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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT

The Crisis in the
Community's Fishing Industry

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Introduction

Starting early in 1993, the Community's fishing industry has been experiencing one of its most serious recessions since the beginnings of the Community itself, if indeed it is not the worst in view of the generally adverse economic climate.

This crisis has most immediately affected the production sector but is inevitably having knock-on effects in activities upstream and, to a lesser extent, downstream of production proper. The most obvious sign has been the generalized price decline across all species, so that fishermen took the crisis at first sight to be a market collapse made worse by the economic recession and competition from non-Community products on a Community market highly dependent on imports.

The Commission realized the seriousness of the situation from the start and took emergency measures in the form of minimum import prices for the main fishery products and closer supervision of direct landings by vessels from non-Community countries. The purpose of these measures was to safeguard the incomes of producers, in view of the need in the short term to cushion the difficulties faced by fishermen both commercially and, in some cases, in terms of their whole livelihood.

At the same time, however, the Commission has continued to feel that the fall in prices, although made worse by a variety of cyclical factors, has not been the only reason for the lack of profitability shown by many enterprises over a number of years already and which became considerably worse in early 1993, aggravated by a depressed economic situation.

It can fairly be said, therefore, that the decline in producer prices, now an ineluctable mid- to long-term trend, has revealed the growing difficulty which parts of the production sector are having in adapting to changes in competitive conditions. In other words, what appear to be irreversible market trends over the medium term have served to bring out the major lack of competitiveness among at least some sections of the Community fishing fleet.

In this context, the Commission would like to stress that the common organization of the market in fishery products is not designed to be, and should not be regarded as, a system for ensuring guaranteed producer prices.

The purpose of the market organization has been to regulate competitive conditions on the Community market and prevent unfair competition emanating from non-Community countries, while at the same time complying with the Community's international commitments.

The market organization is designed to be a regulatory framework in an open market where production is not directly controllable; it is not a "fully comprehensive insurance policy". The history of this regulatory framework and the constraints it is subject to are dealt with first in this communication.

The Commission is accordingly of the opinion that, for the industry to survive, it cannot avoid deep-reaching adjustments based on a clear and objective analysis of the current situation. This analysis forms the second part of the report, followed in Part Three by possible responses.

This communication is intended to start a process that will need to be continued at national level, since the industry is affected to differing extents in different countries. In proposing possible responses, the Commission feels that its own determination to safeguard the future of the Community fishing industry will fall short if it is not backed up at all the various levels involved, both public and private, including fishing enterprises themselves.

PART ONE: The organization of the market in fishery products: historical context, main features and constraints

The first essential step before analysing the underlying reasons for the crisis in the fishing industry is to review the historical context in which the market organization was created, its main economic features and the legal constraints to which it is subject.

A. Historical development

A major feature of the Community market for fishery products is its very strong dependence on imports from non-member countries. Community output alone is no longer able to satisfy much of Community demand.

What today appears self-evident is the result of relatively recent historical developments.

On the one hand, the legal context in which fishing activities are carried out has undergone a genuine revolution during the last twenty years. The generalized extension of fishing zones to 200 miles from baselines has radically modified both fishing possibilities and the conditions of access to resources, as well as their exploitation and marketing. This development has substantially changed the pattern of international trade in fishery products and, consequently, the trading relationships between exporting and importing countries.

At the time of the signature of the Treaty of Rome in 1957, access to fishery resources was conditioned by the general context of the international law of the sea as accepted at the time. The Convention on the Law of the Sea signed in Geneva in 1959 did not envisage claims on fishery resources beyond territorial waters, the maximum limit of which was twelve miles. Except for some cases, mainly in South America, this legal situation determined the conditions of access to fishery resources until the middle of the 1970s.

A further development in the law of the sea was approved in the convention signed at Montego Bay in 1983, which left 93% of available fishery resources to coastal States.

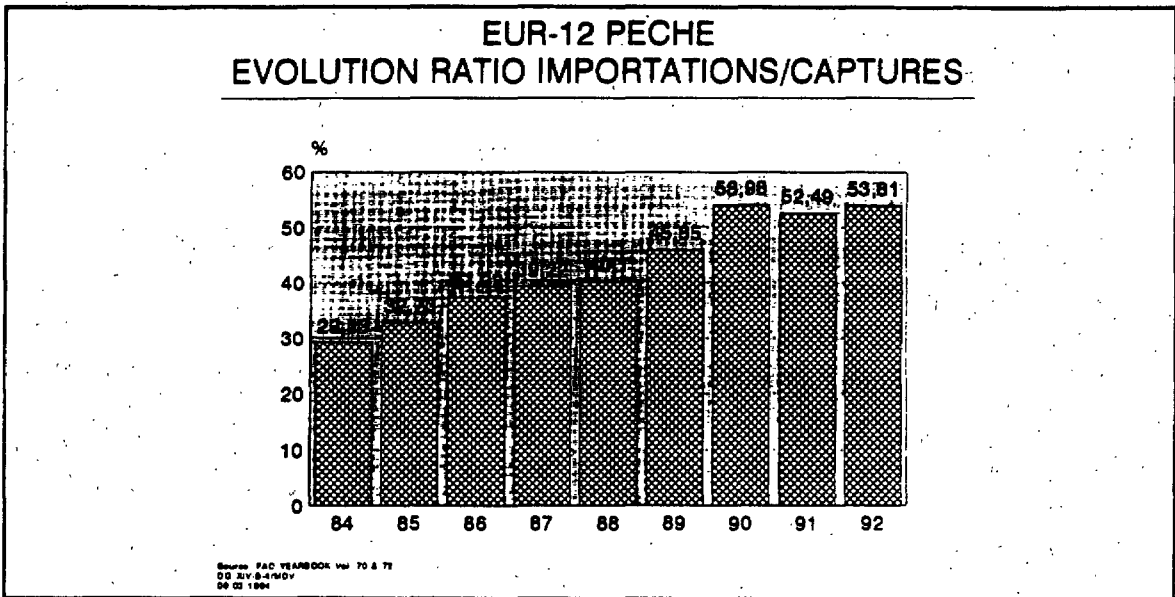
Another important development marked this period as regards the role of fisheries within the Community. It was the result of the successive enlargements of the Community, in 1973 to include the United Kingdom, Ireland and Denmark and in 1986 Spain and Portugal, which not only modified the dimension of the fishery problems inside the Community but also changed the kind of problems to be dealt with by the Community. The prospect of enlargement to yet more countries can only add to this trend.

B. Economic aspects

1. Pattern of supply to the Community market

Community output of products from the sea, not counting aquaculture, is about 6 million tonnes, worth on landing about ECU 7 billion. Imports of marine products into the Community in 1992 were about ECU 7.5 billion and exports ECU 1.5 billion.

