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**REPORT ON THE APPLICATION OF THE SYSTEM OF COMPENSATION FOR  
THE ADDITIONAL COSTS INCURRED IN THE MARKETING OF CERTAIN  
FISHERY PRODUCTS FROM THE AZORES, MADEIRA, THE CANARY ISLANDS  
AND THE FRENCH DEPARTMENT OF GUIANA AS A RESULT OF THEIR VERY  
REMOTE LOCATION**

(presented by the Commission)

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## PREFACE

### Introduction

By its Decisions 89/687/EEC<sup>1</sup>, 91/314/EEC<sup>2</sup> and 91/315/EEC<sup>3</sup> the Council set up programmes of options specific to the remote and insular nature of the outermost regions. These have provided an appropriate framework for the adoption of measures in the various sectors of activity that require special attention as regards increasing Community support to reduce the permanent constraints suffered by these regions (POSEIDOM, POSEICAN and POSEIMA Programmes).

The programmes aim to take account, in the application of Community policies, of the special characteristics and handicaps of these regions resulting from their remoteness and isolation. Their economic dependence on a few products, the smallness of their markets and their twofold nature as both Community regions and territories situated in a developing country environment determine the economic and social situation of these regions.

Symbols of Community solidarity with its most distant regions and essential for their integration in the internal market, the programmes were intended as reference frameworks for the application of Community policies in these regions.

The Joint Declaration on the Outermost Regions of the Community annexed to the Treaty on European Union acknowledges that special measures have to be adopted to assist these regions in order that they can achieve the average economic and social level of the Community<sup>4</sup>. The Council has adopted a series of programmes covering various sectors of economic activity, including fisheries, which plays a particularly important role in the socio-economic development of these regions.

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<sup>1</sup> OJ No L 399 of 30 December 1989.

<sup>2</sup> OJ No L 171 of 29 June 1991.

<sup>3</sup> OJ No L 171 of 29 June 1991.

<sup>4</sup> The full text of the Declaration is as follows:

“The Conference acknowledges that the outermost regions of the Community (the French overseas departments, Azores and Madeira and Canary Islands) suffer from major structural backwardness compounded by several phenomena (remoteness, island status, small size, difficult topography and climate, economic dependence on a few products), the permanence and combination of which severely restrain their economic and social development.

It considers that, while the provisions of the Treaty establishing the European Community and secondary legislation apply automatically to outermost regions, it is nonetheless possible to adopt specific measures to assist them inasmuch and as long as there is an objective need to take such measures with a view to the economic and social development of those regions. Such measures should have their aim both the completion of the internal market and a recognition of the regional reality to enable the outermost regions to achieve the average economic and social level of the Community”.

Several factors, in particular the extent of the exclusive economic zones and the jobs created by the activities related to this sector justify an approach at Community level which takes account of both the importance of the sector and the constraints resulting from the remoteness of these regions.

In this context, the programmes of specific options constitute an appropriate framework for the implementation of a set of measures which allow these regions to be gradually integrated into the dynamics of the internal market and to enjoy the advantages of their economies reaching levels of development closer to those of the rest of the Community.

#### Specific case of support for marketing certain fisheries products

The absence of regional markets and the additional transport costs already referred to constitute permanent constraints regarding access to markets. This is a situation common to the three outermost regions.

It was precisely for this reason that the Community decided to take action to assist the producers in these regions regarding the marketing of fishery products. A system was introduced in 1992<sup>5</sup>, which met with considerable success. It was extended in 1994 by Council Regulation (EC) No 1503/94<sup>6</sup>, which provided support for the marketing of the species most concerned by making possible external marketing activities in conditions comparable to those of economic operators in mainland Europe.

In the regions of the Azores and Madeira, local canning industries account for a volume of production equivalent to almost half of exports and employ a sizeable proportion of the working population. Nevertheless, the specific conditions of these regions resulting from their small size and geographical situation mean additional production and marketing costs, which weaken their competitive position compared with similar activities in mainland Europe. Consequently, the levels of pay in the sector are much lower than the Community averages. The factors determining this lie in the industry's operating conditions: additional transport costs and financial charges resulting from the capitalisation of the factors of production (in particular salt, oil and cans); additional energy costs and the cost of transport insurance. The situation is the same in the Canary Islands, where the additional costs are also linked to raw materials, energy and transport. This is also true of the department of Guiana where, in addition to the above-mentioned factors, there are special circumstances which worsen the operating conditions (e.g. absence of maritime credit for financial charges, need to create large stocks of spare parts for ships, difference in the purchase price of ships in continental shipyards, given the absence of local supply, and competition of exports from certain countries in South and Central America, which enjoy advantageous conditions under Community legislation). This situation cannot be overcome in the short term. It was therefore necessary to follow-up the measures undertaken with a legal instrument to introduce a stable reference framework for the economic operators concerned. This took the form of

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<sup>5</sup> Commission Decision of 30 July 1992 on the grant of Community aid for certain specific measures implementing the programme of options specific to the remote and insular nature of Madeira and the Azores (Poseima). OJ No L 248 of 28 August 1992.

<sup>6</sup> OJ No L 162 of 30 June 1994.

Council Regulation (EC) No 2337/95<sup>7</sup>, which provides for the continuation of the system until 31 December 1997.

**Subject of the present report**

In accordance with Article 6 of Council Regulation (EC) No 2337/95 of 2 October 1995 establishing a system of compensation for the additional costs incurred in the marketing of certain fishery products from the Azores, Madeira, the Canary Islands and the French department of Guiana as a result of their very remote location<sup>8</sup>, the Commission has to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions a report on the application of the measures provided for accompanied by the appropriate proposals if necessary.

In accordance with that provision, the present report provides a description of the results of the application of the system of support for marketing certain species produced in the regions concerned (tuna in the Azores and Madeira; tuna, sardines and mackerel in the Canary Islands; prawns in Guiana). It also reports on the constraints currently faced by the fishery sector regarding the species which are marketed in significant quantities and outlines the prospects for Community action in this field.

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<sup>7</sup> OJ No L 236 of 5 October 1995.

<sup>8</sup> See footnote 7.

## **APPLICATION OF THE SYSTEM IN THE REGIONS CONCERNED**

### **I. AZORES**

#### **1 General economic situation**

The Azores archipelago consists of nine islands in three groups - Western (Flores and Corvo), Central (Terceira, Graciosa, São Jorge, Pico and Faial) and Eastern (São Miguel and Santa Maria) - spread along a WNW-ESE band measuring approximately 630 km by 130 km between 39° 43' 23" and 36° 55' 43" N, and 24° 46' 15" and 31° 16' 24" W in the southern part of Division X of the International Council for the Exploration of the Sea (ICES).

The Azores are a geographically isolated region, lying 1 600 km from the coast of mainland Portugal and 4 000 km from the Eastern coast of the United States.

This isolation is further compounded by the marked dispersion of the islands themselves. Faial and Pico are the closest to each other, some 6 km apart, while Santa Maria and Corvo are the most distant, at a distance of almost 630 km.

The islands' dispersion and isolation from others and from the continents have led to the definition of an extensive Exclusive Economic Zone (EEZ) of approximately 938 000 km<sup>2</sup>.

#### **Population and employment**

The population of the Azores, in marked decline since 1960, totalled 237 795 inhabitants as of 31 December 1991 (the date of the last census). At the end of 1994, the resident population was estimated at approximately 240 520.

The population of working age in the Region at the end of the third quarter of 1996 was approximately 94 121, 89 184 of whom were in employment.

The unemployment rate in the Region in the third quarter of 1996 was 5.2% of the active population.

As a result of the considerable distance from the continents, geographical and population constraints and limited Gross Domestic Product, the islands' economy has all the essential features of small island economies.

The concentration/specialisation of production is focused on primary-sector products, some of which undergo industrial processing. The primary sector clearly exhibits the best levels of productivity.

Its island location gives the Region an Exclusive Economic Zone of approximately 938 000 km<sup>2</sup>. The Region has to make the best use of this economic potential by efficient and rational exploitation of the sea's resources for its own supply and for processing and sale beyond its shores.

#### **2. The importance of the fisheries sector in the region**

Two sorts of fishing are pursued in the Region. On the one hand, thunidae are almost entirely exploited for industrial canning and export to mainland Portugal and some other European countries; on the other hand, various pelagic and demersal species are fished on a much smaller scale for consumption on the islands or export fresh or refrigerated.

The balance of trade in fishery products shows a marked surplus in the regions' favour which has grown. Exports of fishery products accounted for almost 60% of the Region's total exports, and Italy is the Number-one customer.

