

Evaluation of fishing agreements concluded by the European Community



By

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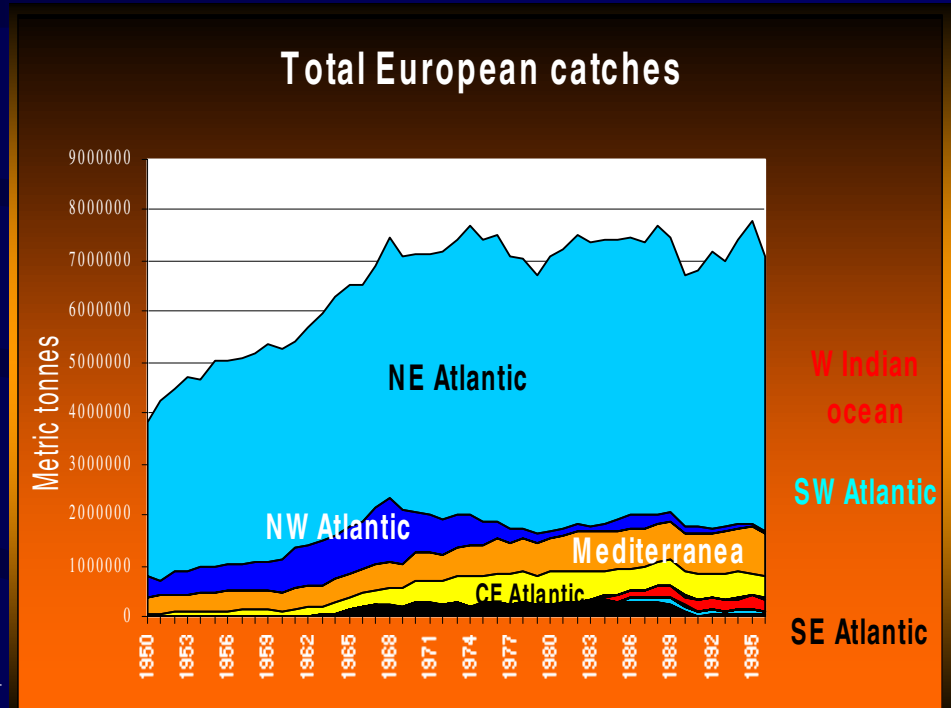
This material is drawn from a full report published by the European Union in 1999, entitled "Evaluation of Fishing Agreements Concluded by the European Community/Evaluation des Accords de Pêche Conclues par la Communauté Européenne", 180p + 190p annexes. A summary of the report is available online at http://europa.eu.int/comm/fisheries/doc_et_publ/liste_publi/studies/rsen.pdf. The full report can also be ordered from the EU Website.

The Study

- In April 1997, the Council of the European Union (EU) initiated a debate about Community fishing agreements (CFAs). In its conclusions, the Council invited "the Commission to undertake an analysis of the costs and benefits of fishing agreements with the Community". The overall aim is to provide pertinent information to the European institutions.
- The contractual specifications established the objective of evaluating the costs and benefits of all CFAs in force during the period 1993-1997.

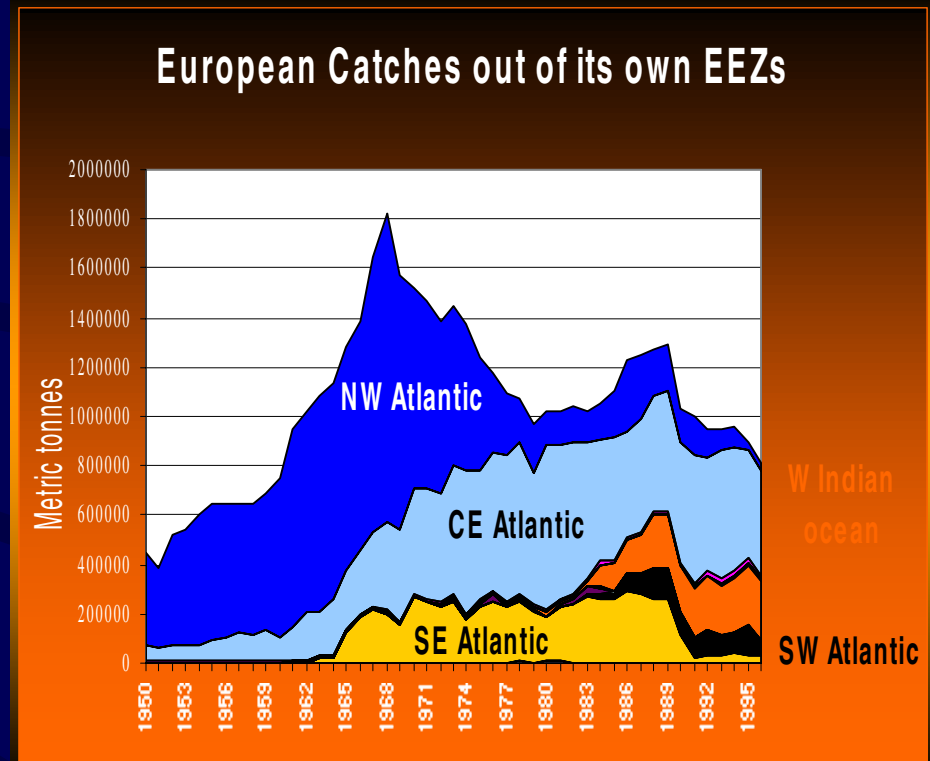
World Fisheries Production

- In 1950 world fisheries production is estimated at 17 M T and european production = 30%
- It was over 87 M T in 1996, with 8 % for european production
- World production growth rate drops of 1.5% since 1986



European fisheries production

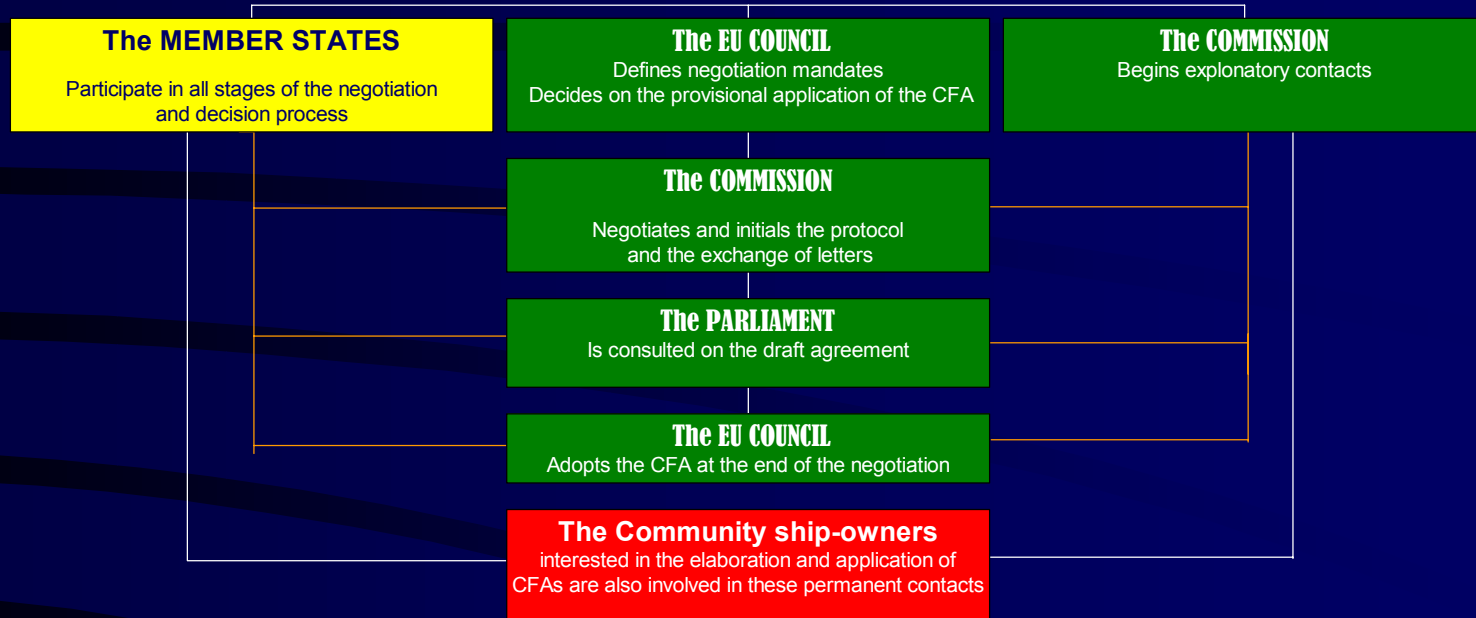
- EU occupies third place in terms of catches made outside of its own EEZ
- USSR and Japan take overall more than 53% of such catches while the EU takes less than 20%
- European fleets concentrate their activity in the NW, CE, SE Atlantic and in the W Indian Ocean.