As the following table shows, the Community market depends increasingly on imports for its supplies



In 1983, an important milestone in the development of the common fisheries policy (CFP), the twelve Member States currently constituting the Community accounted for production of 7 million tonnes of fish (excluding aquaculture), i.e. around 9% of world catches, which were in the region of 77.5 million tonnes. In 1990 Community output was 5.5 million tonnes, accounting for 6% of world production of 97 million tonnes. During the same period, consumption per head in the Community went from approximately 15 kg to 22 kg. After 1992, however, the figures show that per capita consumption levelled out, or even declined.

Community output is therefore experiencing a relative decline, which should be offset by the accession of Norway (about 2 million tonnes).

2. Comparisons with agriculture

Imports of fishery products account for 17% of total imports of foodstuffs (ECU 7.5 billion out of a total of ECU 45 billion in 1991) and 57% of the external trade deficit in foodstuffs overall (ECU 6 billion out of a total of ECU 10.5 billion in 1991).

The organization of the market in fishery products is the component of the CFP which most resembles the common agricultural policy (CAP). However, it has one essential difference from most agricultural market organizations. This difference stems mainly from the way fishery products are dealt with in GATT compared with agricultural products (see below under C.1, developments relating to tariff binding). This GATT aspect has considerably influenced Community policy in regard to the adoption of market management mechanisms, both from an internal point of view and in relations with non-member countries. This situation is the result of a political choice at the time of the initial constitution of the CFP and the CAP; it does not result from the state of stocks.

C. Constraints on the import arrangements for fishery products

Although the crisis which rapidly developed from February 1993 onwards had multiple causes, imports from non-member countries were accused of being at the root of the market disturbances, in particular by the industry itself. The Community import arrangements for fishery products are in fact frequently criticized by Community producers.

The situation of dependence in which the Community market finds itself means that it is always in delicate balance. The market needs to be supplied to meet demand from consumers and from the processing industry, while at the same time safeguarding the interests of Community producers.

There is no point in arguing over the relative contribution of imports to causing this crisis. On the other hand, it is worth reconsidering the Community's legislation on imports and how it might be improved.

1. Tariff policy

The system that currently applies to imports of fishery is the result of the customs tariff policy pursued by the Community with its international partners for over thirty years.

The common customs tariff (OCT) applicable to fishery products has been almost entirely bound under GATT since the birth of the Community (Dillon Round, 1960-61).

This tariff binding has the effect of denying the Community any possibility of increasing the tariff and non-tariff protection already negotiated. A bound duty cannot be increased unilaterally without offering compensation to the trading partners adversely affected. The binding of duties is thus one of the most important disciplines of GATT. The situation of most developed countries is in this respect similar to that of the Community.

During later GATT negotiations (Kennedy Round, 1964-67, and Tokyo Round, 1973-79), adjustments or additional concessions were granted to non-Community countries. In accordance with the logic of GATT, these concessions have never been called into question even when the law of the sea underwent a major revolution from 1976 onwards with the generalized extension of exclusive economic zones (EEZs) to 200 miles.

This new factor was, however, used as an argument by the Community in the Uruguay Round negotiations. It said clearly to its partners that it would agree to take part in the discussions in the fisheries sector only if all the specific factors influencing the sector and affecting trade in fishery products were taken into account. This position was summed up in the phrase "market access in return for access to resources".

The CCT as now bound is thus the only expression of the principle of Community preference vis-à-vis non-member countries. It is still one of the tariffs ensuring the highest theoretical level of protection as compared with the situations prevailing in the other countries with developed market economies, even after the end of the Uruguay Round.

The CCT contains, however, many exceptions which mean that almost two thirds of Community imports are covered by a derogation arrangement.

Because of the constraints arising from the principle of tariff binding, deviations from the CCT are always towards reducing the tariff rate. Among these exceptions, a large number have a scope going beyond the common fisheries policy.

The Lomé Convention and the generalized preference scheme (the GSP), in particular the GSP concessions related to the fight against drugs granted to certain Latin America countries, have resulted in very generous concessions to non-member countries without any compensation as regards fisheries.

In the case of the agreement on the European Economic Area, although it provides some compensation in the form of access to fishery resources on a basis of "market access in return for access to resources", the overall balance of the agreement was settled at a political level well above the fisheries sector alone. In the end, the Community agreed to tariff reductions worth about ECU 48 million in duties forgone while the concessions from the EFTA countries totalled only ECU 11 million. The Community did secure the consolidation of certain fishing rights in Norwegian and Swedish waters. It also obtained undertakings on the conclusion of fishery agreements with Iceland (3 000 tonnes of redfish for Community vessels, partially offset by 30 000 tonnes of capelin for Iceland) and Norway (6 000 tonnes of cod for the Community in Norwegian waters, gradually rising to 11 000 tonnes in 1997, partially offset by fishing rights for Norwegian vessels in Community waters).

This complex tariff situation is accompanied by a relatively sophisticated system of rules of origin, making it possible to confine the advantages of tariff reductions to the countries for which they are intended. As in any complex regulatory system, there is considerable risk of fraud requiring constant efforts on the part of the national customs services.

2. GATT rules

In view of the binding of the CCT under GATT, the general regime for imports of fishery products is subject to the principle of liberalization. This principle prohibits any quantitative restrictions on imports as well as any measure having an equivalent effect, except for measures which may be adopted under safeguard mechanisms on condition that they comply with the rules specifically provided for in GATT. It also prohibits production aid schemes likely to distort competition by undermining the concession granted.

The terms on which the Commission can introduce safeguard measures are set out in Articles 22 and 24 of the basic Regulation on the common organization of the market (Regulation (EEC) No 3759/92 of 17 December 1992). Such measures must be in conformity with the international commitments made by the Community within GATT.

The international commitments entered into by the Community do not allow it, therefore, to re-examine at the theoretical level the arrangements governing imports of fishery products from non-member countries. On the other hand, it is essential to monitor the existing regulations strictly in order to avoid giving the impression of being too lax in the Community's relations with non-member countries and to make the mechanisms already envisaged by Community legislation function correctly, enabling the Commission to react quickly again in the event of disturbance.

PART TWO: Analysis of the causes of the crisis

Although the "acquis communautaire" represented by the common fisheries policy displays a high degree of integration and has made it possible to sustain a considerable volume of Community production, it has to be said that, in terms of factors on which competitiveness depends, there are big disparities between Member States and even within some Member States. It is a telling fact that the worst effects of the recession are being felt by sections of the Community fleet which suffer simultaneously from several handicaps such as overcapacity, high indebtedness, distance from fishing waters, high operating costs and maladjusted marketing channels, particularly for fresh products.