**Balance of trade (ESC 000)**

PRODUCTS	1994			1995		
	Imp.	Exp.	Balance	Imp.	Exp.	Balance
Fish, molluscs and crustaceans	486 922	756 031	269 109	618 893	2 015 619	1 396 726
Food industry products (canned tuna)	253 820	2 203 308	1 949 488		1 549 646	1 549 646
Other products(*)	63	0	- 63	2 435	0	- 2 435
<b>TOTAL</b>	<b>740 805</b>	<b>2 959 339</b>	<b>2 218 534</b>	<b>621 328</b>	<b>3 565 265</b>	<b>2 943 937</b>

**External trade**

PRODUCTS	IMPORTS				EXPORTS			
	1989		1994		1989		1994	
	ESC 000	%	ESC 000	%	ESC 000	%	ESC 000	%
Fish, molluscs and crustaceans and canned products	234 500	2.4%	740 805	5.2%	2 413 000	56.1%	2 959 339	58.4%
Other products	9 637 300	97.6%	13 432 143	94.8%	1 889 000	43.9%	2 105 207	41.6%
<b>TOTAL</b>	<b>9 871 800</b>	<b>100.0%</b>	<b>14 172 948</b>	<b>100.0%</b>	<b>4 302 000</b>	<b>100.0%</b>	<b>5 064 546</b>	<b>100.0%</b>

**General description of the fisheries sector**

**Fishing areas**

Fishing in the Azores concentrates on exploiting fishing grounds less than 500 m deep (inshore and banks), usually designated as *potential fishing areas*, which yield virtually all the demersal and the bulk of the pelagic species, and the thunidae in particular, which are landed in the ports of the Region.

(\*) Including the import of fishing vessels

As regards the potential of the Azores Exclusive Economic Zone (EEZ), the following factors should be borne in mind:

The wealth of the Azores EEZ is disproportionately small for its scale, because it is conditioned by a series of factors which greatly reduce its potential (particularly by comparison with the areas of the continental shelf):

- the lack of a continental shelf;
- the existence of fishing banks scattered across the ocean plateau but separated by vast depths which are an obstacle to the migration of demersal species and the probable existence of sub-stocks;
- the morphology of the ocean bed, rugged and, typically, deep, determines the conditions of the ecosystem to the disadvantage of the region;
- the geographical situation of the archipelago exposes the area to the effects of natural imbalances;
- the movement of masses of Mediterranean waters makes for an unstable environment;
- the low primary productivity of this zone in relation to the continental shelf.
- The exploitation of the wealth of the Azores EEZ by its fishermen could, however, be greatly increased by modernising the various components of the sector.

### Fishing fleet

#### Vessel types and their characteristics

The Region's fleet is still inadequate in view of the area of the EEZ.

At present, the fleet numbers approximately 1 747 vessels totalling some 13 063 GRT.

#### **The Azores fishing fleet - tonnage and engine power**

AREA			ZONE	SEGMENT	SITUATION AS OF 30.06.96
			Number	GRT	Engine power (kW)
AZORES	Coastal zone and Community waters	Multi-purpose	1 745	11 480	44 766
	International and third-country waters	Deep-sea	2	1 583	2 354
<b>TOTAL</b>			<b>1 747</b>	<b>13 063</b>	<b>47 120</b>



The vast majority are small craft with engines of less than 75 kW which fish small demersal species, scad and chub mackerel along the coasts or in inshore waters, landing catches of the order of a few hundred kilos, and which therefore pursue what is designated as "local fishing".

There are some 268 slightly larger craft with greater autonomy, classed as "inshore fishing vessels". They generally fish close to the coast, but the larger vessels in this category work grounds located within the 200-mile zone, where they fish thunidae and other migratory pelagic and demersal species.

The tuna fleet currently numbers 34 vessels, 15 of which are independently-owned while 19 are directly or indirectly linked to canning firms. Most of these vessels have chilled water facilities for storing fish, permitting trips of 8 consecutive days.

### **Main fishing gear**

The local and inshore fishing vessels use a great variety of fishing gear, often in combinations. These can be divided into three categories: lines, nets and traps.

Fishing with lines, surrounding nets, gill nets and traps is practised all along the coast. Drift lines are also in evidence, albeit in specific areas.

The gear used varies with specific techniques: e.g. veranda netting is especially geared to tuna fishing, and trolling to demersal species like hake, wreckfish, seabream, boca negra and pargo bream.

### **Employment**

The fishing fleet provides direct employment for some 4 400 seamen, including fishermen and other categories. Of the economically active population of 87 888 in 1995, an estimated 5% are directly linked to fishing.

Most of the fishermen are engaged in local fishing, often part-time. Virtually all the inshore fishermen are full-time professionals.

#### **Registered fishermen**

<b>YEAR</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>
<b>NUMBER</b>	4 436	4 433	4 081	4 420

Considerable efforts have been brought to bear on vocational training in recent years.

### **Fishing ports**

#### **Scale and location**

The geographical dispersion of the Azores archipelago means that there are fishing ports all along the coast.

There are currently 49 working ports, most of them small or extremely small. Only three - Ponta Delgada (Doca), Santa Cruz (Horta) and Praia da Vitória (still under construction) - provide a permanent safe birth for large-draught vessels, behind man-made breakwaters.

The fisheries cannot be expected to develop in the absence of working ports with the requisite facilities. There is therefore a pressing need for very considerable investment in port infrastructures.

### Main species landed

The fishing of thunidae and similar species is crucial in the Azores, in that these account for approximately 57% of the species landed. Catches have oscillated over the years, due to abnormal environmental conditions in the North Atlantic, as shown in the following table. The Azores are also one of the regions where most tuna is fished in Community waters.

Demersal species account for 26% of fresh fish, the commonest being hake, boca negra, wreckfish, seabream, kitefin shark, peixão and scabbard fish, with landings of the order of 3 200 tonnes. By far the commonest small pelagic species is the horse mackerel, approximately 2 000 tonnes of which are landed every year.

Of molluscs and crustaceans only squid are significant, and 250 tonnes were landed in 1995.

### Fish landings in the Azores

Unit: Ton.

SPECIES	1992	1993	1994	1995
TUNA	6 216	10 676	6 591	11 689
Bigeye tuna	2 439	4 158	1 895	4 915
Bonito	2 554	2 243	3 360	592
Long-finned tuna	1 209	4 275	1 335	6 183
Other	14	0	1	0
MOLLUSCS	89	117	124	261
Squid	76	108	113	250
Other	13	9	10	11
CRUSTACEANS	42	34	22	24
OTHER	7 550	7 808	8 012	8 482
Hake	442	327	284	290
Boca Negra	575	652	698	581
Mackerel	304	265	353	474
Wreckfish	234	309	428	240
Horse mackerel	1 255	1 739	1 781	1 820
Conger	339	320	312	266
Swordfish	344	404	288	461
Seabream	611	357	388	450
Kitefin shark (Gata)	761	591	309	321
Peixão	431	430	520	573
Scabbard fish	255	264	373	778
Other	1 998	2 149	2 278	2 229
<b>TOTAL</b>	<b>13 897</b>	<b>18 635</b>	<b>14 749</b>	<b>20 457</b>

## Cold stores

There are three public cold stores in operation in the Azores, in the ports of Vila do Porto (on Santa Maria), Santa Cruz (on Faial) and Madalena (on Pico).

Virtually all the fish frozen in these stores supplies the regional industry.

## **Processing and marketing**

### Processing

In the Azores, processing of fishery products means, virtually exclusively, tuna canning.

Set up in the Archipelago around 60 years ago, the tuna canning industry today comprises four firms which own five factories located on four different islands - São Miguel, São Jorge, Pico and Faial.

These firms compete on the national and international market on specific conditions dictated by the special features of the activity pursued in the Azores:

- the raw materials are seasonal and can be caught close to the factories. Virtually all of the output is absorbed by local industry;
- the other physical factors of production (oils, salt, packaging, etc.) are more expensive due to the costs of transport and storage over long periods;
- power is expensive, and the supply is irregular, necessitating the installation of autonomous generators, which are costly and tie up capital which could be better put to use in direct production.

The following table summarises the quantity of fish used by the canning industry in the Region over the last five years:

### Quantity of fish processed

1992	1993	1994	1995	1996
9 985 697	9 509 682	7 568 760	8 592 646	8 597 635

Increased production capacity and the modernisation of some factories has enabled the canning companies to maintain their exports. High-quality canned products from the Azores easily find an external market, primarily in Italy.

Labour-intensive by its very nature, tuna processing is a major employer in the Region, and more particularly a large employer of female labour.

## Marketing

The marketing sector consists of small and medium-sized businesses which essentially export fresh or refrigerated fish and canned tuna.

Other than thunidae, which are virtually entirely used for canning in Azorean factories (albeit with the exception of the long-finned tuna, all of which is exported), the bulk of the fish caught in the waters off the Azores, particularly that with the greatest commercial value, is sold on the national and intentional market.

### Prospects for the development of the fleet and catches

The Azorean fishing fleet has seen changes, as new vessels are commissioned and others laid up.

This effort is intended to provide the Region with vessels which can guarantee an improvement in the conditions in which fish are stored on board and rationally exploit the sea's resources for own supply and the external market.

Rising numbers of working vessels obviously increase the volume of catches and landings in the Region. Catches are forecast to progress as follows:

#### **Changes in catches**

	1997	1998	1999	2000
DEMERSAL	9 000	9 500	10 000	10 500
THUNIDAE	11 500	12 500	13 500	14 500
<b>TOTAL</b>	<b>20 500</b>	<b>22 000</b>	<b>23 500</b>	<b>25 000</b>

### **The effectiveness of application of the compensation system**

#### The situation before the system was introduced

Council Decision No 91/315/EEC of 26 June 1991 set up a programme of options specific to the remote and insular nature of Madeira and the Azores.

Subsequently, by Decision No 92/448/EEC, in granting financial support for specific measures to overcome the remoteness of the Azores and Madeira, the Commission recognised the difficulties faced by the two archipelagos which prevented them from fully participating in the dynamics of the internal market and their economic backwardness in relation to other European regions.