Definition of CFAs

CFAs = agreements signed between the EC and a third country, in order to define the level, as well as the conditions of attribution and use, of access rights to the fishery resources located in the EEZ of the signatory third country.

The Players involved in the CFAs



Institutional and legal aspects

- The official birth certificate of the CFAs is the Council resolution of 3rd Nov. 1976 creating a fishing zone of 200 miles off the North Atlantic and the North Sea coasts.
- CFAs implement the principles established within the framework of the United Nations Convention on the Law of the Sea.
- CFAs constitute one chapter of the Common Fisheries Policy.

Historical and geographical aspects

- The first CFA was signed with United States in 1977 (29 CFAs have been signed).
- 26 were operational during the 1993-1997 period
 - 15 with African and Indian Ocean countries
 - 10 with North Atlantic countries,
 - 1 with a Latin American country

General Introductory Comments

- The existence of CFAs does not exclude the conclusion of concurrent private agreements
- CFAs do not constitute a homogeneous category of agreements
- Each CFA operates according to its own particular protocol
- Each protocol is independent and there is no typical model

Possible forms existing for CFAs

A/ Reciprocal agreement

B/ Reciprocity + accessory financial counterpart

C/ Payment of a financial counterpart

D/ Incentives to start joint ventures (so-called second generation agreements).

A/ Reciprocal agreement

- Exchange of fishing possibilities between partners.
- The reference point used to guarantee exchange equality is « the cod equivalent »
- Norway, Sweden (before its adhesion), Isles Faroe and Iceland
- Exchanges are defined in annual discussions

B/ Reciprocity

+ accessory financial counterpart

- CFAs with Baltic countries combine reciprocity with an accessory financial counterpart from the Community.

C/ Payment of a financial counterpart

- Where third countries wish to concede a large part of the exploitation of the resource of their own EEZ
- Without reciprocal right of access
- African, Indian Oceans and Greenland
- Main purpose to allocate fishing authorisations
- Minor part to support co-operation

D/ Second generation agreements

- Argentina is the only concrete example rely on incentives to start joint ventures in the third country EEZ with a guaranteed quota allocation of species.
- Possibilities already existed via FIFG (Financial Instrument for Fisheries Guidance of the EU, created in 1993).

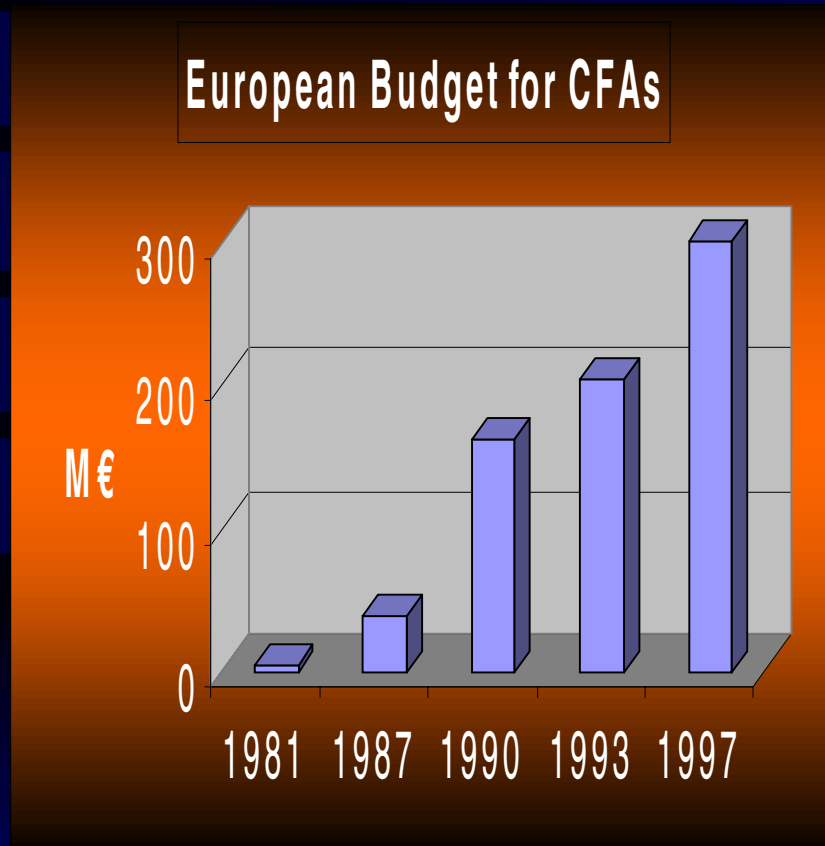
Conditions and operating arrangements of CFAs

- in the South, the CFAs do not provide sufficiently the flexibility demanded by the industry in situations of falling returns
- fluctuations in the distribution and abundance of certain resources requires in particular that negotiations and the monitoring of the activities which follow from them be undertaken at a larger scale than that of the EEZ of a given third country
- the control costs cannot be considered as marginal and the reality of the technical resources of third countries can seriously limit the scope of certain measures mentioned in the protocols

Financial aspects of CFAs

- Agreement payments exist for Southern countries, Baltic states and Greenland
- For Southern country the financial compensation is calculated for the whole agreement as in case of Greenland
- For Baltic states, it is calculated each year
- In the case of southern CFAs, shipowners have to pay royalties for licences

Financial datas

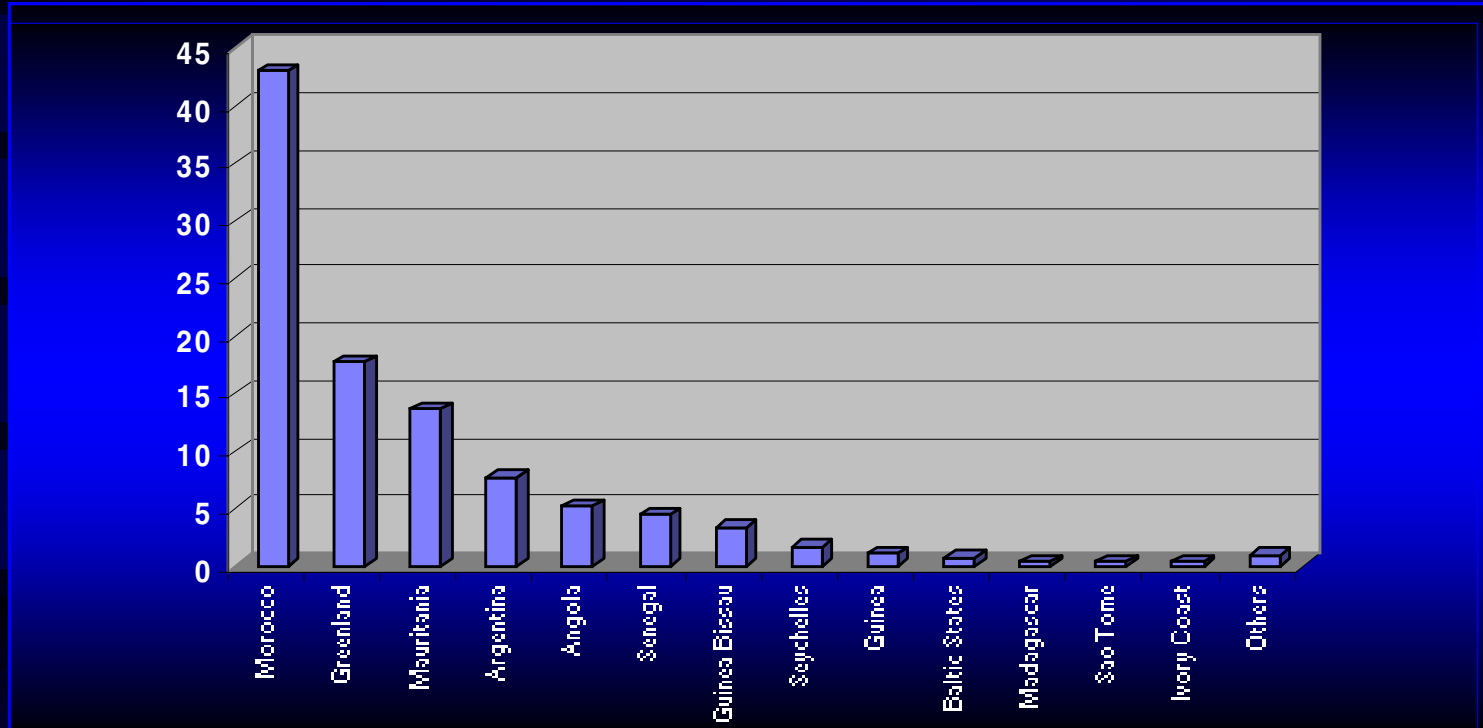


- 1993-1997: 1,053 M€ of Community funds were committed.
- Private-sector contribution is around 18% of the counterpart.
- In 1998 CFAs budget is around 5% of the total budget line for external action of the Community.