These structural factors internal to the industry exist against a background of general liberalization of trade and the emergence of world-wide markets, i.e. a long-term trend, combined with a particularly sharp cyclical downturn which served to spark off the crisis.

A. Factors external to the fishing industry

The external factors result first of all from the economic environment in which fishing activities are pursued, like any other productive activity in a market economy, and from cyclical events which add to the general climate.

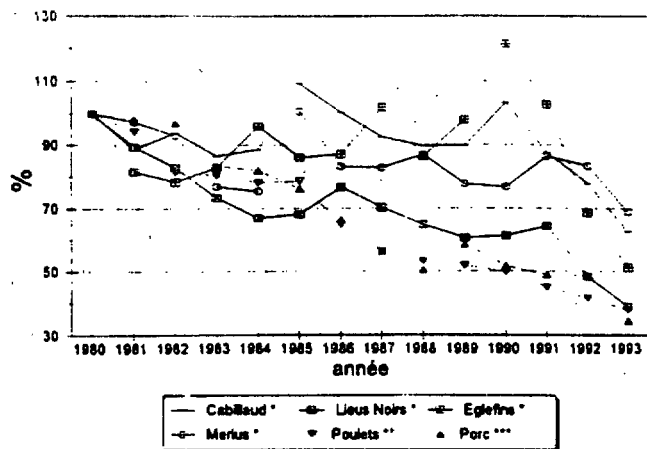
1. The general economic and trading climate

No-one would deny that the fishing industry is inevitably caught up in the major trends and changes already well under way within the context of international trade; these include:

- the general lowering of tariff barriers and the gradual dismantling of other barriers to trade, as agreed in particular during the latest round of multilateral trade talks;
- the rapid decline in prices for competing products such as pigmeat and poultrymeat, in turn caused by the drop in cereals prices; this trend will continue because all cereals (except maize) are in surplus in the European Union, putting the market price at around the intervention price, and because the reform of the CAP provides for an annual cut of 8% in intervention prices up to and including the 1995/96 marketing year;¹

1. See OJ No L 181, 1.7.1992, p.23.

Evolution des prix relatifs 1980=100
Poissons - Poulets - Porc



ECU constants Base=1980

* Prix moyens dans les ports représentatifs ECU/100 kg Source: XIV-B-4

** Prix du marché C.E. ECU/100 kg Source: DG VI

*** Prix CEE ECU/100 kg Source: DG VI

- the introduction of the European Economic Area in western Europe, which is a regional market within which goods can circulate freely, together with the prospect of enlargement of the European Union, which will change competitive conditions within the Union. It has to be remembered that several EFTA countries, whether or not they wish to join the Community, have shorter distances to fishery resources than a large part of the Community fishing fleet and therefore a commercially more advantageous access to them. At the same time, the state of stocks is a factor just as important as ease of access in determining the competitiveness of a fleet inside an enlarged market with no customs duties.

It is worth pointing out in this connection that the cod stock in the Barents Sea (with a TAC of 500 000 tonnes in 1993 and 700 000 tonnes in 1994) belongs to a different league from the cod TAC in the North Sea (about 250 000 tonnes).

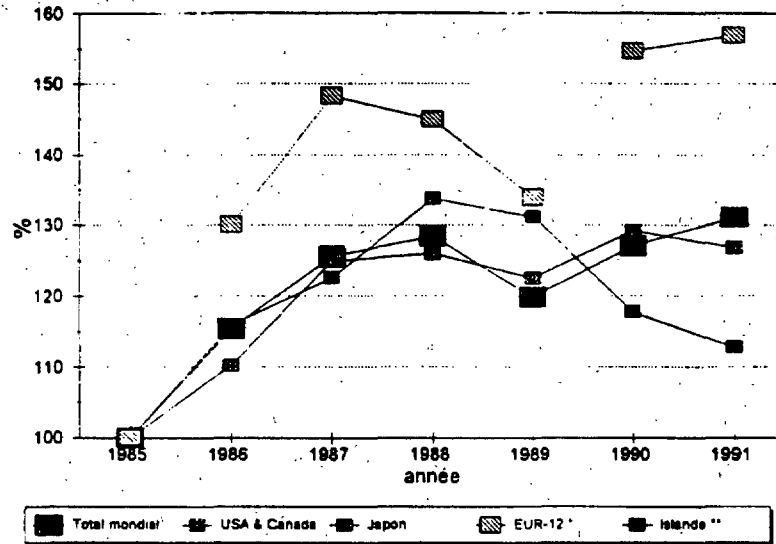
- easier, faster and cheaper transport which, in the longer run, will tend to undermine the preferential situation enjoyed by domestic production. Fresh fish can now be air-freighted from North and South America to Europe's capital cities on commercially competitive terms.

All these developments have assisted the penetration into the Community market of new fishery products able to replace traditional species in which there are shortfalls from time to time, and often at attractive prices for consumers.

There is no reason why these products, which frequently come from developing countries, should not continue to increase their market share. Up until now, Third World countries have played only a secondary role in Europe but they account for the larger part (around 60%) of the imports into Japan and the United States. If, with this in mind, one compares average import prices in the Community of Twelve, the United States and Japan, it seems inevitable that there will be price declines in coming years on the Community market too.

Prix moyens à l'importation 1985=100

Poissons frais, réfrigérés ou congelés



* Comprend le Commerce Intracommunautaire

** Les importations pour l'Islande ne sont pas significatives

Déflation base=1980 USA Valeur \$ constants/tm

Source : FAO

Community fisheries have also recently started to incur competition from aquaculture, which is now achieving significant production levels and is concentrated on high-value products that make up a large proportion of the turnover of artisanal or small-scale fishing. This is the case for salmon, for instance, with an estimated annual output in Norway (1994) of 220 000 tonnes compared with 60 000 tonnes in the Community, and for some whitefish (especially sea-bream and sea-bass) which have a very high production potential. The farming of fish also enjoys one key advantage, which is that it can adapt supply to market demand, while hunting fish will always involve a random element.

The table below illustrates the growth in aquaculture production in the Community (trout, salmon, bream/bass, other finfish, mussels, oysters, venus clams) over recent years.

Product	1985	1989	1990	1991	1992	1992/85
Fish (trout, salmon, bream, bass, other)	163 800	245 050	269 200	280 900	288 500	+76%
Mussels, oysters, venus clams	669 100	673 250	610 250	701 500	685 550	+ 2%
TOTAL	832 900	918 300	879 450	982 400	974 050	+17%

2. Cyclical factors

There have been two main kinds of cyclical factor:

- A sharpening of the recession since 1991, bringing a general drop in demand for consumables and - as far as foodstuffs are concerned - a switch to mid-range and bottom range products or directly competing products offered at very low prices. In the case of fish, some consumer demand has switched to poultrymeat and pigmeat, prices for which have also been affected by the decline in cereals prices. At the same time, younger people are turning away from eating whole fresh fish, a trend that is not only cyclical.
- A number of currency fluctuations, bringing readjustments of parities within the European Monetary System and reducing the competitive edge of those Member States with strong currencies, both in terms of exports and on their domestic market.

