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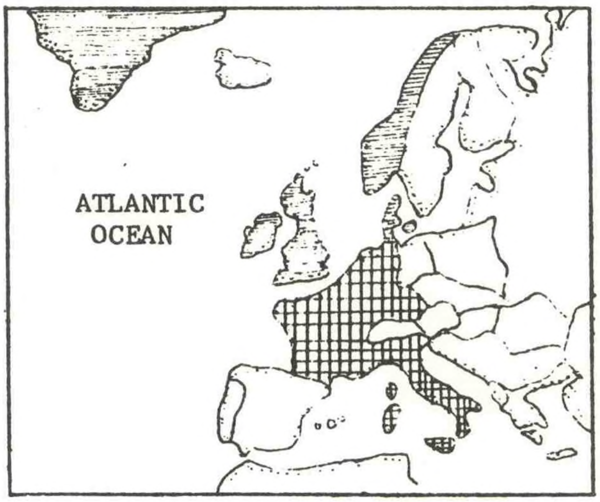
THE DEVELOPING COMMON FISHERIES POLICY OF THE EUROPEAN COMMUNITY



EUROPEAN COMMUNITY -- The Treaty of Rome (signed March 25, 1957) established the European Economic Community - Germany, France, Italy, the Netherlands, Belgium and Luxembourg- effective January 1, 1958. The customs union was realized on July 1, 1968 when intra-EEC tariffs were eliminated and the Common External Tariff (CXT) was made fully effective toward non-EEC countries. In 1967, the Commission of the European Communities was formed with the Council of Ministers of member governments acting on proposals presented by the Commission. Although the Common Agricultural Policy has been in effect for many years, the Common Fisheries Policy was only put into effect February 1, 1971. Membership negotiations between the EC and the United Kingdom were recently completed and negotiations with Norway, Denmark and Ireland are well advanced. Accession of the four new members is planned for January 1, 1973.

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The Developing Common Fisheries Policy of the European Community

In February 1971, after many years of delay in its development and implementation, the Common Fisheries Policy (CFP) of the European Communities (EC or Common Market) came into operation. Plans now provide that it be fully effective by 1975.

Market arrangements are patterned after those for fruit and vegetable products under the Common Agricultural Policy. This provides for annual target prices, the withdrawal of supplies when necessary to support the market price, common financing of supports, and minimum import prices for major products produced in the EC. Domestic target or guide prices will be established for the principal species of fresh, chilled and frozen fish. When wholesale prices drop below a specified level, producer groups may withhold products from the market. Fish withdrawn from the market can either be processed for human consumption or for fish meal with losses partly reimbursed by the Agricultural Guidance and Guarantee (FEOGA) Funds. The resultant products must not interfere with regular marketings. Certain frozen items may be granted assistance for private storage. Deficiency payments may be given to tuna fishermen if their returns are adversely affected by imports. The Council may also establish standards (quality, size, weight form, packaging and labeling) for any products covered by the regulations.

The internal market is protected from lower priced imports by the Common External Tariff (CXT) and minimum import prices may be applied to those products under price support. When calculated entry prices for such products fall below the minimum import (or reference price), imports may either be suspended or assessed a compensatory tax within limits of the existing GATT tariff bindings. Certain aspects have yet to be discussed with chief supplying countries where tariff bindings exist and for certain sensitive items. Export subsidies can be granted to move any surpluses into export by paying producers the difference between the supported Community price and the going world market price.

Minimum import prices will initially apply to fresh, chilled, or frozen herring, sardines, ocean perch, cod, pollock, haddock and also tuna intended for canning; fresh or chilled whiting, mackerel, anchovies, plaice, and shrimp; and frozen sea bream, squid, cuttlefish, and octopus. Of these, herring and tuna are subject to the compensatory tax, while prices for the remaining products will be supported by suspension or limitation of imports. These lists are subject to modification by the EC Council.

Imports of certain specified fish products, namely fresh, chilled, or frozen trout and carp, canned sardines and canned tuna, will remain subject to present national quantitative restrictions until a Community system for their importation is implemented. This exception was necessary since the establishment of minimum import prices high enough to provide the desired protection, and the proposed method of enforcing these prices by requiring a deposit of surety bonds, would have encountered difficulties in the GATT. The EC will therefore attempt to negotiate with third countries having a major interest in an effort to reach a solution which will provide satisfactory protection for these products.