In fact, the specific conditions of the Azores archipelago, dictated by its small size and remote location, give rise to obvious extra costs in the production and sale of canned products which distort the conditions of competition with similar activities in continental Europe and have clear negative repercussions on the levels of remuneration of the tuna fishing sector.

In the interests of harmonious growth in the sector and with a view to complementing investment in other areas, it was important to create the conditions so that the existing industrial units and any to be set up could increase their production capacity, becoming more cost-effective and capable of absorbing all the fish caught by the vessels of the region.

### **3. The consequences of the application of the system in terms of employment, export flows and market behaviour**

The support granted under the system to offset the extra costs incurred in marketing certain fishery products due to the islands' remote location has provided lasting stability in the sector, affording ship owners and industrialists acceptable margins for their activities.

Under this arrangement, 240 new jobs have been created in the existing four firms, one of which was replaced by a new unit located in an area that is heavily dependent on fishing.

The fact that these firms can place all their production on the external market at prices similar to those of their Portuguese and European rivals guarantees Azorean ship-owners that all their catches will be absorbed by industry.

Ship owners and industrialists may be said to be generally satisfied with the application of the scheme in the Azores.

### **4. Identifying the beneficiaries under the scheme and the administrative mechanisms**

#### Beneficiaries

The beneficiaries of the compensation system are the owners of tuna fishing vessels registered in ports in the Region and pursuing their activities in the EEZ of the Azores and Madeira archipelagos as well as the tuna processing industries. Charterers of foreign fishing vessels pursuing their activities in the EEZ of the Azores may also receive aid.

#### Administrative measures

Further to the publication of Decision No 92/448/EEC of 30 July 1992, Council Regulation (EC) No 1503/94 of 27 June 1994 and Council Regulation (EC) No 2337/95 of 9 October 1995, the Regional Secretariat for Agriculture and Fisheries of the Autonomous Region of the Azores drew up orders defining the rules for the application of Community aid to the canning sector which were then published in the Official Journal.

Every quarter, ship owners and industrialists submit applications for aid payments to the Regional Secretariat for Agriculture and Fisheries. After checking the applications, the Regional Secretariat sends the files, to the Institute for Financing and Supporting the Development of Agriculture and Fisheries (IFADAP) for payment in due course.

Payments in respect of quantities of tuna from chartered vessels and imported tuna are made only at the end of each year, after final balancing of the deliveries made in that year.

The IFADAP is responsible for the supervision and financial management of the measure.

## CONCLUSION

The situation described above indicates that the application of the system set up in 1992 concerning tuna has been fairly satisfactory as regards the average annual quantities laid down and the consequent benefits for the economic operators concerned. On the other hand, it has to be borne in mind that the situation which gave rise to the extra costs providing the grounds for this scheme still obtains. This means that the considerable distance from the market still entails extra costs which local operators have no chance of overcoming. This being so, there are grounds for applying the compensation mechanism to this product.

### 5. Demersal species in the Azores

In recent years, the production and sale abroad of demersal species has achieved significant proportions within local activities in the Azores.

In 1996, demersal species represented 29% of the fresh fish, the commonest being hake, red bream, boca negra, wreckfish, conger, seabream, alfonsino, kitefin shark, peixão and scabbard fish. Landings of these species were of the order of 3 900 tonnes.

A substantial proportion of the Azores fishing fleet catches demersal species. Most are small craft working along the coast. Some 268 larger vessels with greater autonomy work fishing grounds within the Exclusive Economic Zone.

These vessels directly employ 4 000 fishermen, around 90 % of the seamen registered in 1995.

The bulk of the fish caught off the Azores, and particularly that with the greatest commercial value, is sold on the national and international market.

The following table shows the quantities of fish exported (gross weight = fish + ice + container) by air in 1995 and 1996, and the main destinations:

#### Exports of fresh fish

DESTINATION	1995		1996	
	Tonnes	%	Tonnes	%
USA	127	2.82%	155	3.92%
Canada	260	5.77%	236	5.96%
Mainland Portugal	3 516	78.08%	2 950	74.51%
Madeira	101	2.24%	463	11.69%
Europe	381	8.46%	32	0.81%
Other	118	2.62%	123	3.11%
<b>TOTAL</b>	<b>4 503</b>	<b>100.00%</b>	<b>3 959</b>	<b>100.00%</b>

Exporting demersal species generates extra costs for air freight (the sole means of ensuring that the fish reaches the consumer without quality suffering): a minimum freight rate is imposed by the airline with the monopoly on links with the continent, and for packing and packaging (insulated containers and ice).

To offset this situation, intervention should be approved under the POSEIMA programme to offset the extra costs and disadvantages suffered in exporting fish to the outside world occasioned by the islands' remoteness.

The species to be covered should be those with the greatest commercial value and for which demand is greatest on consumer markets, such as seabream (including peixão), wreckfish, red bream, alfonsino, boca-negra and scabbard fish.

Average annual exports are of the order of 3 500 tonnes.

## II. MADEIRA

### 1. The general economic situation of the region

Productive activity in the Autonomous Region of Madeira exhibits a marked dependency on the outside world.

Madeira is located in the North-East Atlantic, between the parallels defined by latitudes 30° 1' 38" and 33° 7' 34" N and longitude 15° 51' 11" and 17° 15' 52" W.

Taking the far points of the Island of Madeira and the farthest points of the geographically closest regions, the island of La Palma in the Canaries archipelago is closest, at approximately 400 km, followed by Cape Sin, on the coast of Africa, at approximately 625 km, and Lisbon at approximately 950 km. The distance from Brussels is some 2 700 km as the crow flies.

In view of these distances, Madeira can not only be defined as the island region it is but as one of the outermost regions of the European Continent and of the European Community.

The region is an archipelago consisting of the islands of Madeira and Port Santo, which are inhabited, and a group of islets which make up the Desertas and the Salvage Islands (Selvagens).

The archipelago has an area of approximately 779 km<sup>2</sup>. All the islands were formed by volcanic activity, have steep irregular coastlines, rugged terrain and precipitous slopes. Madeira is the largest island in the archipelago, and is home to nearly the entire population of the region. Approximately 34% of the total area serves agricultural and human needs.

#### Natural constraints

- extremely steep relief, with marked gorges caused by pronounced erosion;
- generally poor-quality land;
- a coastline consisting mainly of huge cliffs;
- a sudden drop in the ocean floor.

#### Main effects

- increased time and costs required for any work and structures, due to the rugged terrain;
- limited feasibility of work entailing land movement because of the complexity and variability of the rock formations in some parts of the region;
- reduced tourist potential for beach or inland holidays in the region because the coastline does not afford easy access to the sea;
- relative scarcity of fishery resources, due to the drop-off of the ocean floor and resulting poverty of the waters in plankton.



## **Factors of location**

### **Identification**

- island location;
- great distance from the continent, outermost situation.

### **Main effects**

- isolation; effects with multiple repercussions on the whole region (economy, social fabric, labour-force skills, education, etc.);
- specific regional problems; some difficulties in monitoring and coordinating certain national and Community policies and programmes.

## **Factors associated with the past (pre-autonomy)**

### **Identification**

- reduced investment;
- centralism.

### **Main effects (after the process of autonomy)**

- underdeveloped, vulnerable economic fabric;
- poor intra-regional access, requiring subsequent heavy investment;
- the quality of life enjoyed by the population is decidedly inferior to that of the rest of the country;
- marked dependence on the outside world.

## **Population and Employment**

Although it has always been borne in mind throughout the process of development of Madeira and Port Santo that every measure and undertaking of any kind has to be geared to the population, there can be no doubt that a visibly low standard of living is still typical of the vast majority of the inhabitants of both islands.

Particularly in terms of pay, education, vocational training and various welfare indicators, there is still a very long way to go to attain a quality of life which would put the population of the Region on the level of other countries, even the least developed countries in the European Community.

In the last five years, the population of the Region has increased slightly (0.7%) to the current figure (1996) of approximately 255 100 inhabitants, giving a population density of 327.5 inhabitants per km<sup>2</sup>.

The unemployed population is 5 238, a rate of 4.68%.

The employment rate is 43.9%.

Employment breaks down by sector as follows: the tertiary sector employs 60.6%, the secondary sector 27.7% and the primary sector 11.7% of the active population.

It should be mentioned that the population of Funchal, representing almost half the total of the archipelago, is mainly employed in the services sector. It will therefore be easy to separate out the relative weight of the primary sector in the rural municipalities of the Island of Madeira.

### **Exclusive Economic Zone (E.E.Z.)**

The region has an Exclusive Economic Zone of around 110 000 square miles, over 500 times the land area, which is physically characterised by the absence of a continental shelf, limited continental talus and an ocean floor at an average depth of some 4 000 metres and a maximum of approximately 5 400 metres, interrupted only in little areas where some underwater heights, popularly known as "banks", rear up from the abyss.

## **2. The fisheries sector in the region**

### Local importance of this activity for each island within overall economic activity

The vast majority and core of the fisheries sector is concentrated on the two decidedly rural municipalities of Câmara de Lobos and Machico.

Between fishermen, merchants, factory employees and government officials, approximately 2 150 people are directly linked to the sector, representing nearly 2% (sic) of the population in employment.