The impact of these phenomena was all the greater as they occurred at the end of a period (1985-90) in which prices were very high, even over-high, because of the limited resources and, above all, the rise in demand triggered by the opening of the markets of the new Member States.

B. Factors specific to the fishing industry

Some cyclical or seasonal factors can in part explain recent developments in an underlying and longer term crisis:

- increased taking of haddock in the North Sea;
- in winter, a classic alternation of no catches due to bad weather and good catches when there are concentrations of spawning stock.

In the main, however, the difficulties faced by Community fishermen, particularly in France, in trying to stay commercially healthy at the prices they have been able to attain can be traced back to a structural problem of competitiveness. They are competing with non-Community countries, aquaculture and agriculture. This has to be understood and incorporated in any analysis of the situation or projection into the future. And aside from this outside competition, the fishermen of the Community are competing with each other. When prices offer an adequate return, relative differences in competitiveness are hidden. The worsening of the overall situation has shown up specific weaknesses in some sections of the fleet, again particularly in France. But institutions cannot dictate market prices, just as no regulation can give fishermen back their lost competitiveness.

There is no doubt that the production sector is under pressure from various endogenous factors which, when taken together in the context sketched in section A, have reinforced an apparently irreversible crisis without there being a political will to promote and support the structural changes that have to be made.

1. Excess capacity

Since the mid-1980s, the Commission has repeatedly pointed out the consequences of overfishing of resources because of excess fleet capacity. The consequences translate first of all into a threat to biological equilibrium in the context of resource conservation and, secondly, a threat to the sustainability of fishing in a context of stock depletion.

It is relevant to point out that when the 3rd generation MGPs were being prepared (1992-96) the Commission proposed, in the light of the findings in the Gulland report, that substantial cuts should be made in fishing effort. But the proposal was judged to be too severe by the Council.

Many stocks have since begun to suffer in this way, mainly demersal species, the corollary of the depletion being that, with more demand from consumers and processors being met by imported products of the species affected, Community fishermen have found it increasingly difficult to make up for lost income due to scarcity of resources by keeping prices high, because world prices now influence considerably the markets in key species.

In light of situations like this, the minimum import prices imposed during the acute phases of the crisis are only of short-term effect and provide no solution at the real roots of the problem. Excessive application of minimum import prices, in fact, can have distorting effects and encourage cheating. In any case, such measures cannot be introduced on a permanent basis without courting objections from our GATT trading partners.

The only way to safeguard the Community's production sector is to step up the effort to adjust fishing capacity to potential resources.

On this score it would seem that the third-generation multiannual guidance programmes, although pointing in the right direction, were in the end adopted too late to damp down the effects of the obvious overcapacity of the Community fleet that is one of the main causes of the market crisis.

Even these measures could turn out to be seriously inadequate if the pace of technical progress in fisheries over recent years were to continue. On this assumption, the impact of the average reductions in fishing effort as set out in the MGPs will have been entirely offset by the time they are completed.

Finally, it has to be remembered also that the MGPs are not a suitable instrument for adjusting the effort of vessels using passive gear, technical measures for which should soon.

2. Overfishing and its implications

In most Member States, the human and physical resources devoted to fisheries inspection fall a long way short of what is needed; this has resulted in more fraud, which in turn is a cause of overfishing and of the credibility gap from which the common fisheries policy is suffering. Taking catches of cod as an example, the amounts caught by the Community fleet have declined noticeably (1991: 311 500 tonnes, 1992: 282 000 t, 1993: 241 000 t).

Although fraudulent catches and sales cannot be quantified, their impact is not just on resources; they also depress prices and/or prevent them from recovering from low levels.

At all events, the resource management policy agreed and implemented by the Union has not made it possible to keep stocks sufficiently abundant as to shield the competitiveness of the Community's fleets from the likely sharpening of competition (see II.A above). The shortage of resources has in turn accelerated the trend towards more imports to supply the Community market.

In addition to overfishing itself, there has been evidence of behaviour that has less to do with ignoring the rules than with unsound management of resources measured against market demand.

It ought to be clear that excessive landings early in the season, in an attempt to avoid loss of quota but at a time when the market is slack, is illogical in terms of business management and commercial return. And yet the producers' organizations have the regulatory powers with which they could, with the backing of the national authorities, take over the management of all or part of a quota and decide on extending production disciplines to non-members of their organizations.

3. Operating losses

Excess capacity and overfishing are very much behind the operating losses suffered in some parts of the Community fleet, resulting in particular from the very low productivity of many enterprises, i.e. a volume of catches that does not match fishing effort. The operating accounts are out of balance not only because of inadequate turnover but above all because of the high levels of debt and running costs; it is essential to return to healthier balances. The problem is as much due to traditional and out-of-date operating methods within fishing enterprises, especially small businesses, as it is to wrong analysis when making investments, in which certain specialist banks bear no small share of responsibility.

4. Unsuitable marketing structures and channels

Finally, there is no doubt - and this now seems to be generally accepted, including within the industry - that the production sector has to find ways of successfully and efficiently adapting and regulating supply to meet market requirements, and especially the needs of the distribution sector. All too often, fishermen seem to feel that marketing their products is not their business and to be mostly unaware that the only way to secure commercially viable prices is to supply the market with what it wants in terms of both quantity and quality.

In the case of products marketed fresh, the Commission is as convinced as ever of the need for the production sector to create the means of improving quality, as described in the Commission's 1992 communication to the Council and Parliament.² A majority of the Member States were sceptical about the idea of a Community regulatory framework in this field, so the Commission has not presented any proposals on this point. It would suggest, however, and this point is developed later, that an incentive scheme could be introduced.

Another imperative need is for Community producers to take into account the constraints due to changes in patterns of consumer habits and of distribution.

2 SEC(92) 353 dated 28 February 1992.

A majority of products are now sold through the big distribution chains, which generally have a policy of buying in quantity on the basis of forecast demand. All the uncertainties over landings, the wide fluctuations in prices and the fragmented nature of the first-stage marketing sector are reasons why these major chains tend to avoid purchasing Community products.

Lastly, inappropriate marketing channels push up consumer prices and discourage potential buyers. Although the responsibility for introducing tighter controls over the market rests with the Member States, the Commission is ready to contribute towards any effort in this direction.