Price Formation

The minimum price system for producers lays down guide and withdrawal prices. Guide prices are calculated on the basis of the average prices recorded over the previous three fishing seasons at representative wholesale markets or ports. Once the guide prices are established, producers' organizations may fix withdrawal prices (government purchase price at 60 to 90 percent of the guide price) subject to approval by the EC Committee on Fishery Structures and the Commission, or in the event of disagreement by the Council of the EC. If the withdrawal price is approved, compensation is granted to the producers organizations. If prices at the port remain below the withdrawal price for three or more days, members of States may then buy fish at the withdrawal price until the price rises to the withdrawal price level or exceeds it. Products must be sold for some purpose other than human consumption, such as for fish meal. The value of the product so marketed is deducted from the compensation paid. Reimbursement from Member States is set at 60 percent of the guide price if the withdrawal price is more than 65 percent of the guide price and 55 percent of the guide price if the withdrawal price is 65 percent or less than the guide price.

The financing of withholding operations is met by funds set up by the producers' organizations either by direct assessment of members or by taxes levied on products sold through the organization. The producers' organizations may be partially reimbursed by their national governments for the costs of withholding these products.

Guide prices and withdrawal prices initially set for herring of highest quality are $180 and $130, respectively; for cod, $300 and $200; and for shrimp $600 and $324 (See Table 1.)

For anchovies and sardines, the Council fixed guide prices and in addition, set withdrawal prices (Regulation 27/71) at the highest level authorized (45 percent of guide price):

Sardines (Atlantic)	$167 per ton
Sardines (Mediterranean)	$ 89 " "
Anchovies	$151 " "

The withdrawal procedures, however, have not yet been fixed by the Commission.

Table 1. - Guide and Withdrawal Price Schedule

Species	Quality*	Guide Price	Withdrawal Price
		Dollars per metric ton	
Herring	Highest	180	130
Sardines			
(Atlantic)	Highest	370	268
(Mediterranean)	Highest	198	144
Perch	Highest	270	219
Cod	Highest	300	200
Pollock	Highest	180	130
Haddock	Highest	220	132
Whiting	Highest	250	144
Mackerel	Highest	180	130
Anchovies	Highest	336	243
Plaice	Highest	220	144
Shrimp	Highest	600	324

*The highest quality class for the withdrawal price includes one grade lower than the highest class for the guide price.

Storage Aid

For frozen sardines, sea bream, squid, cuttle fish and octopus, the Council has fixed guide prices (Regulation 168/71). These may be used to determine aid to private storage when market prices fall below 85 percent of the guide prices. These guide prices and related market prices are shown in Table 2. The Commission has not yet adopted implementing rules nor authorized any storage aid.

Table 2. Guide and Market Price for Storage Aid

Species	Pack	Guide Price	85% of the Guide Prices
Frozen:		Dollars per metric ton	
Sardines	Frozen, in lots or in original packages containing homogeneous products.	220	187
Sea bream	Frozen, in lots or in original packages containing homogeneous products.	560	476
Squid	Frozen, in original packages containing homogeneous products.	1,040	884
Cuttlefish	Frozen, in original packages containing homogeneous products	608	517
Octopus	Frozen, in original packages containing homogeneous products.	432	367

Tuna Deficiency Payments

For tuna intended for canning, the Council will fix a producer price based on average producer prices over the three previous years. A deficiency payment may be offered to offset lower prices on imports. The regular import duty on tuna (22 percent ad valorem) is suspended, for an indeterminate period.

Tuna canners thereby may receive a special subsidy to support the price of Community produced tuna. Regulation 172/71 provides that the subsidy may not exceed 20 percent of the calculated minimum import price. Subject to that ceiling, the subsidy shall equal the difference between:

(1) The average Community producer price - to be fixed annually on the basis of the average price on Community markets over the previous 3 years for whole yellowfin tuna weighing less than 10 kilograms (prices for other species are derived from yellowfin).