### Comparison with other sectors of activity

Due to the constraints mentioned above, Madeira's economy is heavily dependent on the outside world, and the balance of trade shows a pronounced deficit. Both the primary and the secondary sector are predominantly built on fragile structures. Bearing the permanent difficulties of some areas of production in mind, fish processing plays a leading role in exports as well as generating added value, with consequent advantages for the economy as a whole and for the sector in particular, especially as a focus for production, employment and income.

### Description of existing infrastructures

#### Fishing ports

The main port for landings is in Funchal, and handles around 10 000 tonnes of fresh fish every year, or some 95% by volume of the fish landed in the Region.

Porto Santo, Caniçal and Câmara de Lobos deserve mention by virtue of the volume of landings made there.

Another quay, in Porto Novo, in Santa Cruz municipality, has recently been extended and modernised, essentially for the purposes of direct landings to the fish factories in that area.

#### Cold stores

Only five of the twelve ports in the region have cold stores. In addition to these, the Regional Government also bought a cold store in the municipality of Santa Cruz which, after upgrading, came into operation in 1993. The cold stores provide freezing, storage, and refrigeration services, and sells ice.

Virtually all the frozen fish supplies regional industry, while any surplus goes to industry in the Azores and mainland Portugal.

## Fleet and fishing gear

The regional fishing fleet consists of 538 small craft.

Most of these are wooden vessels, with limited range, insufficient ancillary navigation and detection equipment and poor accommodation, safety and on-board storage facilities.

The small craft mainly catch various species by line fishing. The vessels which fish black scabbardfish are slightly larger (8-15 metres) and use longlines. Surrounding nets are used to catch small pelagic species, and vessels are authorised to use this technique. Tuna boats are larger (18-30 metres in length), and use veranda nets.

Nearly all the vessels operate inshore and in the Portuguese exclusive economic areas.

## Fish landings

The following table shows the relative weights of thunidae and black scabbardfish landings within the totals for the ports of the region.

**Fish landings in Madeira 1992 - 1996**

SPECIES	1992				1993				1994			
	Weight	(%)	value	(%)	Weight	(%)	value	(%)	Weight	(%)	value	(%)
Thunidae	8 095	61.5	1 068	49.1	4 725	45.7	567	35.3	5 245	50.8	709	38.2
Black scabbardfish	2 812	21.4	676	31.2	3 466	33.6	640	39.9	3 132	30.3	683	36.8
Other	2 261	17.1	426	19.5	2 151	20.7	400	24.8	1 968	19.1	467	25
<b>TOTAL</b>	<b>13 168</b>	<b>100</b>	<b>2 170</b>	<b>100</b>	<b>10 342</b>	<b>100</b>	<b>1 607</b>	<b>100</b>	<b>10 345</b>	<b>100</b>	<b>1 859</b>	<b>100</b>

SPECIES	1995				1996			
	Weight	(%)	value	(%)	Weight	(%)	value	(%)
Thunidae	8 851	64.1	1 205	54.4	6 331	54.0	1 180	52.0
Black scabbardfish	3 432	25.0	634	28.6	3 279	28.0	662	29.2
Other	1 484	10.9	380	17.0	2 116	18.0	429	18.8
<b>OTAL</b>	<b>13 767</b>	<b>100</b>	<b>2 219</b>	<b>100</b>	<b>11 726</b>	<b>100</b>	<b>2 271</b>	<b>100</b>

## The canning industry

The canning industry in the region currently boasts four factories. These have capacity for roughly 40 tonnes of raw materials per day and take in an average of around 4 000 tonnes every year, although they exceeded 6 200 tonnes in 1992. It should be pointed out that two of these factories began production in early 1997, for which reason the values given above are bound to change significantly as of the current year.

Virtually all the processed product is caught in the region by vessels registered in local ports.

The raw materials used are basically thunidae and the like, and the finished product is sold on the Community market.

This industry employs a total of 395 people.

### Application of the POSEIMA Programme 1992/1996 (TUNA)

YEAR	Production kg.			ESC		
	Regional	Imports	TOTAL	Industry	Ship owners	TOTAL
1992	6 270 893	0	6 270 893	203 804 023	0	203 804 023
1993	3 408 040	0	3 408 040	22 152 260	88 609 040	110 761 300
1994	3 036 512	772 076	3 758 588	27 888 723	90 123 676	118 012 400
1995	5 538 966	0	5 538 966	41 054 816	164 235 881	205 290 697
1996	2 387 872	112 460	2 500 332	21 867 012	70 802 793	88 505 868
<b>TOTAL</b>	<b>20 642 238</b>	<b>834 536</b>	<b>21 476 774</b>	<b>316 766 834</b>	<b>413 771 390</b>	<b>730 538 224</b>

#### The fish processing Industry

Beyond any doubt, the tuna fishing industry as a whole was the leading component of Madeira's fisheries sector in 1992.

Direct and indirect employment in this sector is estimated at around one thousand jobs. At present, there are four firms processing this type of product, all of which goes to the Portuguese and Italian markets.

The underlying assumptions for setting up the Community aid scheme for the tuna sector still hold, given that the specific conditions of the archipelago continue to obtain, entailing extra costs in producing and marketing products, with negative repercussions on the remuneration of economic operators in the sector.

The case made in 1992 at the time of the initial study which led to the aid scheme for this sector being set up is still valid.

There is also one plant in this sub-sector which fillets black scabbardfish.

It completed its production trials in early 1997. Its fully operational capacity will be 7/8 tonne of raw material every day, for 3/4 tonne of finished product. The industrialists are relatively satisfied with the uptake on their product on the regional market and on external markets on which the product has been launched, and have excellent business prospects.

This factory has created some 45 jobs, mainly for female staff.

Other initiatives with smaller-scale production are also contributing to the progress of this sub-sector.

Other initiatives on these lines are forecast for the near future.

## **The effectiveness of application of the Community system to offset extra costs**

### The situation before the system was introduced

In 1991 when, pursuant to Council Decision No 91/315/EEC, a programme of options specific to the remote and insular nature of Madeira and the Azores was instituted, and subsequently, in 1992, when, pursuant to Commission Decision 92/448/EEC, Community aid was granted for specific measures to overcome the remoteness of Madeira and the Azores, this recognised not only the development difficulties faced by the two archipelagos which prevented them from fully participating in the dynamics of the internal market but also the specific disadvantages entailed in their geographical situation, their specifically mountainous terrain, serious shortcomings in infrastructure and their general economic backwardness

With regard to Madeira and the fisheries sector in particular, the positive effects of the fleet modernisation policy have been manifest since the late 1980s and the early 1990s in increased catches, mainly of thunidae. As a result, for lack of industrial infrastructure, surpluses have begun to emerge which have made it seriously difficult for producers to sell their product at adequate prices.

In the interests of harmonious growth in the sector and with a view to complementing previous investment in other areas (port infrastructures, cold store facilities and the fleet), it was important to create the conditions for setting up industrial units with the principal objective of absorbing all the thunidae which the fleet was capable of catching.

For this development strategy to succeed, it was necessary to create the conditions for industrial units to achieve cost-effectiveness despite operating costs, dictated by the remote island location, which had to be offset. The growth of the sector, which in 1991 had only a single factory in operation and could boast four factories by 1996, is tied to the application of POSEIMA to create conditions equivalent to those faced by other rival units in continental Europe.

### **3. The consequences of the application of the system in terms of employment, export flows and market behaviour**

As stated above, it was no coincidence that the creation of canning factories working regular hours throughout the year dates back to the application of POSEIMA.

This aid has created lasting stability in the sector, giving ship-owners and the canning industry acceptable margins for their activities.

Under POSEIMA, some 300 jobs have been created in the three companies which began operations in the 1990s.

If these firms can place their product on the external market, they will need to obtain raw materials, which means that all fish not consumed locally will go to industry and, on occasions, quotas will even have to be exchanged with the Azores when local production turns down momentarily, which guarantees vessel owners a market for their entire thunidae catch.

Briefly, exports of canned tuna quadrupled between 1990 and 1996; employment in the sector grew at the same rate and, more importantly, has remained stable. The course of the thunidae market has been steadied to the satisfaction of ship owners, fishermen and the local canning industry, to the extent that one of the working factories, the oldest, has just begun to build a new unit to replace its existing one.

#### **4. Identifying the beneficiaries under the system and the administrative mechanisms**

The beneficiaries and the administrative mechanisms are identical to those in the Azores (see above).

#### **CONCLUSION**

The situation described above shows that the application of the system set up in 1992 concerning tuna has been fairly satisfactory as regards the average annual quantities laid down and the consequent benefits for the economic operators concerned.

On the other hand, it has to be borne in mind that the situation which gave rise to the extra costs which provide the grounds for this scheme still obtains. This means that the considerable distance from the market still entails extra costs which local operators have no chance of overcoming. This being so, there are grounds for applying the compensation mechanism to this product.

#### **5. The Madeira black scabbardfish**

Fishing the black scabbardfish is an ancient tradition in Madeira, and around 40% of professional fishermen currently depend on it.

Landings of this species are in the area of 3 500 tonnes per annum, and represent approximately one-third of all the fish landed in the ports of the region. Scientific monitoring of the fishing of this species indicates no decline in stocks, as proved by the fact that the average weight/size ratio of catches has remained stable for 15 years. This species may be considered underfished.

