increased dramatically in the first half of 1978; the increase would have been significantly greater except for stringent new conservation regulations (brought about by establishment of the 200-mile fishing zone) that limited the overall fishing catch to weekly quotas--particularly on cod and haddock--that are well below the fishing vessels' capabilities. During the last 2 weeks of March 1978, conservation quotas prohibited the catching of any cod or haddock. Additional regulations were announced at the end of June, and the Gloucester fleet tied up for much of the month of July in protest. Shortly after they resumed fishing, it was announced that the Government would study the situation before changing the regulations. The landings of yellowtail flounder are limited to quotas also; so far, however, fishing has not been suspended because of the regulations. Yellowtail flounder constituted about 40 percent of New England flatfish landings in 1977. In 1977, Canada closed one Pacific cod area to fishing during the spring. Then in the spring of 1978 it closed all its Pacific waters indefinitely to cod fishing.

The newly established 200-mile fishing limits for Canada and the United States have complicated the North American fishing situation, while limiting the take of large foreign fleets. Both 200-mile limits went into effect with a temporary reciprocal agreement until a permanent agreement could be reached. The reciprocal fishing privileges ended on June 2, 1978, when negotiations for a new agreement reached an impasse. A new reciprocal agreement is expected shortly.

Those U.S. vessels that normally fish for groundfish off both coasts of Canada probably have suffered somewhat by having to move to unfamiliar fishing grounds. The large Washington State vessels normally fish off Canada all the time.

The U.S. fishing industry receives Government assistance in the form of Federal grants to study and develop improvements in the industry (the Alaska Fishery Development Corp. is spending \$1.5 million in the current fiscal year to develop fisheries in Alaska); deferred income taxes, allowing profits to be

placed in a capital reserve fund for possible later investment in vessels or equipment; and port facilities improvement (New Bedford facilities have been modernized and expanded, largely through local promotion, and Alaska is expected to receive a considerable amount of aid to improve or develop port facilities).

#### Consideration of Injury or Likelihood Thereof

##### U.S. production and exports

Fish.--U.S. production of the groundfish covered by this investigation, as measured by commercial landings, increased by only 3 percent a year in 1975 and 1976, and then increased by 15 percent in 1977.

As shown in the following table, the Atlantic fishing fleet has significantly increased its dependence on the types of fish covered by this investigation, while the Pacific fleet has become more dependent on other types of fish. In 1974, the fish covered by this investigation accounted for 83 percent of the Atlantic fleet's total catch and 56 percent of the catch of the Pacific fleet. In 1977, the fish covered by this investigation accounted for 88 percent of the Atlantic catch and 53 percent of the Pacific catch. More than 80 percent of the fish covered by this investigation are caught by the Atlantic fleet.

As shown in table 11, flounder is the primary groundfish caught by the U.S. fishing fleet, accounting for more than half the weight of the 1977 U.S. catch of the groundfish covered by this investigation. Cod accounted for 26 percent of the 1977 U.S. catch; pollock and haddock each accounted for 9 percent; hake accounted for 3 percent, and cusk accounted for the remaining 1 percent. All the haddock, hake, and cusk were caught by the Atlantic fleet. Ocean perch and rockfish accounted for most of the other fish caught by groundfish fishing boats in 1977.

Total U.S. production of all groundfish (fish that are the subject of this investigation and all other groundfish) increased from 1974 to 1977, as shown in the following tabulation:

	<u>Quantity</u> <u>(1,000 pounds</u> <u>landed weight)</u>
1974-----	415,283
1975-----	419,954
1976-----	439,560
1977-----	497,558

It is anticipated that, although U.S. landings of groundfish have increased owing to the U.S. 200-mile limit, which became effective in 1977, the 1978 total catch will not be higher than the 1977 catch owing to new Federal fisheries conservation regulations.

U.S. commercial landings of fish by vessels that catch groundfish of the types covered by this investigation, 1/ January-June 1977, and January-June 1978

Item	(In thousands of pounds product weight)				
	1974	1975	1976	1977	January-June-- 1977 : 1978
Groundfish covered by this investigation:	:	:	:	:	:
Atlantic landings-----	205,731	209,699	211,053	263,488	136,000 : 161,000
Pacific landings-----	64,619	62,231	70,375	64,132	30,300 : 30,000
Total-----	270,350	271,930	281,428	327,620	166,300 : 191,000
Other major fish caught by the same boats:	:	:	:	:	:
Atlantic landings-----	41,487	32,054	32,139	35,028	20,000 : 20,000
Pacific landings-----	50,347	50,009	52,825	56,752	29,000 : 22,000
Total-----	91,834	82,063	84,964	91,780	49,000 : 42,000
All major fish caught by groundfish fishing boats:	:	:	:	:	:
Atlantic landings-----	247,218	241,753	243,192	298,516	156,000 : 181,000
Pacific landings-----	114,966	112,240	123,200	120,884	59,300 : 52,000
Total-----	362,184	353,993	366,392	419,400	215,300 : 233,000

1/ Catches of alternate fisheries such as salmon or swordfish fisheries are not included.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fish products.--Virtually all U.S. production of frozen blocks of fish is used by the producers in the manufacture of fish portions, and therefore is not reported as an end product. The production of fish fillets, the raw product for such frozen blocks, and of fresh whole fish is reported. It should be noted, however, that cod, haddock, and pollock fillets are not included in the scope of this investigation. As shown in table 12, U.S. production of four types of groundfish fillets increased from just over 70 million pounds in 1974 and 1975 to 87 million pounds in 1977. Data on production of groundfish fillets, by types of fish, are presented in table 12.

U.S. exports.--U.S. exports of the fish and fish products covered by this investigation are negligible.

### Capacity utilization

Groundfishing vessels generally operate throughout the year with only occasional interruptions for factors such as bad weather and routine vessel maintenance. Significantly increased production by the Atlantic fleet has probably resulted in a significantly higher percentage of capacity utilized in 1977 and 1978 than in earlier years. However, conservation regulations in the Atlantic recently imposed by Federal and local authorities, including weekly quotas on the quantity of groundfish caught by each vessel, by species, have prevented the Atlantic vessels from operating at full capacity during 1977 and 1978. Despite the restricted operations, production increased in 1977 and January-June 1978.

In view of declining catches by the Pacific fleet, at least in part caused by the closing of Canadian fishing grounds to U.S. vessels, the Pacific fleets' capacity utilization has probably fallen substantially since 1976, despite the fact that the fleet has operated steadily.

### U.S. imports

U.S. imports from Canada of the fish and fish products covered by this investigation increased sharply from 1975 to 1977, as shown in the following table. Overall, such imports from Canada increased by nearly 50 percent in terms of quantity between 1975 and 1977, while imports of such articles from other countries increased by only 5 percent. In 1975, imports from Canada



Certain groundfish: U.S. imports for consumption, by sources, 1975-77,  
January-June 1977 and January-June 1978

Period	Canada	All other	Total
Quantity (1,000 pounds fillet weight)			
1975-----	84,213	158,868	243,081
1976-----	105,689	168,997	274,686
1977-----	125,988	166,591	292,579
Jan.-June--			
1977-----	44,956	94,615	139,571
1978-----	51,046	81,911	132,957
Value (1,000 dollars)			
1975-----	61,437	92,534	153,971
1976-----	90,726	110,835	201,561
1977-----	121,933	149,912	271,845
Jan.-June--			
1977-----	42,202	83,913	126,115
1978-----	51,354	76,886	128,240

Source: Compiled from official statistics of the U.S. Department of Commerce.

accounted for 35 percent of the subject imports, and in 1977 they accounted for 43 percent. Tables 1-10 provide detailed data on U.S. imports of the subject groundfish.

U.S. imports of the subject fish and fish products account for a substantial share of all imports of groundfish and groundfish products and, for the most part, become interchangeable with the other groundfish products at various stages of manufacture or marketing. Imports of the specified groundfish and groundfish products from Canada accounted for 13 percent of total U.S. imports from all sources of all groundfish and groundfish products in 1975, 14 percent in 1976, and 17 percent in 1977. Imports from Canada during January-June 1978 continued to increase, but at a slower pace than during 1975-77, as shown in the following table.

All groundfish and groundfish products: U.S. imports for consumption,  
1975-77, January-June 1977 and January-June 1978

(In thousands of pounds fillet weight)

Period	Subject groundfish products from Canada	Other groundfish prod- ucts from all sources	Total
1975-----	84,213	567,494	651,707
1976-----	105,689	639,775	745,464
1977-----	125,988	606,716	732,704
Jan.-June--			
1977-----	44,956	265,175	310,131
1978-----	51,046	267,537	318,583

The ratios of the subject imports of groundfish and groundfish products to U.S. consumption are shown in the following table, with all weights converted to fillet weight. As noted therein, the ratio of imports of the subject groundfish and groundfish products from Canada increased from 10.5 percent of total U.S. consumption of all groundfish and groundfish products in 1975 to 13.9 percent in 1977. At the same time, imports of all other groundfish and groundfish products declined from 71.1 percent of U.S. consumption in 1975 to 66.9 percent in 1977. Data on total production, imports, and consumption of fresh cod, fresh flatfish, cod and flatfish blocks, and flounder fillets are shown in tables 13-17. Such data are not available for the other types of fish and fish products covered by this investigation.

### Employment

The number of U.S. fishermen that fish annually for cod and flounder is estimated at a full-time employment equivalent of about 3,000 for the east coast and 800 for the west coast. There is a substantial degree of labor turnover on the vessels, and for the smaller vessels much of the operation is only seasonal. The number of full-time employees at the plants that process the landings of the domestic fleet is probably somewhat less than employment on the vessels.

Employment in both fishing and processing probably increased in 1977 and January-June 1978 in line with increased production, but employment is probably still well below the levels of the 1960's and early 1970's.

Recently the U.S. Department of Labor certified the crews of eight New England groundfish vessels as eligible for adjustment assistance; there are six additional cases pending. Adjustment assistance benefits are awarded when the Secretary of Labor finds that an absolute or relative increase in imports contributed importantly to the workers' unemployment or underemployment and to a decrease in the sales or production of the employer.

All groundfish and groundfish products: U.S. production, imports for consumption, and apparent consumption, 1975-77, January-June 1977, and January-June 1978

(In fillet weight)

Period	Imports				U.S. production		Apparent consumption		Ratio to apparent U.S. consumption of--	
	1,000 pounds	1,000 pounds	Subject groundfish products from Canada	All other	Total	1,000 pounds	1,000 pounds	Imports of subject groundfish products from Canada	Percent	Percent
1975-----	146,984	84,213	567,494	651,707	798,691	10.5	71.1	81.6		
1976-----	153,846	105,689	639,775	745,464	899,310	11.8	71.1	82.9		
1977-----	174,149	125,988	606,716	732,704	906,853	13.9	66.9	80.8		
January-June--	88,858	44,956	265,175	310,131	398,989	11.3	66.5	77.7		
1978-----	95,918	51,046	267,537	318,583	414,501	12.3	64.5	76.9		

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--The data presented in this table are presented in fillet weights and do not correspond to data presented in certain other tables in this report which are on a product-weight basis.

Inventories

The inventories of groundfish and groundfish products fluctuate irregularly in line with fishing success. Yearend inventories of frozen cod fillets, flounder fillets, and all types of fish blocks (about half of which are made from cod and flounder) in U.S. cold storage for 1973-77 and closing inventories for each calendar quarter from January 1976 through June 1978 are shown in the following table.

Certain groundfish products: U.S. producers', wholesalers', and importers' inventories, by types, December 31 of 1973-75 and specified dates, March 31, 1976-June 30, 1978

(In millions of pounds product weight)

Date	Cod : fillets	Flounder : fillets	All fish : blocks
Dec. 31--	:	:	:
1973-----	12.7	15.8	80.6
1974-----	17.8	12.5	75.7
1975-----	21.7	7.1	79.0
1976:	:	:	:
Mar. 31-----	18.0	4.7	50.2
June 30-----	18.6	5.8	48.3
Sept. 30-----	21.9	8.4	66.6
Dec. 31-----	16.2	9.1	61.1
1977:	:	:	:
Mar. 31-----	10.0	4.7	40.6
June 30-----	16.0	5.4	48.4
Sept. 30-----	29.5	8.8	86.7
Dec. 31-----	27.2	9.0	73.2
1978:	:	:	:
Mar. 31-----	20.4	5.6	43.8
June 30-----	23.7	6.0	54.6
	:	:	:

Source: Compiled from official statistics of the U.S. Department of Commerce.

Financial experience of domestic producers

Respondents to the Commission's questionnaires were unable to provide the Commission with meaningful profit-and-loss data. Other information available to the Commission indicates that while U.S. fishermen's revenues may have increased during 1977 and January-June 1978, profit may not have increased to the same extent, if at all. Gross revenues should have increased significantly as a result of increased production of groundfish coupled with rising prices for fish and fish products. However, these increased revenues have been offset at least in part by higher costs, as the costs of fishing vessels, nets, ice, fuel, and repairs have increased. For processors, increases in labor and fuel costs and the cost of modifications to meet Environmental Protection Agency standards probably were significant.