(2) The quarterly average of average monthly quotations on Community markets for various species of tuna.

The subsidy will be paid:

(1) When the quarterly average in less than 95 percent of the 3-year average Community price.

(2) The "entry price" of imports is 110 percent or less of the minimum import price.

If the Commission finds a subsidy is necessary for one species of tuna, the subsidy will be paid for all tuna delivered to the canning industry during the 3 months, at least, until the next finding. Before this subsidy can be implemented, the Commission must establish further regulations, in particular establishing the price differentials between yellowfin and other species of tuna and establishing reference prices. The average Community producer price for yellowfin (whole, under 10 kgs.) was fixed for the balance of 1971 at $500 per metric ton (Council Regulation 169/71).

Minimum Import Price with Suspension of Imports

For shrimp and nine of the ten varieties of fish (herring excepted), the Commission will fix a minimum import price in relation to (within the same limits applicable for) the withdrawal prices. The Commission will then calculate an "entry price" for each of these imported products, namely a weighted average of the lowest import market prices, minus customs duties and transport costs (if any) from the border. If the entry price falls below the reference price, imports may be suspended, or limited to certain qualities, forms of presentation, or destination.

These rules apply also to the frozen products eligible for storage aid, and to frozen cod, pollock, haddock, ocean perch, and sea bream, except that the minimum import price in these cases is related to (1) 85 percent of the guide price in the case of products eligible for storage aid, or (2) the reference price for the fresh products, in other cases cited.

If any country can guarantee that its products will not be offered at prices below the reference price, that country will be exempted from the suspension or limitation of imports.

Minimum Import Price with Compensatory Tax

For fresh or frozen herring and for tuna for canning, minimum import prices will be fixed -- for fresh herring in relation to the withdrawal price, for frozen herring in relation to the reference price for fresh herring, for tuna on the basis of a three-year average of import market prices minus customs duties and transport costs from the border. When the entry price falls below the minimum import price an offsetting compensatory tax may be levied. However, total import charges are not to exceed GATT bindings. Moreover, the entry prices will be calculated per origin as well as per product so that the compensatory tax will apply only to imports from those countries whose products are calculated to have entered at less than the minimum import price.

National Quantitative Restrictions

There remain a few sensitive products (fresh, chilled or frozen trout and carp, and canned sardines and tuna) for which no Community system of import protection could be devised that would not encounter serious opposition from third country suppliers. These products continue to be subject to national import restrictions pending an effort by the Commission to negotiate a solution with the third countries involved.

Quality Standards

Marketing standards relating to quality, size, weight, form of presentation, packaging and labeling may be established for any product or group of products covered by the regulation. Where such standards are established, the products in question must conform to them in order to be sold in the Community. In addition, Community market support is tied to certain standards and may be adjusted according to variations from those standards.

Export Aids

Export subsidies may be fixed by the Commission, as needed, for any product covered by the regulation. Regulation 165/71 provides rules for granting export subsidies. The rules are sufficiently flexible to permit getting subsidy rates at any desired level. The level may be different for different destinations. Rates are to be fixed at least once every 3 months. Production unloaded at foreign ports directly from the fishing vessel do not benefit from the subsidy.

Regulation 212/71 provides that certain control procedures shall apply to the granting of export subsidies on fish. Additional rules may be established. No subsidy rates have yet been published. Costs are covered by the Agricultural Guidance and Guarantee Banks (FEOGA).

GATT Bindings

The U.S. is not a principal supplier of the products presently included in the minimum import price system. The principal suppliers of fresh, chilled and frozen fish to the EC market are Denmark, Norway, the United Kingdom and Japan. Holders of initial negotiation rights on these products include Sweden, Norway, and Japan (tuna for canning). The principal suppliers of canned fish are Norway, Denmark, Portugal, Spain, Canada and Japan. Tariff rates on these products are subject to trade agreement in which the duty is bound against increase to Canada, Japan, New Zealand, Peru and Uruguay.

Associated Territories

The Community's association arrangements involve seventeen African States and Madagascar, all associated under the Yaounde Convention, certain Commonwealth countries whose economic structure and production are comparable with those of the African associates, and several countries or territories outside Europe which are not independent.