In fact, fishing has changed considerably in recent years. The fleet has declined, as has the number of days' fishing per year. Fishing activities have therefore contracted since 1992, and these activities are not influencing stock numbers. Furthermore, appropriate measures for this type of fishing have been taken by the regional government, in monitoring the number of days' fishing and the number of trips in the spawning season. It should, however, be pointed out that only adult fish are caught, for the simple reason that juvenile specimens are not found in the deep waters fished.

In terms of regional consumption, this species is part of the staple diet of Madeira, and is also appreciated on external markets.

This product is mainly aimed at external markets, and exports account for 90% of the raw material used by the processing industry.

Until the current year, catches of black scabbardfish were limited to what the regional market could absorb fresh, because there was no other type of industrial processing.

Because the resources held out the potential for stepping up fishing, three plans were approved for industrial units to process and market this species, (these projects, approved and co-financed by the European Community are of considerable importance: the creation of some 60 jobs, mainly taken up by young women, made a decisive contribution to settling population groups in their community of origin).

Overall, these three projects involve a maximum processing capacity of 2 000 tonnes of black scabbardfish as raw material every year.

These industrial units, two of which are already working while a third is in the final stages, fillet and freeze fish, primarily for the markets of Europe and some third countries.

Nevertheless, the specific conditions of the archipelago, dictated by its small size and remoteness, give rise to obvious extra costs in the production and sale of products which distort the conditions of competition with similar activities in continental Europe and have clear negative repercussions on the levels of remuneration and employment in this sector in the region.

## CONCLUSION

The extra costs incurred in marketing this species are generated by the conditions which the economic agents concerned have to face. The costs arise from charges for sea transport (including insurance), the difference in energy costs and the immobilisation of stocks of raw materials and finished product.

These circumstances justify Community intervention to offset the extra costs incurred in selling this species. Calculations indicate that this would entail using approximately 1 800 tonnes of raw material in product for export.

### 6. Outlets for Madeira chub mackerel

Chub mackerel (*Scomber Japonicus*) has been fished in Madeira for generations, and there is a long tradition of mackerel processing, although, for several reasons, it has not be used for canning since 1985.

Five small surrounding netters are licensed to fish chub mackerel, and some 90 fishermen are dependent on this activity.

In recent years, annual catches have been in the region of 1 000/1 200 tonnes, representing gross value of the order of ESC 100/120 million.

Relatively little fresh mackerel is eaten; it has to be exported.

The commissioning of a new cannery employing 170 people will increase the volume of fish caught, since resources are abundant. It should also be pointed out that the processing and marketing conditions are entirely identical to those in the tuna sector. Industrial processing of chub mackerel increased significantly in the first quarter of 1997, complementing industrial tuna processing and thus maintaining or increasing these factories' activity levels, which is vital for safeguarding jobs, the product, value added and the competitiveness of this industry.

Catches during the current year should be of the order of 2 000 tonnes. All industrial production goes to Italy.

However, the specific conditions of the archipelago, determined by its small size and remoteness, clearly generate extra costs in producing and marketing the product which distort the conditions on which it has to compete with similar activities in continental Europe and have clear negative repercussions on levels of remuneration and employment in the region.

The extra costs incurred in selling this species arise from transporting ancillary materials and one unladen leg of a round trip, the immobilisation of stocks, electricity and insurance and the delivery costs associated with transport.

## **CONCLUSION**

The conditions on which this species is produced and marketed justify Community intervention to offset the extra costs incurred in terms of the quantity processed and exported (2 000 tonnes), which is insignificant in absolute terms but is of considerable socio-economic importance with particular regard to employment.



### III. THE CANARY ISLANDS

#### Introduction

Fishing has traditionally been a major economic activity in the Canary Islands, given their situation and highly favourable climate.

The easternmost point of the archipelago is 115 km from the coast of Africa, while its northernmost point is 1 100 km from Cadiz, the nearest port on the Iberian peninsula. Madrid, the largest market for fish in Spain (172 000 mt/year), is 1 600 km away.

The archipelago is made up of seven islands divided into two provinces, Las Palmas and Santa Cruz, with a total area of 7 273 km<sup>2</sup>, representing 1.44% of the total area of Spain.

For more than three hundred years, non-industrial and coastal fishing has coexisted with deep-sea fishing on the Saharan fishing bank. The latter has to some extent overshadowed the former, which is much more limited and has fewer resources. Fishing has thus been of great importance to the islands and is one of their basic economic activities. On some islands such as Lanzarote, it is second only to tourism as an economic activity.

Most of the coasts on the islands are steep, with few interruptions, inlets or bays. There are no shallows between the islands, with sea depths sometimes exceeding 3 000 metres. The seabed is composed of basic rocks and lava and is full of craters which prevent trawling, as practised in other sea areas.

Like the seabed and the underwater geology, the marine species inhabiting the waters around the islands are highly distinctive.

There are more than 350 species of fish around the islands - an unusually high figure for the Atlantic. Because of the microclimates in the deep waters between the islands, these species are well adapted to the rugged underwater topography of the archipelago.

This proliferation of species in the oligotrophic waters and the deep-sea microclimate of the islands derives from two factors:

1. Marine species native to northern Europe, the Mediterranean and tropical America which reach the islands because of the meeting between the cold Canary Current and the current from the Straits of Gibraltar.
2. Species from the coast of Africa which reach the islands because of the trade winds. These constant winds from the Atlantic are diverted by the winds from the Sahara and push the ocean current to the west of the Canaries.

The waters off the Canaries are inhabited by two types of marine species:

- a) Various demersal species inhabiting the deep waters but not in sufficient quantities to justify industrial-scale fishing.
- b) Pelagic or surface species such as tuna, bogue, mackerel, jack mackerel and sardines, which reach the islands in large numbers.

The salinity and temperature of the waters of the Canary Islands are distinctive, in that they rise as a function of the distance from the African coast, and the temperature can be up to 6°C

higher than that of the water off the coast. The result of this is that the marine fauna of the islands differ considerably from that off the coast of continental Africa, particularly below a depth of 200 m, because of the meeting of the underwater currents from the Mediterranean and the Atlantic.

As a result of the uniqueness of the marine topography and the lack of resources in the waters of the Canary Islands, only 5% of catches are strictly speaking from these waters. The rest has traditionally come from the Canary-Saharan bank.

When these fishing grounds came under Mauritanian and Moroccan jurisdiction in 1975, the fleet based in the islands was obliged to engage in periodic negotiations on the size of the catches, reduce the numbers in the fleet and pay royalties for fishing rights, as well as to conduct technological, vocational and industrial cooperation with those countries. These developments introduced an element of uncertainty into the fishing industry in the Canaries.

Of the fishing resources mentioned above, it is mainly the pelagic species which support the non-industrial fishing. Their presence off the islands is seasonal and can even vary from one year to the next. The main pelagic species are bigeye tuna (*Thunnus obesus*), skipjack (*Katsuwonus pelamis*), long-finned tuna (*Thunnus alalunga*), bluefin tuna (*Thunnus thynnus*) and yellowfin tuna (*Thunnus albacares*).

A large part of the fishing fleet based in the islands plies the waters off West Africa, catching mainly cephalopods but also sardines, black hake, shrimps, anchovies and other species.

Cephalopods are the main catch in the northern area off West Africa in terms of both volume and economic value. The fishing grounds for cephalopods lie between Cape Bojador and Cape Verde (Senegal). The main species of cephalopods are octopus, cuttlefish and squid.

The octopus belongs to a single species, *Octopus vulgaris*, while the cuttlefish belongs to the genus *Sepia*, with its varieties *officinalis*, *hierredda* and *berttheloti*. The squid, finally, are represented by the species *Loligo vulgaris* and *Loligo forbesi*.

### **Socioeconomic data on the sector**

In 1995 the Canary Islands had a population of 1 601 498, of whom 647 200 were economically active, with 518 000 in employment and 129 200 unemployed. The activity rate was 50%, the employment rate 40% and the unemployment rate 23.73%.

GDP breaks down into 5% for agriculture and fisheries, 9% for industry, 7% for construction and 79% for services.

In pesetas at current prices, GDP per capita per year is Ptas 1 719 167.

The fisheries sector accounts for 2% of the islands' GDP.

According to the data available to the Secretariat-General for Maritime Fishing, the Canary Islands fleet is currently as follows:

	<b>No of vessels</b>	<b>GRT</b>	<b>TOTAL kW</b>
Trawlers, multi-purpose vessels and dredgers from EEC waters	2	472.10	1 220.10
Seine netters, pelagic trawlers, drifters, etc., in EEC waters	1 353	5 148.65	27 078.13
Trawlers and multi-purpose vessels in waters of third countries and international waters	142	35 503.09	94 239.49
Trawlers, pelagic trawlers, drifters, etc. in the waters of third countries and international waters	57	7 251.86	19 792.08
<b>TOTAL</b>	<b>1 554</b>	<b>48 375.70</b>	<b>142 329.81</b>

Employment in the non-industrial fleet represents 53% of the total economically active population in fishing, although production accounts for only 23%. The remainder are employed in the industrial fleet.

According to the data for 1996, landings of fresh fish amounted to 74 946 mt and frozen fish 153 053 mt.