Repercussions on Third countries

- the financial contribution from CFAs is particularly important for certain third countries if we consider their total budget revenue
- in the majority of countries, these funds contribute to the State budget as a revenue and notably lighten the public debt
- the effects in terms of VA and employment are different according to the nature of the agreements, the fleets concerned, the structure of the industry and the level of development of the structures particular to the third countries
- competition between fleets must be noted in countries which already have a production sector, essentially on resources with high commercial value intended for the international market.

Distribution of global amount 1993-1997 by third country (%)



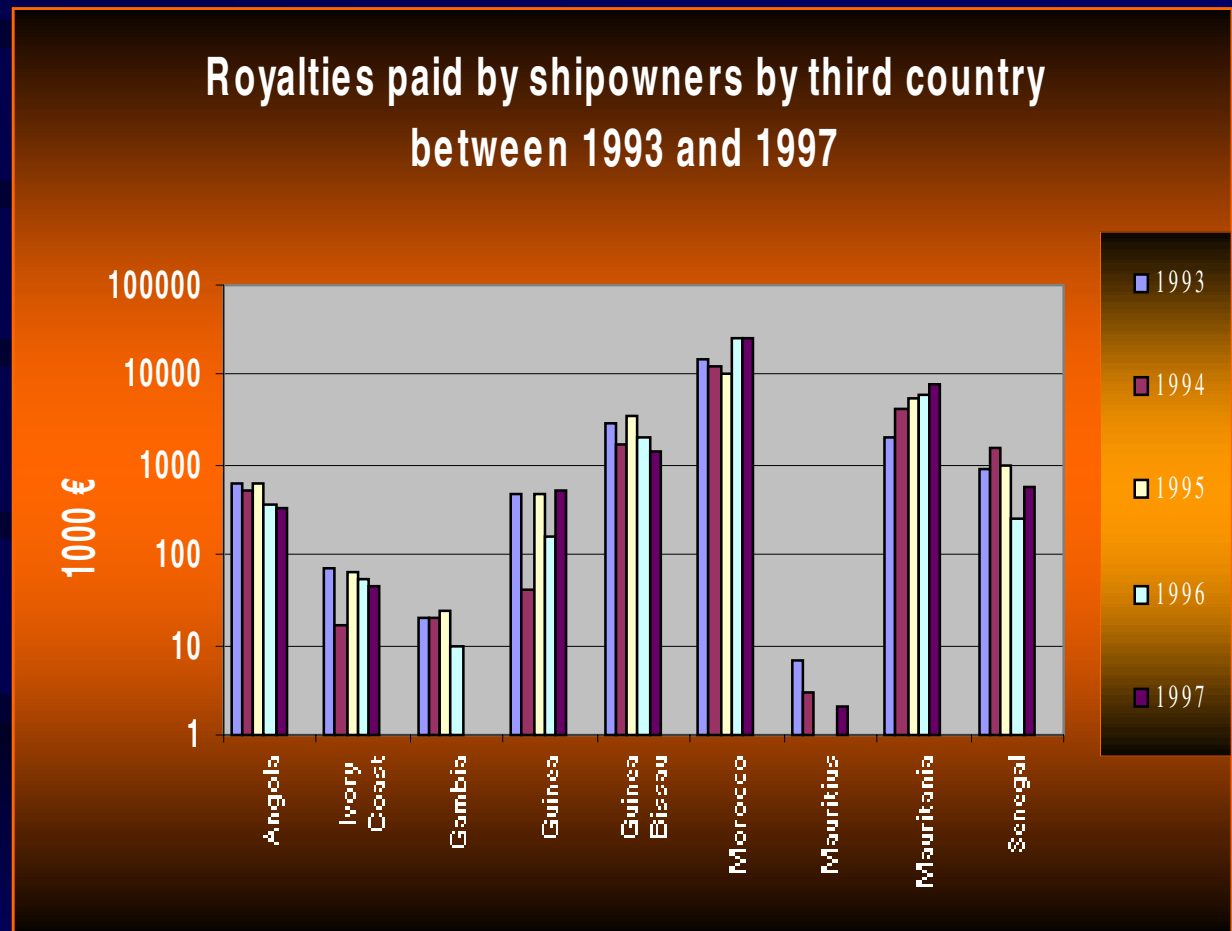
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The cost of CFAs

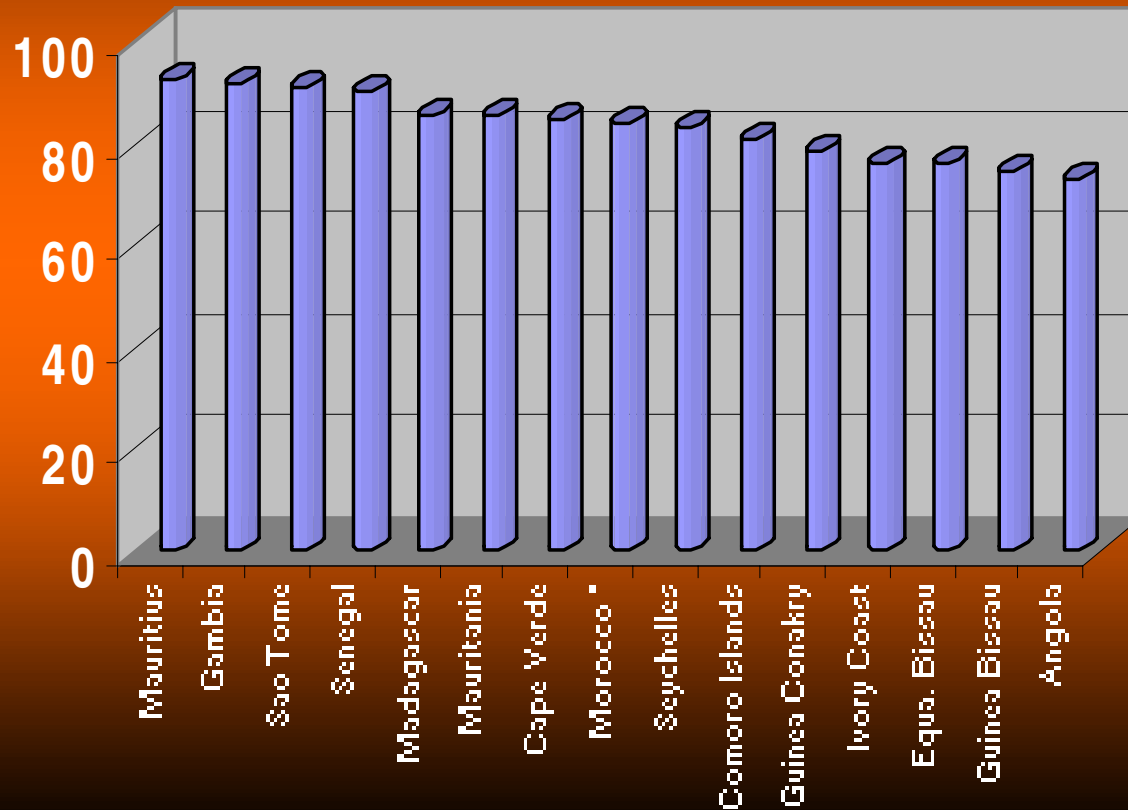
- fishing opportunities offered by Southern CFAs decreased
- public and private cost of access increased within an international context of resource depletion, of fishing overcapacity and of development of the fishing sector in the Southern countries
- in the Northern CFAs, the cod equivalent is nowadays disconnected from economic realities.
- in the case of tuna activities, the mechanism used to calculate private contributions is being harmonised between CFAs and the advances paid are increasing
- the margins apparent on the main fleets (tuna, cephalopods or shrimps) would allow a readjustment of the ratio of private to public contributions

