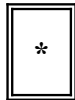


8 December 1997

A4-0397/97



# **REPORT**

on the proposal for a Council Regulation (EC) on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement (COM(97)0323 - C4-0364/97 - 97/0177(CNS))

Committee on Fisheries

Rapporteur: Mr Allan Macartney

PE 223.784/fin.

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By letter of 11 July 1997 the Council consulted Parliament, pursuant to Article 43, in conjunction with the first sentence of Article 228(2) and the first subparagraph of Article 228(3) of the EC Treaty, on the proposal for a Council Regulation (EC) on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement.

At the sitting of 18 July 1997 the President of Parliament announced that he had referred this proposal to the Committee on Fisheries as the committee responsible and the Committee on Budgets for its opinion.

At its meeting of 4 September 1997 the Committee on Fisheries appointed Mr Macartney rapporteur.

It considered the draft report at its meetings of 8 October, 4 November and 1 December 1997.

At the last meeting it adopted the draft legislative resolution unanimously.

The following took part in the vote : Fraga Estévez, chairman; Kindermann, vice-chairman; Macartney, vice-chairman and rapporteur; d'Aboville, Gallagher, Girão Pereira (for Tajani), Hardstaff (for Adam), Jöns (for Crampton), McCartin (for Provan), Varela Suanzes-Carpegna.

The opinion of the Committee on Budgets is attached.

The report was tabled on 8 December 1997.

**A.**  
**DRAFT LEGISLATIVE RESOLUTION**

**Legislative resolution embodying Parliament's opinion on the proposal for a Council Regulation (EC) on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement (COM(97)0323 - C4-0364/97 - 97/0177(CNS))**

**(Consultation procedure)**

The European Parliament,

- having regard to the proposal for a Council Regulation (EC), COM(97)0323-97/0177(CNS)<sup>(1)</sup>,
  - having regard to Article 228(2) of the EC Treaty;
  - having been consulted by the Council pursuant to Article 43, in conjunction with the first sentence of Article 228(2) and the first subparagraph of Article 228(3) of the EC Treaty (C4-0364/97),
  - having regard to Rule 90(7) of its Rules of Procedure,
  - having regard to the report of the Committee on Fisheries and the opinion of the Committee on Budgets (A4-0397/97),
1. Approves the conclusion of Protocol I to the agreement;
  2. Instructs its President to forward this opinion to the Council and Commission, and the governments and parliaments of the Member States and of the Republic of Latvia.

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(1) OJ C 248, 14.08.1997, p. 20

## **B.** **EXPLANATORY STATEMENT**

### **Introduction**

In December 1995, the Commission received a mandate to negotiate with the three Baltic States of Estonia, Latvia and Lithuania in order to replace both the existing 1993 fisheries agreements which they had with the Union and their previous bilateral agreements with Finland and Sweden, which were now being managed by the Community.

The negotiations were completed by the Commission in accordance with the mandate and an agreement with Latvia was initialled on 24 April 1996 and signed in Brussels on 19 December 1996.<sup>(1)</sup> The agreement shall remain in force for an initial period of six years, tacitly renewable for further periods of three years, so long as none of the parties gives notice of termination.

The agreements concluded with all three Baltic countries were almost identical. However, only the agreement with Lithuania was supplemented with a protocol on joint enterprises.

The purpose of the current proposal is to add similar provisions to the agreement with Latvia.

### **Content of the Protocol**

Under Article 5 of the 1996 agreement with Latvia, the possibility was already provided for the conclusion, at a later date, of a "second generation" protocol laying down the conditions for joint enterprises.

It was agreed, in general guidelines, that the two parties should encourage the promotion and preservation of a favourable and stable climate for the establishment of joint enterprises and ensure that all enterprises from the Community obtain non-discriminatory, fair and equitable treatment. It was further agreed that the parties should consult with the aim of jointly exploiting fishery resources under a scheme whereby Community financial assistance would be exchanged for access to fishing opportunities.