ANACEF's industrial fleet, as registered with the OPP43, comprises 156 vessels of an average of 280 GRT and a total crew of 2 550, with an induced employment of some 12 000 workplaces. Its catches of cephalopods come to about 50 000 mt per year, except for 1995, because of the problems caused by the signing of the Agreement with Morocco.

These catches have the following destinations: 50% to Japan and 50% to EU countries (60% to continental Spain and 40% to Italy, Portugal and Greece).

The sardine fleet based in the port of Arrecife on Lanzarote comprises eight vessels of some 4 500 GRT and a total crew of 184. Catches in 1996 were 122 000 mt, broken down as follows: 93% for fishmeal and oil, 5% for canning and 2% for freezing. The Iberian Peninsula is the final destination for 90% of canned and frozen sardines, and of 100% of the fishmeal and oil produced by the island of Lanzarote.

The tuna fleet comprises some 60 vessels with a total of 3 000 GRT and 400 crew. Catches come to 20 000 mt per year. Most of this is sent fresh to the Iberian Peninsula, followed by Japan and the other EU countries, apart from catches intended for preserving.

The two land-based factories are situated on the island of Lanzarote.

One of them is the company AGRAMAR which, apart from fishmeal and oil, produces fresh and frozen tuna in a refrigeration plant with a freezing capacity of 750 mt/day and a storage capacity of 3 000 mt. It also has an ice production plant with a capacity of 140 mt ice per day. AGRAMAR employs 315 persons directly and indirectly.

This year its processing capacity is 750 mt of raw material per day, and it has built a drinking-water plant.

Another of AGRAMAR's activities is the marketing of tuna, most of which is sent fresh to the Iberian Peninsula or, if there is no demand, frozen for sale later. Trials were started last year on cleaning and filleting the fish, which were wrapped in plastic and sold mainly in Las Palmas. The results of these trials were successful.

The other factory is owned by the company GARAVILLA, which preserves sardines and tuna, with a production in 1996 of just over 200 000 tins of sardines, of which 50% were consumed in the European market. The rest went to third countries. GARAVILLA employs 45 persons directly or indirectly.

Consumption of preserved sardines is relatively high in Spain, although it is difficult to compete from the Canary Islands because of the high additional transport costs per kilogram. To these must be added the transport of other necessary but uncompetitive inputs: tin plate from the Iberian Peninsula, the cartons from Tenerife are relatively expensive, the high price of water on Lanzarote, etc.

Due to the seasonal nature of the catches, which are concentrated in the months September to November and practically vanish between January and May, freezing is an essential requirement involving high costs.

The Iberian Peninsula takes 10% of the production of fishmeal, the EU accounts for 40% and the remaining 50% goes to the Far East. The main competitors are Chile and Peru.

20% of the fish oil is sold in the Iberian Peninsula. The remainder goes to the EU and the Nordic countries, where it is used in medicines, cosmetics and foodstuffs. Quality (as measured by the iodine index and the degree of acidity) is highly important in those markets.

Aquiculture - an activity for which the Canary Islands were judged a suitable area by the EU because of its climatic and meteorological characteristics - has been facing great difficulties for ten years. It has already had to abandon the production of turbot and shrimps, and only sea bream and bass remain. At this stage, production is only 20% of what was aimed for in the MGPs. 80% of this production goes to the European market, essentially Italy.

In some ports there is also a need for fish-landing cranes and weighing scales on the landing quay, so as to avoid transport losses and the resultant lowering of the quality of the fish, which has to be taken far from the landing point for weighing.

Despite these infrastructural weaknesses, there has been a very considerable increase in refrigeration facilities in recent years, although even now the refrigeration capacity of Santa Cruz de Tenerife is below what is needed, and this forces the tuna fleet to land its catches at other ports.

In 1995 the port of La Luz on Las Palmas saw the arrival of 2 490 vessels with a total of 1 640 347 GRT and landings of 225 950 mt of fish.

## **Assessment of competition from neighbouring countries in this sector**

In the last few years exports to Spain from Morocco - which is the Canary Islands' main competitor - have increased continuously, going from 25 859 mt in 1986, with a value of Ptas 5 509 million. to 54 887 mt, with a value of Ptas 23 501 million.

The main item in this is 16 000 mt of frozen cephalopods per year in direct competition with the deep-sea fisheries of the Canary Islands.

Morocco's situation, with the total freedom from customs duties on its exports to the EU since the cooperation agreement in 1987, gave its products preferential treatment over Canary Islands products until their total integration into the customs system in 1993.

The Japanese market, which is one of the main destinations for Moroccan products, applies a more advantageous scheme to the Moroccan products than to Canary Island products, since the latter are covered by the scheme applied to the EU.

On the other hand, it must be pointed out that production costs are generally much lower in Morocco than in the EU and, hence, in the Canary Islands.

The conclusion is that, because of the favourable conditions for its products on the world market, combined with the lower production costs, the Moroccan fisheries sector has greatly damaged the Canary Islands sector in recent years.

In 1995 Mauritania was still denying access to its waters for EU vessels. However, it allowed 18 vessels to fish for cephalopods in its waters in the month of November, and this to some extent made good the reduction imposed in the first year of the agreement between the EU and Morocco.

## **FINAL CONCLUSIONS**

If there is one negative characteristic which, amongst others, springs to mind in the fisheries sector of the Canary Islands, it is its permanent state of dependence.

- Dependence, above all, on Morocco for its fishing grounds.
- Dependence on very few markets, essentially in Japan.
- Dependence on limited means of transport - an inherent result of their island situation.
- Dependence on one single factory for packaging materials.
- Dependence on one single preserving factory.

This dependence is not the only adverse circumstance, however, since a whole series of changes have taken place in consumer behaviour, and the result of these is that the primary sector has to "produce" with higher quality and less presentation.

The improvements in quality and presentation always involve an increase in costs, and these costs are also much higher due to the geographical isolation and great distances involved.

The industrial fisheries sector in the Canary Islands has been gradually shrinking, and has now nearly succumbed to competition from third countries which are protected by virtue of their socioeconomic features (developing countries, countries with cooperation agreements, etc.).

We are therefore talking about a European economic sector which, because of its geographical location, is obliged to compete strongly with developing countries which it can match only through compensation for its isolation and distance from the centres of activity.

## **ANALYSIS OF THE ADDITIONAL COSTS BY SECTOR**

### **Frozen and fresh tuna**

Fishing for tuna, catches of which are very large in terms of volume, is carried out solely using non-industrial hook-based methods which are nevertheless highly efficient. On the development of this form of fishing - and mainly on the ease of marketing tuna in general - depends much of the future of fishing activity in the Canary Islands, because its importance may determine whether the resources of the fund are utilised more or less intensively.

The additional costs derive essentially from the costs involved in transport, including the costs for insurance, handling and port or airport dues. This expenditure comes to 33.61% of the total cost for fresh tuna and 13.08% for frozen tuna. It should be borne in mind that air transport is the only way in which the islands can ensure that their fish reaches consumers without any deterioration in quality.

The tables below show the quantities produced in the last few years and the aid paid in application of Regulation 2337/95 for both fresh and frozen tuna.

### **POSEICAN aid**

#### **1. - Applications for aid (tonnes)**

YEAR	TUNA			
	No of applications	Fresh	Frozen	TOTAL
1992	194	4 095	7 184	11 279
1993	174	4 903	2 746	7 649
1994	186	11 185	1 420	12 605
1995	172	11 703	872	12 575

#### **2 - Aid granted (tonnes)**

YEAR	TUNA			
	No of applications	Fresh	Frozen	TOTAL
1992	194	4 095	7 184	11 279
1993	174	4 903	2 746	7 649
1994	186	10 400	1 420	11 820
1995	172	10 400	872	11 272

## AMOUNT OF AID PAID

### 1) Tuna for marketing fresh

Year	No applic.	mt	ECU/mt	Total ECU	Exchange rate Ptas/ECU	Total Ptas
1992	125	4 095	150	614 250	149	91 697 547
1993	149	4 903	150	735 450	158	116 185 276
1994	190	10 400	125	1300 000	193	250 947 312
1995	149	10 400	151	1 570 400	167	263 020 883

### 2) Tuna for marketing frozen

Year	No applic.	mt	ECU/mt	Total ECU	Exchange rate Ptas/ECU	Total Ptas
1992	192	7 184	50	359 200	149	53 625 849
1993	151	2 746	50	137 300	158	21 692 228
1994	43	1 420	45	63 900	192	12 287 932
1995	23	786	54	42 444	168	7 118 993

## **ANALYSIS OF THE ADDITIONAL COST BY SECTOR**

### **Sardines and mackerel, frozen and canned**

Because of the life cycle of the sardine, its fishing season lasts only seven months - from June to December - which means that it is necessary to store both the raw material and the finished product in order to meet sales commitments during the rest of the year. This results in higher financial expenses for maintaining stocks compared with factories in continental Spain, which can work all year round with a much wider range of fish products.

### **Frozen sardines and mackerel**

These higher financial expenses are accompanied by additional costs for energy and packaging, both of which are more expensive in the Canary Islands than in mainland Spain. The result is a 15% increase in the price of the product. To this must be added the aforementioned sea transport costs which apply only to the Canary Islands, as well as the insurance and handling charges and the harbour dues, which come to 42.22% of the total FOB cost.