Consideration of the Causal Relationship Between Canadian  
Imports and the Alleged Injury

Market penetration of Canadian imports

According to data from the U.S. Department of Commerce, imports from Canada of the specified fish products increased from about 10.5 percent of consumption in 1975 to 13.9 percent in 1977. During January-June 1978, the ratio of imports from Canada to consumption amounted to 12.3 percent, compared with 11.3 percent during January-June 1977, as shown in the table on page A-21. The ratio of Canadian imports to imports from all countries increased from 12.9 percent in 1975 to 17.2 percent in 1977; during January-June 1978, the ratio increased to 16.0 percent from 14.5 percent during the corresponding period of 1977.

Loss of sales

Domestic producers did not supply documentary evidence of loss of sales. The items involved lose their identity as to country of origin early in the distribution system. Some domestic producers stated that the Canadian product is significantly cheaper than the U.S. product; others stated that the price is the same. Many secondary producers stated that they cannot identify the origin of the fish they purchase. They also stated that the price will differ only on the basis of quality.

At the Commission's hearing, one witness stated that he lost his market for frozen flounder fillets to imports from Canada. He closed his freezing plant in 1971, and has produced only fresh fillets since then. Most processors either have freezing equipment or have access to it--such as in public cold-storage warehouses. The filleting firms prefer to sell their output fresh, partly to receive the best price and partly to move the product and receive payment. Some processors claim that on a given day the market may be filled with low-priced imports, forcing the processor to lose the day's sale; he then freezes the fillets to avoid taking a total loss.

The New England fishermen say they have a loss-of-sale situation when they arrive in port and find that the price has dropped sharply over night because of a sudden sizable volume of imports. The fisherman may then reject the prevailing price and tie up his vessel until the next auction.

In the survey by the U.S. Department of Labor in adjustment assistance cases, fish wholesalers served by the Provincetown, Mass., area indicated that many had decreased purchases of domestically caught fish. A number of these wholesalers purchased imported Canadian groundfish and flatfish either directly or indirectly in 1977. The wholesalers also indicated that decreasing purchases of domestically caught fish were, in large measure, due to the increased purchases of fresh and frozen Canadian fish by their customers (fishmarkets, supermarkets, and restaurants). The Department's investigation revealed that many fish distributors and wholesalers use the imports of Canadian groundfish as leverage in bidding down the ex-vessel prices paid to domestic fishermen for the same species of groundfish.

## Prices

West coast prices.--On the west coast, fresh fish prices are determined by contractual agreements between boat-owner associations and dealers or processors. Regional boat-owner associations in Washington, Oregon, and California negotiate fresh fish prices for each area separately. In Alaska, the two known full-time groundfish vessels share the earnings of one processor--a corporation owned by many vessel owners, most of whom are interested in species other than groundfish. Boat owners not belonging to the associations, and importers as well, receive the same prices as do association members.

Since fresh Canadian groundfish sold in the west coast market sell for about the same price as U.S.-produced groundfish, the existence of Canadian bounties and grants has apparently not resulted in any underselling in the west coast U.S. market by the Canadian fish. However, the Canadian bounties and grants have afforded the Canadian fishermen a higher rate of return per unit of sales to the U.S. market than U.S. fishermen can achieve when selling their fish in the U.S. market for the same prices as those received by U.S. fishermen.

West coast prices for fresh groundfish generally have been stable for months or even years at a time, while east coast prices fluctuate almost daily. During recent months, however, the west coast prices have been renegotiated upward at much more frequent intervals. Negotiated prices for fresh groundfish in Washington State are shown in the table on the following page. The prices of all types of fish increased substantially during January 1, 1974-May 5, 1978. Imported fillets are alleged to undersell the domestic fillets, but no west coast price data are available for processed fish products.

East coast prices.--On the east coast, the price of raw whole groundfish received by fishermen (known as the ex-vessel price), is based on auctions held at Boston and New Bedford, Mass. The New Bedford auction tends to set the price for flounder and other flatfish, and the Boston auction tends to set the price for other groundfish, including cod. Fish landed at other ports, as well as fresh imported fish, are sold at prices based on the Boston and New Bedford prices. A large proportion of the fish are sold through commissioned dealers, who sell the fish on behalf of the boat owners. The reported Boston and New Bedford auction prices may be higher than the prices actually paid by purchasers, because the dealers make deductions from the auction prices for ice and waste.

While only fish landed by fishing vessels are sold at auction, the Boston auction price is heavily affected by the volume of raw fish entering the port by truck. Annual fishing vessel landings at Boston amount to about 20 million pounds, compared with an estimated 50 million to 60 million pounds arriving by truck. While there is no official record of the quantity of Canadian imports arriving at Boston, it is known that a significant proportion of the fish that enter Boston by truck are from Canada; the remainder are from other New England fishing ports. The shipment of both imported and domestic fresh fish

Cod and flounder: Washington prices negotiated between processors and the Fishermen's Marketing Association of Washington, Inc., by types of fish and by dates of negotiation, Jan. 1, 1974-May 5, 1978

	(Per pound)							
	Jan. 1, 1974	Jan. 1, 1976	Nov. 11, 1976	Jan. 1, 1977	May 21, 1977	Oct. 16, 1977	May 5, 1978	
Cod:								
Whole-----	\$0.115	\$0.125	\$0.138	\$0.15	\$0.16	\$0.18	\$0.1925	
Dressed-----	.21	.23	.253	.27	.27	.35	.40	
Flounder:								
Petrale sole-----	.21	.24	.264	.28	.29	.32	.36	
Sand sole-----	.175	.18	.198	.21	-	-	.25	
English sole 1/-----	.14	.14	.154	.17	.18	.20	.20	
Dover sole 1/-----	.12	.13	.143	.15	.16	.175	.185	
Rock sole 1/-----	.16	.19	.209	.23	.24	.26	.29	
Rex sole-----	.12	.13	.143	.15	.16	.175	.19	
Starry flounder 1/-----	.08	.08	.088	.09	.10	.10	.12	
Turbot 1/-----	.08	.08	.08	.08	.08	.08	.10	
Bellingham sole 1/-----	.08	.08	.08	.08	.08	.08	.10	

1/ Must meet certain specifications.

Source: Fishermen's Marketing Association of Washington, Inc.

to New Bedford by truck is known to affect the auction price there also. Foreign fishing vessels are prohibited from landing fresh fish in U.S. ports.

The following two tabulations show, for selected months, the constructed prices of Canadian-produced and U.S.-produced whole fresh cod at Boston, and the prices at which the Canadian cod would have to be sold at Boston to provide the Canadian fishermen the same return in the absence of the Canadian bounties and grants. It should be noted that the direct payment to fishermen of 2 cents per pound is not supposed to be paid on fish that are exported to the United States without further processing in Canada, but that the existence of that payment on the bulk of the fish caught in eastern Canada affects the overall price structure for the fishermen in Canada and the policing of the payments program is reportedly not adequate to prevent the 2-cent payment to fishermen for the small proportion of their catch that is exported without further processing.

The data show that in 6 of the 9 months of 1976 and 1977 for which data are available, Canadian cod were priced lower at Boston than U.S.-produced cod, but that in 2 of those months--November and December 1977--in the absence of Canadian bounties and grants, the Canadian cod presumably would have been priced higher than the U.S. cod if the Canadian fishermen were to receive the same rate of return as was achieved with the bounties and grants. In only 2 of the first 6 months of 1978 was Canadian cod priced lower than U.S. cod at Boston. Adjustments for Canadian bounties and grants would have eliminated one third of the underselling in January 1978, and about a fifth of the margin of underselling in March 1978. A U.S. price that would have provided the Canadian fishermen the same rate of return as they have experienced under the current Canadian support program, during the months in which Canadian fish were more costly than U.S. fish, would have resulted in an even greater Canadian price disadvantage.

Price comparisons for other major products covered by this investigation are extremely limited because of the structure of the New England groundfish products market. Because U.S. producers can achieve a significantly higher rate of return on fresh fillets than on frozen fillets or on frozen fish blocks, they concentrate heavily on the production of such fresh fillets and produce frozen fillets only when the price of raw fish falls sufficiently to make it profitable or when there is a surplus of fresh fillets. Domestic production of frozen blocks is even more limited. In December 1977, for example, the average wholesale price of fresh flounder fillets was \$3.54 per pound at Boston, while the price for frozen flounder fillets was \$1.21 per pound and the price for frozen flounder blocks was \$0.96 per pound.

Because of transportation problems, sales of fresh fillets of Canadian fish at Boston or New York are limited, and price quotations for such articles are generally not available. Canadian exports, therefore, tend to be concentrated in frozen blocks and frozen fillets, and U.S. prices tend to be based on the prices of the Canadian imports rather than the prices of U.S. processors, making quotations for U.S.-produced frozen fillets and frozen blocks rare.



Cod, fresh, chilled, or frozen, whole, gutted: Average Canadian and U.S. ex-vessel prices, and constructed Canadian price at Boston, by selected months, January 1976-June 1978

Year and month	Canadian fish		Cost of : trucking to: Boston 3/	Total cost : at Boston	U.S. fish : ex-vessel : price at : Boston 4/	Amount by which Canadian price at Boston is higher (+) or lower (-) than U.S. price at Boston
	Canadian ex-vessel price: In U.S. : cents per : pound 1/	U.S. cents : per pound 2/				
1976:						
January	15.0	14.9	11.0	25.9	39.2	-13.3
April	11.2	11.4	11.0	22.4	32.2	-9.8
May	12.2	12.4	11.0	23.4	20.6	+2.8
November	13.8	13.9	11.0	24.9	32.0	-7.1
December	13.3	13.0	11.0	24.0	28.5	-4.5
1977:						
April	13.3	12.7	11.0	23.7	22.3	+1.4
May	13.8	13.1	11.0	24.1	16.0	+8.1
November	16.6	15.0	11.0	26.0	26.1	-.1
December	17.2	15.6	11.0	26.6	28.2	-1.6
1978:						
January	14.4	13.1	11.0	24.1	30.1	-6.0
February	15.4	13.9	11.0	24.9	23.2	+1.7
March	14.9	13.2	11.0	24.2	35.6	-11.4
April	16.3	14.3	11.0	25.3	21.0	+4.3
May	16.3	14.6	11.0	25.6	17.8	+7.8
June	17.1	15.3	11.0	26.3	17.4	+8.9

1/ Compiled from statistics published by Environment Canada.

2/ Converted at average monthly exchange rate rf, as published by the International Monetary Fund in monthly issues of International Financial Statistics.

3/ Supplied by Boston Fisheries Association.

4/ Compiled from official statistics of the U.S. Department of Commerce.

Cod, fresh, chilled, or frozen, whole, gutted: Constructed average prices for Canadian fish at Boston, with adjustments to eliminate the effects of Canadian bounties and grants, and average U.S. ex-vessel prices at Boston, by selected months, January 1976-June 1978

(In U.S. cents per pound)

Year and month	Canadian fish										Amount by which	
	Total constructed cost at Boston 1/	Adjustments for Canadian bounties and grants 2/	Direct payments to fishermen (2 : cents per pound)	Direct payments to processors (2 : cents per pound)	Other direct and indirect grants and bounties (1.22 percent of value)	Total adjustments	Total constructed cost at Boston with adjustments	U.S. fish ex-vessel price at Boston 1/	Canadian price at Boston with adjustments is higher (+) or lower (-) than U.S. price at Boston			
1976:												
January---	25.9	2.0	4/	4/	0.2	2.2	28.1	39.2	-11.1			
April-----	22.4	2.0	4/	4/	0.1	2.1	24.5	32.2	-7.7			
May-----	23.4	2.0	4/	4/	0.2	2.2	25.6	20.6	+5.0			
November---	24.9	2.0	4/	4/	0.2	2.2	27.1	32.0	-4.9			
December---	24.0	2.0	4/	4/	0.2	2.2	26.2	28.5	-2.3			
1977:												
April-----	23.7	1.9	4/	4/	0.2	2.1	25.8	22.3	+3.5			
May-----	24.1	1.9	4/	4/	0.2	2.1	26.2	16.0	+10.2			
November---	26.0	1.8	4/	4/	0.2	2.0	28.0	26.1	+1.9			
December---	26.6	1.8	4/	4/	0.2	2.0	28.6	28.2	+0.4			
1978:												
January---	24.1	1.8	4/	4/	0.2	2.0	26.1	30.1	-4.0			
February---	24.9	1.8	4/	4/	0.2	2.0	26.9	23.2	+3.7			
March-----	24.2	1.8	4/	4/	0.2	2.0	26.2	35.6	-9.4			
April-----	25.3	3/ 1.8	4/	4/	0.2	3/ 2.0	3/ 27.3	21.0	3/ +6.3			
May-----	25.6	3/ 1.8	4/	4/	0.2	3/ 2.0	3/ 27.6	17.8	3/ +9.8			
June-----	26.3	3/ 1.8	4/	4/	0.2	3/ 2.0	3/ 28.3	17.4	3/ +10.9			

1/ Derived from data presented in the table on page A-26.

