THE UNITED STATES FISHING INDUSTRY AND THE EUROPEAN COMMON MARKET

By Harold E. Crowther* and Arthur M. Sandberg**

INTRODUCTION

The United States fishing industry has important issues at stake in the developing European Economic Community, otherwise known as the Common Market. Gradual application of Community regulations is already having its effect on world trade in fishery products. The full impact of the Common Market is expected by 1970, possibly sooner.

GROWTH BY ECONOMIC UNION

Six countries--France, West Germany, Italy, and the Benelux countries (Belgium, Netherlands, and Luxembourg)--make up the Common Market. Historically, these countries have not seen eye to eye on many problems, including those concerned with trade and tariff matters. Each has operated as an individual nation, separated from its neighbors by trade walls. But changes have occurred in recent years--changes which will affect the world; United States trade will be affected. The six European countries have formed a Common Market, which is essentially a marketing arrangement to remove trade barriers between the member countries and to establish a common external tariff.

Fig. 1 - Six nations have formed an economic union known as the Common Market.

Fig. 2 - Commerce among Common Market countries will flow freely, much as it does in the United States today.

Eventually commerce within the combined area will be carried on freely, much as it is among the States of the United States. There will be no tariffs among the countries making up this customs union, and no restrictions on movement of goods, capital, services, and workers. Like the United States, the Common Market will have a single policy on imports from "outside" countries.

Shortly after World War II, a drive for European unification began as a means of overcoming political and economic problems. In 1947, the United States fostered the Marshall Plan which laid the groundwork for European recovery and cooperation. The Organization

* Assistant Director
** Trade and Tariff Specialist } U. S. Bureau of Commercial Fisheries, Washington, D. C.

Note: Adapted from a report ("Problems of the Common Market") delivered at the 21st Annual Meeting of the Atlantic States Marine Fisheries Commission, September 26, 1962.

U. S. DEPARTMENT OF THE INTERIOR
FISH AND WILDLIFE SERVICE
SEP. NO. 662

for European Economic Cooperation, set up in 1948, was followed by creation of the Benelux Customs Union. Later came the European Coal and Steel Community, and the European Atomic Energy Community. In March 1957, the Treaty of Rome set up the framework for the Common Market and started Western Europe on a new page in her history.

Many people say that the European Common Market is the most significant economic development of this century. It is only four years old and already astonishingly successful in establishing European unity where total disagreement existed before. From the Marshall Plan onward, the United States has consistently encouraged economic and political cooperation in Western Europe within the framework of a liberal trade policy for it sees in the rise of a unified, prosperous Western Europe a vast increase in the strength of the Free World at a time when strength is urgently needed.

COMMON MARKET BENEFITS

In area, the Common Market is relatively small but its population of 170 millions is close to that of the United States today. Furthermore, the Common Market is one of the most intensively industrialized areas of the world.

There is every indication that the Common Market is succeeding beyond normal expectations; tariffs between member countries have already been cut substantially on many products, and in a few years they will be eliminated entirely. The economic growth rate of the Common Market has been accelerating. Industrial goods are flowing freely and virtually all workers are employed. High purchasing power and availability of goods have stimulated buying, and exports and imports have increased. Other countries in Europe foresee considerable advantages in membership in the Common Market, as well as certain trade problems that they would face if they did not become members.

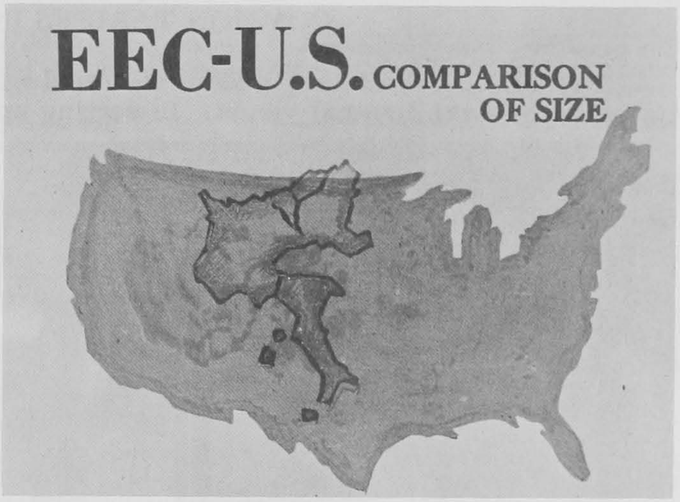

Fig. 3 - In area, France and West Germany are both smaller than Texas; Belgium is about the size of Maryland; the Netherlands is larger than Massachusetts; and Italy is the size of New Mexico.

