FISH AND CHIPS BRIEFING PAPER

Since the passage of the Magnuson Fishery Conservation and Management Act (MFCMA) in 1976, the National Marine Fisheries Service (NMFS) has sought ways to obtain benefits from foreign countries in exchange for the privilege of continued access to fishery resources in the United States 200-mile zone. The original Act linked foreign fishing rights to several criteria, including cooperation in enforcement and management and contributions to scientific research, and assigned a cost to foreign fishing in the form of fees based on 3.5 percent of historical ex-vessel values. Within a few years, as the goals of fishery management turned increasingly toward development activities, the NMFS elected an allocation policy of also tying foreign fishing rights to actions which would benefit U.S. fisheries development. NOAA and State Department negotiators made a concerted effort for the first time in 1978 to raise the issues of market accessibility and trade policy when discussing fishing allocations with foreign governments and were successful in obtaining certain tariff concessions in the Multilateral Trade Negotiations (MTN).

In 1979 the "fish and chip" policy was officially announced making it clear that in the future foreign allocations were to be exchanged to a much greater extent for benefits to the U.S. fishing industry, and in particular, foreign efforts to expand purchases of the U.S. seafood products.

In December, 1980, with the passage of the American Fisheries Promotion Act (AFPA), the following criteria were mandated to be considered in linking foreign fishing allocations:

"(1) whether, and to what extent, such nations imposed tariff barriers or nontariff barriers on the importation, or otherwise restrict the market access, of United States fish or fishery products;

(2) whether, and to what extent, such nations are cooperating with the United States in the advancement of existing and new opportunities for fisheries trade, particularly through the purchase of fish or fishery products from United States processors or from United States fishermen;

(3) whether, and to what extent, such nations and the fishing fleets of such nations have cooperated with the United States in the enforcement of United States fishing regulations;

(4) whether, and to what extent, such nations require the fish harvested from the fishery conservation zone for their domestic consumption;

(5) whether, and to what extent, such nations otherwise contribute to, or foster the growth of, a sound and economic United States fishing industry, including minimizing gear conflicts with fishing operations of United States fishermen, and transferring harvesting or processing technology which will benefit the United States fishing industry;

(6) whether, and to what extent, the fishing vessels of such nations have traditionally engaged in fishing in such fishery;

(7) whether, and to what extent, such nations are cooperating with the United States in, and making substantial contributions to fishery research and the identification of fishery resources; and

(8) such other matters as the Secretary of State, in cooperation with the Secretary, deems appropriate."

In particular the first, second, and fifth criteria are those most critical to our fisheries development goals.

An examination of our "Fish and Chips" approaches to various nations is provided below, on a country-by-country basis.

JAPAN

The Japanese traditionally receive the largest allocation in the U.S. Fishery Conservation Zone, over 1.4 million tons in 1980. The bulk of this is Alaskan pollock in the Bering Sea, but Japan also fishes for squid in the Atlantic and a variety of other species in the North Pacific. Since Japan is also the largest market for U.S. seafood exports, it was logical for the United States to focus first on Japan in implementing the "Fish and Chips" policy.

In 1978, during a visit to Japan by former Secretary of Commerce Juanita Kreps, NOAA and NMFS fishery negotiators began discussing reduction of tariff and non-tariff barriers with the Japanese. Talks continued over the next two years, culminating in a fishery trade understanding in July 1980.

In that agreement, the Japanese promised, among other things, to broaden the criteria for entry into their quota system for fish and shellfish, reserved 25 percent of the trading company portion of the quota for new entrants to the import system, set aside a portion of the quota for fishermen's organizations and joint ventures, set up a "contact point" system for better Government to Government communications, expanded their herring quota and offered technical cooperation.

Problems with Japan's herring quota continue to impede U.S. exports. While the Japanese expanded the number of recipients from one to three, they continue to give 90 percent of the quota to the traditional quota holder. This group allocates portions of the quota to trading companies and manufacturers which must sell the product back to the cooperative holding the quota or pay it a commission. We have pointed out to the Japanese that this issue needs resolution in order that U.S. exporters can deal broadly with Japan's market system. The agreement was implemented by the Japanese in a timely fashion, but results will not be seen until late this year.

Two Japanese companies also entered into over-the-side joint ventures with U.S. firms for about 14,000 metric tons of Alaskan pollock delivered by U.S. fishermen to Japanese processing vessels.

At the same time, Japanese imports from the U.S. dropped in 1980 by 8 percent in quantity to 108,000 metric tons and over 30 percent in value to $406 million. This was due to a variety of factors--high inventories, low consumption and consumer spending in Japan, changes in the exchange rate between the dollar and the yen, and a worsening economic situation in Japan. Early statistics from 1981 show Japanese imports about the same value as in 1980 but quantities are up. Forecasts indicate larger purchases later in the year of salmon and fish roe.

As a result of the 1980 agreement and Japanese efforts to implement its provisions, Japan was allocated a high initial allocation in the Eastern Bering Sea and in the Gulf of Alaska. Japanese trade activity will be evaluated prior to the 1982 allocations being given out. Poor trade performance would result in NMFS recommending a drop in allocations for Japan.