Royalties paid by non-tuna fleets

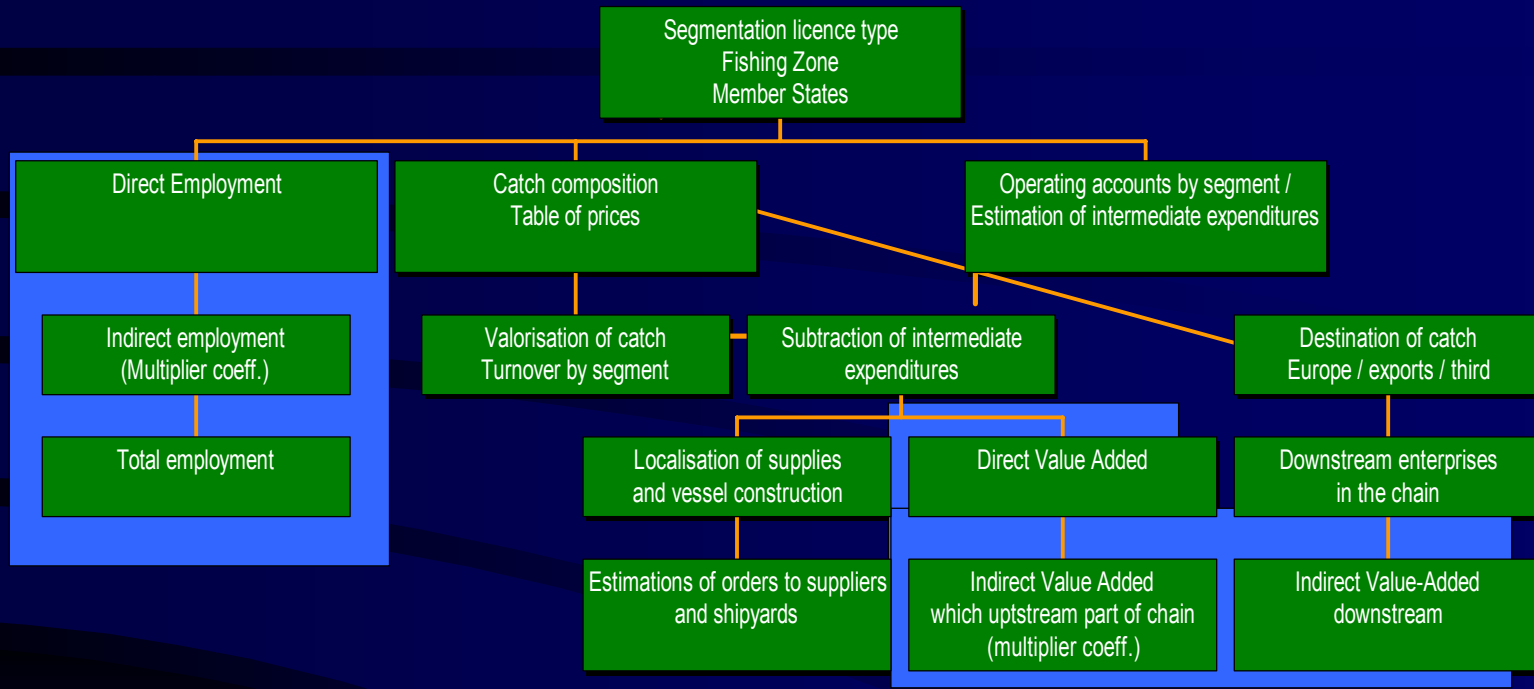
- Over the 5 years, the EU financed 82.8% of the cost of Southern CFAs leaving 17.2% to be met by shipowners



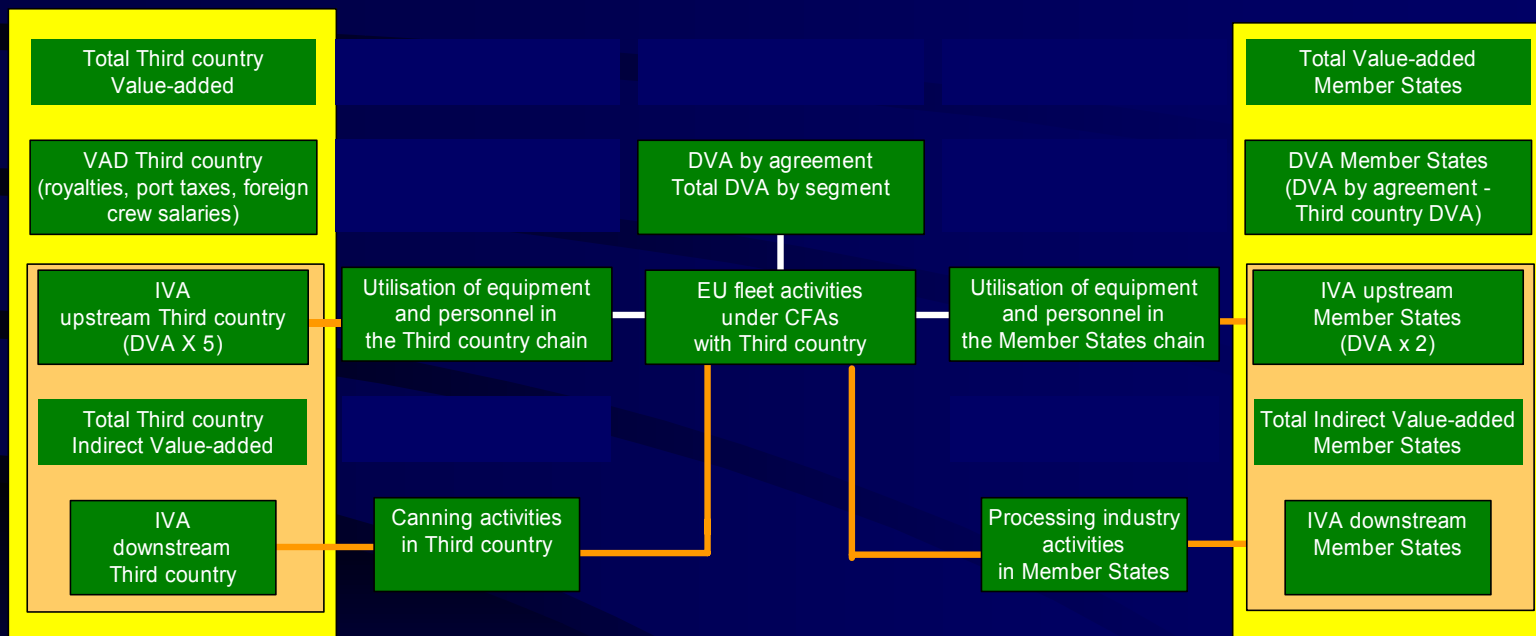
Counterpart (EU public funds) in the total paid (%)



