GENERAL AGREEMENT ON
TARIFFS AND TRADE

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WORKING PARTY ON TRADE IN CERTAIN NATURAL RESOURCE PRODUCTS

Fish and Fisheries Products

Remarks on MDF/W/26 Submitted by the EEC

In MDF/W/26 considerable information was offered concerning government assistance and quantitative restrictions in various GATT member countries in the fisheries sector. The paper was specifically described as "not fully comprehensive". The objective of this paper is, firstly, to add further information which the Community considers relevant on the Canadian practices. Sources include Canadian submissions to GATT and the OECD, "Conditions of competition affecting the Northeastern United States groundfish and scallop industries in selected markets", a USITC publication, Canadian press releases, and Community sources in Ottawa. Comments and corrections by the Canadian delegation will be greatly appreciated. Secondly, this paper is designed to provide a corrigendum on the section regarding the Community measures. It is hoped that the other countries covered in the paper will, if appropriate, make similar contributions, in order to ensure that the Working Party is in possession of the most comprehensive set of data available.

A. Canada

According to the Background Study prepared by the secretariat, Canada is the single largest exporter of fishery products in the world[1]; its main import market is the United States. The EEC is second in importance mainly because of the export of salmon and salmon products which account for 56 per cent (1983) of the total export to this market. These markets are two of the three major import markets in the world (the other being Japan). The various measures applied in the fishery sector can therefore have considerable relevance for trade.

(a) Quantitative restrictions: none
(b) Government financial assistance programmes[2]

1. Document MDF/W/26 drew attention to:

- the Fishery Vessel Assistance Programme
- the Fisheries Improvement Loans, which in 1982 amounted to $3.9 million; it appears that for 1983/84 the total is $10 million
- the Shipbuilders Assistance Programme
- the exemption from fuel tax of 4.6 per cent
- the Natural Fish Quality Improvement Programme.

[1] Problems of trade in fish and fisheries products - Spec(84)7

[2] All values are in Canadian dollars

2. Other measures of financial assistance to the fisheries industry include the following:

(i) Fishery Vessels Insurance Plan which provides low-cost insurance;

(ii) Federal Sales Tax: virtually all fishing equipment is exempted from this 10 per cent tax;

(iii) Accelerated Capital Cost Allowances (CCA): to encourage investment the CCA permits accelerated write-off for depreciable assets, in determining taxable income. The standard write-off for boats is 15 per cent per annum, but Canadian-built fishing vessels benefit from a 33.3 per cent write-off;

(iv) The Fisheries Prices Support Board is mandated to support fishermen's income by purchasing surplus products or by making deficiency payments. The Board also purchases fish for food-aid programmes. In 1984/85 net expenditure is estimated at $8 million;

(v) Canadian Saltfish Corporation is the monopoly trader for cured fish and its by-products in Newfoundland (the largest producer) and N. Quebec; it is obliged to buy all cured fish of acceptable quality offered to it;

(vi) Provincial Fisheries Loan Board lend to fishermen at 3 to 5 per cent below the market rate;

(vii) The Department of Regional Industrial Expansion has at least one project, in Newfoundland, involving a grant of some $10 million;

(viii) Under the DRIE, the Regional Development Incentives Act had by end 1980 completed fish processor projects costing some $53.5 million, of which about $16 million was a direct grant;

(ix) The Society for Export Expansion grants or guarantees loans, provides insurance and generally assists Canadian exporters to compete with other exporters which benefit from similar measures in their own countries. This programme also covers fisheries.

3. Document MDF/W/26 mentions that under Bill C-170 a major restructuring of the Canadian producing industry has taken place. According to the data furnished, three companies have been involved to date, with the federal equity being 100 per cent, 50 per cent and 20 per cent respectively.

In fact, the industry has apparently been restructured in Newfoundland, Nova Scotia and Quebec.

The effect of the restructuring has been to concentrate some 85 per cent of frozen fillet and block production in the hands of three "supercompanies".

In Newfoundland, a new company was formed from the four major and several minor companies. The financing was:

- Federal Government cash contribution	$75.3 million, owns 60 per cent
- Provincial Government converted debt to equity	$31.5 million, owns 25 per cent
- Bank of Nova Scotia converted debt to equity	$44.1 million, owns 12 per cent

The new company is one of the largest in the world.

In Nova Scotia a new company has been formed from a merger of the two largest existing companies. The financing apparently included:

- Federal Government cash contribution	$10 million, owns 20 per cent
- Provincial Government debt to equity	$25 million
- Private investors	$20 million, owns 66 per cent
- Bank of Nova Scotia	owns 14 per cent

- Toronto Dominion Bank to take over the $75 million debt owed to the Bank of Nova Scotia.

The Federal Government also agreed to contribute $35 million, and the Provincial Government of Nova Scotia $15 million for a five-year plan to develop the Nova Scotia fisheries sector.