The tables below give the quantities and the amount of aid granted in recent years in application of Regulation 2337/95.S

## Canned sardines and mackerel

The difference in costs between the Iberian Peninsula and the Canary Islands affects practically all the inputs needed for production. Apart from the cost of the raw material, which is lower in the islands (by way of example, one kilo of product is currently some 219 pesetas cheaper in the Canary Islands), energy, packaging, depreciation on the plant and the financial expenses are all more expensive in the archipelago.

As can be seen from the table below, there is a difference of up to 9 pesetas for energy, 297 pesetas for packaging, 5 pesetas for depreciation on plant and 325 pesetas for the financial expenses.

	CANARIES	PENINSULA
Energy	114	105
Packaging	1 847	1 550
Depreciation	71	66
Plant		
Financial expenses	1 200	875

## Depreciation

The additional costs for depreciation derive from two factors:

- a) The higher cost of machinery and installations as a result of transport to the islands and the expenses for the engineers and mechanics who install the plant.
- b) The effect of imputing the annual depreciation to only six months of activity.

## General and financial expenses

The general and financial expenses incurred are higher than those for any factory in continental Spain because of the seven-month season (June to December) and, particularly, the islands' situation (obtaining supplies of auxiliary raw materials such as packaging, oil, etc.). All this involves holding stocks to cope with production, as well as maintaining stocks of finished products to cater for twelve months of production.

### a) General costs

The factors involved in such costs are as follows:

- Repair and maintenance of the plant and installations, because of the additional cost of replacement parts, as well as technical assistance from labour from other islands or from continental Spain.
- Insurance. Additional costs because of the higher value base for calculating premiums, affecting fixed assets as well as stocks, replacement parts, raw materials and finished products.
- Communications. Increased consumption because of more intense use of telephone and fax, as well as the sending of documents and small spare parts.



- Costs for administration and travel to continental Spain. Additional costs for internal auditing and in-house administrative and technical services, as well as travel by head office staff to continental Spain.

b) Financial expenses

Additional costs for extra stocks of raw materials (cans, packaging, oil, sauces, seals and other components), finishes products and spare parts for machinery and installations, with a view to ensuring that the state of the production plant, the production process and market monitoring are all satisfactory.

To all these costs must be added the added cost of sea transport, which is even more onerous in the case of this production chain because of the effects of the so-called "double insularity" - the fact that the production is located one island, Lanzarote, whereas the port of consignment is located on another, i.e. either Gran Canaria or Tenerife.

The tables show the volume (in metric tonnes) and the amount of aid applied for and granted in application of Regulation 2337/95.

Production of sardines in the years 1993 to 1996, in mt

	FOR CANNING	FOR FREEZING
1993	6 634	2 530
1994	6 694	3 583
1995	--	677 *
1996	6 501	2 563

\* Because of difficulties with Morocco

POSEICAN aid

1) Applications for aid (mt)

SARDINES / MACKEREL				
Year	No of appl.	Processing	Freezing	TOTAL
1992	3	5 984	1 077	7 061
1993	3	6 506	2 630	9 136
1994	4	9 721	3 616	13 337
1995	3	1 000	676	1 676

2) Aid granted (mt)

<b>SARDINES / MACKEREL</b>				
Year	No of appl.	Processing	Freezing	TOTAL
1992	3	5 984	1 077	7 061
1993	3	6 506	2 630	9 136
1994	4	9 721	3 616	13 337
1995	3	1 000	676	1 676

AMOUNT OF AID GRANTED

3) Sardines/mackerel for processing

Year	mt	ECU/mt	Total ECU	Pta/ECU exchange rate	Total Ptas
1992	5 984	100	598 400	149	89 336 735
1993	6 506	100	650 600	158	102 790 289
1994	9 721	85	826 285	192	158 912 089
1995	1 000	103	103 000	160	16 521 075

4) Sardines/mackerel for freezing

Year	mt	ECU/mt	Total ECU	Pta/ECU exchange rate	Total Ptas
1992	1 077	50	53 850	149	8 039 803
1993	2 630	50	131 500	158	20 773 308
1994	3 616	45	162 720	192	31 293 818
1995	676	54	36 504	167	6 098 440

SARDINES	1992		1993		1994		1995	
	mt	Ptas	mt	Ptas	mt	Ptas	mt	Ptas
Processing	5 984	89 336 735	6 506	102 790 289	9 721	158 912 089	1 000	16 521 075
Freezing	1 077	8 039 803	2 630	20 773 308	3 616	31 293 818	676	6 098 440
<b>TOTAL</b>	<b>7 061</b>	<b>97 376 538</b>	<b>9 136</b>	<b>123 563 597</b>	<b>13 337</b>	<b>190 205 907</b>	<b>1 676</b>	<b>22 619 515</b>

## CONCLUSIONS

The situation described in the preceding pages shows how application of the scheme set up in 1992 has operated extremely satisfactorily for all the species involved, as regards both calculation of the production benefiting under the scheme and the actual operation of the scheme. In the same way, the benefits deriving from application of the scheme for the economic operators involved have allowed the various sectors to maintain an adequate level of production and development.

Bearing in mind that the specific situation lying behind the existence of the additional costs analysed above and affecting production in the archipelago has not changed and is unlikely to do so in the near future, since it derives from the difficulties posed to Canary Islands producers by the islands' ultraperipheral location, it is evident that marketing of the products involved will continue to face the extra costs analysed above. Producers in continental Spain do not have to bear these additional costs, nor can the islands' producers bear them themselves.

For all these reasons, continued application of the compensation scheme for the additional costs, with a view to facilitating marketing of the products in question on the European market, is fully justified, so as to allow the islands' producers to access the internal market in conditions similar to those applying to mainland producers. Such similarity of conditions would be impossible to achieve without the support given to the sector by the present scheme.

### Aquiculture

The first research in aquiculture in the Canary Islands started in 1978.

The Autonomous Community of the Canary Islands established the development of aquiculture as one of its priorities, once it had established this activity's viability and importance for diversifying the region's highly inflexible economy based on only a few activities and products and with a fishing sector showing serious structural problems and in the throes of recession.

The first aquiculture programme submitted by Spain to the Commission, for the five years from 1987 to 1991, was approved by the Commission Decision of 11 December 1987 (OJ No 4, 7.1.1988). For Spain - and within Spain for the Canary Islands - the objective was to achieve the following annual rates of production by the end of the period:

SPECIES	MT	
	TOTAL SPAIN	TOTAL CANARIES
Sea bream	7 500	1 400
Sea bass	6 000	500
Turbot	4 700	200

At the end of this first MGP for aquiculture, the Commission Decision of 20 December 1991 (OJ No 29 of 5.2.1992) approved the second MGP which Spain had presented for the period 1992-1996. This maintained the same target, in terms of annual production volume, as the previous MGP for sea bream and turbot, while reducing the production target for sea bass to just half the previous figure. These three species were considered of most interest to the Canary Islands.

In the present decade there has been hardly any movement in aquiculture, except for transfers, divisions and conversions of some of the initial projects. The results reveal a clear slowing-down in the promotion of new projects and a marked delay in the implementation of the projects approved. The sector is thus far from achieving the production targets set out in the MGP, ten full years after the commencement of official support for aquiculture from the European Union, Spain and the Autonomous Community.

Nevertheless, those firms which set up in the sector with help from FIFG and national funding have managed to put production on a stable footing, with tonnages rising each year despite the fact that they suffer from a serious competitive disadvantage in that they have not yet been compensated for the additional costs borne by aquiculture because of the insularity and remoteness of the Canary Islands.

We discuss below a number of social, economic and technical factors which demonstrate the effects of the remoteness and peripheral situation in this sector.

### **1 Social and economic factors**

All aquiculture installations in the Canary Islands are located in areas which are "highly dependent on fishing", as pointed out in a 1992 Commission report. It is precisely in those areas that the conversion of the fishing industry is affecting the social fabric most seriously.

One of the measures for retraining the population dependent on fishing, the Community's "Pesca" initiative (OJ No C 180 of 1.7.1994), aims to promote diversification of fishing activity, since aquiculture is highly labour-intensive and is thus a suitable activity for absorbing many of those who are unemployed after the cessation of fishing activities.

Of the twelve projects presented between 1986 and 1989 in the Canary Islands, only four succeeded in developing. This initial failure did not affect all the firms because of the high prices being paid at the start of the 1990s and which attenuated the impact of the costs of distance and remoteness. Unfortunately, prices - and hence margins - have fallen, leaving transport costs as a factor which is limiting competitiveness.

The Canary Islands are home to Spain's largest industrial producer of fish meal, one of the main components of animal feeds. The sector is in the middle of being restructured, and the development of a viable aquiculture in the islands will be a positive factor in this difficult process.

The present fishing agreement between the Kingdom of Morocco and the European Union expires at the end of 1999. If, as seems likely, its renewal runs into serious difficulties, the fishermen on the more than 170 boats based in the Canaries and totally dependent on the fishing grounds involved will have to be laid off. Against this background, winding down a fisheries subsector such as aquiculture does not appear a sound move.

## 2 Technical factors

The following additional costs affecting fish farming undertakings in the Canary Islands can be easily quantified:

### 1. Fry

The additional costs for importing fry derive essentially from transport and insurance.

Although shipments are insured in the usual way, the breeding cycle is interrupted in the event of massive mortality, leading to months-long breaks in production. Because of the keen competition between producers, any temporary absence from the market can mean losing it.