Methodological details of the analysis of the effects of CFAs on EU countries



Distribution of the global value-added between Member States and Third countries

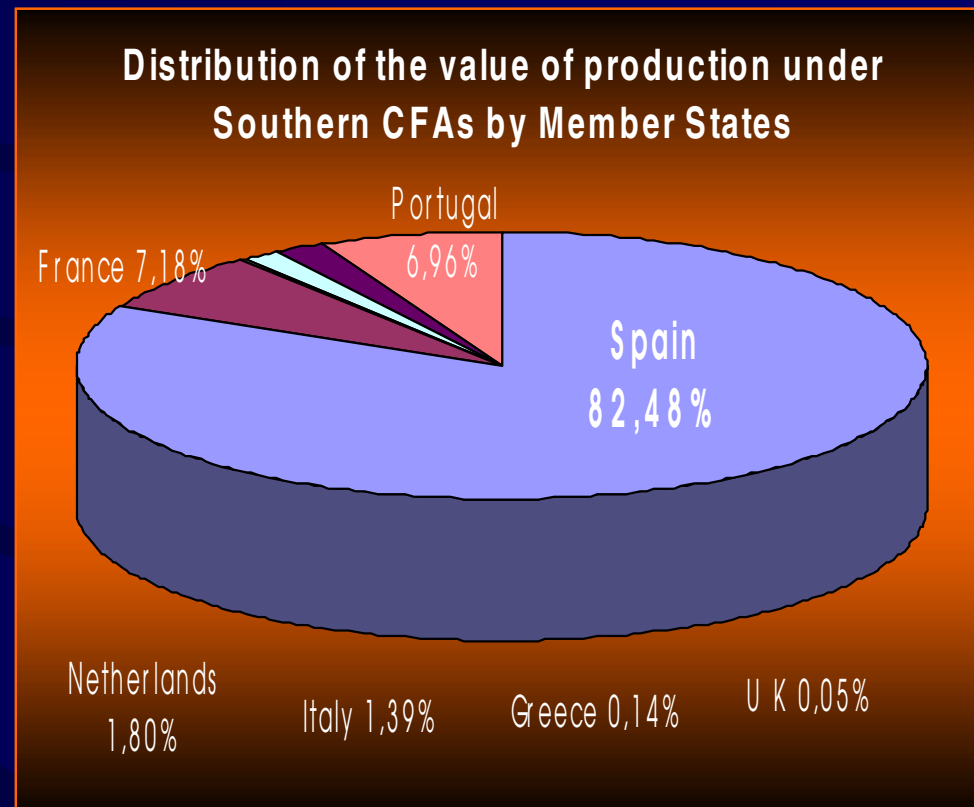


Fleet activity

- CFAs = maintenance of activities which existed prior to the establishment of EEZs : bilateral agreements predating the CFP in the South and exchange of access rights or quotas in the North.
- CFA Argentina = permanent or temporary transfer of Community fishing units
- CFAs = complementary revenues for vessels also active in Community waters.
- CFAs contribute significantly to the maintenance of on-shore activities, in fishery-dependent regions which provide the bases for the servicing and valorisation activities of fleets active under (or outside) CFAs.
- The tuna agreements allow the Community presence to be reinforced in the southern Atlantic and Indian Ocean regions where there is no competition from national fleets of the third country CFA signatories.
- The access opportunities offered decline (Southern CFAs).

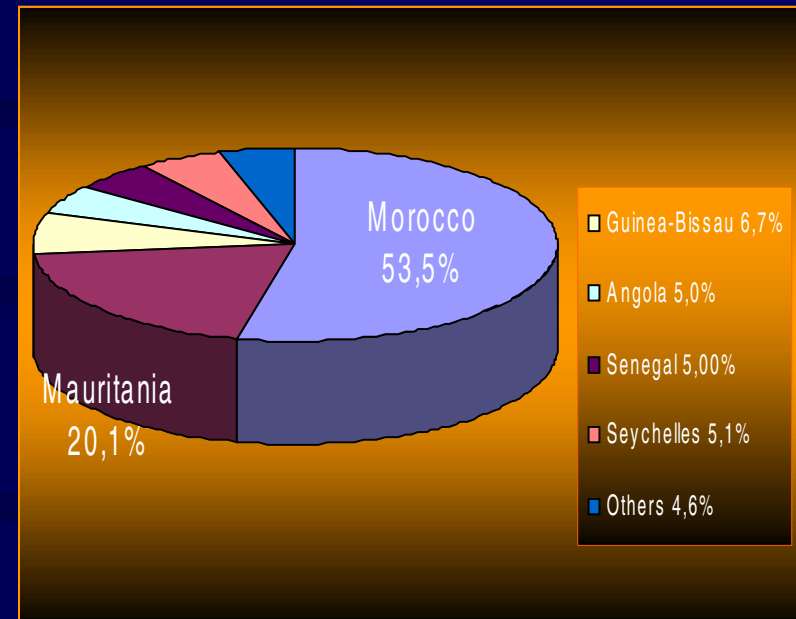
Value of production under Southern CFAs

- On average over the period the total value of catch under Southern CFAs is estimated at 484.51 M€ (8% of the sum of the national sector average for the 7 EU countries concerned).
- It is 3.7 times more than Northern CAFs.
- 1 € spent by the EU for access rights to Southern EEZs generated a turnover of 3.1 € (2.6 included private fees)



Distribution of the value of production under Southern CFAs by Third country

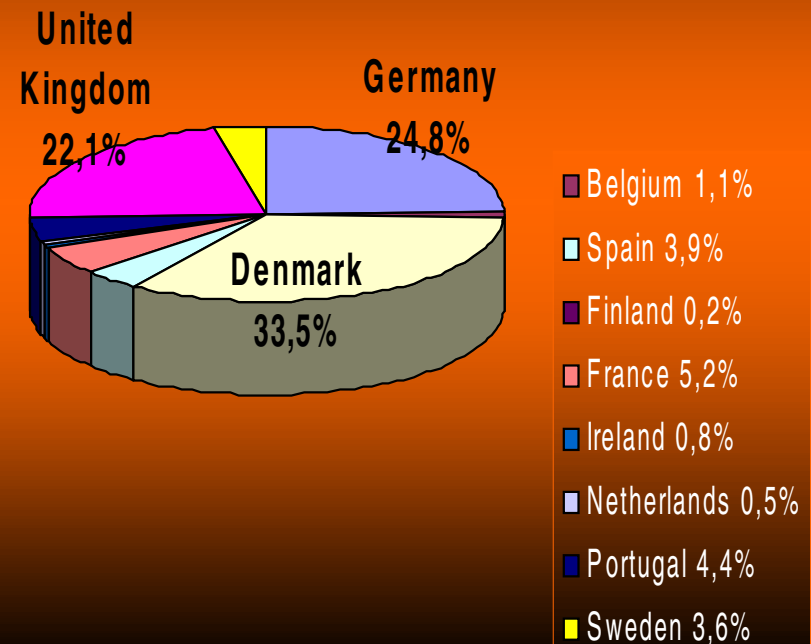
- The Moroccan EEZ, despite a 6 month interruption in 1995, generated slightly more than half the total turnover, almost three times that of Mauritania which came in second place.



Value of production under Northern CFAs

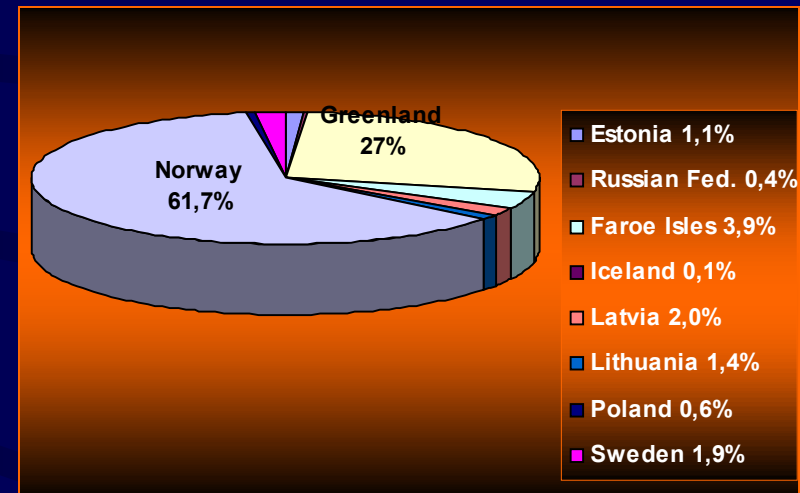
- On average over the period the total value of catch under Northern CFAs is estimated at 130 M€ (2,5% of the sum of the national sector average for the 11 EU countries concerned).
- 33,5% came from Danish vessels
- Danish, German and British fleets generated 80% of the total value declared under Northern CFAs

Distribution of the value of production under Northern CFAs by Member States



Distribution of the value of production under Northern CFAs by Third country

- The Norway and Greenland EEZs generated more than 88% of the total turnover (with 61,7% for Norway).