THE REPUBLIC OF KOREA

The Republic of Korea receives the second largest allocation in U.S. waters after Japan. The Koreans also operate a joint venture operation with American fishermen. Discussions on tariff and non-tariff barriers have been underway for the past 2 years and resulted in an agreement with the Koreans which will be signed in the near future. The agreement provides for the transfer of several fish species from restricted import lists to automatic approval lists. The Koreans also promised to study reduction of tariffs and transfer of additional species to the automatic approval list.

During the negotiations and after, the U.S. stressed to the Koreans the importance of the joint venture operating off Alaska. It was stated that this venture would be evaluated in making allocation decisions during 1981 and in 1982.

One problem the U.S. has with Korea pertains to the end use of fish caught in U.S. waters. The Koreans sell much of their catch back to the U.S. or to markets in Japan and the EC in which we are competing. U.S. efforts recently have been designed to influence the Koreans to utilize much of their catch in domestic markets.

Korea's imports from the United States have doubled each of the last 2 years, from $7 to $14 million to $28 million in 1980. Much of this consists of salmon and fish roe destined for Japanese markets. At the same time, Korean seafood exports to the U.S. were down last year, narrowing our seafood trade deficit. Korean efforts to import U.S. seafood for domestic consumption should improve under the agreement, specifically because the Koreans utilize large amounts of fish for feeding their armed forces. Liberalization of salmon and other species will also give the U.S. an alternative market to Japan.

Korea received a substantial initial allocation in the Bering Sea and Gulf of Alaska.

PORTUGAL

NOAA officials first visited Portugal in March 1980, shortly after the "Fish and Chips" concept was first announced. At that time Portugal was not fishing in U.S. waters and did not have a Governing International Fisheries Agreement (GIFA) with the United States. NOAA officials initiated a dialogue which resulted in Portuguese commitments to open their market for U.S. products in exchange for a GIFA and allocations. Based on these commitments, Portugal and the United States signed a GIFA in October 1980 and a formal fishery trade agreement was signed in March 1981; this trade agreement calls for Portugal to import a minimum of $7 million worth of United States fishery products during 1981--something in the neighborhood of 10 percent of Portugal's total fishery imports.

The Portuguese are interested in fishing in the North Pacific for species such as Pacific cod and Alaskan pollock. They have discussed a multimillion dollar arrangement with one company for product and for U.S. technical advice on fishing in the Alaska area. The Portuguese are also looking to purchase squid, Atlantic cod and lobsters. They may also be interested in fishing for other U.S. species. A Portuguese company has also announced plans to bring a processing ship into a New England harbor to process fish delivered by U.S. boats.

At the present time, NOAA has recommended that Portugal receive an allocation of 10,552 m.t. in the Atlantic Ocean and has set aside an unspecified amount in the Pacific Ocean pending signs that Portugal intends to live up to their commitments.

POLAND

Poland began fishing off the United States in the early 1960's and was the first nation to sign a GIFA with the United States following passage of the Fishery Conservation and Management Act of 1976 (FCMA). Since then, Poland's fisheries allocations have increased from 64,400 mt in 1977 to 53,701 mt in 1978 to 88,056 m.t. in 1979, to 239,815 mt in 1980.

Poland has been active and cooperative with the United States in scientific fisheries research. Poland has also cooperated closely with U.S. fishing regulations. Poland is an important supplier of fish blocks to Mrs. Paul's Kitchens and to Gortons.

Prior to the establishment of the "Fish and Chips" policy Poland did not purchase any fish from the United States although it did purchase fishery products from neighboring Canada. In October 1980, NOAA sent a mission to Poland to discuss the "Fish and Chips" policy. At that time, a staff level understanding was reached that Poland would purchase 60,000 to 80,000 metric tons of U.S. products from the United States. Unfortunately, political, labor, and economic difficulties in Poland have resulted in a delay in signing of this staff-level understanding. Polish officials have since expressed a willingness to proceed with a trade agreement, but on a lower scale, which remains to be negotiated formally. Although there have been no agreements reached, Poland has voluntarily begun to import U.S. fishery products; U.S. exports to Poland through April 1981, amounted to 968 m.t. worth $1.9 million. The Polish have purchased canned shellfish, fish in airtight containers and fish roe thus far this year. They have not stated what specific species they are interested in purchasing.

SPAIN

Spain was the second country involved in the NOAA effort to link fisheries trade to allocations. In March 1980, the NOAA Administrator visited Spain where an understanding was reached that Spain would permit up to 12,000 m.t. of edible fishery products to enter Spain during 1980.

Unfortunately, Spanish imports of edible fishery products during 1980 totaled 1,957 metric tons worth $4.5 million--far below the target figure identified in the agreement reached with that country. However, on the positive side, Spain's imports of edible and industrial fishery products totaled 5,558 m.t. worth $6.6 million--nearly double the amount imported in 1979. In 1980, the U.S. allocated 36,007 m.t. to Spain, all in the Atlantic Ocean.