OTHER COUNTRIES SEEK ENTRY

The leading fishing nations of Western Europe--the United Kingdom, Norway, and Denmark--are now seeking entry into this economic union. The total annual output of fish by those three countries has been 3.2 million metric tons. The Common Market countries produce about 1.9 million tons. Iceland has not sought membership but statements from officials of that country indicate an awareness of possible difficulties, if the United Kingdom, Norway, and Denmark are accepted into the Common Market. In view of its heavy dependence on fisheries, Iceland may seek some type of association that would permit its fishery products free access to the Common Market.

Fig. 4 - Leading fishing nations of Europe now seek entry into Common Market.

With these additional countries as members, the Common Market would encompass a trading area of about 250 million people--

larger than the United States. The enlarged Common Market will be the biggest trading area in the world, creating a greater marketing challenge.

Conditions under which new countries would be permitted entry into the Common Market are now being negotiated and we are watching the outcome carefully. The United Kingdom, second only to the United States as an importer of fishery products, is also a leading fish-producing country. As a member of the Common Market, the United Kingdom would accept the Market's tariff system and adopt uniform fishery policies, but in doing so it may abolish preferential tariffs on goods from Canada, New Zealand, and Australia. The Commonwealth countries are concerned that they will lose profitable trade in the United Kingdom market should the United Kingdom enter the Common Market.

The Common Market thus already consists of an important and collectively powerful group of countries and promises to be enlarged even further in the relatively near future. Greece has concluded an agreement for association with the Common Market providing for full economic integration but over a longer period than for the present members. Other countries, such as Sweden, Austria, and Switzerland, are seeking more limited relationships with the Common Market.

COMMON TARIFFS INCREASE SOME RATES

The duties for fishery products entering Common Market countries will change substantially in the next several years. In setting up a single "average" common tariff on imports of products from outside the Common Market, it was proposed in 1958 that the new external duties become effective gradually over a period of about 12 years, or by 1970. As an example of the tariff changes resulting from the adoption of a common tariff, let us take the case of fish fillets. The original rate of duty on frozen fish fillets was 5 percent in West Germany, free in the Benelux countries, 35 percent in France, and 20 percent in Italy. The proposed common external tariff of the Common Market is 18 percent ad valorem. Thus, the French and Italian duties will be lowered, but the West German and Benelux rates will be increased. The proposed duty will be substantially higher in the countries that have been importing the bulk of the fish fillets.

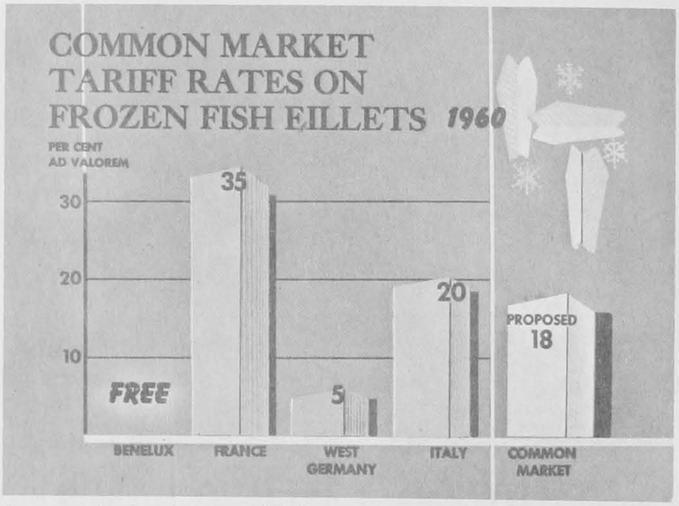

Fig. 5 - In the Common Market, present national duties on fillets will gradually adjust to a uniform level by 1970.

On the positive side, however, we might expect the adverse effect of higher duties in

Table 1 - European 1958 National Duties and Eventual Common Market External Tariffs for Certain Fishery Commodities of Interest to United States

Product	Benelux	France	West Germany	Italy	Common External Tariff1/
	(Percent)				
Frozen:					
Fillets	Free	35	5	20	18
Tuna	Free	33	Free	18 (limited duty-free quota)	25 (with limited duty-free quota)
Shrimp	Free	10-30	35	18	18
Salmon	Free	10	3-12	20	10
Byproducts:					
Fish oil	Free	18	0-5	Free	Free
Fish meal	Free	15	Free	9	4
Canned:					
Salmon	Free	20	20	14	16
Tuna	20	25	20	40	25
Pilchards	20	25	20	30	20
Shrimp	25	35	40	10	20
Crab meat	25	10	30	10	20
Oysters	25	10	35	20	20

1/These rates are expected to be achieved in a series of steps by 1970 according to plan.