Thus, as a result, during the fisheries consultations between the Community and Latvia, held in Brussels on 7 and 8 November 1996, a final text for the current proposal was agreed and the draft protocol subsequently initialled in Riga on 14 February 1997.

The protocol, which will be valid for a period of three years, contains provisions relating to joint enterprises and involves a Community contribution of 2,500,000 Ecu. Following the guidelines, mentioned above, it provides for the creation of companies regulated by Latvian law, comprising one or more Community shipowners and one or more partners in Latvia, operating vessels under the Latvian flag and exploiting Latvian fishery resources, with Latvian crews.

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(1) OJ L 332, 20.12.1996, p. 2

It further provides for the encouragement of the reflagging of existing Community vessels to Latvia, provided that this does not increase the overall capacity of the Latvian fleet and that the vessels concerned are not subsequently re-integrated into the Community fleet. For vessels transferred in this way, the EU flag states will have to contribute 25 per cent of the Community financial contribution.

To receive assistance, Community vessels selected must be at least five years old. Vessels of that age will qualify for the highest level of support, with a reduction of 1.5% for each additional year of age, calculated in a similar way to the aid barometer under the FIG regulation.

The parties shall set up a Joint Committee, charged with selecting projects, which shall meet once a year. Joint enterprises newly established in Latvia shall receive financial support from the Community equivalent to 15 per cent of the amount paid to the Community ship-owner.

### **Assessment**

Any evaluation of this protocol must take account not only of any potential benefits for the Community, but also of the political and economic realities of Latvia's position as a candidate for accession to the Union. For this reason it must be considered in relation to the state of the fisheries and processing industries in Latvia and how it might contribute to preparing them for future acceptance of the acquis.

At the present time, the Latvian distant water fleet consists of 15 vessels, 13 of which are state owned, catching 70,000t of mostly sardines and horse mackerel in 1996, principally in Mauritanian waters. The Baltic and coastal fleet consists of 186 privately owned vessels, accounting for 72,000t of cod, herring and sprat, which is under quota. The average age of this fleet is about 20 years.

Processing is carried out by 34 private enterprises employing over 6,000 people and producing 54,000t of canned and 59,000t of other processed fish products.

Latvia is a net exporter of fish, with 90 % of production going abroad. In 1996, she produced 113,136.8t and exported 134,683t, valued at \$130.5 million. Her imports of fish (44,725.2t at \$26.7 million) were mostly fresh and frozen mackerel and herring, much of it from Norway, brought in because of the insufficiency or lack of supply for the processing industry and, to a lesser extent, the local market.

The greater possibilities offered by the Protocol for cooperation with Community ship owners should help fill that gap, particularly through the exploitation of those Latvian resources currently being fished under quota in the Baltic.

Privatisation, modernisation of infrastructure and the establishment of an efficient fisheries administration are the main requirements and priorities of the Latvian fisheries sector. With regard to the contribution which the Protocol can make to these goals and to their coincidence of interest with that of the Community, several points should be made:

- Privatisation: Despite two years of efforts, the process of privatising the Latvian high seas fleet has met with little success. Due to tight economic conditions and limited fishing opportunities,

only two joint stock companies have as yet been formed. The Protocol may help Latvia to privatise more rapidly, while at the same time serving to reduce over-capacity in the Community.

- Modernisation: The average age of the Latvian Baltic and coastal fleet is 20 years. It is owned by 80 fisheries companies and employs around 2,000 fishermen. However, since the regaining of independence in 1990, only three new vessels have been purchased, due mainly to the limited access to credit under reasonable conditions.

The Protocol should allow for the modernisation of the Latvian fleet through the reflagging of newer Community vessels, while providing new investment and fishing opportunities for EU owners. The Community restructuring process will also benefit.