Regulations under the CFP (221/71, 227/71, 228/71 and 229/71 maintain in force the preferential treatment accorded imports into the EC from Tunisia, Turkey, Morocco, and the African (Yaounde) associates and overseas territories. The African associates and overseas territories receive intra-community duty treatment. Tunisia and Morocco benefit from intra-Community (zero) duty treatment on most fish products (excluding trout and carp); canned tuna and sardines are admitted at a rate equal to 30 percent of the third country tariff. Turkey now enjoys a 50 percent tariff reduction on most fish exports (40 percent reduction on fresh-water eels).

The EC also accords duty free treatment to imports from Greece and preferential duties on lobsters, mussels, and salted anchovies from Spain. Under the Arusha Convention, Kenya, Uganda, and Tanzania were to receive the same treatment for fish as the Yaounde countries. A separate regulation will not be required to implement this intention.

Trade Involved

In 1969, the European Communities imported fishery products totaling over $500 million (includes fishmeal but not fish oil). Denmark supplied about $64 million, Norway $50 million, United Kingdom $15 million and the United States $13 million. Products of major U.S. interest (in terms of current exports to EC) are fresh and frozen salmon ($5.9 million), eels (0.9 million), frozen tuna ($1.5 million), salted and dried fish ($0.5

million), shellfish ($0.7 million), canned salmon ($1.6 million), canned crab ($0.5 million), canned shrimp ($0.7 million). Of these important items, only frozen tuna is currently covered by the minimum import price system. The United States also exports substantial quantities of fish oil but this does not fall under the items covered by the CFP.

The EC fisheries produce 2.1 million tons (live weight) of fish and shellfish. Norway produces about 2.5 million tons, about 75 percent of which is processed into fish meal. Denmark produces 1.5 million tons of which a large portion goes to fishmeal, and the United Kingdom about 1.1 million tons.

Entry of Applicant Countries

After a decade of negotiations, British membership was accepted by the six present members of the European Common Market (France, W. Germany, Belgium, the Netherlands, Italy, Luxembourg). If the British Parliament approves, Britain will join the Common Market in January 1973. The other three applicant countries (Norway, Denmark and Ireland) could also join at that time. All applicants have agreed to accept the existing common external tariff of the EC. The target date for signing the treaty is January 1, 1972.

The four applicant countries together export fishery products valued at $241 million and largely owing to the important market for fish in the United Kingdom, they import products valued at $325 million. The total annual catch of fish by these countries is currently about 5 million metric tons. The Common Market countries produce a little more than 2 million tons. Thus, it may reasonably be assumed that there will be considerable changes in trade patterns when these major fish-producing countries take up membership.

What This May Mean for U. S. Fisheries

An obvious conclusion is that more and keener competition will exist for frozen fish products the United States buys from Norway and Denmark. The European "cold chain" is growing constantly and frozen foods are gaining in acceptance in Europe, particularly in Western Germany and the United Kingdom. Common landing privileges will allow fishing operations to concentrate at major ports. Thus, processors will be able to concentrate production to meet requirements for large-scale distribution. All this indicates that processing, distributing and marketing organizations in the EC will become formidable competitors for available raw materials.

The Common Market already has contributed significantly to increasing prosperity in the original six countries. Increased consumer incomes now enable them to buy fishery products of better quality and further processed, and these will in the future, most likely be of Common Market origin since duties existing between members countries will be eliminated.

The Community's fishing fleets now subsidized in varied degrees should benefit from greater demand and higher prices. This could lead to larger, more efficient vessels and stimulate more extensive exploitation of fishing grounds on the western side of the North Atlantic because Europe's known fishery resources are believed to be exploited already to the maximum.

It might be speculated a bit further that this efficiency and effectiveness may generate pressure to expand export sales to the United States. However, it must also be recognized that as prosperity increases in Europe, their labor and production costs also tend to rise. Therefore, countries like Norway and Denmark subject to minimum prices set by the Community, may have problems in exporting as competitively as they have in the past unless their exports to world markets were effectively subsidized as is provided for in the Common Fisheries Policy.