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At the end of this Part, there seems little point - if indeed it is an option at all - in questioning the major trends which, whether one likes it or not, constitute the framework within which the fishing industry now has to operate.

In the Commission's view, there is an urgent need to acknowledge the developments which are influencing this framework, i.e. the set of factors which, because of the maladjustment of parts of the industry to new economic realities, make a continuation of the crisis a probability.

The crisis will only be overcome by a raft of vigorous and coordinated initiatives attacking all the aspects identified above and having to do with both production and marketing structures.

The Commission realizes that the measures to be taken may cause socio-economic problems which will not always be easy to cope with. However, it feels it has a duty to point the way in this direction in view of the high stakes for the future of the fishing industry as a whole. In the following pages, the Commission reviews possible responses for supporting the necessary change and strengthening competitiveness. The types of action to be taken cannot all be identified at the Community level. National governments, fishermen's organizations and businesses in the industry must also contribute their own efforts and initiate their own action to deal with the present crisis.

PART THREE: Suggested responses

Before describing the action which the Commission considers to be most appropriate, it is worth outlining the main measures already adopted recently at Community level, in order to clarify what scope for initiatives exists.

A. Measures already taken at Community level

1. In the context of the common organization of the market (COM)

The COM has been reformed substantially in close cooperation, during the preparatory stages, with representatives of the various sectors of the industry. The reform came into force on 1 January 1993.

Without alteration of their basic principles, the main mechanisms have been adapted and improved considerably, e.g. the range of action that can be taken by producers' organizations and the intervention arrangements, including the introduction of new eligible products.

Under the reform, the opportunity was also taken to clarify and simplify the entire regulatory framework for the COM, in particular the detailed rules of application, in order to make them easier to use by the producers' organizations and thus increase the effectiveness of the action they take.

Only the arrangements applicable to tuna intended for canning have remained unchanged, the Commission having been requested to submit to the Council a report on the tuna market by 30 June 1994, followed by appropriate proposals.

Since the beginning of the crisis (February 1993), the Commission has adopted minimum import prices for the main whitefish on several occasions.

Direct landings by vessels from non-member countries are now regulated (Regulation No 1093/94 of 6 May 1994) to ensure that this practice is authorized only under specific conditions, given the risk of unfair competition it presents for Community production.

Although the COM is called into question each time a crisis arises, in the Commission's opinion these regulations still form a coherent package of rules well suited to the objectives that have been set, although this does not mean that it is not possible or even desirable to improve certain aspects (however, cf. the constraints referred to above in part I.C).

In any event, the Commission does not consider that a reform of the COM is an essential prerequisite for the success of a policy of capacity reduction.

2. Under resource control policy

In view of the inadequacies of the former control Regulation, in particular as regards the monitoring of catches by vessels flying a third country flag in Community waters and landings in Community territory, on 12 October 1993 the Council adopted (Regulation (EEC) No 2847/93) a new control system comprising tighter rules to enable each Member State to effectively control catches and landings by vessels flying the flag of a non-member country and, more generally, imports from non-member countries.

This Regulation, which entered into force on 1 January 1994, provides for the following:

- monitoring the movement of and the catches held on board vessels flying the flag of a non-member country by the Member State in the maritime waters of which they are likely to fish
- the obligation for such vessels to keep a logbook and submit a landing declaration to the competent authorities of the Member State in which landing takes place
- the obligation to notify 72 hours in advance the competent authorities of the Member State in which landing is to take place, of their time of arrival in port. Such vessels may not land any catch unless the competent authorities have confirmed receipt of such advance notification
- if they land in a Member State, they must sell at auction or their purchaser must submit a sales note before the quantities landed can be removed
- all fishery products landed or imported into the Community which are transported to a place other than that of landing or import, must be accompanied as far as the point of first sale by a transport document indicating the origin, destination and the quantities transported. Each Member State must make checks in its territory to verify the accuracy of that document
- to that end, the Member States must coordinate their control activities and in particular exercise surveillance over the movement of merchandise which may have been drawn to their attention as possibly being the subject of operations contrary to Community regulations.

3. At structural level

Structural measures have been and continue to be implemented within the framework of multiannual guidance programmes (MGPs), the most recent version of which lays down ceilings for the fishing effort of each fleet segment for five-year periods.

Initially these measures were not very far-reaching but were then made more stringent. However, they fall far short of the reductions in fishing effort recommended by the Commission in its initial proposal to the Council, which it considered to be the minimum required in response to the alarming situation of some fish stocks.

Although the Member States have allocated resources to the implementation of their programmes, the results vary considerably.

If the necessary measures had been applied as soon as overfishing was first acknowledged, the present crisis would certainly not be as deep as it is today, in particular in France where its social effects are felt most severely.

The Commission has repeatedly stressed that the main objectives of the fleet restructuring measures are to restore competitiveness and maintain it at a sufficient level to safeguard the sector's future.

It has also clearly stated that it would like socio-economic accompanying measures to be implemented in order to neutralize the undesirable effects of sector restructuring on coastal populations, in particular in areas dependent on fisheries.

The regulatory framework and Community financing making it possible to:

- restructure the sector,
- restore competitiveness, and
- implement socio-economic accompanying measures

have been in place since the Council adopted, in July and December 1993, the FIG (Financial Instrument for Fisheries Guidance), which integrates "fisheries" structural measures into the framework of the Structural Funds.

This integration (operational in 1994) now makes it possible for Community appropriations to be mobilized at the level required by the Member States in those regions dependent on fisheries by means of regional programming or sectoral programming in accordance with the rules laid down by the Funds.

The Commission regrets that its initial proposal has been watered down by the Council adopting new measures which will diminish its real impact on sector restructuring, such as the increased importance attached to construction aid.

B. New measures to be implemented

The Commission's analysis indicates clearly that, firstly, no import restriction measures can be contemplated and secondly, structural measures are the most favourable approach to secure the future of the fisheries sector. However, no factor should be overlooked and other initiatives, including market initiatives, must also be considered.

1. Resource conservation

The objectives of resource management must continue to apply. Improved resource management will increase stock abundance considerably, and hence also the productivity and competitiveness of Community fishermen. An increase in the percentage of large-size fish in catches will, as a rule, increase their market value and limit competition from the corresponding farmed species. Restored resources will also be more stable and help stabilize landings from one year to the next. Furthermore, since stocks will have a more balanced demographic composition, catches will no longer be made up mainly of very young fish, and it will be possible to anticipate the inevitable variations in abundance and, as a result, organize fisheries better. Present policy should be strengthened so that these objectives can be achieved. The links with structural policies must be reinforced. Controls must be made more effective. This more rigorous basic approach does not mean that excessively rigid provisions (strictly annual and monospecies approaches) cannot be made more flexible. However, flexibility must always be backed by strict monitoring and structural measures to reduce overcapacity.