West Germany and Benelux to be counterbalanced somewhat because France and Italy, with traditionally high tariffs, would import more fishery products under the new "average" common tariff level. The 10-percent duty on United States fish oil in the United Kingdom might also be reduced to the duty-free level of the Common Market. Also, higher consumer income in the Common Market may have beneficial effects on total trade.

For certain fishery commodities of interest to the United States, the 1958 national duties and the eventual Common Market external tariffs are shown in table 1.

EFFECT ON TRADE WITH UNITED STATES

With higher duty rates in major markets, we may anticipate that normal trade patterns in the Common Market countries will undergo considerable change in the next few years. Most of the Common Market import duties for fishery products will be considerably higher than those of the United States. As those duties change, Iceland and Norway may find it advantageous to seek additional markets in the United States. On January 1, 1962, in the first step toward the Common Market tariff, the Benelux duty on fish fillets increased from 0 to 5 percent; eventually this will be tripled. West German rates also increased. Those countries are important buyers of fillets from Northern European countries.

Fig. 6 - A common fisheries policy will be formulated during 1963.

Table 2 - Comparison of Present United States Import Duties and the Common Market External Tariff for Selected Fishery Products

Product	Rate of Duty	
	United States	Common Market 2/
	(Percent)	
Groundfish fillets	About 9.5 1/	18
Fillet blocks or slabs	About 4 1/	15
Fish sticks and portions	20 and 30	20
Fresh or Frozen:		
Tuna	Free	25 (with limited duty-free quota)
Shrimp	Free	18
Salmon	About 1 1/	10
Halibut	About 2 1/	15
Canned:		
Tuna	12½ and 35	25
Salmon	15	16
Pilchards	6¼	20
Crab meat	22½	20
Oysters	About 18.5 1/	20
Shrimp	Free	20
Byproducts:		
Fish meal	Free	4
Fish solubles	Free	9
Fish oil	Various rates	Free

1/ Ad valorem equivalent.
2/ Rates will gradually rise to this level in steps, and will be fully achieved by 1970, possibly sooner.

Should the United Kingdom succeed, as anticipated, in joining the Common Market, its duty level which is now relatively low on most fish products, would gradually increase to the higher level of the common tariff. It is expected that Denmark and Norway would follow the United Kingdom into the Common Market. When those three important fish-producing countries join, their products will move freely within the Community and countries on the outside will have increased difficulties in surmounting the tariff barriers.

A comparison of the present United States import duties and the common external tariff of the Common Market for selected fishery products is shown in table 2.

COMMON FISHERIES POLICY

Next year, basic decisions are to be made in formulating a common fisheries policy. At this time, it is too early to know what special marketing or support devices may be used to stimulate fishery development in the Common Market. We might take heed from the agricultural policy decisions made in January 1962; the main features of the proposals thus far advanced include control of farm products through common marketing authorities, establish-

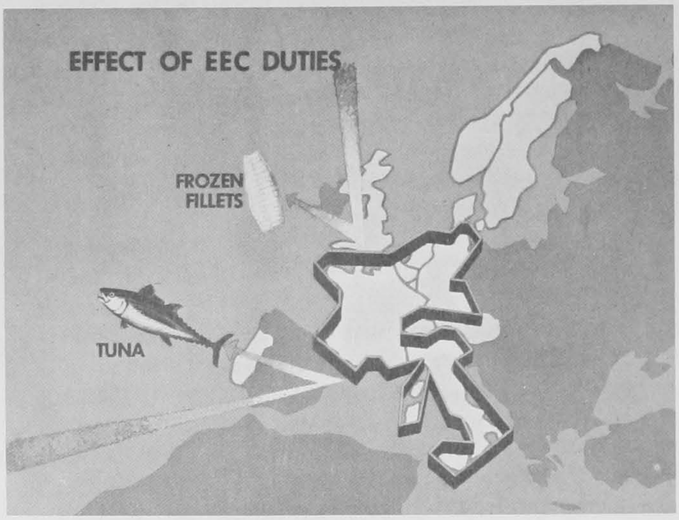

Fig. 7 - Increased Common Market import duties may divert present trade to other countries.

ment of common prices, equalization of prices on imports through a system of variable levies, and in some cases quantitative restrictions on imports.

PREDICTIONS

In the near future, we might expect the following developments from the Common Market:

(1) Members will formulate a common fisheries policy that will permit freer movement of labor and capital, and provide for the establishment of community-wide fishing and landing privileges in all member countries.