It should be noted here that extreme caution must be used in judging the course of events in the Common Market for a number of reasons. The Common fisheries policy is only being implemented at the moment, thus it may take years to determine the specific course that fishery production may take. There is no obvious pattern to indicate what the future will hold except what may be judged from experience which agriculture encountered in the Common Market. In that case, many problems were raised in connection with high support levels which resulted in huge accumulated stocks. But EC officials seem to have learned from this to use greater discretion in setting prices so as not to encourage large unsalable inventories. Actually there is no way to tell whether increasing trade diversions will result over a period of years since many of the factors bearing on trade may tend to counteract one another. Among the uncertain factors are monetary exchange situations, conflicts of fisheries jurisdiction, scale of operation, whether buyer or seller can absorb some part of price differentials as may result from changes yet to be made or whether inefficiencies will continue to plague many of the fisheries.

When the European Community (EC or Common Market) negotiations with the four applicant countries (United Kingdom, Norway, Denmark, and Ireland) are completed as expected this winter, the four new members will have a 5-year period beginning January 1, 1973, in which to align their fisheries economies to the EC's. The resulting changes in trade regulations may encourage wide diversions from present channels of trade. Import duties on processed fish traded between EC members are to be gradually eliminated. The elimination of these tariffs would stimulate greater sales of Nordic cod and haddock fillets which would then enter free of duty (now 15 percent ad valorem) in this expanded market area encompassing a population larger than that of the United States. Also, Nordic fillet sales to the United Kingdom would be free of the import limitation now applicable under the present EFTA agreement (30,000 tons free of duty, 10 percent duty for any quantity in excess of quota).

The United Kingdom, a major fish importing country, as a EC member would have to adjust its tariffs to the generally higher duties of the Common External Tariff (CXT) in four steps: 40 percent on July 1, 1974, and three annual adjustments of 20 percent each beginning January 1, 1975. Thus, their duty on canned salmon would increase to 13 percent from the present $2\frac{1}{2}$ percent rate. The duty on canned tuna would increase to 24 percent, canned shrimp to 20 percent and frozen shrimp to 12 percent, all up from their present duty of 10 percent. On the other hand, the 5 percent duty on most fish oil would be reduced to the duty-free level of the CXT, thus menhaden oil might be more readily marketable in competition with oil from South Africa. Elimination of the Commonwealth preferential tariffs would also make U.S. products such as frozen and canned salmon more competitive with those from Canada.

For fishery products to be imported into the EC from non- members, a minimum import price for those products under price support will be established. If imports are priced below that minimum price, import licenses could be suspended or border levies used to equalize import prices with the internal support prices. Products of major U.S. interest in terms of exports to EC are fresh and frozen salmon, herring, eels, shrimp, tuna, and canned salmon, crab and shrimp. Of these, only frozen tuna for canning and herring is currently covered by minimum import price. GATT tariff bindings will be respected and holders of initial negotiation rights (Norway, Japan, Canada, Spain, Sweden, New Zealand, Peru, Uruguay) are being consulted by the EC.

In the expanded Common Market, exports to third countries would be a key factor in stabilizing markets. If the internal or guide price would be set too high in comparison to world prices, export trade may be seriously reduced unless an equalization is accomplished by subsidies to exports. Should the internal price be too high in relation to demand, stocks would accumulate through the system of buying up surplus supplies, as has occurred in the case of dairy products.

In Ireland, canned salmon duties will become substantially higher than present, thus working against sales of that product.

Since neither Denmark nor Norway have been large importers of fishery products, the higher CXT would not cause any great diversion of trade except possibly for higher duties on growing imports of shrimp.

Fishing Policies and Limits

A major unsettled question is the access to coastal fishing grounds. At the July Ministerial meeting of the EC, Britain proposed that present fishing policies and limits be retained until after entry, when a new common policy could be reframed. The present CFP would then be modified after enlargement to meet the circumstances and needs of a community of ten. In addition, the British proposal stated that there should be from the start adequate protection for Britain's inshore fishing grounds. They requested that this could be accomplished by reserving exclusive fishing rights within 6-mile limits drawn from the baselines of the 1964 European Fisheries Convention, together with means of ensuring that only vessels genuinely based in British ports could operate within these limits. However, Britain's request were not generally acceptable to the other applicant countries whose inshore fisheries account for considerably more than Britain's (15 percent of her total catch).