2. Controls

The new control Regulation, although much diluted in relation to the Commission's proposals, should allow considerable progress to be made. More effective catch monitoring cannot fail to promote conservation policy, the economic significance of which has been stressed above. An extension of controls to structural policy will make it possible to ensure overcapacity is reduced, thus reducing the inevitable risks and temptations of fraud where fishing capacities greatly exceed those necessary to fish the authorized catches. Inclusion of the market dimension will be of direct benefit in ensuring standards and regulations are complied with. The possibility of intervening during transport will be a major help in preventing the continuation or development of large-scale fraudulent transfers, which sometimes involve imported fish.

3. Structures

Measures to reduce overcapacity are the primary requirement for overcoming the markets crisis. For this reason the Financial Instrument for Fisheries Guidance (FIFG) encourages fishing effort adjustment measures as a means of eliminating fleet overcapacity. The FIFG will also help place Community produce in a better position on the markets by promoting investments to generate high-value-added quality products.

In order to stimulate demand for fishery products, the FIFG will also contribute towards the financing of promotion campaigns.

However, fishing effort adjustment measures carry a high social cost, frequently in a less-favoured economic environment where there is little alternative employment. Consequently, it is important to develop, side by side with the fleet overcapacity reduction measures, socio-economic accompanying measures, the purpose of which will be to promote the transformation and restructuring of the sector. The following must be borne in mind:

- the inclusion of problems relating to areas dependent on fisheries in the Structural Funds already makes it possible to implement, under Objectives 1, 2 and 5(b), economic diversification measures with the aid of the ERDF and ESF.

- furthermore, the Commission has proposed to implement a specific, targeted measure in the form of a Community initiative ("PESCA"), both to help the fisheries sector to complete transformation successfully and to help develop job-creating activities. This measure must be in addition to the aid available under the Community support frameworks.

finally, on 21 December 1993 the Council invited the Commission to study a package of accompanying socio-economic measures, linked to restructuring, and a report will be forwarded to the Council by the end of 1994. Among possible new measures the Commission could include the following approaches, within the framework of present resources and in line with the wishes expressed by several Member States:

- . part-financing of voluntary redundancy and/or early retirement schemes for crews affected by permanent laying-up measures;

- . temporary Community financial incentives for the introduction of minimum share payment and bad weather compensation schemes, to be maintained by contributions from fishery employers;

training programmes for fishermen and those employed in the sector in the implementation of the Fisheries Policy and value enhancement for fishery products.

The report will contain detailed indications on the cost and financing of the proposed measures.

These accompanying measures would help reduce the number of direct jobs to a level corresponding to the size of a restructured and profitable Community fleet. They would also help stabilize income drawn from fishing through financial resources made available from the profits generated by the sector itself, and thus reduce the sector's dependency on public aid. Furthermore, they would help optimize income drawn from fishing by improving marine resource exploitation and post-harvest processing.

4. Markets

Apart from the necessary speeding up of the rate at which the Member States forward the data required for market monitoring (cf FIDES)⁴, the Commission's analysis of the needs, in terms of quality, of the fishery product market, indicates that the producers' organizations must redirect some of their measures, and adopt a new position vis-à-vis their members and the market. As the question of regulating supplies under existing instruments has already been dealt with in Part II (cf II.B.2), some thought should be given to other ideas.

In this connection, the Commission notes that no substantial proposal for a change in the organization of the market has been submitted to it, which confirms it in the view that the market problems are more often due to shortcomings in the application and enforcement of the rules rather than to any essential inappropriateness of the present COM mechanisms to the economic climate prevailing at present.

At the Fisheries Council on 10 June 1994 various suggestions for changes to the market regime were put forward, with a view to reinforcing the role of the producers' organizations and improving producers' incomes.

After looking at all the contributions made by the Member States, the Commission envisages some adjustments to certain COM mechanisms and the following measures:

4 FIDES - Fisheries Data Exchange System, operating between the Member States and the Commission to allow electronic transmission of the data relevant to COM management.

1. reinforcement of role of producers' organizations

- 1.1. To enable producers' organizations to react more swiftly in times of crisis, the Commission proposes that, with regard to the extension of the PO rules, an a posteriori review procedure be put in place instead of the present system of a priori review of rules extended to producers not belonging to producers' organizations, subject to continued compliance with the principles governing sales, particularly direct sales of small quantities.
- 1.2. Furthermore, the Commission proposes exploring the idea of allowing communication between producers' organizations and information exchange in real time. A large number of producers' organizations have no access to information on landings and prices at the main centres of the Community market. Such information is a major decision-making aid for any supply-side regulation policy. Therefore, POs often work in a regional or local market context and cannot adopt a dynamic position vis-à-vis purchasers. As a result the Commission suggests that Community aid should be allocated to the introduction of an information exchange network between producers' organizations on the basis of a prior assessment as part of a pilot project.
- 1.3. In addition, as its own approach to quality improvement has met very little response in most of the Member States (cf II.B.4), the Commission proposes that producers' organizations be encouraged to implement quality improvement plans. It proposes an approach comparable to that existing for fruit and vegetables, consisting, for certain product categories (in this case some fresh produce), in granting specific recognition to POs which submit quality and marketing improvement plans for these products approved by the Member State. Such specific recognition would give entitlement, for a limited period, to aid from the Member State, half of which would be reimbursed by the Community, in accordance with rules similar to those in force for the start-up aid provided for in the basic "market" regulation. On a first estimate the cost of such aid should not exceed ECU 1 million per year.
- 1.4. As for requiring all producers, in the event of serious disturbance of the market, to comply with the Community withdrawal price, the Commission considers that, from the point of view of principle, such a requirement makes our "reference price/minimum import price" system more consistent and more compatible with GATT Article XI. As it stands at present, the system is open to criticism on the grounds that, when minimum prices are applied, there is no general obligation to restrict supplies to the Community market because Community producers not belonging to a PO are not bound to comply with the withdrawal price. Apart from the question of principle, however, the feasibility of this suggestion must be examined.

2. Support for producers' income

- 2.1. The Community proposes a measure which, in the event of a major disturbance of the market, will ease the financial burden on producers' organizations applying the Community withdrawal price, by providing for the possibility, in accordance with triggering criteria to be defined, of raising financial compensation for withdrawals to 95% of the withdrawal price for a limited period. This measure would avoid the need for POs to increase subscriptions from their members.

The financial impact of such a measure should be limited (about ECU 2m per year).