2/ Compiled from data submitted to the U.S. International Trade Commission by the U.S. Department of the Treasury.

3/ Although direct payments to offshore and British Columbia fishermen were terminated effective Apr. 1, 1978, such payments to inshore Atlantic coast fishermen are to continue until Oct. 1, 1978. These data assume the Canadian imports to be inshore Atlantic cod.

4/ Not applicable to fresh, chilled, and frozen whole cod.

Selling prices of fresh flounder fillets at the wholesale level are established by informal negotiations, with the Boston price usually being the basis for other U.S. prices. Prices for fresh flounder fillets may vary significantly because of quality differences. Canadian prices are generally close to U.S. producers' New Bedford prices when the U.S. market is strong, and lower when U.S. demand weakens. The following table shows the average wholesale prices of fresh yellowtail flounder fillets at the Fulton fish market, New York City, for selected months of 1976, 1977, and 1978. It uses the U.S. wholesale price as a basis for calculating the amount of Canadian bounties and grants since Canadian fresh flounder fillet are known to sell at the same price as U.S. fresh flounder fillets when the U.S. market is strong. In at least one month during the period, however, the Canadian fillets were known to undersell the domestic product by 5 cents per pound.

The prices of frozen products are much more stable than are those of fresh products. \* \* \*

Fresh yellowtail flounder fillets: Average estimated Canadian wholesale price at the Fulton fish market in New York City, with adjustments to eliminate the effects of Canadian bounties and grants, by selected months, July 1976-June 1978

(In U.S. cents per pound)

Year and month	Adjustments for Canadian bounties and grants 2/					Total constructed price at New York with adjustments
	Average wholesale price at New York 1/ (6 cents per pound; fillet weight basis)	Direct payments to fishermen (6 cents per pound)	Direct payments to processors (6 cents per pound)	Other direct and indirect grants and bounties (1.22 percent of value)	Total adjustments	
Canadian fish						
1976:						
July	185.0	6.2	6.2	2.2	14.6	199.6
August	195.0	6.1	6.1	2.3	14.5	209.5
September	160.0	6.2	6.2	1.9	14.3	174.5
November	175.0	6.1	6.1	2.1	14.3	189.3
December	175.0	5.9	5.9	2.1	13.9	188.9
1977:						
April	200.0	5.7	5.7	2.4	13.8	213.8
May	200.0	5.7	5.7	2.4	13.8	213.8
November	235.0	5.4	5.4	2.8	13.6	248.6
December	250.0	5.5	5.5	3.0	14.0	264.0
1978:						
January	270.0	5.5	5.5	3.2	14.2	284.2
February	245.0	5.4	5.4	2.9	13.7	258.7
March	240.0	5.3	5.3	2.9	13.5	253.5
April	215.0	3/ 5.3	3/ 5.3	2.6	3/ 7.9	3/ 222.9
May	220.0	3/ 5.4	3/ 5.4	2.6	3/ 8.0	3/ 228.0
June	210.0	3/ 5.4	3/ 5.4	2.5	3/ 7.9	3/ 217.9

1/ Compiled from official statistics of the U.S. Department of Commerce. Canadian price estimated to be the same at New York as the U.S. price.

2/ Compiled from data submitted to the U.S. International Trade Commission by the Department of the Treasury.

3/ Although direct payments to offshore and British Columbia fishermen were terminated effective Apr. 1, 1978, such payments to inshore Atlantic coast fishermen are to continue until Oct. 1, 1978. These data assume the Canadian imports to be inshore Atlantic flounder.

Frozen flounder fillets: Average Canadian wholesale prices at Boston, with adjustments to eliminate the effects of Canadian bounties and grants, and average U.S. wholesale price at Boston, by selected months, January 1976-June 1978

(In U.S. cents per pound)

Year and month	Canadian fish				Total price at Boston with adjustments	U.S. fish average wholesale price at Boston 1/	Amount by which Canadian price at Boston with adjustments is higher (+) or lower (-) than U.S. price at Boston
	Average wholesale price at Boston 1/	Adjustments for Canadian bounties and grants 2/	Direct payments to fishermen (6 cents per fillet weight basis)	Other direct and indirect grants and bounties (1.22 percent of value)			
1976:							
January	97.0	5.9	5.9	1.1	109.9	4/	4/
April	104.0	6.2	6.2	1.2	117.6	4/	4/
May	105.3	6.2	6.2	1.2	118.9	4/	4/
November	110.0	6.1	6.1	1.3	123.5	4/	4/
December	110.0	5.9	5.9	1.3	123.1	4/	4/
1977:							
April	113.8	5.7	5.7	1.3	126.5	4/	4/
May	116.0	5.7	5.7	1.4	128.8	4/	4/
November	119.6	5.4	5.4	1.4	131.8	170.0	-38.2
December	120.6	5.5	5.5	1.4	133.0	4/	4/
1978:							
January	118.0	5.5	5.5	1.4	130.4	4/	4/
February	115.0	5.4	5.4	1.4	127.2	4/	4/
March	118.0	5.3	5.3	1.4	130.0	4/	4/
April	118.0	3/ 5.3	3/ 5.3	1.4	3/ 127.7	4/	4/
May	121.0	3/ 5.4	3/ 5.4	1.4	3/ 127.8	118.0	3/ +9.8
June	115.0	3/ 5.4	3/ 5.4	1.4	3/ 121.8	120.0	3/ +1.8

1/ Compiled from official statistics of the U.S. Department of Commerce.

2/ Compiled from data submitted to the U.S. International Trade Commission by the U.S. Department of the Treasury.

3/ Although direct payments to offshore and British Columbia fishermen were terminated effective Apr. 1, 1978, such payments to inshore Atlantic coast fishermen are to continue until Oct. 1, 1978. These data assume the Canadian imports to be inshore Atlantic flounder.

4/ Not available.

The following table shows the average wholesale price at Boston of frozen flounder fillets, adjusted to provide the same return to the Canadian processors as the Canadian bounties and grants, and the three U.S. price quotations obtained for the same period. In November 1977, the Canadian bounties and grants allowed the Canadian frozen fillets to increase their margins of underselling of the U.S. product from 38.2 cents per pound to 50 cents per pound. In May 1978, the existence of Canadian bounties and grants reduced the Canadian price disadvantage by more than two-thirds, or from 9.8 cents per pound to 3 cents per pound. In June 1978, the existence of Canadian bounties and grants resulted in a Canadian price disadvantage of 1.8 cents per pound, which turned into a Canadian price advantage of 5 cents per pound.

Data on frozen cod and flounder blocks each weighing over 10 pounds show strong price stability from late 1976 through June 1978. Although there have been no price quotations for U.S.-produced cod or flounder blocks, the few sales made by U.S. producers are reported to have been made at approximately the prevailing prices set by imports. The tables on pages A-34 and A-35 show the wholesale prices to processors of Canadian cod and flounder blocks at Boston and the levels of Canadian bounties and grants applicable to them.

Frozen cod blocks, each weighing over 10 pounds: Average Canadian wholesale prices at Boston, with adjustments to eliminate the effects of Canadian bounties and grants, by selected months, July 1976-June 1978

(In U.S. cents per pound)

Canadian fish							
Adjustments for Canadian bounties and grants <sup>2/</sup>							
Year and month	Average wholesale price at Boston <sup>1/</sup>	Direct payments to fishermen (6 cents per pound on fillet weight basis)	Direct payments to processors (6 cents per pound)	Direct and indirect grants and bounties (1.22 percent of value)	Total adjustments	Total price at Boston with adjustments	
1976:							
July-----:	77.0	6.2	6.2	0.9	13.3	90.3	
August-----:	77.0	6.1	6.1	0.9	13.1	90.1	
September--:	79.0	6.2	6.2	0.9	13.3	92.3	
November---:	85.0	6.1	6.1	1.0	13.2	98.2	
December---:	88.0	5.9	5.9	1.0	12.8	100.8	
1977:							
April-----:	95.0	5.7	5.7	1.1	12.5	107.5	
May-----:	98.0	5.7	5.7	1.2	12.6	110.6	
November---:	100.0	5.4	5.4	1.2	12.0	112.0	
December---:	100.0	5.5	5.5	1.2	12.2	112.2	
1978:							
January----:	100.0	5.5	5.5	1.2	12.2	112.2	
February---:	100.0	5.4	5.4	1.2	12.0	112.0	
March-----:	100.0	5.3	5.3	1.2	11.8	111.8	
April-----:	100.0	$\frac{3}{5.3}$	-	$\frac{3}{1.2}$	$\frac{3}{6.5}$	106.5	
May-----:	98.0	$\frac{3}{5.4}$	-	$\frac{3}{1.2}$	$\frac{3}{6.6}$	104.6	
June-----:	100.0	$\frac{3}{5.4}$	-	$\frac{3}{1.2}$	$\frac{3}{6.6}$	106.6	

<sup>1/</sup> Compiled from official statistics of the Department of Commerce.

<sup>2/</sup> Compiled from data submitted to the U.S. International Trade Commission by the Department of the Treasury.

<sup>3/</sup> Although direct payments to offshore and British Columbia fishermen were terminated effective Apr. 1, 1978, such payments to inshore Atlantic coast fishermen are to continue until Oct. 1, 1978. These data assume the Canadian imports to be inshore Atlantic cod.

Frozen flounder blocks, each weighing over 10 pounds: Average Canadian wholesale prices at Boston, with adjustments to eliminate the effects of Canadian bounties and grants, by selected months, July 1976-June 1978

(In U.S. cents per pound)

Year and month	Canadian fish					Total price at Boston with adjustments
	Adjustments for Canadian bounties and grants <sup>2/</sup>					
Average wholesale price at Boston <sup>1/</sup>	Direct payments to fishermen (6 cents per pound on fillet weight basis)	Direct payments to processors (6 cents per pound)	Other direct and indirect grants and bounties (1.22 percent of value)	Total adjustments		
1976:						
July-----:	96.0 :	6.2 :	6.2 :	1.1 :	13.5 :	109.5
August-----:	96.0 :	6.1 :	6.1 :	1.1 :	13.3 :	109.3
September--:	96.0 :	6.2 :	6.2 :	1.1 :	13.5 :	109.5
November---:	96.0 :	6.1 :	6.1 :	1.1 :	13.3 :	109.3
December---:	96.0 :	5.9 :	5.9 :	1.1 :	12.9 :	108.9
1977:						
April-----:	95.0 :	5.7 :	5.7 :	1.1 :	12.5 :	107.5
May-----:	96.0 :	5.7 :	5.7 :	1.1 :	12.5 :	108.5
November---:	94.0 :	5.4 :	5.4 :	1.1 :	11.9 :	105.9
December---:	94.0 :	5.5 :	5.5 :	1.1 :	12.1 :	106.1
1978:						
January----:	94.0 :	5.5 :	5.5 :	1.1 :	12.1 :	106.1
February---:	94.0 :	5.4 :	5.4 :	1.1 :	11.9 :	105.9
March-----:	94.0 :	5.3 :	5.3 :	1.1 :	11.7 :	105.7
April-----:	96.0 :	<u>3/</u> 5.3 :	- :	1.1 :	<u>3/</u> 6.4 :	<u>3/</u> 102.4
May-----:	97.0 :	<u>3/</u> 5.4 :	- :	1.1 :	<u>3/</u> 6.5 :	<u>3/</u> 103.5
June-----:	98.0 :	<u>3/</u> 5.4 :	- :	1.2 :	<u>3/</u> 6.6 :	<u>3/</u> 104.6

<sup>1/</sup> Compiled from official statistics of the Department of Commerce.

<sup>2/</sup> Compiled from data submitted to the U.S. International Trade Commission by the Department of the Treasury.

<sup>3/</sup> Although direct payments to offshore and British Columbia fishermen were terminated effective Apr. 1, 1978, such payments to inshore Atlantic coast fishermen are to continue until Oct. 1, 1978. These data assume the Canadian imports to be inshore Atlantic flounder.



APPENDIX A

LETTER OF ADVICE FROM ROBERT H. MUNDHEIM, GENERAL COUNSEL OF THE  
TREASURY TO THE CHAIRMAN, UNITED STATES INTERNATIONAL TRADE  
COMMISSION, RECEIVED JUNE 27, 1978



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220

RECEIVED  
JUN 26 1978 JUN 27 AM 10 56

Dear Mr. Chairman:

In accordance with section 303(b) of the Tariff Act of 1930, as amended, you are hereby advised that a bounty or grant is being paid with respect to certain fish imported from Canada and entered under TSUS item numbers 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400 and 111.6800, which merchandise from said country is accorded duty-free treatment.

The U.S. Customs Service will make available to the U.S. International Trade Commission as promptly as possible its files on the instant bounties being paid or bestowed for the Commission's use in the investigation as to whether an industry in the U.S. is being, or likely to be injured, or is prevented from being established, by reason of the importation of this merchandise into the United States.