- Fisheries administration: Under article 4(3) of the Protocol, the 15 % financial support granted by the Community to the Latvian partner in a joint enterprise shall be paid to the Latvian National Board of Fisheries of the Ministry of Agriculture. The Board, which will report to the Joint Committee, will be empowered to lay down terms governing its use and administration.

As a minimum, the experience gained in administering EU funding and dealing with Community procedures will be of benefit to Latvia in the efforts to ready its fisheries administration for accession.

From the purely Community point of view, the provision in the Protocol that ships operated by joint enterprises should be captained and crewed only by "citizens or permanent residents of Latvia", has given rise to some comment. However, in view of the remarks made in the Commission's Opinion on Latvia's Application for Membership of the European Union<sup>(1)</sup>, the inclusion of the clause "permanent residents" is to be welcomed.

## Conclusions

Parliament's report on the 1996 agreements with the Baltic States<sup>(2)</sup>, regretted that it had not been possible to achieve protocols with Latvia and Estonia similar to that which had been concluded with Lithuania. The current Commission proposal, must therefore be welcomed .

However, in recommending approval, your rapporteur would nevertheless remind the Commission of Parliament's position on the Agreement as a whole, i.e. that "each year, before the start of bilateral consultations between the Parties, the Commission shall submit to the Council and Parliament a report on the application and implementing conditions of the Agreement".

While in the framework of the Agreement the EU mainly aims at finding additional possibilities of fishing in the Latvian fishery zone, Latvia has a wish to co-operate in other branches of the field which have not been completely developed by the existing Agreement.

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(1) COM(97)2005, 15.07.1997

(2) OJ C 362, 2.12.1996, p. 16

Because the EU has not confirmed the Protocol, co-operation has not yet commenced. As to research in fisheries, the EU has not so far actively responded to the drafting of bilateral projects; more often they have been drafted and implemented by individual EU Member States.

Latvia would be particularly interested in common projects related to her integration into the EU and the CFP. Certainly, these issues have been incorporated in the Association Agreement between Latvia and the EU, but co-operation in this field has not been fully developed. In this respect some of the EU Member States have their own activities to assist Latvia, but the EU itself is not very active in this direction, either, although the respective agreements have been signed.

As has been indicated above, the Protocol will be of mutual benefit to both the EU and to Latvia. It will serve as an element in the pre-accession strategy towards the candidate countries and hence any assistance given to Latvia to make progress in areas of Community interest must be viewed positively in the existing Community.



25 November 1997

## **OPINION**

(Rule 147)

for the Committee on Fisheries

on the proposal for a Council Regulation (EC) on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement (COM(97)0323 - C4-0364/97- 97/0177 (CNS); report by Mr Macartney)

Committee on Budgets

Draftswoman: Mrs. Karin Jöns

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## **PROCEDURE**

At its meeting of 2 September 1997, the Committee on Budgets appointed Mrs. Karin Jöns draftswoman.

It considered the draft opinion at its meeting of 25 November 1997.

At this meeting it adopted the following conclusions unanimously.

The following took part in the vote: Samland, Chairman; Tillich, Giansily, Vice-chairmen; Jöns, Draftswoman (for Dankert); Bösch, Bourlanges, Brinkhorst, Colom i Naval, Dell'Alba, Dührkop, Dührkop, Elles, Fabra Vallés, Garriga Polledo, Haug, Imaz San Miguel, Müller, Theato and Virrankoski.

## **BACKGROUND**

1. This Protocol follows the following events:

- **On 2nd December 1996**, the Council adopted the agreement on Fisheries Relations between the European Community and Latvia. This agreement establishes among others, that each year each Party shall, as appropriate, determine the total allowable catches for stocks and the allocation of catch quotas, as well as define the reciprocal access arrangements in the context of joint management schemes for common stocks (art. 3). It also considers that Latvia grants additional fishing possibilities in areas under its jurisdiction and that in exchange the Community will grant financial contribution (art. 4). The Parties also agreed to encourage the establishment of joint enterprises under a scheme whereby the Community should provide for financial assistance while Latvia should provide access to fishing opportunities not provided for in Articles 3 and 4 (art. 5).