- 2.2. The proposal made by one Member State that the level of intervention for Annex I products covered by the COM should be increased by a deficiency payment system, for a given period of time, subject to an annual maximum appropriation in the order of ECU 30m (about twice the present appropriations from the "markets" budget for expenditure on withdrawals and carryover) presents various difficulties.

On the legal level, given that it is a production aid for products bound under GATT, the mechanism might be perceived by our partners as aid liable to distort the conditions of competition. The only possible formula would be a solution similar to that adopted for industrial tuna (autonomous suspension of customs duties on certain species, offset by a compensatory allowance in the event of a fall in prices on the market).

On the budget level, apart from the amount of ECU 30m, account must be taken of the equivalent loss of income resulting from any measures to suspend tariffs.

On the economic level, the Commission has serious doubts about the usefulness of such a measure, as the impact of ECU 30m spread over all the species listed in Annex I will inevitably be marginal.

Under the circumstances, the Commission is of the opinion that it would be wiser to favour the solution of an income subsidy within the context of structural policy; this would be a one-off measure, aimed at facilitating restructuring the fleet, which would not distort competition.

- 2.3. With regard to another suggestion advocating greater incentives for recourse to the carryover mechanism, this is not a measure involving a reform of the COM rules, as the producers' organizations generally make little or no use of the present possibilities (6% of quantities offered for sale may be "carried over"). In addition, the mechanism was greatly simplified when the COM was last reformed in 1992.
- 2.4. Lastly, the Commission intends to initiate a series of studies and measures to gain more information about the sector: feasibility studies for systems of quality certification and labelling for fishery products, harmonization of trade descriptions, setting-up of databases of socio-economic and scientific data.

CONCLUSIONS

The present crisis in the fishing industry will not be resolved either quickly or easily. Although its effects are apparent at market level it is essentially structural in origin and that is the level at which action must be concentrated.

Helping to resolve the crisis also requires a change of attitude and behaviour at all levels, without necessarily implementing spectacular solutions.

The overriding requirement is a global approach and long-term vision, as the crisis calls for solutions not only in all branches of the common fisheries policy but also at different levels of action.

Clearly the general economic crisis, the currency disturbances and the competition from cereal-based food products cannot be resolved by measures taken at fishing industry level.

Similarly, the different social costs in certain non-member countries have an undeniable impact on the prices obtaining in international trade, including the prices of fishery products.

It must be stressed that Community fishermen are operating in a context of trade internationalization and increasingly open markets. Consequently, the excess costs generated by overinvestment in any segment of the Community fleet, delays in access to resources and the state of resources become determining factors of fleet competitiveness.

All the problems of the fishing industry, situated mainly upstream, come together at the market stage, and the market organization has been the subject of much criticism; but the mechanisms of the COM are, by nature, incapable of resolving a deep structural crisis such as that affecting part of the Community fleet. Their main purpose is to organize competition on the Community market.

In this context, the Commission does not consider that a reform of the COM, whatever its scale, is a necessary precondition for the success of a policy to cut fleet capacity.

If adjustments, or innovations, can be incorporated in the COM, they must be complementary to the application of a determined policy to adjust fishing effort to available resources, coupled with the necessary socio-economic flanking measures and efforts to adapt marketing channels to the requirements of new forms of distribution.

In addition, the Commission stresses that it is essential for the sector to apply determined marketing policies, with particular emphasis on product promotion at consumer level.

The Commission will only be able to undertake the necessary measures if it is given the requisite support from the Member States of the Union, either through decisions adopted by the Council on the basis of proposals from the Commission or through initiatives launched under the responsibility of the Member States in accordance with the principle of subsidiarity. Such measures will only be fully effective if all economic operators throughout the industry make use of the legal and economic mechanisms available to them.

In the Commission's view the measures to be adopted by each of the agents concerned must be decided in a rational way and not under the pressure of events. Measures taken in crisis conditions to answer the immediate preoccupations of public opinion generally fail to resolve the real problems. The Commission repeats that it is ready and willing to continue the dialogue at all levels in order to find clear answers to the questions raised and to propose rational solutions that will help to limit the risk of repetition of the present situation.

The various possible measures are detailed in a table annexed. They cover only aspects specific to the fishing industry; measures to improve the economic and social environment in general are not included.

The Commission will shortly submit to the Council measures for the adjustment of the common organization of the market as itemized in point B4 of Part III.

<u>ACTION</u>	<u>TYPE OF MEASURE¹</u>	<u>OBJECTIVES AND SUMMARY CHARACTERISTICS</u>	<u>DECISION/RESPONSIBILITY²</u>
<u>I. CONSERVATION OF RESOURCES</u>			
(i) New CFP management tools and components	Implementation of existing mechanisms/New initiatives	To strengthen the conservation/ structural policy link; reduce rigidities of present system; help to conserve resources to ensure sustainability of fishing	Council
(ii) Technical measures to prevent use of small meshed nets, enforce minimum landing size, boxes	Reinforcement of existing mechanisms	To protect juveniles and encourage breeding, discourage marketing of illegal catches	Council
(iii) Prevention of overfishing (TACs and quotas)	Implementation of existing mechanisms	To protect sensitive stocks and limit landings	MS/fishermen's organizations, fishery professionals
(iv) Rationalization of national quota management systems	Implementation of existing mechanisms	To match supply to demand, plan quota uptake throughout season	MS/fishermen's organizations
(v) Fishing permits	Implementation of existing mechanisms	To make fisheries management subject to limits on fishing effort. System applicable to Community vessels and third country vessels fishing in Community waters	MS/fishery professionals

II. SURVEILLANCE

(i) Setting up of new more efficient system	Implementation/ reinforcement of existing mechanisms	In a system where the Commission supervises national surveillance systems, to check landings by Community and third country vessels, health conditions at marketing stages, to apply penalties to overfishing and illegal landings, to check compliance with fleet restructuring obligations	MS/Commission = subsidiary competence
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1 - Implementation or improvement of mechanisms existing in CFP rules or new initiatives to be launched.

2 - Where a decision has to be taken at Council level, the initiative for the proposal naturally lies with the Commission.