The issue confronting both countries, is that Spain said that they agreed to issue import permits for 12,000 m.t.--while U.S. officials view the intent of the agreement as opening doors to 12,000 m.t. worth of actual exports. The United States Government has already informed the Government of Spain, that it will reduce their 1981 allocations in the Atlantic Ocean and will not provide any allocations in the Pacific Ocean.

A joint venture squid fishing company recently formed in the United States by Spanish interests is expected to facilitate Spanish squid fishing technology being transferred to the U.S. which will result in increased sales of high quality squid to Spain.

Spain's imports of U.S. fishery products through April 1981 amounted to 204 m.t. worth $1 million. Through June 18, 1981, the U.S. has allocated 16,523 m.t. to Spain.

EUROPEAN ECOMONIC COMMUNITY

Italy and West Germany are the most important E.C. countries currently fishing in U.S. waters under a GIFA agreement signed with the

E.C. Under the E.C. rules, individual member countries cannot negotiate "Fish and Chips" agreements with the United States; which is carried out by the E.C. for all members states. To date, the E.C. nations account for about one-quarter of all U.S. exports, but the E.C. has been reluctant to support the "Fish and Chips" concept and has generally opposed any U.S. initiative in the direction of a fisheries trade agreement.

During 1980, the U.S. Government conducted several discussions with the officials of the European Communities on fisheries matters including our requests for tariff reductions on several nontraditional species. We especially voiced our concern on discontinuation of temporary tariff suspensions on a number of fishery products including frozen salmon. These discussions did not result in any concessions. On the contrary, the EC announced in November a proposal to expand the reference price system (minimum import price requirements) on several fishery products. Frozen salmon was again a major target. The proposed system, which has not been implemented yet, would cause a serious restriction to U.S. Pacific salmon exports, because it would limit price competition with European cultured salmon. The U.S. Government expressed our concern on several occasions during 1981 and discussed the issue with the E.C. officials and with the officials of individual member countries.

The E.C. reference price proposal has been kept separate from the foreign fish allocations, because the U.S. Government considers the proposal illegal under the General Agreement on Tariffs and Trade (GATT) and will, in the event of E.C. implementation of the proposal in its current form file a complaint with GATT. However, because of Italian strong support of the proposal, the U.S. Government reduced some of the 1981 allocations to that country.

The Germans are attempting to train U.S. citizens, purchase product and buy fish at sea from U.S. fishermen. In return they received an allocation to fish for Alaskan pollock off Alaska.

Individual countries, such as West Germany, and others, are sympathetic with the "Fish and Chips" concept and have generally cooperated in expanding trade or in assisting the U.S. fishing industry through technology transfer, on-board training programs, and other educational means.

The European Community's imports of U.S. fishery products through April 1981 are 54,000 m.t. worth $90.9 million.

OTHERS

East Germany, Romania, Bulgaria, Cuba, the Faroe Islands, and the USSR all have GIFA's with the United States. None of these countries have been contacted about the "Fish and Chips" policy. NOAA officials hope, however, to visit Romania, Bulgaria, and East Germany in the Fall of 1981 to brief appropriate Government officials of this concept to determine how these countries plan to support the program. No contacts are planned with Cuba, the Faroe Islands, or the USSR this year.

TAIWAN

Taiwan receives a small allocation in the North Pacific and the seamount area. In 1981, the Taiwanese entered a joint venture operation with the Pribilof Islanders to develop the natives' fishing capacity and train native fishermen aboard vessels. An additional allocation was given to Taiwan for this purpose. The species involved are Alaskan pollock and Pacific cod.

Taiwan maintains high tariffs on imports unless the material is destined for re-export. Taiwan exported over $83 million to the U.S. while purchasing almost $10 million in seafood products last year. This represents a reduction of Taiwanese exports to the U.S. and more than doubles 1979 U.S. seafood exports to Taiwan. No fishery trade discussions with Taiwan have been scheduled.

"FISH AND CHIPS" EVALUATION PROCESS

To monitor and evaluate foreign benefits to the U.S. fishing industry, according to the AFPA criteria NMFS is developing an evaluation model. This model is designed to give quantitative ratings to each foreign country requesting an allocation and to the different forms of development benefits. With this system the NMFS will be able to fulfill more efficiently the mandate of the American Fisheries Promotion Act.

Monitoring of the implementation of the benefits agreements will require inputs from several sources. The regional staffs, fisheries management councils and industry representatives play an especially important role in the monitoring of joint ventures, technology transfer arrangements and training programs. Information received from these sources will be used to evaluate each country's performance.

When the trade factors and their relation to the criteria in the AFPA have been analyzed, the results will be evaluated in concert with enforcement, scientific research and other factors provided for under the Act. This material is presented to the NMFS Foreign Allocations Board for allocation recommendations which are then sent to the Department of State for decision.

The purpose of this process is to strengthen the "Fish and Chips" policy of linking closely allocations and development related benefits to U.S. fishing industry.