(2) Under a uniform fisheries policy, there will be better control of fishery resources and more economical production.

(3) In filling the demands of this great market, processing and marketing organizations of the Common Market will become larger and financially stronger. These concerns will become formidable competitors not only in their own markets but also in the export field.

(4) Fishing fleets, now subsidized in varying degrees, would be integrated and strengthened; larger, more efficient vessels would extend their fishing operations to more productive grounds in other parts of the world.

(5) There will be greater competition from the Common Market for fishery products now exported from Northern Europe to the United States.

NEGOTIATIONS UNDER TRADE EXPANSION ACT OF 1962

President Kennedy has asked for, and the Congress has granted him, broad new authority to negotiate trade agreements with the Common Market and other countries. In this effort, he could make reductions in United States import duties in exchange for reductions in tariffs of the Common Market. Known as the "Trade Expansion Act of 1962" (P. L. 87-794), this legislation provides that the President may lower existing duties by 50 percent, and eliminate tariffs on certain products now dutiable at 5 percent or less and on products for which the United States and the Common Market account for 80 percent or more, by value, of world exports. The effects of this program could mean increased competition for some United States-produced fishery products and increased opportunities for others. Because it has been recognized that some United States industries might be hurt by lower duties and increasing imports, a system of Federal "adjustment assistance" has been established to aid United States companies and workers injured by imports. Under this phase of the program, United States enterprises idled by increased imports may be assisted in meeting import competition and making economic adjustments primarily through a program of tax relief, loans, and technical assistance for modernization and diversification of operations. Readjustment allowances would be given to workers idled by imports.

OTHER REGIONAL ECONOMIC UNIONS FORMING

The European Common Market is already well on its way. Two economic units are now developing in Latin America. The larger of the two is known as the Latin American Free Trade Association (LAFTA), and consists of Mexico, Colombia, Ecuador, Peru, Chile, Brazil, Paraguay, Uruguay, and Argentina. The other group is called the Central American Common Market, the members of which are Guatemala, El Salvador, Honduras, and Nicaragua. In the near future, those also may have an important impact upon our fisheries.

Fig. 8 - Latin American nations are forming a free trade association.

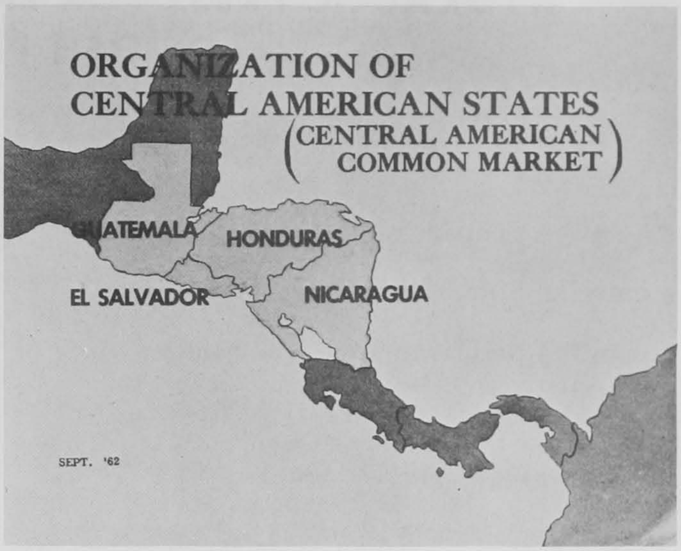

Fig. 9 - A Central American Common Market is also developing.

MEETING THE CHALLENGE

Now, what can we do to make the challenge of the new markets an opportunity for domestic growth and development?

First, we can work to improve our fishery productivity, efficiency, and cost position.

Second, we can step up our research and development activities, transforming the increased scientific knowledge into new processes and products. Products which are unique or better than those of our competitors will gain and hold new markets abroad as well as at home.

Third, we can apply selling techniques in our markets, based on market research to fill different needs, customs, and tastes.

Efforts in those fields should strengthen our domestic economy and enhance our competitive capacities, not only with imports but in the export field.

ORIGIN OF PACIFIC COAST SARDINE CANNING INDUSTRY

"Several efforts were made during the 1890's to establish sardine canning on Puget Sound or in Alaska where large quantities of herring were available, but all of these operations were shortlived. The first successful Pacific Coast sardine cannery was established at San Pedro, California, in 1896. The industry developed slowly until 1917 when the pack was suddenly increased to a large amount by war demands. After the war, production was maintained and increased by extensive cultivation of the export trade."

--"Principles and Methods in the Canning of Fishery Products," Research Report No. 7 (page 4), U. S. Fish and Wildlife Service.