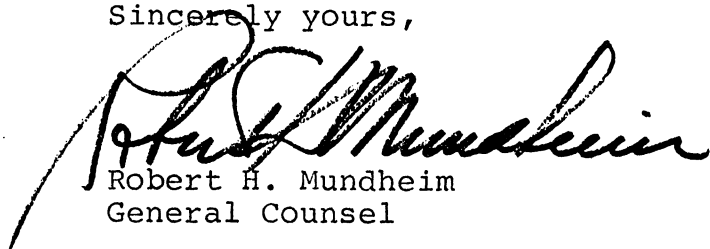
In this connection, your attention is drawn to a statement on page 7 in the attached notice indicating the Treasury's belief that it is appropriate to waive countervailing duties on these items under section 303(d) in the event the Commission's decision is affirmative. Extensive conversations were held with Canadian officials which led to the dismantling of a major portion of their subsidy programs and a commitment to phase out other portions. On the basis of these actions, the Treasury is waiving countervailing duties on imports of certain dutiable fish from Canada which were the object of a parallel countervailing duty investigation by the Treasury. We are of the opinion that these actions provide a basis to waive for duty-free fish.

Since some of the data in this file is regarded by the Customs Service to be of a confidential nature, it is requested that the U.S. International Trade Commission

INDEX  
NUMBER  
52 A36

consider all information therein contained for the official use of the International Trade Commission only, and not to be disclosed to others without prior clearance with Customs.

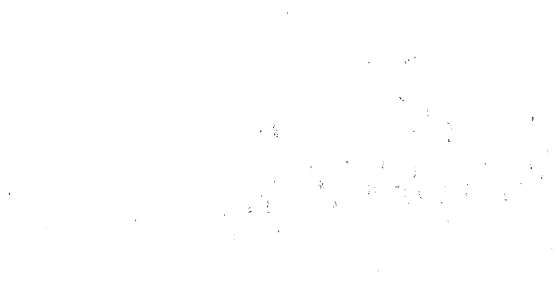
Sincerely yours,



Robert H. Mundheim  
General Counsel

The Honorable  
Joseph O. Parker  
Chairman, U.S. International  
Trade Commission  
Washington, D.C. 20436

Attachment



APPENDIX B

TREASURY DEPARTMENT'S NOTICES OF LIQUIDATION OF DUTIES  
(43 F.R. 25995 AND 43 F.R. 25996, JUNE 16, 1978)

## RULES AND REGULATIONS

25995

withdrawal penalty which would otherwise be required by § 329.4(e) of this Part."

[1505-01]

## Title 16—Commercial Practices

## CHAPTER I—FEDERAL TRADE COMMISSION

## SUBCHAPTER D—TRADE REGULATION RULES

## PART 456—ADVERTISING OF OPHTHALMIC GOODS AND SERVICES

*Correction*

In FR Doc. 78-15353, appearing at page 23992 in the issue of Friday, June 2, 1978, the following changes should be made:

1. On page 24001, second column, the first word in the eighteenth line of the first full paragraph should read, "produce".

2. On page 24003, second column, the last sentence should be followed by the words, "however, the Commission specifically".

3. On page 24006, the third line of footnote 30 should read, "the field or in any way to preempt state or".

4. On page 24008, second column, the last line of § 456.9(d) should read, "by private action".

[4810-22]

## Title 19—Customs Duties

## CHAPTER I—CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

[T.D. 78-182]

## PART 159—LIQUIDATION OF DUTIES

## Certain Fish From Canada—Waiver of Countervailing Duties

AGENCY: Department of the Treasury.

ACTION: Waiver of countervailing duties.

SUMMARY: This notice is to inform the public that a determination has been made to waive countervailing duties that would otherwise be required by section 303 of the Tariff Act of 1930 on imports of dutiable fish from Canada. The waiver is being issued based on actions by the Canadian Government to eliminate the cash assistance program for the fishing industry and the other statutory criteria for granting a waiver.

EFFECTIVE DATE: June 16, 1978.

FOR FURTHER INFORMATION CONTACT:

Richard B. Self, Director, Office of

Tariff Affairs, U.S. Treasury Department, 15th and Pennsylvania Avenue NW., Washington, D.C. 20220, 202-566-8585.

**SUPPLEMENTARY INFORMATION:** In T.D.-181 published concurrently, it has been determined that bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), are being paid or bestowed directly or indirectly upon the manufacture, production, or exportation of certain fish from Canada.

Section 303(d) of the Tariff Act of 1930, as amended by the Trade Act of 1974 (Pub. L. 93-618, January 3, 1975), authorizes the Secretary of the Treasury to waive the imposition of countervailing duties during the four-year period beginning on the date of enactment of the Trade Act of 1974 if he determines that:

(1) Adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise;

(2) There is a reasonable prospect that under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

(3) The imposition of the additional duty under the section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Based upon analysis of all the relevant factors and after consultations with interested agencies and parties with direct interest in this proceeding, I have concluded that steps have been taken to reduce substantially the adverse effects of the bounty or grant. Specifically, the Government of Canada is acting to dismantle the groundfish temporary assistance program that has provided direct payments to fishermen and fish processors in Canada. The subsidy for processors, which is approximately 5 percent ad valorem is being discontinued with respect to claims for payments presented after January 1, 1978. Cash subsidies to "offshore" landings from large vessels, which are approximately 4 percent ad valorem on about 55 percent of the catch, have been discontinued for any claims after March 31, 1978. Finally the 4 percent ad valorem subsidy to "onshore" vessels of a smaller size, accounting for approximately 45 percent of the catch, will be terminated with respect to claims for payments to be presented after October 1, 1978. These steps will effectively reduce the bounty or grant on ground-

fish exports by 65 percent as of March 31, 1978. By October 1, 1978, the effective bounty will have been reduced by 92 percent. Thus the steps described above reduce substantially, and by October 1, almost entirely eliminate, the effective bounty or grant on groundfish exports to the United States.

After consulting with appropriate agencies, including the Department of State, the Department of Commerce, and the Office of the Special Representative for Trade Negotiations, I have further concluded:

(1) That there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

(2) The imposition of countervailing duties on dutiable groundfish from Canada would be likely seriously to jeopardize the satisfactory completion of such negotiations.

Accordingly, pursuant to section 303(d) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(d)), I hereby waive the imposition of countervailing duties on certain dutiable fish imports from Canada.

This determination may be revoked, in whole or in part, at any time and shall be revoked whenever the basis supporting the determination no longer exists. Unless sooner revoked or made subject to a resolution of disapproval adopted by either House of the Congress of the United States pursuant to section 303(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(e)), this waiver of countervailing duties will, in any event by statute, cease to have force and effect on January 4, 1979.

On or after the date of publication in the FEDERAL REGISTER of a notice revoking this determination, in whole or in part, the day after the date of adoption by either House of Congress of a resolution disapproving this "waiver of countervailing duties," or January 4, 1979, whichever occurs first, countervailing duties will be assessable on certain groundfish imported directly or indirectly from Canada in accordance with T.D. 78-181, published concurrently with this determination.

The table in § 159.47(f) of the Customs regulations (19 CFR 159.47(f)) is amended by inserting after the last entry from Canada under the commodity heading "Fish," the number of this Treasury Decision in the column heading "Treasury Decision," and the words "Imposition of Countervailing Duties Waived" in the column headed "Action."

(R.S. 251, secs. 303, as amended, 62A, 46 Stat. 687, 759, 88 Stat. 2051, 2052 (19 U.S.C. 66, 1303), as amended 1624.)

25996

## RULES AND REGULATIONS

Dated: June 13, 1978.

ROBERT H. MUNDHEIM,  
General Counsel of the Treasury.

[FR Doc. 78-16814 Filed 6-15-78; 8:45 am]

[4810-22]

(T.D. 78-181)

## PART 159—LIQUIDATION OF DUTIES

Certain Fish From Canada—Final  
Countervailing Duty DeterminationAGENCY: Customs Service, U.S.  
Treasury Department.ACTION: Final countervailing duty  
determination.

**SUMMARY:** This notice is to inform the public that a countervailing duty investigation has resulted in a determination that the Government of Canada has given benefits which constitute bounties or grants under the countervailing duty law on the manufacture, production, or exportation of certain fish. Both dutiable and duty-free fish are included in this determination. However, countervailing duties on the dutiable fish will be waived, based upon actions of the Government of Canada to reduce significantly the bounty or grant and the other criteria for waiver in the law. The case involving duty-free fish is being referred to the International Trade Commission for an injury determination.

EFFECTIVE DATE: June 16, 1978.

FOR FURTHER INFORMATION  
CONTACT:

Vincent P. Kane, Operations Officer,  
Duty Assessment Division, United  
States Customs Service, 1301 Constitu-  
tion Avenue NW., Washington,  
D.C. 20229, 202-566-5492.

**SUPPLEMENTARY INFORMATION:** On January 27, 1978, a "Preliminary Countervailing Duty Determination" was published in the FEDERAL REGISTER (42 FR 3786). The notice stated that it had been preliminarily determined that benefits had been received by Canadian fishermen and processors which may constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to in this notice as "the Act").

Fish imports covered by this investigation are classifiable under items 110.3570, 110.3575, 110.5025, 110.5030, 110.5045, 110.5050, 110.5065, 110.5520, 110.5550, 110.5565, 110.5570, 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, 111.6800, Tariff Schedules of the United States Annotated (TSUSA).

The fish imports from Canada which are classifiable under items 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800 TSUSA are free of duty.

The notice stated that the programs under which these benefits were conferred included: (1) Direct payments to fishermen and fish processors by the Federal Government under the Groundfish Temporary Assistance Program (GTAP); (2) assistance to fishermen for financing of vessel construction; and (3) grants provided to the Newfoundland fishing industry by the Department of Regional Economic Expansion (DREE).

The notice offered interested parties an opportunity to submit any relevant data, views, or arguments in writing with respect to the preliminary determination on or before February 27, 1978.

After consideration of all information received it is determined that exports of all fish from Canada covered by this investigation are subject to bounties or grants within the meaning of section 303 of the Act. The bounties or grants are:

(1) Payments under the Groundfish Temporary Assistance Program, which at its outset provided fishermen and fish processors with cash payments on a landed weight or processed weight basis and some of which remain to be paid through September 30, 1978.

(2) Cash payments to fishermen for the financing of vessel construction of up to 35 percent of the approved capital cost. This type of aid is treated as a bounty or grant under the law in view of the fact that a preponderance of Canadian fish is exported.

(3) Grants provided by the Department of Regional Economic Assistance (DREE) to the Province of Newfoundland whereby DREE and the Provincial Authorities share the capital cost for: (a) the augmentation of water supply systems to several coastal communities in Newfoundland, and (b) the construction of wharfs, service center buildings, storage areas, supply and installation of travelift and synchrolift equipment at Maine Service Centers. Since the benefits of these forms of capital improvements are used almost exclusively by fishermen and fish processors, and, as previously noted, a preponderance of the fish produced in Canada is exported, the regional aids described above are considered bounties or grants.

(4) Other forms of assistance, including:

(a) Vessel construction assistance under the Fishermen's Loan Act provided by lending authorities in New Brunswick, Nova Scotia, and Prince Edward Island;

(b) Loans for the processing facilities under the New Brunswick Development Corporation; and

(c) Plant expansion loans provided by Nova Scotia Industrial Estates, Ltd.

Accordingly, notice is hereby given that the dutiable fish which are the subject of this investigation, imported

directly or indirectly from Canada, if entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the FEDERAL REGISTER, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

In accordance with section 303 of the Act and until further notice, the net amount of such bounties or grants has not been ascertained and determined but is estimated to be 5 percent of the f.o.b. price for export to the United States of the dutiable fish from Canada covered by this Notice.

Effective on or after the date of publication of this notice in the FEDERAL REGISTER and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of the dutiable fish from Canada, which benefit from these bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in the amount estimated in accordance with the above declaration. To the extent that it can be established to the satisfaction of the Commissioner of Customs that imports of certain dutiable fish from Canada are subject to a bounty or grant smaller than the amount which otherwise would be applicable under the above declaration the smaller amount so established shall be assessed and collected.

Any merchandise subject to the terms of this order shall be deemed to have benefited from a bounty or grant if such bounty or grant has been or will be credited or bestowed, directly or indirectly, upon the manufacture, production or exportation.

Notwithstanding the above, a "Notice of Waiver of Countervailing Duties" is being published concurrently with this order which covers the dutiable fish from Canada subject to this investigation in accordance with section 303(d) of the Act. At such time as the waiver ceases to be effective, in whole or in part, a notice will be published setting forth the deposit of estimated countervailing duties which will be required at the time of entry, or withdrawal from warehouse, for consumption of each product then subject to the payment of countervailing duties.

The duty-free fish subject to this investigation are included in the above finding of payments of bounties or grants as defined in the Act. In accordance with section 303(a)(2) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(a)(2)), countervailing duties may not be imposed upon any article or merchandise which is free of duty in the absence of a determination by the International Trade Commission that an industry in the United

## RULES AND REGULATIONS

25997

States is being, or is likely to be injured, or is prevented from being established, by reason of the importation of such article or merchandise into the United States.