In Quebec the Federal Government has taken over completely the "Pêcheurs Unis de Quebec" a co-operative representing about half Quebec's fish processing industry. The Government paid $10 million for the takeover, and has since injected some $28.5 million.

The Government has also committed $160 million for a five-year programme to revitalize the Quebec fishing industry.

B. <u>European Communities</u>

(a) Quantitative restrictions: none
(b) Government financial assistance programmes.

1-4: unchanged

<u>Insert after point 4</u> (page 8 of MDF/W/26) the following new point 5:

All national subsidies have to be submitted to the Commission of the European Communities for approval under Articles 92 and 93 of EEC

Treaty, which states the principle of their incompatibility with the Common Market. Only exceptionally, and if trade between the Member States is not affected and they have no other distortional effects, they may be admitted according to the criteria laid down in Article 92 paragraphs 2 and 3.

Point 5 becomes point 6.

Point 6 becomes point 7, to be read as follows:

7. Price support system: the basis for the price setting each year and the basic element in the price system, is the "guide price", i.e. a price fixed for each of the species in the system and which should be obtained under normal market conditions. Withdrawal prices (the lowest prices that members of a P.O. may receive for species under the withdrawal scheme) are derived from the guide price.

These withdrawal prices are set at "catastrophe" levels. When prices fall to these levels, producers withdraw fish from the market, and are compensated to some extent from Community funds. For minimum withdrawals, compensation may be some 50 per cent of the guide price. As quantities withdrawn increase, Community compensation drops.

A reference price system was introduced in order to complement the withdrawal system in ensuring the stability of the market. It establishes the prices at which a number of imported fish products should normally have access to the EEC market.

It is, however, permissible to import into the Community at free-at-frontier prices below the reference price. The reference price only works as a trigger, i.e. only if the reference price is undercut by the actual import price for more than three consecutive market days, and if significant amounts are imported, action may be taken. When the reference price has been contravened, there are three possibilities of action depending on the product in question:

- if there is an autonomous tariff suspension, this can be lifted, thus returning the product to the normal duty level;

- the imports may be subjected to the requirement that the free-at-frontier price be at least equal to the reference price: otherwise these imports will not be allowed;

- the imports may be subject to a countervailing charge to compensate for the difference between the reference price and the import price.

For all Member States ead:

(a) Quantitative restrictions: see VII European Communities

Page 9 of MDF/W/26 - United Kingdom

(b) Government financial assistance programmes

1. There is a grant and loan programme for investment in new fishing vessels and for the improvement of existing vessels. The rate of grant is 25 per cent of approved capital costs. Loans are available for up to 50 per cent of approved expenditure on vessels of less than 100 gross registered tonnes - although commercial rates of interest are charged, the loans may not otherwise be available commercially to borrowers. The financial aid provided under this scheme during 1982/83 was £4.4 million for grants and £2.1 million for loans.

2. Loans are available for small processing and ice plants.

3. Relief from excise duty on hydrocarbon oil is provided for fishing vessels.

4. Financial support is given for certain services provided by the Sea Fish Industry Authority. The Government is to contribute up to £7.9 million during 1985-1987 for promotion and market development of fisheries products.

5. Regional assistance in the form of grants and loans at favourable rates of interest is provided for the Scottish fishing industry by the Highlands and Islands Development Board. The financial aid provided under this scheme during 1982/83 was £0.1 million for grants and £0.8 million for loans.

6. Under the terms of the Industry Act of 1972, the Department of Industry provides a variety of grants and loans limited to "development" areas. The fishing industry amongst others may benefit from this programme.

7. Under Section 10 of the Industry Act of 1972 (as amended 1975), the Government, through the Ship's Mortgage Finance Company, may guarantee the repayment of loans for the purpose of financing the construction of new ships of 100 gross registered tonnes and over.

Page 11 of MDF/W/26 - Denmark

Point 1

To be deleted. This is a general measure covering all sectors and does not contain a subsidy element. It is a general practice in most countries and, therefore, there is no reason to mention it only in the Danish part.

Point 2

Third sentence read: "The loans have maturities varying from ten to thirty years and are offered on normal interest rates and conditions".

Fourth sentence to be deleted. It is normal practice in most countries for certain banks to have specialized in loans to the fishery sector and consequently there is no reason to mention it only in the Danish part.

Point 3

Second line read: "grants covering up to 25%".

Second and third sentences to be replaced as follows: "Since 1984, this programme of investment grants has been extended to cover equipment for fuel construction costs of fishing vessels and construction costs of aquaculture farms".

Add new sentence: "Danish financial aid can only be granted subject to participation from the Community's funds".

Point 4

First line read: "providing up to 25%".

Page 12 of MDF/W/26 - Netherlands

Point 1

First sentence read: has been allocated for the period 1984-86.

Second sentence to be deleted; not correct.

Page 13 of MDF/W/26 - Belgium

Point 1

Last sentence read: ... loan programmes, BF 236 million were advanced.