<u>ACTION</u>	<u>TYPE OF MEASURE</u>	<u>OBJECTIVES AND SUMMARY CHARACTERISTICS</u>	<u>DECISION/ RESPONSIBILITY</u>
<u>III. STRUCTURES</u>			
(i) Fleet restructuring			
- Multiannual guidance programmes.	Implementation of existing mechanisms	To reduce overcapacity (scrapping, transfer, conversion)	Follow-up by Commission pursuant to a Council decision (Art. 11 of Regulation 3760/92)
- Structural aid to the fleet (FIFG)	Implementation of existing mechanisms	To contribute to reimbursement of grants for final cessation or setting up of joint ventures and joint enterprises, and to financing of investment in fleet modernization and renewal (although commissioning of new vessels must be closely controlled).	Definition of priorities: Commission/MS partnership Implementation: MS/regions
(ii) Marketing and processing			
- Aid for improving and rationalizing marketing and processing conditions (FIFG)	Implementation of existing mechanisms	To contribute to financing of investment in first-sale facilities and equipment (harbour facilities, first-sale premises, wholesale facilities, etc.) and processing infrastructure	Definition of priorities: Commission/MS partnership Implementation: MS/regions
- Aid for product promotion and new market prospecton (FIFG)	New initiative	To contribute to the organization of promotion campaigns and participation in food fairs, etc., and market surveys	Definition of priorities: Commission/MS partnership Implementation: MS/regions

<u>ACTION</u>	<u>TYPE OF MEASURE</u>	<u>OBJECTIVES AND SUMMARY CHARACTERISTICS</u>	<u>DECISION/RESPONSIBILITY</u>
- Aid for setting up quality control and assurance systems (FIFG)	Implementation of existing mechanisms	To upgrade Community fisheries products and enhance competitiveness	Definition of priorities: Commission/MS partnership Implementation: MS/regions
- Aid for investment to bring processing and marketing establishments into line with health standards (FIFG)	Implementation of existing mechanisms	To ensure equivalent and reliable health standards throughout the Community	Definition of priorities: Commission/MS partnership Implementation: MS/regions
- Organization and adaptation of national marketing networks	-	To improve structure of industry	MS/fishery professionals, fishing sector businesses
(iii) Socio-economic measures			
- Inclusion of zones dependent on fishing in Objectives 1, 2 and 5(b) of Structural Funds	Implementation of existing mechanisms	To accompany and facilitate restructuring of the industry and increase economic growth in zones dependent on fishing. To finance local development initiatives and productive investment, together with measures to facilitate occupational retraining	Definition of priorities: Commission/MS partnership Implementation MS/regions
Analysis of socio-economic accompanying measures linked to restructuring of the industry.	New initiative	To examine the expediency and feasibility of part-financing of voluntary retirement or early retirement schemes, possibility of granting Community financial incentives for setting up minimum guaranteed wage schemes and compensation for unemployment due to bad weather.	Report to be submitted by the Commission before end 1994. Any proposal must be submitted for decision by the Council. Setting up early retirement schemes and minimum guaranteed wage schemes is a matter for which the Member States and fishermen's organizations are competent.

<u>ACTION</u>	<u>TYPE OF MEASURE</u>	<u>OBJECTIVES AND SUMMARY CHARACTERISTICS</u>	<u>DECISION/ RESPONSIBILITY</u>
(iv) Community initiative PESCA (supplementary to structural Funds)	Implementation of existing mechanisms/new initiative	To encourage very specific projects to help the fishing industry adapt itself successfully and to diversify the socio-economic base of coastal zones	Definition of priorities: Commission/MS partnership Implementation: MS/regions
(v) Financial reorganization of fishing businesses		Restructure fishing businesses in order to improve profits	MS/ professionals, fishing businesses
(vi) Better articulation of structural policies: production/ processing/ aquaculture		To ensure that fishing industry development strategies and priorities are integrated and compatible	MS (especially under the operational programmes)/ professionals, fishing businesses
(vii) Training			
Setting up of a training programme	New initiative	To contribute towards training of fishermen	Council

<u>ACTION</u>	<u>TYPE OF MEASURE</u>	<u>OBJECTIVES AND SUMMARY CHARACTERISTICS</u>	<u>DECISION/RESPONSIBILITY</u>
IV. <u>MARKETS</u>			
(i) Role of producers' organizations	Implementation/reinforcement of existing mechanisms	To ensure fishermen's organizations play the regulatory role assigned to them	MS (discipline) /fishermen's organizations (fishing plans)
(ii) Extension of PO rules to non-members	New initiative	To change the present system of a posteriori review	Commission/producers' organizations
(iii) Aid for quality improvement plans set up by producers' organizations	New initiative	To grant specific recognition to producers' organizations which present, for certain types of product, plans for the improvement of quality and marketing channels	Council
(iv) Increase of financial compensation	New initiative	To allow, in the event of market disturbance, compensation of withdrawals at 95% of the withdrawal price for a limited period	Council
(v) Pilot project to set up an information exchange network between PO	New initiative	To improve communication of market data between producers' organizations	Commission/Producers' organizations
(vi) Implementation of rules on direct landings	Implementation of existing mechanisms	To establish permanent rules on direct landings by third country vessels in Community ports	Council
(vii) Tariff policy - CCT, minimum import prices, restrictions on imports	Implementation of existing mechanisms	To ensure Community preference. Bound under GATT, the CCT remains one of the systems ensuring the highest theoretical level of protection. It is subject to numerous exemptions (GSP, Lomé Convention, GSP-drugs, EEA, etc.). Restrictions on imports are prohibited.	Any initiative must be consistent with international undertakings subscribed by the Community in the GATT framework, including conditions in which the Commission can adopt safeguard measures.

<u>ACTION</u>	<u>TYPE OF MEASURE</u>	<u>OBJECTIVES AND SUMMARY CHARACTERISTICS</u>	<u>DECISION/RESPONSIBILITY</u>
- System of reference prices/ notification of import prices	New initiative	To improve system of reference prices in existence since 1982	Commission (proposal under discussion)
<u>V. OTHER INITIATIVES</u>			
(i) Improvement of collection, standardization and reliability of scientific and socio-economic data	New initiative	To establish data bases for use by the Community and M.S.	Commission
- Studies, pilot projects and demonstration projects concerning post-harvest processing of fishery and aquaculture products, improvement of information exchange between fishing businesses and collection of socio-economic data	New initiative	Idem	Commission
- Research into resource management and scientific data collection	New initiative	Idem	Commission
- Feasibility study of a system of quality certification	New initiative	To ensure greater transparency and better knowledge of different procedures. To systematize recourse to certification	Commission
- Methodological study on standardization of trade descriptions	New initiative	Idem	Commission
- Study of profitability of Community fishing fleets	New initiative	To measure the present productivity of the fleet, to identify factors influencing profitability, to define a theoretical instrument of measurement	Commission

<u>ACTION</u>	<u>TYPE OF MEASURE</u>	<u>OBJECTIVES AND SUMMARY CHARACTERISTICS</u>	<u>DECISION/RESPONSIBILITY</u>
- Study of socio-economic impact of MGP	New initiative	To evaluate the negative and positive effects of MGP on local socio-economic fabric and define appropriate accompanying measures.	Commission
(iii) European week of fishery and aquaculture products	New initiative	Promote fishery products among consumers	Commission

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