CFA utilisation

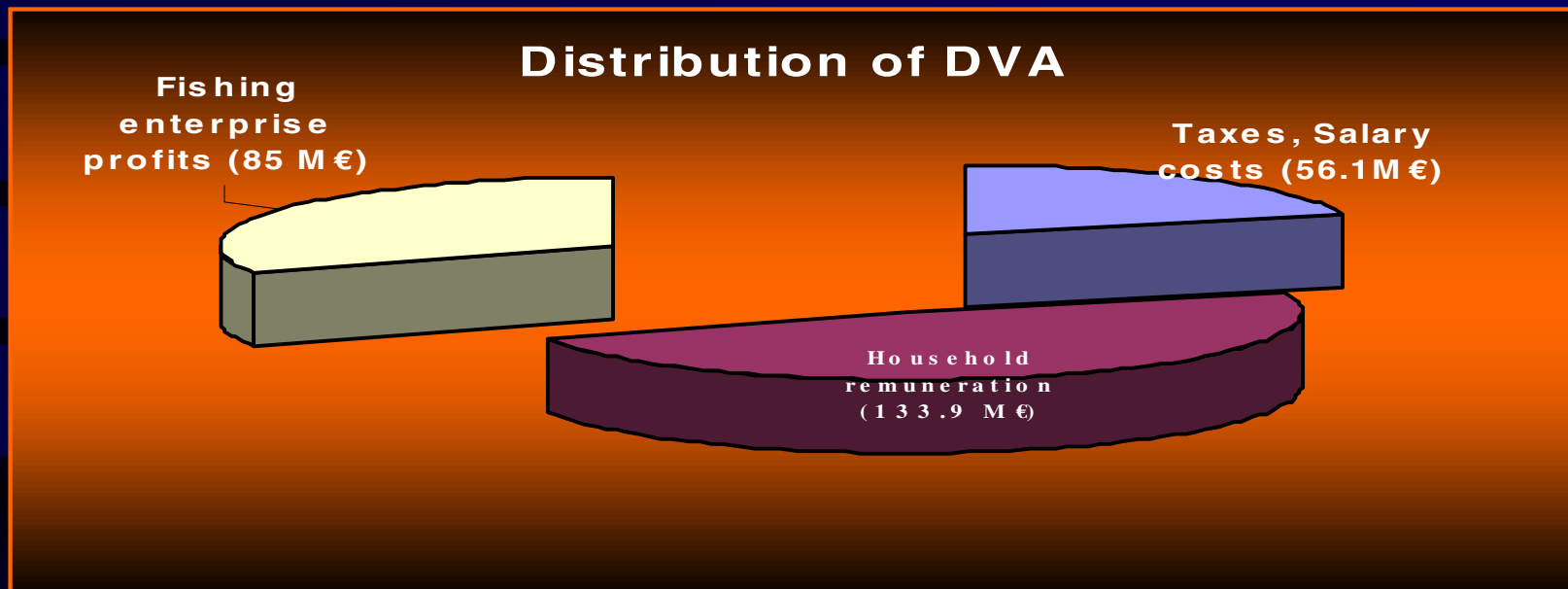
- utilisation rate of the fishing opportunities offered by CFAs varies greatly
- analysis of ship-owner behaviour shows that fleets respond to differences and variations in physical and economic returns related to certain species of major commercial interest (shrimp, tuna, cephalopods, hake, capelin, cod, and other demersal species).
- Preferences may change from one season to the next, which on the one hand may explain the large variations in utilisation rates and on the other hand highlights a certain rigidity in the protocols
- fleet transfers are blocked for the duration of a CFA with reference to the compensation which is also fixed at the beginning of the CFA.
- Analysis show the composite nature of each CFA and explains why it is difficult to give any of them up completely. This situation is often complicated by divergent interests of Member States which value different opportunities.

DVA generated by CFAs

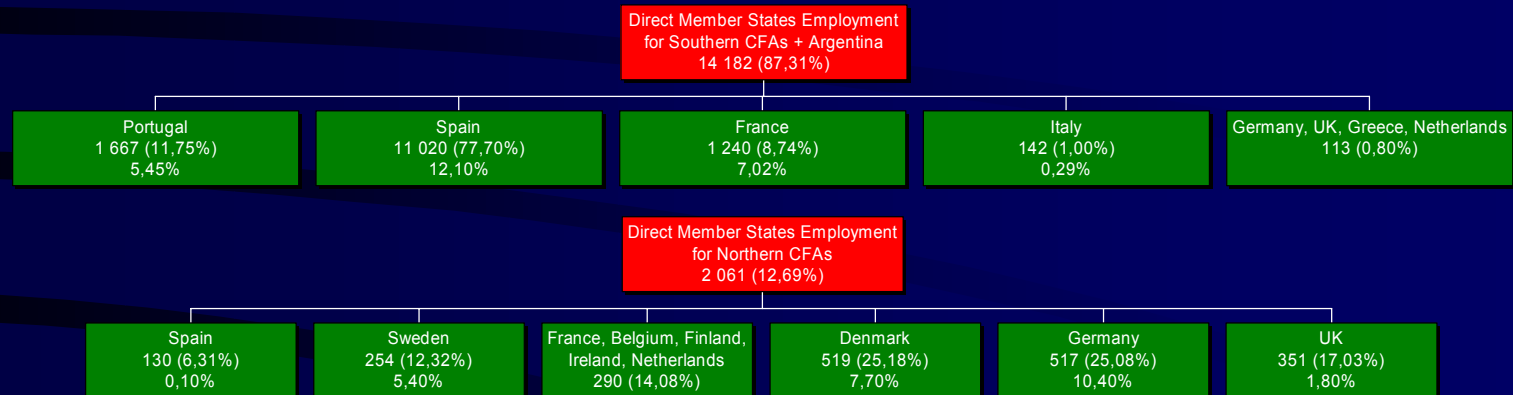
- DVA generated by Southern CFAs = 275 M€/year = 55% of the value of catch
- Tuna vessels created globally around 10% of the VA of fleets operating under CFAs
- Spanish fleets = 84 % of DVA
- DVA generated by Northern CFAs = 62 M€/year = 52% of the value of catch
- Denmark, Germany and the UK contributed 76% of the DVA (next came Sweden 4, Portugal 3, France 3, Spain 3)

Distribution of the DVA generated by Southern CFAs

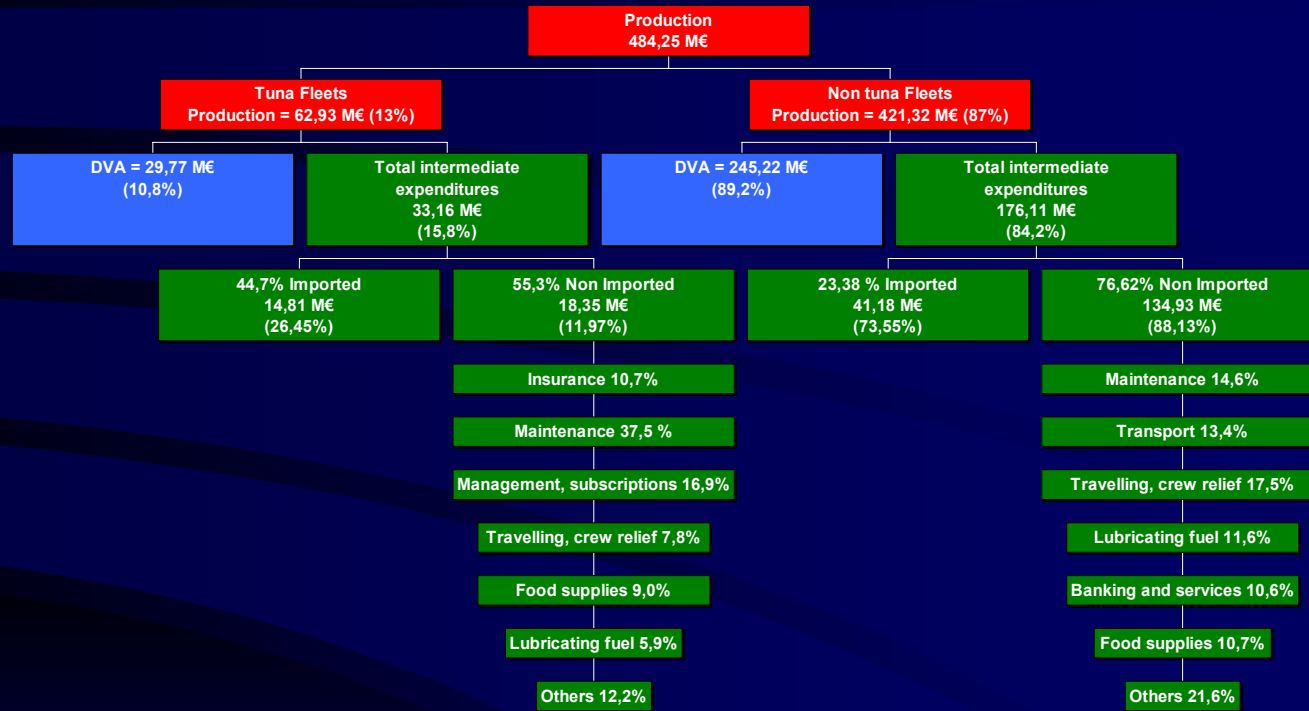
Remuneration : 48,7%, Profit : 31,9%, Taxes ... : 20,4%



Direct employment related to fleet activity under CFAs



Production, DVA and expenditures of vessels under Southern CFAs



CFA effects within the EC

- in fishery-dependent regions, CFAs have allowed services and jobs to be maintained
- the noticeable impact in terms of job creation is generally small as it is far more an effect of resisting the decline in employment and activities resulting from the current adjustment of national fleets operating in Community waters.
- the main regions benefiting from CFAs effects are, generally, regions with economies marked by a strong dependency on the fishery sector.