Accordingly, the International Trade Commission is being advised of this determination and the liquidation of entries, or withdrawals from warehouse, for consumption of the duty-free fish in question will be suspended pending the determination of the Commission.

Should the determination of the Commission be affirmative, the Treasury would also consider it appropriate to waive countervailing duties under section 303(d) of the Act based on the actions by the Government of Canada described in the waiver notice applicable to the programs there described.

Pursuant to Reorganization Plan No. 26 of 1950 and Treasury Department Order 190 Revision 14, July 1, 1977, the provisions of Treasury Department Order 165, revised November 2, 1954, and § 159.47(d) of the Customs regulations (19 CFR 159.47(d)), insofar as they pertain to the issuance of a countervailing duty order by the Commissioner of Customs, are hereby waived.

Dated: July 13, 1978.

ROBERT H. MUNDHEIM,  
General Counsel  
of the Treasury.

[FR Doc. 78-16815 Filed 6-15-78; 8:45 am]

[4710-02]

Title 22—Foreign Relations

CHAPTER II—AGENCY FOR INTERNATIONAL DEVELOPMENT, DEPARTMENT OF STATE

[AID Reg. 1]

PART 201—RULES AND PROCEDURES APPLICABLE TO COMMODITY TRANSACTIONS FINANCED BY AID

Miscellaneous Amendments

AGENCY: Agency for International Development, State.

ACTION: Final rule.

SUMMARY: The Agency for International Development (AID) is amending its regulations relating to commodity transactions financed by the agency. Certain of the amendments relate to eligible transportation costs, geographic source of components of commodities, incidental services, determination of prevailing market price under formal bid procurement, record-retention requirements and a requirement that suppliers provide information concerning participation of small business or minority business in the

transaction. The amendments result from a review of AID's procurement policies and among other things will update the regulations, reduce paperwork, allow more AID financing of certain services, and bring other AID procedures in conformance with commercial practice.

EFFECTIVE DATE: June 15, 1978.

FOR FURTHER INFORMATION CONTACT:

Robert D. Elliott, Deputy Director, Office of Commodity Management (SER/COM), Department of State, Washington, D.C. 20523, telephone 703-235-8848.

SUPPLEMENTARY INFORMATION: As a result of a review of AID's procurement policies and practices several amendments have been made to AID Regulation 1.

The major change in AID policy is the modification of the rule regarding eligible transportation costs when Code 941 (Selected Free World) is authorized for procurement. Previously, when Code 941 was the authorized source for procurement of commodities, the cost of freight on vessels under flag registry of any Code 941 country was eligible for AID financing. AID did not finance the use of vessels under flag registry of the cooperating country; i.e., the country receiving the assistance. Under the new policy, when Code 941 is the authorized source, AID will finance only those transportation costs incurred on vessels under flag registry of the United States or the cooperating country. The change has been made in view of the fact that a sizeable portion of the world tonnage of ocean vessels is registered under flags of convenience in a few of the countries included in Code 941 and is beneficially owned by nationals of developed countries. If AID determines that there is a general unavailability of U.S. or cooperating country flag vessels, the use of vessels under flag registry of any Code 941 country will be authorized in the implementing documents. This will restrict the availability of vessels, but will benefit the economy of the cooperating country.

There are two other changes concerning eligibility of transportation costs. Shipment beyond the point of entry in the cooperating country may be financed by, if intermodal transportation service covering the carriage of cargo from point of origin to destination is used, and the point of destination, as stated in the carrier's through bill of lading, is established in the carrier's tariff. This updates existing regulations to reflect the growing use of intermodal service and will allow shippers to use this system. In addition, the policy that AID will not finance applicable freight on any liner vessels unless AID has been notified

that the applicable freight rate has been filed with the Federal Maritime Commission for voyages originating in the U.S. or filed with AID/W for voyages originating outside the U.S., has been rescinded. The Federal Maritime Commission regulations require the filing of U.S. tariff rates anyway, making the AID requirement redundant; and the requirement for filing foreign tariffs with AID/W has been difficult to implement and of questionable utility. This will reduce paperwork for shippers.

AID's requirements concerning the geographic source of components of commodities financed by AID under regulation 1 have also been modified. Components from the cooperating country and code 941 countries will now be eligible in unlimited amounts regardless of the authorized source for procurement specified in the implementing documents. However, the AID-financed commodity must still be manufactured, processed, or assembled in an authorized source country. This will benefit the economies of the less developed countries and simplify componentry rules for suppliers.

Incidental services such as installation or erection of equipment or training personnel to use and maintain the equipment, may now be financed by AID even when they are procured with local currency in the cooperating country. To be eligible, any incidental service must be specified in the purchase contract for the equipment, must not be priced in excess of the prevailing price for similar services, and must not exceed \$50,000 or 25 percent of the total purchase contract, whichever is less. This will allow AID financing of more incidental services which are often an integral and necessary item to assure effective use of the equipment.

The formal competitive bid procedures, applicable to public sector importers, previously established a commodity procurement with an estimated landed cost of \$5,000 as a small value procurement for which AID's advertising requirements need not be followed. This exemption has been raised to \$25,000. This will compensate for inflation, make procedures under AID regulation 1 consistent with other AID procurement rules, and lessen requirements on importers.

The minimum purchase price of custom-made equipment for which advance or progress payments may be financed has been raised from \$100,000 to \$200,000. It has also been determined that the initial advance, if any, may not exceed 10 percent of the total purchase price. This will compensate for inflation and will benefit suppliers by conforming AID procedures more closely with commercial practice.

A new rule governing determination of prevailing market price has been



APPENDIX C

UNITED STATES INTERNATIONAL TRADE COMMISSION NOTICE OF INVESTIGATION,  
PUBLIC HEARING, AND REQUEST FOR WRITTEN VIEWS, AS AMENDED, ISSUED  
JULY 14, 1978

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

CERTAIN FISH FROM CANADA

[303-TA-3]

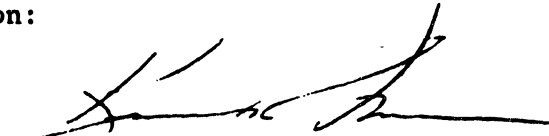
Notice of Investigation, Public Hearing, and Request  
for Written Views

Having received advice from the Department of the Treasury on June 27, 1978, that a bounty or grant is being paid with respect to certain fish imported from Canada, entered under item numbers 110.1585, 110.1589, 110.4710, 110.4726, 110.7033, 110.7039, 111.2200, 111.6400, and 111.6800 of the Tariff Schedules of the United States Annotated, which merchandise is accorded duty-free treatment, the United States International Trade Commission on July 13, 1978 instituted investigation No. 303-TA-3 under section 303(b) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(b)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Public hearing. A public hearing in connection with the investigation will be held in Washington, D.C., at 10:00 a.m. E.D.T., on Tuesday, August 15, 1978, in the hearing room, U.S. International Trade Commission Building, 701 E Street, NW. All interested persons will be given an opportunity to be present, to produce evidence, and to be heard at such hearing. Requests to appear at the public hearing should be addressed to the Secretary, United States International Trade Commission, 701 E Street, NW., Washington, D.C. 20346, and should be received not later than noon Thursday, August 10, 1978.

Written statements.--In addition to, or in lieu of, an appearance at the hearing, interested persons are requested to submit to the Commission, in writing, any information pertinent to whether an industry in the United States is being or is likely to be injured or is prevented from being established, by reason of the importation of the subject fish from Canada. Written statements should be addressed to the Secretary of the Commission at the Commission's office in Washington, D.C., and should be submitted not later than Friday, August 18, 1978.

By order of the Commission:



KENNETH R. MASON  
Secretary



APPENDIX D

SECTION 303 OF THE TARIFF ACT OF 1930, AS AMENDED BY  
THE TRADE ACT OF 1974

88 STAT. 2049

Publication  
in Federal  
Register.Infra.

Applicability.

19 USC 160  
note.19 USC 162  
note.

19 USC 160.

19 USC 1516  
note.

19 USC 160.

Federal Register in connection with the particular antidumping proceeding. Upon service of the summons on the Secretary of the Treasury or his designee in an action contesting the Secretary's determination under section 303 of the Tariff Act of 1930 that a bounty or grant is not being paid or bestowed, the Secretary or his designee shall forthwith transmit to the United States Customs Court, as the official record of the civil action, a certified copy of the transcript of all hearings held by the Secretary in the proceeding which resulted in such determination and certified copies of all notices, determinations, or other matters which the Secretary has caused to be published in the Federal Register in connection with such proceeding."

(g) (1) The amendments made by subsection (a) of this section shall apply with respect to all questions of dumping raised or presented on or after the date of the enactment of this Act.

(2) The amendments made by subsections (b) through (c) of this section shall apply with respect to all merchandise which is not appraised on or before the date of the enactment of this Act; except that such amendments shall not apply with respect to any merchandise which—

(A) was exported from the country of exportation before such date of the enactment, and

(B) is subject to a finding under the Antidumping Act, 1921, which (i) is outstanding on such date of enactment, or (ii) was revoked on or before such date of enactment but is still applicable to such merchandise.

(3) The amendments made by subsection (f) shall apply with respect to determinations under section 201 of the Antidumping Act, 1921, resulting from questions of dumping raised or presented on or after the date of the enactment of this Act.

### CHAPTER 3—COUNTERVAILING DUTIES

#### SEC. 331. AMENDMENTS TO SECTIONS 303 AND 516 OF THE TARIFF ACT OF 1930.

(a) Section 303 of the Tariff Act of 1930 (19 U.S.C. sec. 1303) is amended to read as follows:

##### "SEC. 303. COUNTERVAILING DUTIES.

"(a) LEVY OF COUNTERVAILING DUTIES.—(1) Whenever any country, dependency, colony, province, or other political subdivision of government, person, partnership, association, cartel, or corporation, shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article or merchandise manufactured or produced in such country, dependency, colony, province, or other political subdivision of government, then upon the importation of such article or merchandise into the United States, whether the same shall be imported directly from the country of production or otherwise, and whether such article or merchandise is imported in the same condition as when exported from the country of production or has been changed in condition by remanufacture or otherwise, there shall be levied and paid, in all such cases, in addition to any duties otherwise imposed, a duty equal to the net amount of such bounty or grant, however the same be paid or bestowed.

"(2) In the case of any imported article or merchandise which is free of duty, duties may be imposed under this section only if there is an affirmative determination by the Commission under subsection (b) (1); except that such a determination shall not be required unless a determination of injury is required by the international obligations of the United States.

January 3, 1975

- 73 -

Pub. Law 93-618

88 STAT. 2050

"(3) In the case of any imported article or merchandise as to which the Secretary of the Treasury (hereafter in this section referred to as the 'Secretary') has not determined whether or not any bounty or grant is being paid or bestowed—

"(A) upon the filing of a petition by any person setting forth his belief that a bounty or grant is being paid or bestowed, and the reasons therefor, or

"(B) whenever the Secretary concludes, from information presented to him or to any person to whom authority under this section has been delegated, that a formal investigation is warranted into the question of whether a bounty or grant is being paid or bestowed,

the Secretary shall initiate a formal investigation to determine whether or not any bounty or grant is being paid or bestowed and shall publish in the Federal Register notice of the initiation of such investigation.

Publication  
in Federal  
Register.

"(4) Within six months from the date on which a petition is filed under paragraph (3) (A) or on which notice is published of an investigation initiated under paragraph (3) (B), the Secretary shall make preliminary determination, and within twelve months from such date shall make a final determination, as to whether or not any bounty or grant is being paid or bestowed.

"(5) The Secretary shall from time to time ascertain and determine, and estimate, the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated.

"(6) The Secretary shall make all regulations he deems necessary for the identification of articles and merchandise subject to duties under this section and for the assessment and collection of such duties. All determinations by the Secretary under this section, and all determinations by the Commission under subsection (b) (1), (whether affirmative or negative) shall be published in the Federal Register.

Regulations.

Publication  
in Federal  
Register.

"(b) INJURY DETERMINATIONS WITH RESPECT TO DUTY-FREE MERCHANDISE; SUSPENSION OF LIQUIDATION.—(1) Whenever the Secretary makes a final determination under subsection (a) that a bounty or grant is being paid or bestowed with respect to any article or merchandise which is free of duty and a determination by the Commission required under subsection (a) (2), he shall—

"(A) so advise the Commission, and the Commission shall determine within three months thereafter, and after such investigation as it deems necessary, whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such article or merchandise into the United States; and the Commission shall notify the Secretary of its determination; and

"(B) require, under such regulations as he may prescribe, the suspension of liquidation as to such article or merchandise entered, or withdrawn from warehouse, for consumption on or after the date of the publication in the Federal Register of his final determination under subsection (a), and such suspension of liquidation shall continue until the further order of the Secretary or until he has made public an order as provided for in paragraph (3).