- This agreement shall be in force for an initial six-years period from the date of its entry into force (it is renewable for periods of three years under predefined conditions).

- **In its opinion of 15 November 1996** the EP proposed the Council to take better account of the need to keep budgetary authorities better informed on the implementation of this agreement and on its protocols, and to consider its expenditure as also non-compulsory; four amendments have therefore been adopted. The Council did not take into account these amendments.

## THE COMMISSION PROPOSAL

2. During negotiations on this agreement Latvia and EU have also agreed on the Protocol we are now examining and signed it last 14 February. This Protocol establishes the basic rules for the creation of joint enterprises between Latvia and EU, fixing the level of the financial assistance at ECU 2.5m for its first three years period of validity. This disposition is taken in accordance with art. 4 and 5 of the agreement. A joint committee is therefore set up which will evaluate the projects presented by the Parties, check administration projects and oversee the use of financial assistance. The maximum amount of ECU 2.5m will be used to the attribution of premiums to the owners of joint enterprises, and the grant of financial assistance of newly established enterprises (15% of the amount paid to the Community owner).
3. No provisional implementation of this Protocol was considered by the Commission or the Council, once its implementation will be conditioned by the real creation of joint enterprises. According to the financial statement attached to the Commission proposal, the estimated schedule for commitments and payments is presented as follows:

	Commitment	Payment
1998	1,250,000	1,250,000
1999	1,250,000	1,250,000
2000		

## SOME REMARKS AND PROPOSALS

4. The Council did not accept the EP amendments to the agreement. It seems therefore important to insist with the EP approach on the classification of expenditure and on the information of the budget authority, the same amendments being therefore proposed. Beforehand, the Commission is invited to clarify the following points:

- In 1997 was any expenditure decided under B7-8000 for this agreement?

- Why does the Commission intend to commit and pay the total amount of ECU 2.5m in the first two years of the validity of this Protocol (98/99) even if it is supposed to be applied also in the year 2000? Why is not the Commission splitting the total amount for the three years period of validity of this Protocol ( $2.5/3 = 0.830/0.830/0.840$ )?

5. A final remark can be made on the Commission approach during negotiations; it can be considered quite unusual that, in a moment when the definition of a preaccession strategy is being defined, the EU budget is financing the transfer of EU fishing vessels from the EU fleet to a third country which in the near future is expected to be a member of the EU and beneficiary of the EU common Fisheries policy.

## CONCLUSIONS

6. Under the above remarks the draftsman proposes the Committee on Budgets to vote the following conclusions:

A. Insists upon the need for the Commission to finalise negotiations on the fisheries agreements in due time to allow the appropriate consultation of the European Parliament, this in order to avoid the difficulties previously experienced in this sector.

B. Stresses that the European Parliament must be also consulted on the missing Protocol to be annexed to the Estonian fisheries Agreement and that the two arms of the budgetary authority should be duly informed on the annual consultations which the Commission expects to have under articles 3 and 4 of the Latvia Fisheries agreement.

C. Requests that the Committee on Fisheries adopt the following three amendments:

(Amendment 1)  
Second recital b (new)

Whereas, in accordance with the Interinstitutional Agreement of 29 October 1993 on budgetary discipline, expenditure relating to this Protocol is non-compulsory;

(Amendment 2)  
Article 2a(1) (new)

1. In the course of the last year of the Protocol's application, and before the start of negotiations on its possible renewal, the Commission shall submit to the Council and European Parliament a general assessment report.

(Amendment 3)  
Article 2a(2) (new)

2. The Council shall, on the basis of that report and taking account of the European Parliament's opinion thereon, authorize the Commission, where appropriate, to start negotiations with a view to the adoption of a new Protocol.