Effects of Southern CFAs in the downstream sector of Member States

- Most of the catch (excluding marrocan sardine which goes to the fish meal industry) was sold unprocessed (fresh and frozen).
- Only a part of pelagic catch (tuna and sardines) and cephalopod catch was processed. Mackerel fished by the Danes is processed whereas mackerel fished by the Spanish is sold as fresh.
- 10% of cephalopod catch and 100% of seiner catch was canned (92% of tuna vessel catches).
- Globally, the industry processed annually, 2,500 tonnes of cephalopods in Spain (71% is octopus), 17,000 tonnes of tuna in Spain; around 4,500 tonnes of tuna in France, 50 tonnes in Italy (88% cuttlefish) and 10 tonnes in Portugal (cuttlefish).

Annual Average of VA generated by Southern CFAs in Member States (M€)

Member State	DVA	IVA upstream	IVA downstream	IVA Total	VA Total
Spain	185,44	374,20	56,15	430,35	615,79
France	13,85	27,70	4,20	31,90	45,75
Greece	0,28	0,56		0,56	0,84
Italy	3,01	6,06		6,06	9,07
Netherlands	3,25	6,49		6,49	9,74
Portugal	16,48	32,96		32,96	49,44
UK	0,09	0,18		0,18	0,27

The total VA for Member States from the Argentine = 36.8 Mecus (9.5 Mecus in DVA and 27.3 in IVA) which was shared between Spain (93%), Germany (4%) and Italy (3%).

Annual Average of VA and jobs generated by Northern CFAs in Member States (M€)

Member State	DVA	IVA	Total VA
	Directs jobs	Indirects jobs	Total jobs
Denmark	21,63 519	37,69 1163	59,32 1 682
Germany	14,39 517	29,86 1122	44,26 1 639
UK	10,96 351	20,83 561	31,79 912
Sweden	3,92 254	6,26 574	10,17 828
France	3,27 92	4,58 156	7,85 248
Portugal	3,17 114	6,65 274	9,82 388
Spain	2,84 130	5,38 300	8,22 430
Others	1,85 84	2,89 154	4,74 238

Annual Average of VA generated by Southern CFAs in Member States (M€)

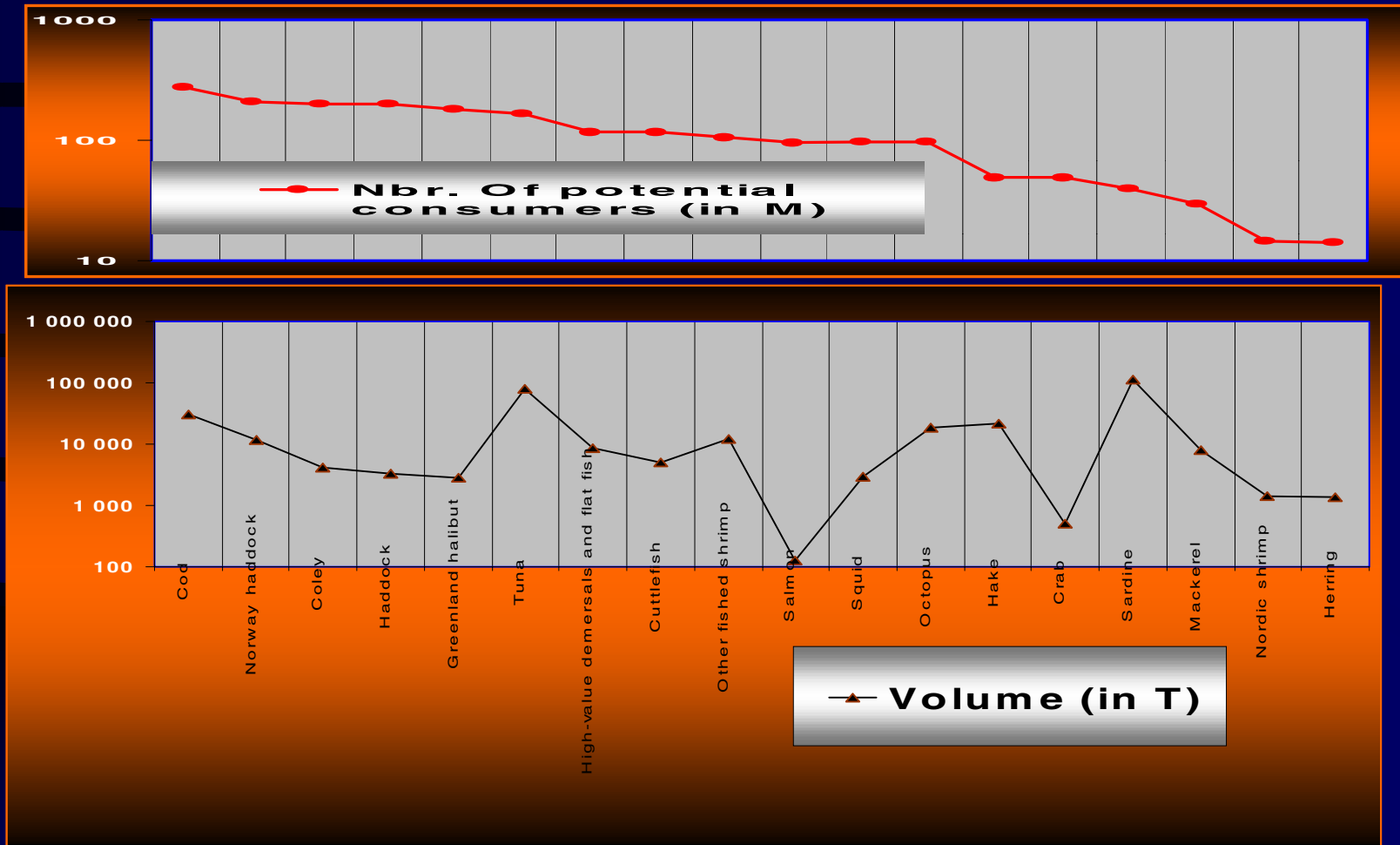
Member State	Directs jobs	Indirect jobs upstream	Indirect jobs downstream	Total Indirect jobs	Total jobs
Spain	10 464	11 680	3 654	15 334	25 798
France	1 240	1 364	697	2 061	3 301
Greece	36	39		39	75
Italy	111	122		122	233
Netherlands	32	36		36	68
Portugal	1 667	1 840		1 840	3 507
UK	3	3		3	6

Should be added 745 indirect jobs and 730 direct jobs generated by the Argentina CFA, of which 80% concern Spanish workers. The same CFA generated around 60 jobs for Germany, around 100 for the United Kingdom and from 1997 about 60 for Italy.) which was shared between Spain (93%), Germany (4%) and Italy (3%).

The Impact of CFAs on the EU sea-products market

- 65 % of the catches are intended for human consumption
- The different market segment concerned by CFAs represent 70% of the EU human consumption sea-product market (8,768 MT)
- The total catches made globally is situated at :
 - 8% of the total market (even 5% if only the part of tuna caught in EEZ is taken into consideration)
 - 9% for species intended for human consumption (and 4% if...)
 - between 5.9 and 6.5% for fish meal and fish-oil markets
- Spain concentrates 74% of the CFA flows, far ahead of the UK (8%) and Germany (7%) of catches destined for human consumption, Denmark (4.5%) but this impact is reinforced by the fact that it is the main beneficiary of fish-meal catch.