(2) For the purposes of this subsection, the Commission shall be deemed to have made an affirmative determination if the commissioners voting are evenly divided as to whether its determination should be in the affirmative or in the negative.

(3) If the determination of the Commission under paragraph (A) is in the affirmative, the Secretary shall make public an order

directing the assessment and collection of duties in the amount of such bounty or grant as is from time to time ascertained and determined, or estimated, under subsection (a).

“(c) APPLICATION OF AFFIRMATIVE DETERMINATION.—An affirmative final determination by the Secretary under subsection (a) with respect to any imported article or merchandise shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the publication in the Federal Register of such determination. In the case of any imported article or merchandise which is free of duty, so long as a finding of injury is required by the international obligations of the United States, the preceding sentence shall apply only if the Commission makes an affirmative determination of injury under subsection (b) (1).

“(d) TEMPORARY PROVISION WHILE NEGOTIATIONS ARE IN PROGRESS.—(1) It is the sense of the Congress that the President, to the extent practicable and consistent with United States interests, seek through negotiations the establishment of internationally agreed rules and procedures governing the use of subsidies (and other export incentives) and the application of countervailing duties.

“(2) If, after seeking information and advice from such agencies as he may deem appropriate, the Secretary of the Treasury determines, at any time during the four-year period beginning on the date of the enactment of the Trade Act of 1974, that—

Ante, p. 1978.

“(A) adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise;

Ante, p. 1982.

“(B) there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

“(C) the imposition of the additional duty under this section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations;

Non-rubber  
footwear.

the imposition of the additional duty under this section with respect to such article or merchandise shall not be required during the remainder of such four-year period. This paragraph shall not apply with respect to any case involving non-rubber footwear pending on the date of the enactment of the Trade Act of 1974 until and unless agreements which temporize imports of non-rubber footwear become effective.

“(3) The determination of the Secretary under paragraph (2) may be revoked by him, in his discretion, at any time, and any determination made under such paragraph shall be revoked whenever the basis supporting such determination no longer exists. The additional duty provided under this section shall apply with respect to any affected articles or merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of any revocation under this subsection in the Federal Register.

“(e) REPORTS TO CONGRESS.—(1) Whenever the Secretary makes a determination under subsection (d) (2) with respect to any article or merchandise, he shall promptly transmit to the House of Representatives and the Senate a document setting forth the determination, together with his reasons therefor.

“(2) If, at any time after the document referred to in paragraph (1) is delivered to the House of Representatives and the Senate, either



the House or the Senate adopts, by an affirmative vote of a majority of those present and voting in that House, a resolution of disapproval under the procedures set forth in section 152, then such determination under subsection (d) (2) with respect to such article or merchandise shall have no force or effect beginning with the day after the date of the adoption of such resolution of disapproval, and the additional duty provided under this section with respect to such article or merchandise shall apply with respect to articles or merchandise entered, or withdrawn from warehouse, for consumption on or after such day."

Ante, p. 2004.

(b) So much of section 516 of the Tariff Act of 1930 (19 U.S.C. 1516) as precedes subsection (d) is amended to read as follows:

**"SEC. 516. PETITIONS BY AMERICAN MANUFACTURERS, PRODUCERS, OR WHOLESALERS.**

"(a) The Secretary shall, upon written request by an American manufacturer, producer, or wholesaler, furnish the classification, the rate of duty, the additional duty described in section 303 of this Act (hereinafter in this section referred to as 'countervailing duties'), if any, and the special duty described in section 202 of the Antidumping Act, 1921 (hereinafter in this section referred to as 'antidumping duties'), if any, imposed upon designated imported merchandise of a class or kind manufactured, produced, or sold at wholesale by him. If such manufacturer, producer, or wholesaler believes that the appraised value is too low, that the classification is not correct, that the proper rate of duty is not being assessed, or that countervailing duties or antidumping duties should be assessed, he may file a petition with the Secretary setting forth (1) a description of the merchandise, (2) the appraised value, the classification, or the rate or rates of duty that he believes proper, and (3) the reasons for his belief including, in appropriate instances, the reasons for his belief that countervailing duties or antidumping duties should be assessed.

Ante, p. 2049.

19 USC 161.

"(b) If, after receipt and consideration of a petition filed by an American manufacturer, producer, or wholesaler, the Secretary decides that the appraised value of the merchandise is too low, that the classification of the article or rate of duty assessed thereon is not correct, or that countervailing duties or antidumping duties should be assessed, he shall determine the proper appraised value or classification, rate of duty, or countervailing duties, or antidumping duties and shall notify the petitioner of his determination. Except for countervailing duty and antidumping duty purposes, all such merchandise entered for consumption or withdrawn from warehouse for consumption more than thirty days after the date such notice to the petitioner is published in the weekly Customs Bulletin shall be appraised or classified or assessed as to rate of duty in accordance with the Secretary's determination. For countervailing duty purposes, the procedures set forth in section 303 shall apply. For antidumping duty purposes, the procedures set forth in section 201 of the Antidumping Act, 1921, shall apply.

Ante, p. 2043.

"(c) If the Secretary decides that the appraised value or classification of the articles or the rate of duty with respect to which a petition was filed pursuant to subsection (a) is correct, or that countervailing duties or antidumping duties should not be assessed, he shall so inform the petitioner. If dissatisfied with the decision of the Secretary, the petitioner may file with the Secretary, not later than thirty days after the date of the decision, notice that he desires to contest the appraised value or classification of, or rate of duty assessed upon or the failure to assess countervailing duties or antidumping duties upon, the merchandise. Upon receipt of notice from the petitioner, the Secretary shall



APPENDIX E

MEMORANDUM TO THE COMMISSION FROM THE GENERAL COUNSEL OF THE UNITED STATES INTERNATIONAL TRADE COMMISSION ON THE SUBJECT OF TREASURY'S WAIVER AUTHORITY, DATED JULY 19, 1978

MEMORANDUM

TO: THE COMMISSION

FROM: The General Counsel 1/ 

SUBJECT: Investigation No. 303-TA-3 (Certain Fish from Canada) --  
in the event the Commission makes an affirmative deter-  
mination, whether the Treasury Department is required  
to impose countervailing duties after the expiration of  
its waiver authority 2/

Introduction

This memorandum is in response to a request from the Office of Operations that we provide the Commission with an opinion on the issue raised by the Department of the Treasury's intent to waive countervailing duties on imports of certain fish from Canada under section 303(d) of the Tariff Act of 1930, as amended, in the event the Commission's decision is affirmative. The same issue was presented in the leather wearing apparel from Uruguay investigation No. 303-TA-3 earlier this year. The Secretary of the Treasury has the authority to waive the imposition of countervailing duties until January 3, 1979, while trade negotiations are in process pursuant to section 331 of the Trade Act of 1974. The chances of either the MTN negotiations producing a code proscribing offensive subsidies by January 3, 1979, or the Department of the Treasury getting a legislative extension of the January 3, 1979, deadline seem less likely than was the case in March of 1978 when we advised the Commission in the wearing apparel investigation that the Treasury Department will be required to impose countervailing duties after expiration of the waiver authority (GC-B-075).

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1/ This memorandum was prepared primarily by Mary Martin.

2/ Library Reference: 19 U.S.C. 1303(d), countervailing duties -- temporary provisions.

Analysis of the provisions of the waiver authority and the statutory limits on its use together with its legislative history indicates the Congress would prefer that protection from foreign export subsidies be achieved by the elimination of the bounty or grant by the government of the exporting source rather than by means of the United States imposing a countervailing duty. Exercise of the discretionary waiver by the Treasury Department is itself contingent on a response by the government of the exporting nation to ameliorate the effects of the export subsidy adjudged to be a bounty or grant.

#### Opinion

Should the Commission make an affirmative determination in this investigation and the Canadian government fail to remove the bounty or grant prior to the termination of Treasury's waiver authority, the Treasury Department will be required to impose countervailing duties after expiration of the waiver authority.

#### Analysis

Section 1303(d)(2) of the Tariff Act of 1930, as amended, provides that the Secretary of the Treasury is authorized to suspend the application of countervailing duty orders at any time during the four year period following enactment of the Trade Act of 1974. This discretionary authority is limited by three conditions which require that: 1/

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1/ 19 U.S.C. 1303(d)(2)(A)-(C).

(A) adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant . . .

(B) there is a reasonable prospect that, under section 2112 of [the Trade Act] successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

(C) the imposition of the additional duty under this section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations . . . .

Each of these three conditions must be met for the Secretary to exercise the authority to suspend application of countervailing duty orders. In the event the Secretary determines that the basis supporting the decision to suspend no longer exists, the act authorizes revocation of the revocation. 1/ Any decision to suspend these duties must be reported to Congress which, by a majority of those present and voting in either house may disapprove and override the Secretary's exercise of this authority in any given case. 2/

Although the provisions for reporting decisions to suspend to Congress do not set out standards by which the Secretary's suspension of countervailing duties are to be reviewed, the requirement that "adequate steps" are being taken to reduce substantially the adverse affect of the bounty or grant over the four year period may establish a burden of persuasion in the reporting requirement. The legislative history of the discretionary provision indicates that Congress did not

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1/ 19 U.S.C. 1303(e)(3).

2/ 19 U.S.C. 1303(e)(2).

anticipate frequent use of the authority. 1/ The Senate Finance Committee was of the view that foreign governments might eliminate bounties or grants during the period between the Treasury Department's preliminary and final determinations. 2/ Where this has not taken place and the Secretary suspends the application of countervailing duty orders, the Congress may require an explanation of the measures to be taken by the foreign government to ameliorate the adverse effect of the bounty or grant.

To recapitulate, the Secretary should not waive the application of countervailing duty orders unless he anticipates that the foreign government will ameliorate the adverse trade effects of the bounty or grant during the term of the waiver; a majority of those present and voting in either House can override the exercise of the waiver; the Secretary is authorized to revoke the waiver where the anticipated action of the foreign government to ameliorate the trade effects of the bounty or grant is not forthcoming; and, the waiver authority--expires by its own terms--on January 3, 1979. The Secretary of the Treasury has no authority other than the temporary suspension provision which would justify a failure to direct the assessment and collection of countervailing duties. Section 1303(b)(3) provides that when a Commission "injury" determination is in the affirmative,

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1/ U.S. Cong., Sen. Comm. Finance, Trade Reform Act of 1974, Report No. 93-1298 (to accompany H.R. 10710), 93rd Cong., 2d Sess. 1974, at 187. The House bill did not contain all of the act's limitations on the exercise of discretion by the Secretary nor did the House bill provide for the possibility of Congressional override. The Senate Finance Committee viewed these provisions as a means of a check on the possible abuse of discretion in the exercise of the waiver authority. Id., at 187.

2/ Senate Committee on Finance, Report No. 93-1298, at 187.

" . . . the Secretary shall make public an order directing the assessment and collection of duties . . . determined or estimated . . . [under section 1303(a)]." The order is ministerial as is, for instance, the Secretary's dumping finding issued after an affirmative determination of the Commission under the Antidumping Act, 1921. Once the order directing the assessment and collection of countervailing duties issues, the foreign government may avoid the imposition of the duties on the exports of its nationals only by suspending or eliminating the export subsidy adjudged to constitute a bounty or grant.