Ireland wants to protect her coastal fisheries from foreign fleets and prefers to have the question of foreign access to her coastal areas resolved only after the applicants achieve entry. Norway is striving to protect her coastal fisheries from foreign fleets since a significant part of the Norwegian coast is dependent on fishing and has no alternative employment. Norway has sought to maintain a 12-mile limit and this year has proposed legislation to ban Norwegian trawlers from waters between six and twelve miles. Norway has proposed: (1) fishermen who want to fish inside the 12-mile limit must be residents of the country involved, (2) 50 percent or more of the capital of the business must be held by persons residing in the country concerned, (3) a majority of the directors must be residents, and (4) fishing vessels must be registered in the country and fly that country's flag. Norway has expressed hope that the enlarged EC would adopt the 12-mile limit but still leaves open the possibility that smaller limits may be chosen by those countries which so desire.

Denmark has made its application for Community membership conditioned on Britain's entry. Denmark seeks special exceptions for the Faroe Islands and Greenland (exclusive fishing rights within 12-mile limit), but otherwise it has no problems with the CFP.

The six present members on the other hand, have continued to insist that agreement on fishing limits be reached before the applicants enter into the Community. However, by mid-July the negotiators had recognized the need to allow a temporary breach in Community principle that every member would have free access to all fishing grounds of the EC. Present EC regulation allows Member States complete freedom to make regulations governing fishing in maritime waters under their sovereignty (territorial waters of 3 miles) or jurisdiction (protected fishing zones of 12 miles) on condition that the regulations entail no discrimination with regard to other Member States.

The Common Market Commission submitted a two-phased proposal. Members of the expanded Community would decide what fishing areas, up to 6 miles, would be reserved for local fishermen for the period of the first five-year phase. In the second five-year phase, these reserved areas would be phased out and the principle of equal access to fishing waters would be fully instituted.

The Netherlands proposed that the first phase should last three years, and the second, seven years. The Belgo-Italian proposal would allow new members to extend reserved fishing areas to an absolute 6 miles (instead of 3 miles provided by EC regulation).

The Commission's proposal called for a complete phase out at the end of ten years and equal access to coastal areas a guaranteed result. Britain's proposal, however, could remain operative for an indeterminate period.

In October 1971, the British Parliament voted to accept in principle the terms of Community membership. British coastal fishermen have taken a strong adverse view of the common fishing policy. Negotiations will continue this winter by Britain, Norway, Denmark and Ireland in an effort to resolve their differences about fishing policies to be effective after January 1, 1973 upon entry of the four applicant countries.

On December 11-12, the Community reached an agreement with the United Kingdom, Ireland and Denmark. These three countries now intend to sign the accession treaty in mid-January. Norway, however, was not able to accept the terms agreed to by the other three countries but will continue to discuss the issue with the Community in an effort to obtain a special arrangement to meet its needs.

The agreement was reached on a U.K. proposal which does not explicitly state that the special transitional period will end after ten years, providing that "before December 31, 1982 the EC Commission will report to the Council on the econonic and social development of the coastal areas of the member States and on the state of the resource. On the basis of this report, the EC Council will examine the arrangements which could follow the derrogations which have been in force during the transitional period.

The proposal generally provides that member States will have the right to restrict access to the first six miles of coastal waters to their own fishermen for the ten year period. In areas especially dependent on fishing where the applicant countries requested 12-mile exclusive limit, the Community has proposed to limit such exceptions to the Norwegian coast north of Trondheim, the Orkney and Shetland Islands, the Faroe Islands and Greenland, the northwest coast of Ireland, and parts of the northern coast of Scotland. They agreed that salmon and shellfish along the coasts of Britain and Ireland should be reserved. France also may apply a 12-mile limit in certain waters off Normandy and Brittany. Norway is not satisfied with the proposal which would apply the 12-mile limit north of Trondheim and the six-mile limit to the south. Norway will continue to negotiate in the hope of working out a special protocol to meet Norway's needs.