Analysis of product distribution according to the demographic importance of the markets concerned



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concluded by the European
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Effects on Community supply

- what is at stake for the Community in terms of supply appears diffuse and limited in volume to a few particular species, most of which remain available on the international market without important differences in prices being found
- if local or national effects specific to certain Member States favouring the consumption of particular species are obvious, the global effect for the Community market is minor in volume as much as in price terms under the hypothesis of compulsory changes in supply networks

The consequences of the non-conclusion of CFAs

- the effects differ according to whether they concern fleets which already work some of the time in Community waters or fleets which are specialised on foreign EEZ stocks.
- so a discrimination to be made between Northern and Southern CFAs
- the impact of the Argentine CFA is different due to the definitive transfer of some units working under this agreement
- reorganisation of supply systems should prevent shortages and only the valorisation segments of fish-meal resources would suffer radically
- public funding of grants (for reconversion, demolition and withdrawal) would be spread over a ten-year period with a total cost estimated to be between 1260 and 1760 M€ (negotiated access costs over the same period = 1550 M€)

Some recommendations

1. Fleet activity
2. CFA utilisation monitoring
3. CFA effects within the European Community
4. The costs of CFAs
5. Effects on Community supply
6. Repercussions on third countries
7. Conditions and operating arrangements of CFAs
8. The consequences of the non-conclusion
9. Global coherence

Fleet activity monitoring

- The monitoring of fleets is not harmonised and the information is not analysed in a homogeneous manner by the services responsible for monitoring at the national and Community levels.
 - *to implement systematically all existing dispositions (control Regulation)*
 - *to improve co-ordination of information sources and the on-going analysis of situations under each CFA and of the whole CFA policy*
 - *to improved the involvement of all operators, public and private to achieve collective and individual responsibility (to define negotiating needs properly and to ensure a rational use of invested public funds)*
 - *to analyse the dynamics of fleets, orientation of investments rather than just the economic results, relating the results of this analysis to CFP objectives and the instruments).*

CFA utilisation monitoring

- The present monitoring of CFA utilisation rates is inappropriate for the monitoring of physical and economic returns which explain the reality of utilisation.
 - *The recourse to utilisation rates calculated on the basis of the references used at the time of negotiations (GRT, number of fishing units, resource quotas) can be maintained due to the simplicity of monitoring but it would be useful to add indicators showing catches really made under CFAs and the profitability of fishing enterprises.*
 - *If the multi-annual approach, where it is used, cannot be questioned, it would be useful if mixed Commissions were authorised to re-allocate some licences so as to allow the adjustment of segment numbers and fishing effort to the evolution of resources (and markets).*

CFA effects within the EC

- cost-benefit analysis generates useful results for the measurement of the effects produced by the public commitments undertaken and offers a solid methodological framework which could be used to monitor CFAs
- concentration of impacts at a regional level was demonstrated
- consequences of the evolution of the fleets and their activities on resources have rarely been studied and used as a basis for common reflection between the different stakeholders
 - *to complete the present work with an analysis of the effects of Community fleets on resources, with the analysis of the links between structural policy and CFAs, or else with an analysis of the position of enterprises over a long period (inclusion of data on the financial situation).*

The cost of CFAs

- data concerning public costs, although incomplete on elements financed over and above the financial counterpart, are correctly known
- the ratios measured concerning the private contribution of operators to CFAs, the discrepancies noted and the ratios of private licence costs to the operating results of the fleets could not be established systematically.
 - *to analyse the terms and conditions of the adjustment of public and private contributions. The situation of fisheries outside the agreements would offer a useful reference. Analyses would require that indispensable micro-economic data be improved over longer operating periods so as to take into account investment strategies and inputs from structural funds.*

Effects on Community supply

- the quality of the information available concerning retail prices makes a precise evaluation at this level difficult and the lack of information stands out in the assessment of sectoral data
 - *The improvement in data in terms of relevance, accessibility and reliability is a general obligation; it concerns in particular, data relative to first-hand prices of species and goes beyond the sole needs of the CFA analysis. It should be included in the new protocols of sectoral monitoring of Community fisheries.*

Repercussions on Third countries

- it is not possible to know the destination of funds paid to the State budget, in this way, each CFA is particular.
- standardising protocols is not necessarily going to lead to identical consequences in different third countries
 - *to undertake analytical forecasts assessing the anticipated development of national fishery sectors in the third countries as well as competition analyses. The stress should be put on CFAs involving resources intended for the international market where competition is at its greatest. These analyses should allow an assessment to be made of the potential competition-distorting effects induced by some measures specific to the CFP (market support, structural funds supporting investment).*

Conditions and operating arrangements of CFAs

- A number of improvements are required concerning the exchange of information between active fishing units (entry, exit, landings...) and third countries which are part of the obligations set out in the protocols, and also between third countries and Member States. The high cost of controlling or even of precisely monitoring some of these points in the protocol may explain the difficulties in correcting these weaknesses.
 - *Despite the numerous limitations of the technical parameters which are currently used for negotiations, they have the advantage of being fairly simple to monitor, (non-confidential). To integrate microeconomics parameters would require a radical change in monitoring resources for the Commission and Member States. The monitoring of the current parameters could however easily be improved then reinforced.*

The consequences of the non-conclusion of CFAs

- for Northern fleets, it remains difficult to measure the impact in terms of the economic returns of fleets which would be deprived of their complementary catch
- regarding regional impacts, notably for the future of regions which are particularly dependent on CFAs, the analysis does not allow a vision of the future which would take into account opportunities for employment and wealth creation outside the fishery sector.
 - *Analyses of sectoral opportunities and dependence should be the subject of case studies in pilot regions from Member States and probably also from third countries which are CFA signatories.*

Global coherence

- The analysis identifies three needs :
 - A/ clarification of the main purpose of CFAs,
 - B/ effective adaptation of CFAs to international conventions,
 - C/ improvement of the coherence between the different sections of the CFP, in particular with the structural policy of the EU.

A/ clarification of the main purpose of CFAs

- The mixture of goals makes the assessment of the cost difficult (i.e. access rights), and blurs the relative responsibilities of each CFA signatory.
- Actions of co-operation and development assistance can be undertaken by other Directorate-Generals and elements of Community policy.
- The Community is place in a difficult situation in some controversies (debates about the state of fishery resources)
- On the international scene, the qualities of CFAs would be enhanced enabling the private sector and national institutions to measure the costs and the distribution of the respective contributions of each and everyone
- The coherence could be achieved by adapting the mandates given to each Commission directorate in their respective field of competence

B/ effective adaptation of CFAs to international conventions

- New CFAs must stress the implementation of conservation ideas and take into account the environment.
- The Commission could propose to co-ordinate the development of a protocol on CFA in conformity with the Code of Conduct and responsible fishing.

C/ improvement of the coherence between the different sections of the CFP, in particular with the structural policy of the EU.

The construction of some fleets was closely linked to the implementation of certain CFAs. The construction of these specialised fleets was possible only with financial support, some of it from Community structural funds, without systematically checking that the catch capacities were appropriate for the resource potential concerned by the CFAs. Furthermore, their eventual redeployment if the CFA were not to be renewed does not seem to have been considered at a strategic level including the implementation of subsidies or indemnities.

The fishing agreement policy must proceed so as to ensure coherence, in the medium and long runs, on the one hand between the different elements of the CFP ensuring particularly that links between structures and resources are maintained, and on the other hand with EU objectives towards third countries.

New definition of agreements

It should promote practical operating arrangements and monitoring of the commercial object which access rights to resources represent.

The counterpart could be, as in the current situation a financial contribution.

The background for the negotiation would remain a resource assessment, recognised by competent international authorities and by the contractors.

When a reliable resource assessment is clearly absent, each third country remains sovereign to open knowingly international negotiations which could be placed under a non-commercial arbitrator such as FAO.

The signature of the agreement should involve joint guarantees adapted to the management conditions and operating arrangements which exist in the country: control, information about activities, compliance with management plans existing at the time of signature of the CFA, assessment of fishing effort (other international negotiations, national competitive fleets).