APPENDIX F  
STATISTICAL TABLES

Table 1.--Certain fish and fish products: U.S. imports for consumption, from Canada, by TSUSA items, 1974-77, January-June 1977, and January-June 1978

TSUSA item No.	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
110.1585-----	2,464	4,196	3,366	3,154	1,652	1,282
110.1589-----	351	564	264	525	275	199
110.4710-----	21,184	22,538	33,655	57,532	17,060	23,238
110.4726-----	1/	7,833	7,940	8,678	3,594	4,482
110.7033-----	1,169	764	623	448	254	345
110.7039-----	1/	34,842	41,371	37,627	15,726	13,498
111.2200-----	18,511	16,413	20,711	20,346	7,602	9,001
111.6400-----	29	54	66	21	19	6
111.6800-----	79	102	52	48	27	57
Total-----	1/	87,306	108,048	128,379	46,209	52,108
Value (1,000 dollars)						
110.1585-----	505	668	830	888	489	371
110.1589-----	128	196	110	251	108	85
110.4710-----	13,224	12,598	23,750	52,507	14,848	22,196
110.4726-----	1/	4,679	6,425	7,799	3,206	3,965
110.7033-----	1,155	805	711	615	349	479
110.7039-----	1/	30,042	42,204	42,125	16,954	16,189
111.2200-----	12,749	12,327	16,610	17,695	6,212	8,010
111.6400-----	23	43	43	20	18	8
111.6800-----	52	79	43	33	18	51
Total-----	1/	61,437	90,726	121,933	42,202	51,354
Unit value (per pound)						
110.1585-----	\$0.20	\$0.16	\$0.25	\$0.28	\$0.30	\$0.29
110.1589-----	.36	.35	.42	.48	.39	.42
110.4710-----	.62	.55	.71	.91	.87	.96
110.4726-----	1/	.60	.81	.90	.89	.88
110.7033-----	.99	1.05	1.14	1.37	1.37	1.39
110.7039-----	1/	.86	1.02	1.12	1.08	1.20
111.2200-----	.69	.75	.80	.87	.82	.89
111.6400-----	.79	.80	.65	.95	.94	1.16
111.6800-----	.65	.77	.83	.69	.67	.89
Average-----	1/	.70	.84	.95	.91	.99

1/ Not reported.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Cod, fresh or chilled, whole, or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed (TSUSA item 110.1585): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
Canada-----	2,464	4,196	3,366	3,154	1,652	1,282
All other-----	38	28	77	23	20	5
Total-----	2,502	4,224	3,443	3,177	1,672	1,287
Value (1,000 dollars)						
Canada-----	505	668	830	888	489	371
All other-----	23	3	17	30	27	2
Total-----	528	671	847	918	516	373
Unit value (per pound)						
Canada-----	\$0.20	\$0.16	\$0.25	\$0.28	\$0.30	\$0.29
All other-----	.61	.11	.22	1.30	1.31	.49
Average-----	.21	.16	.25	.29	.31	.29
Percent of total quantity						
Canada-----	98.5	99.3	97.8	99.3	98.8	99.6
All other-----	1.5	0.7	2.2	0.7	1.2	.4
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 3.--Cod, frozen, whole, or processed by removal of heads, viscera, fins, or any combination thereof, but not otherwise processed (TSUSA item 110.1589): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
Canada-----	351	564	264	525	275	199
Japan-----	151	28	46	95	92	1
Denmark-----	58	128	5	47	0	0
All other-----	105	144	335	59	13	0
Total-----	665	864	650	726	380	200
Value (1,000 dollars)						
Canada-----	128	196	110	251	108	85
Japan-----	90	17	36	88	77	1
Denmark-----	42	59	2	47	-	-
All other-----	41	31	93	48	5	-
Total-----	301	303	241	434	190	86
Unit value (per pound)						
Canada-----	\$0.36	\$0.35	\$0.42	\$0.48	\$0.39	\$0.42
Japan-----	.60	.61	.78	.93	.84	1.87
Denmark-----	.72	.46	.40	1.00	-	-
All other-----	.39	.22	.28	.81	.34	-
Average-----	.45	.35	.37	.60	.50	.43
Percent of total quantity						
Canada-----	52.8	65.3	40.6	72.3	72.2	99.7
Japan-----	22.7	3.2	7.1	13.1	24.1	.3
Denmark-----	8.7	14.8	0.8	6.5	-	-
All other-----	15.8	16.7	51.5	8.1	3.7	-
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 4.--Cod, skinned and boned, whether or not divided into pieces, and frozen into blocks each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weights and dimensions (TSUSA item 110.4710): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
Canada-----	21,184	22,538	33,655	57,532	17,060	23,238
Denmark-----	29,146	29,550	43,090	42,517	25,471	22,812
Iceland-----	29,993	30,755	36,733	38,990	19,202	18,080
Norway-----	9,103	45,674	32,146	35,587	22,475	17,114
All other-----	23,736	32,340	34,502	30,246	18,782	14,970
Total-----	113,162	160,857	180,126	204,872	102,990	96,214
Value (1,000 dollars)						
Canada-----	13,224	12,598	23,750	52,507	14,848	22,196
Denmark-----	18,414	15,713	28,611	39,143	22,612	21,683
Iceland-----	18,926	15,146	24,392	35,529	16,864	17,402
Norway-----	4,997	25,018	18,809	30,309	18,463	15,614
All other-----	14,153	15,488	21,465	25,883	15,904	13,229
Total-----	69,714	83,963	117,027	183,371	88,691	90,124
Unit value (per pound)						
Canada-----	\$0.62	\$0.55	\$0.71	\$0.91	\$0.87	\$0.96
Denmark-----	.63	.53	.66	.92	.89	.95
Iceland-----	.63	.49	.66	.91	.88	.96
Norway-----	.55	.55	.59	.85	.82	.91
All other-----	.60	.48	.62	.86	.85	.88
Average-----	.61	.52	.65	.90	.86	.94
Percent or total quantity						
Canada-----	18.7	14.0	18.7	28.1	16.2	24.2
Denmark-----	25.8	18.4	23.9	20.8	24.7	23.7
Iceland-----	26.5	19.1	20.4	19.0	18.7	18.8
Norway-----	8.0	28.4	17.8	17.4	21.8	17.8
All other-----	21.0	20.1	19.2	14.8	18.2	15.5
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 5.--Flatfish, except turbot, skinned and boned, whether or not divided into pieces, and frozen into blocks each weighing over 10 pounds, imported to be minced, ground, or cut into pieces of uniform weights and dimensions (TSUSA item 110.4726): U.S. imports for consumption, by principal sources, 1975-77, January-June 1977, and January-June 1978

Source	1975	1976	1977	Jan.-June--	
				1977	1978
Quantity (1,000 pounds product weight)					
Canada-----	7,833	7,940	8,678	3,594	4,482
Japan-----	1,527	4,231	1,257	1,094	887
All other-----	665	993	561	354	329
Total-----	10,025	13,164	10,496	5,042	5,698
Value (1,000 dollars)					
Canada-----	4,679	6,425	7,799	3,206	3,965
Japan-----	1,806	4,336	2,831	2,445	1,347
All other-----	352	604	644	401	349
Total-----	6,837	11,365	11,274	6,052	5,661
Unit value (per pound)					
Canada-----	\$0.60	\$0.81	\$0.90	\$0.89	\$0.88
Japan-----	1.18	1.02	2.25	2.23	1.52
All other-----	.52	.61	1.14	1.13	1.06
Average-----	.68	.86	1.07	1.20	.99
Percent of total quantity					
Canada-----	78.2	60.3	82.7	71.2	78.7
Japan-----	15.2	32.1	12.0	21.7	15.6
All other-----	6.6	7.6	5.3	7.1	6.7
Total-----	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 6.—Flatfish, except halibut, fresh or chilled, otherwise processed (whether or not heads, viscera, fins, scales, or any combination thereof have been removed (TSUSA item 110.7033)): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
Canada-----	1,169	764	623	448	254	345
All other-----	24	53	79	27	4	23
Total-----	1,193	817	702	475	258	368
Value (1,000 dollars)						
Canada-----	1,155	805	711	615	349	479
All other-----	19	37	53	47	11	25
Total-----	1,174	842	764	662	360	504
Unit value (per pound)						
Canada-----	\$0.99	\$1.05	\$1.14	\$1.37	\$1.37	\$1.39
All other-----	.79	.70	.67	1.74	3.00	.82
Average-----	.98	1.03	1.09	1.39	1.40	1.37
Percent of total quantity						
Canada-----	97.7	93.5	88.7	94.3	98.6	93.9
All other-----	2.3	6.5	11.3	5.7	1.4	6.1
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 7.—Flatfish, except halibut or turbot, frozen, otherwise processed (whether or not heads, viscera, fins, scales, or any combination thereof have been removed (TSUSA item 110.7039)): U.S. imports for consumption, by principal sources, 1975-77, January-June 1977, and January-June 1978

Source	1975	1976	1977	Jan.-June--	
				1977	1978
Quantity (1,000 pounds product weight)					
Canada-----	34,842	41,371	37,627	15,726	13,498
Japan-----	4,725	6,859	7,143	2,631	2,147
All other-----	5,568	5,212	8,041	2,626	4,081
Total-----	45,135	53,442	52,811	20,983	19,726
Value (1,000 dollars)					
Canada-----	30,042	42,204	42,125	16,954	16,189
Japan-----	1,474	3,444	3,713	1,240	940
All other-----	4,210	4,852	8,662	2,711	4,758
Total-----	35,726	50,500	54,500	20,905	21,887
Unit value (per pound)					
Canada-----	\$0.86	\$1.02	\$1.12	\$1.08	\$1.20
Japan-----	.31	.50	.52	.47	.44
All other-----	.76	.93	1.08	1.03	1.17
Average-----	.79	.94	1.03	1.00	1.11
Percent of total quantity					
Canada-----	77.2	77.4	71.2	74.9	68.4
Japan-----	10.5	12.8	13.5	12.6	10.9
All other-----	12.3	9.8	15.2	12.5	20.7
Total-----	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.



Table 8.--Cod, cusk, haddock, hake, and pollock, salted or pickled, whole, or processed by removal of heads, fins, viscera, scales, vertebral columns, or any combination thereof, but not otherwise processed and not in airtight containers (TSUSA item 111.2200): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
Canada-----	18,511	16,413	20,711	20,346	7,602	9,001
Spain-----	5,187	5,019	2,179	1,182	1,017	442
Norway-----	1,736	1,000	1,010	599	192	236
All other-----	2,126	759	563	428	298	200
Total-----	27,560	23,191	24,463	22,555	9,109	9,879
Value (1,000 dollars)						
Canada-----	12,749	12,327	16,610	17,695	6,212	8,010
Spain-----	4,598	3,401	1,774	1,103	951	547
Norway-----	1,615	1,045	1,272	797	249	343
All other-----	1,612	520	402	394	254	166
Total-----	20,574	17,293	20,058	19,989	7,666	9,066
Unit value (per pound)						
Canada-----	\$0.70	\$0.75	\$0.80	\$0.87	\$0.82	\$0.89
Spain-----	.89	.68	.81	.93	.94	1.24
Norway-----	.93	1.04	1.26	1.33	1.30	1.45
All other-----	.76	.68	.71	.92	.85	.83
Average-----	.75	.75	.82	.89	.84	.92
Percent of total quantity						
Canada-----	67.2	70.8	84.7	90.2	83.4	91.1
Spain-----	18.8	21.6	8.9	5.2	11.2	4.5
Norway-----	6.3	4.3	4.1	2.7	2.1	2.4
All other-----	7.7	3.2	2.2	1.1	3.3	2.0
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 9.--Cod, cusk, haddock, hake, and pollock, smoked or kippered, whole, or processed by removal of heads, fins, viscera, scales, vertebral columns, or any combination thereof, but not otherwise processed and not in airtight containers (TSUSA item 111.6400): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
Canada-----	29	54	66	21	19	6
Norway-----	77	7	181	32	20	0
Argentina-----	0	0	0	44	44	0
All other-----	52	1	51	24	6	30
Total-----	158	62	298	121	89	36
Value (1,000 dollars)						
Canada-----	23	43	43	20	18	8
Norway-----	93	10	132	41	26	-
Argentina-----	-	-	-	6	6	-
All other-----	34	1	33	21	4	28
Total-----	150	54	208	88	54	36
Unit value (per pound)						
Canada-----	\$0.79	\$0.80	\$0.65	\$0.95	\$0.94	\$1.16
Norway-----	1.21	1.34	.73	1.28	1.24	-
Argentina-----	-	-	-	.14	.13	-
All other-----	.65	.66	.73	.91	.84	.96
Average-----	.95	.87	.70	.73	.60	1.00
Percent of total quantity						
Canada-----	18.2	87.1	22.1	40.6	21.8	17.1
Norway-----	48.7	11.3	60.7	26.4	23.0	-
Argentina-----	-	-	-	36.4	49.7	-
All other-----	32.9	1.6	17.1	19.0	5.5	82.9
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 10.--Cod, cusk, haddock, hake, and pollock, smoked or kippered, otherwise processed (whether or not heads, viscera, vertebral columns, or any combination thereof have been removed), and not in airtight containers (TSUSA item 111.6800): U.S. imports for consumption, by principal sources, 1974-77, January-June 1977, and January-June 1978

Source	1974	1975	1976	1977	Jan.-June--	
					1977	1978
Quantity (1,000 pounds product weight)						
Canada-----	79	102	52	48	27	57
United Kingdom----	574	890	697	674	263	446
All other-----	49	6	9	25	10	8
Total-----	702	998	758	747	300	511
Value (1,000 dollars)						
Canada-----	52	79	43	33	18	51
United Kingdom----	392	576	498	557	210	442
All other-----	29	7	10	26	10	10
Total-----	473	662	551	616	238	503
Unit value (per pound)						
Canada-----	\$0.66	\$0.77	\$0.83	\$0.69	\$0.67	\$0.89
United Kingdom----	.68	.65	.71	.83	.80	.99
All other-----	.59	1.12	1.20	1.04	.95	1.29
Average-----	.67	.66	.73	.82	.79	.98
Percent of total quantity						
Canada-----	11.4	10.2	6.9	6.4	9.0	11.2
United Kingdom----	81.8	89.2	92.0	90.2	87.6	87.3
All other-----	6.8	.6	1.2	3.3	3.4	1.5
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 11.--U.S. commercial landings of major types of fish landed by vessels that fish for groundfish covered by this investigation, by types, 1974-77, January-June 1977, and January-June 1978

(In thousands of pounds product weight)							
Item	1974	1975	1976	1977	January-June--		
					1977	1978	
Atlantic fleet landings:							
Subject groundfish:							
Flounder-----	107,971	106,015	106,589	117,131	60,000	60,000	
Cod-----	58,656	55,901	55,845	75,533	40,000	50,000	
Pollock-----	19,525	20,514	23,946	28,772	15,000	20,000	
Haddock-----	8,226	16,166	12,761	28,430	15,000	25,000	
Hake-----	8,397	8,005	9,081	10,894	5,000	5,000	
Cusk-----	2,956	3,098	2,831	2,728	1,000	1,000	
Total, subject groundfish-----	205,731	209,699	211,053	263,488	136,000	161,000	
Other major types:							
Ocean perch-----	41,487	32,054	32,139	35,028	20,000	20,000	
Total Atlantic fleet landings-----	247,218	241,753	243,192	298,516	156,000	181,000	
Pacific fleet landings:							
Subject groundfish:							
Flounder-----	54,479	50,309	58,093	52,472	25,000	25,000	
Cod-----	10,014	11,822	11,944	10,948	5,000	4,000	
Pollock-----	126	1/ 100	338	712	300	1,000	
Total subject groundfish-----	64,619	62,231	70,375	64,132	30,300	30,000	
Other major types:							
Rockfish-----	35,229	34,897	39,683	43,512	22,000	17,000	
Lingcod-----	8,885	1/ 8,000	7,484	7,545	4,000	3,000	
Ocean perch-----	6,233	7,112	5,658	5,695	3,000	2,000	
Total, other fish-----	50,347	50,009	52,825	56,752	29,000	22,000	
Total, Pacific fleet landings-----	114,966	112,240	123,200	120,884	59,300	52,000	
Combined Atlantic and Pacific landings:							
Subject groundfish:							
Flounder-----	162,450	156,324	164,682	169,603	85,000	85,000	
Cod-----	68,670	67,723	67,789	86,481	45,000	54,000	
Pollock-----	19,651	20,614	24,284	29,484	15,300	21,000	
Haddock-----	8,226	16,166	12,761	28,430	15,000	25,000	
Hake-----	8,397	8,005	9,081	10,894	5,000	5,000	
Cusk-----	2,956	3,098	2,831	2,728	1,000	1,000	
Total, subject groundfish-----	270,350	271,930	281,428	327,620	166,300	191,000	
Other major types:							
Ocean perch-----	47,720	39,166	37,797	40,723	23,000	22,000	
Rockfish-----	35,229	34,897	39,683	43,512	22,000	17,000	
Lingcod-----	8,885	1/ 8,000	7,484	7,545	4,000	3,000	
Total, other fish-----	91,834	82,063	84,964	91,780	49,000	42,000	
Total, Atlantic and Pacific landings-----	362,184	353,993	366,392	419,400	215,300	233,000	

A-70

1/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 12.--Major groundfish fillets: U.S. production, by major type of fish, 1974-77, January-June 1977, and January-June 1978

(In thousands of pounds fillet weight)

Type of fish	1974	1975	1976	1977	Jan.-June--	
					1977 <u>1/</u>	1978 <u>1/</u>
Flounder-----	39,385	41,974	48,227	43,168	22,000	22,000
Cod-----	18,122	15,212	16,578	22,399	12,000	15,000
Haddock-----	9,129	8,219	4,664	14,713	7,000	12,000
Pollock-----	6,028	5,631	6,539	6,778	3,000	4,000
Total-----	72,664	71,036	76,008	87,058	44,000	53,000

1/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 13.--Cod, fresh, chilled, or frozen, except cod frozen in blocks: U.S. production, imports for consumption, and apparent consumption, 1975-77, January-June 1977, and January-June 1978

(Quantity in fillet weight)									
Period	Production	Imports			Apparent consumption	Ratio to apparent consumption of--			
		From Canada	All other	Total		Imports from Canada	All other imports	Total imports	
	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	
1975-----	23,703	25,829	66,969	92,798	116,501	22.2	57.5	79.7	
1976-----	23,726	29,442	90,438	119,880	143,606	20.5	63.0	83.5	
1977-----	30,268	31,087	92,545	123,632	153,900	20.2	60.1	80.3	
Jan.-June--									
1977-----	15,750	15,828	46,400	62,228	77,978	20.3	59.5	79.8	
1978-----	18,900	13,850	42,667	56,517	75,417	18.4	56.6	74.9	

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Production and import data shown above include cod fillets, which are not included within the scope of the investigation.

Table 14.—Flatfish, fresh, chilled, or frozen, except flatfish frozen in blocks: U.S. production, imports for consumption, and apparent consumption, 1975-77, January-June 1977, and January-June 1978

(Quantity in fillet weight)

Period	Production	Imports			Apparent consumption	Ratio to apparent consumption of--		
		From Canada	All other	Total		Imports from Canada	All other imports	Total imports
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	Percent	Percent	Percent
1975-----	54,713	36,384	11,543	47,927	102,640	35.4	11.3	46.7
1976-----	57,639	42,812	13,243	56,055	113,694	37.7	11.6	49.3
1977-----	59,361	38,878	19,553	58,431	117,792	33.0	16.6	49.6
Jan.-June--								
1977-----	29,750	16,296	5,858	22,144	51,894	31.4	11.3	42.7
1978-----	29,750	13,961	6,560	20,521	50,271	27.8	13.0	40.8

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Production and import data shown above include whole flatfish, which are not included within the scope of the investigation.

Table 15.--Frozen fish blocks weighing over 10 pounds each: U.S. production, imports for consumption, and apparent consumption, by types and by sources, 1975-77

(In millions of pounds product weight)								
Year	Production <u>1/</u>	Imports					Total imports from all sources	Apparent consumption <u>2/</u>
		Imports of cod and flatfish (except turbot) blocks		Other fish blocks		Total		
		Subject-imports from Canada	Blocks from other sources	Total	from all sources			
1975-----	83	30	141	171	133	304	387	
1976-----	74	42	151	193	171	364	438	
1977-----	70	66	149	215	152	367	437	

1/ Estimated to be consumption less imports.

2/ Estimated on the basis of U.S. production of fish sticks and fish portions.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Note.--Virtually all U.S. production of frozen fish blocks is by processors that consume the entire production in their manufacture of fish portions and fish sticks. Reported U.S. production of frozen fish blocks amounted to only 2.4 million pounds in 1975, 1.7 million pounds in 1976, and 2.0 million pounds in 1977. This production may have been all that was available for sale on the open market. The reported figures are based on the production by \* \* \* firms in Massachusetts, and are considered to be the official production data by the U.S. Department of Commerce. Commerce was unable to explain the reason for the difference between production of fish sticks and fish portions and official import and production statistics for fish blocks.



Table 16.--Frozen fish blocks weighing over 10 pounds each: Ratios of U.S. imports to apparent consumption, by types and by sources, 1975-77

(In percent)						
Year	Imports of cod and flatfish (except turbot) blocks			Total	Other fish blocks	
	Subject imports from Canada	Blocks from other sources	fish blocks from all:		Total imports	
1975-----	7.8	36.4	44.2	34.4	78.6	
1976-----	9.6	34.5	44.1	39.0	83.1	
1977-----	15.1	34.1	49.2	34.8	84.0	

Source: Compiled from data presented in table 15.

Table 17.--Fresh and frozen flounder fillets: U.S. production, imports for consumption, and apparent consumption, 1975-77

(In thousands of pounds, fillet weight)

Year	Production	U.S. imports			Total	Apparent consumption	Ratios to apparent consumption of--		
		Subject imports from Canada	Other imports	Total			Subject imports from Canada	All other imports	Total imports
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	
1975-----	41,974	35,606	10,346	45,952	87,926	40.5	11.8	52.3	
1976-----	48,227	41,994	12,150	54,144	102,371	41.0	11.9	52.9	
1977-----	43,168	38,075	15,211	53,286	96,454	39.5	15.8	55.2	

Source: Compiled from official statistics of the U.S. Department of Commerce.

APPENDIX G

INFORMATION SUPPLIED TO THE COMMISSION BY THE DEPARTMENT OF THE TREASURY  
AS TO THE NATURE AND EXTENT OF THE CANADIAN BOUNTIES AND GRANTS  
TO THE CANADIAN FISHERIES INDUSTRY

## CANADIAN FISH

Value of imports from Canada; 1977 data

- (1) April 1976 petition: \$4.4 million - dutiable
- (2) June 1977 petition: \$68.1 million - dutiable  
\$80.3 million - duty-free
- (3) December 1977 petition: \$0.1 million - dutiable  
\$5.8 million, groundfish) duty-free  
\$77.8 million, shellfish)

Groundfish subsidies

\$.06/lb. to processors.

\$.02/lb. to fishermen for landed weight, which is the equivalent of \$.06/lb. for fillet or block.

Total subsidy of GTAP is \$.12/lb.

If average value per pound of imported fish is assumed to be \$.75, the ad valorem subsidy is 16 percent.

Total subsidy for all other programs is assumed to be 1 percent; therefore, total ad valorem subsidy is 17 percent for groundfish.

Elimination of subsidies

On January 1, 1978, the payment to processors was dropped. This represented, by itself, a subsidy of 8 percent. Its elimination reduced the entire subsidy by 47 percent (i.e., 8/17).

Assume that offshore and inshore fishermen equally divide the fish catch in Canada. The subsidy to offshore fishermen represented, by itself, a subsidy of 4 percent. Its elimination reduced the entire subsidy by 24 percent.

Thus, the original subsidy has already been reduced by 71 percent.

The payment to inshore fishermen which, by itself, represents a bounty of 4 percent, will be eliminated on January 1, 1978. As of that date, the original, entire subsidy will have been reduced by 94 percent (i.e., 16/17).

I. Fishing Vessel Assistance Program

\* \* \* \* \*

II. Other subsidies

\* \* \* \* \*

\* \* \* \* \*

III. Total ad valorem subsidy of programs described above:

Vessel grants	.85%
DREE grants	.27%
Other programs (est.)	.10%
	<u>1.22%</u>

Or approximately 1.2% ad valorem.

IN-SHORE GROUND FISH ASSISTANCE PROGRAMME  
CONTINUES UNTIL OCTOBER 1, 1978

Ottawa, June 13--In-shore fishermen in the Atlantic groundfish industry will continue to receive special assistance payments until October 1, 1978 with no application of countervailing duties by the United States, Fisheries Minister Romeo Leblanc and External Affairs Minister Don Jamieson announced today. Because of improvements in resources, market returns and prices to fishermen, all special assistance payments for the groundfish fishery will then come to an end.

Referring to the phasing out of special assistance payments, Mr. Leblanc said "during the last four years, the fishing industry has gone through its worst crisis to the best prospects ever. The value of Canadian fishery products in 1977 reached the highest level ever. We have successfully set new directions for the industry, and the road is leading upwards".

The Temporary Assistance Programme for the Canadian fishing industry gave most of its aid to the Atlantic groundfish industry, the biggest employer in all Canadian fisheries. Firms which four years ago faced bankruptcy, by last year had recovered enough to require no assistance payments. The across-the-board conditional grants programme for processors officially ended March 31, 1978.

Fishermen catching groundfish (except fresh fish for export) have been receiving deficiency payments of two cents per pound for first quality fish. Now, large trawlers over 90 feet will receive no more payments for any trip begun after March 31, 1978.

Payments also stop entirely for all groundfish vessels in British Columbia, where incomes for groundfish fishermen are higher than average. For the remaining groundfish fishermen in Canada, the two cent payments continue until October 1st, 1978.

When the Special Assistance Programme began in 1974, the Canadian fishing industry faced the worst crisis it has known. In the Atlantic groundfish industry, unusually high costs (stemming partly from the energy crisis of 1973), scarce fish, and poor markets had produced heavy losses and forced producers toward bankruptcy. Other sectors of the fishing industry also faced grave problems.

To prevent collapse of communities and wide-spread dislocation, the Federal Government authorized emergency aid to the groundfish and other sectors of the fishing industry. After a thorough inquiry into the Canadian fishing industry, the Government approved in 1975 a new and activist fisheries policy, outlined in the public document "Policy for Canada's Commercial Fisheries". The aim was to build a stronger, more stable industry and provide better, more responsive management, with the needs of society and especially of fishermen uppermost.

Foremost among actions undertaken was the achievement of the 200-mile limit. The number of foreign vessels fishing here shrank from more than 1,500 in 1974 to about 500 in 1977. Foreign ships now pay to fish only according to Canadian rules, for fish the Canadian industry does not use.

Other key actions under the new fisheries policy include application of strict licence control to almost every major fishery, because limiting the entry into the fisheries is the best way to conserve fish stocks and to raise the fishermen's income.



"Processors and fishing enterprises should continue submitting costs and earnings data in order that my Department can continue to monitor the economic performance for the best management of Canada's fishery", Mr. Leblanc said.

"With good judgement over the next few years, we can build a better fishery than this country has ever known", Mr. Leblanc said.



APPENDIX H

PROBABLE ECONOMIC EFFECTS OF TARIFF CHANGES UNDER TITLE I AND TITLE V  
OF THE TRADE ACT OF 1974 FOR TRADE AGREEMENT DIGEST NOS. 10030,  
10035, 10039, 10040, AND 10049, JULY 1975

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