If such accidents occur, installations in mainland Spain can receive replacement fry within a few days. In the Canary Islands, however, the minimum time for obtaining replacements is two months.

On the other hand, the long supply lines cause mortality of around 10% (in mainland Spain it is normally below 2%) and high rates of deformity and morbidity, the effects of which have to be borne entirely by the firms, since they are not observed at the moment of delivery of the fry.

### 2 Feedstuffs

Because of the slowness of delivery to the islands, minimum stocks are several times higher than for similar installations in the rest of the Union. This leads to competitive disadvantages because it requires increased financial resources to maintain these stocks and lowers the quality of the highly perishable feedstuff. The difference in transport costs is another source of additional costs.

### 3 Transport

Quality is of fundamental importance in the market for sea bream and sea bass. To ensure it, producers in the Canary Islands have to incur costs which are minimal for producers elsewhere. More ice is required (up to 20% of the weight of produce), for instance, at an average cost of Ptas 8 000/tonne, to which must be added the transport costs. Other examples have to do with the resistance of the packaging, maintenance of the cold chain during the various transshipments, etc. Air safety standards stipulate an additional plastic packaging which is not required for land transport.

There is also the problem of transport between islands, which has to be effected by sea at costs much higher than those incurred by operators in mainland Spain.

### 4 Other costs

In addition to the operating account, the remoteness and isolation of the islands also affects the costs of fixed assets and other costs which cannot be quantified in monetary terms, such technology transfer, publicity, opening-up of new markets, etc.

Within the fishing sector in the Canary Islands, aquiculture is the activity which is most dependent on inputs supplied from abroad.

## 5 Non-tariff barriers

Since the advent of the single market, products from mainland Spain are not subject to any duty in either the country of origin or the country of destination.

All shipments from the Canary Islands, on the other hand, have to go through Customs, with all the attendant administrative costs. Nowadays, a tin of fish can go from Cadiz to Rome without being subjected to checks, whereas a tin from the Canary Islands has to be checked several times and be accompanied by the relevant SAD.

## 6 Packaging

An extra cardboard box and a plastic bag for each tin are required for shipments by air to the European market, while for mainland Spain only the plastic bag is required.

## 3. Conclusion

The POSEICAN programme, as devised at the time, can and must cater for fish farming products from the Canary Islands. These are fully in line with the thinking of the programme, since they are affected by the competitive disadvantage caused by the distance from the main sources of supply for raw materials and from the main markets for the products, to the same extent as all the agricultural and fishing products from the Canary Islands.

## **ANALYSIS OF THE ADDITIONAL COSTS BY SECTOR**

### **Cephalopods, sole and sea bream**

At the time when the Canary Islands were integrated fully into the Community in 1991, most of the exports of the islands' industrial fishing fleet (mainly cephalopods, but also some sea bream and sole) went to the Japanese market. Once the islands were totally covered by the common policies, Japan started levying duties on these exports which were much higher than those applying to the islands' competitors, and in particular Morocco. In view of this situation, the Council introduced a transitional measure intended to compensate for these differences in duties.

Two Council Regulations laid down this aid between 1993 and 1997, with an annual budget of ECU 3.6 million, for subsidising 30 000 mt at the rate of ECU 108/mt.

In addition, for the same period and under the POSEI programmes, there was another Council Regulation establishing a scheme for compensating for the additional costs deriving from their remote situation, applying also to the French department of Guyane. This Regulation has been extended on various occasions, most recently by Council Regulation No 2337/95.

Production of cephalopods, the percentage share of which in exports to the European market was low, was never the subject of a Spanish request for inclusion in this scheme for compensating for the additional costs involved in marketing certain fisheries products from the Canary Islands.

However, in recent years there have been changes in the market trend for cephalopods, to the point that such exports to the European market currently account for nearly half of production, and it is expected that this trend will continue upwards in future at the expense of the Japanese market.

In this context, the situation is that, in recent years, the Japanese market has taken only small octopus, while the remaining production is exported to the countries of the European Union.

This turnaround in exports is demonstrated by the volume currently sold on the European market, amounting to an average of 22 000 tonnes in the last six years, including sales of cephalopods, sole and sea bream. This is very close to the 30 000 tonnes exported to the Japanese market. Within the Union, exports go mainly to Spain, Italy, Greece, the Netherlands and the United Kingdom.

In the immediate future this volume will increase, since the number of licences to fish in Moroccan waters is expected to decline by about 10% per year, and this will deflect part of the fishing fleet into Mauretanian waters, where the composition of catches is completely different and catches of species which are exported to the Community market will rise. Therefore, we can expect the sales volume in the EU to reach 25.000 Tm.

It must be added that the fleet is very large, comprising 135 vessels employing 2 300 fishermen and some 10 000 persons on land. It operates in the waters near the islands and in Moroccan and Mauretanian waters.

It is this new situation in the sector which prompts the request that these species (which suffer from the same additional costs for transport, packaging, services, depreciation, etc.) be included in the new Regulation to replace Council Regulation 2337/95 after 31 December 1997.

Since both Council Regulation 712/97 "setting up a specific measure in favour of cephalopod producers permanently based in the Canary Islands" and Council Regulation 2337/95 establishing a system of compensation for the additional costs in the marketing of certain fishery products from the Azores, Madeira, the Canary Islands and the French department of Guyane as a result of their very remote location" expire on 31 December 1997, this would mean terminating the transitional system set up in 1993 by means of a specific measure for cephalopods and incorporating the sector into the POSEI system set up for fishery products.

This inclusion would result in greater consistency in the aid granted to the sector and would reflect faithfully the current situation in the sector, in which exports have been profoundly affected by the full integration of the Canary Islands into the European Union, to the point that the Community markets are now the islands' main source of income, and this trend is set to continue in future.

## **IV. GUIANA**

### **General socio-economic situation**

The French department of Guiana is situated in the equatorial zone between Surinam and Brazil and covers an area of 83 534 km<sup>2</sup>.

The population of Guiana is currently estimated at 160 000 inhabitants.

Apart from its considerable growth, the population is also characterised by its youth, with more than one in two inhabitants under 25 years of age in 1990 and one in three under 15. The bulk of the population lives on the coast and on the large frontier rivers, with over half the population living in Cayenne.

Between 1982 and 1990, the working population rose from 31 200 to 48 700, an increase of 56%. However, the unemployment rate is still very high (21%); GDP per capita is 39% of that of metropolitan France.

### **The fishery sector in Guiana**

The sector in the Guianan economy.

The exclusive economic zone of Guiana covers an area of 130 140 km<sup>2</sup>.

Guiana has a straight, low coastline which consists mainly of mangroves broken up by river outlets of varying size.

The continental shelf is enormous (40 000 km<sup>2</sup>) and descends gently out to the open sea.

The coastal environment is favourable to the presence of rich fish stocks, which are linked to the presence of fresh water brought in by the large estuaries. There are also areas which can be trawled.

There are two types of fishery resource in these waters:

- prawns, which are the department's main fishery product given their abundance on the continental shelf;
- fish, which are mainly exploited on a non-industrial basis with "white" fish as the target species.

The fishery sector is very important to the department's economy. It is one of Guiana's main activities, with an estimated production of around FF 250 million a year. With exports worth FF 200 million, it accounts, mainly because of prawns, for a quarter of Guiana's total revenue from exported goods.



The following table shows the volume of the main products exported by Guiana.

## EXPORTS

tonnes

	1991	1992	1993	1994	1995
<b>Sub-total main products</b>	<b>19.660</b>	<b>29.369</b>	<b>23.845</b>	<b>22.702</b>	<b>23.221</b>
Fish	918	781	1.078	1.187	1.161
Prawns	4.068	3.801	3.038	3.813	3.597
Rice	9.625	19.451	16.844	10.868	13.619
Timber	5.049	5.335	2.884	6.385	4.843
Gold and alloys of unrefined gold		1	2	1	2

### Jobs related to prawn fishing

With 146 fishing vessels, including 65 prawn trawlers, the Guianan fisheries sector employed around 614 people at the beginning of 1997, almost 400 of whom worked on prawn boats.

Of these 614 workers, 57% were at sea and 43% were on land. Fifty were directly sub-contracted local workers working as refrigeration technicians, welders, chandlery employees, etc.

At the beginning of 1996, with a total population of 160 000, the working population was estimated at 56 140. This indicates the importance of the prawn industry, which accounts for 1.1% of the working population.

### Infrastructure

The port of Larivot is the fifth French fishing port in terms of value on landing (sales by auction). The prawn boats work from this port, modernisation of which began in 1996.

Catches are either sorted and frozen on board or factory processed. The bulk of the catch is then put on the export market frozen.

The trade is organised through a number of structures. The Regional Sea Fisheries Committee is the organisation which represents the sector. It groups together industrial shipowners, owner masters, ship crews, fish processors and wholesale traders, co-operatives and employees. It has its own powers which enable it, in its territorial waters, to take measures strengthening Community or national provisions.

In 1996 two nationally recognised producers' organisations were set up in Guiana, in accordance with Community legislation, on the organisation of the market in sea products for action concerning the prawn and fish sector.

Apart from the fisheries cooperative, Guiana has cooperatives on the coast which help with the organisation of the trade by gradually assuming responsibility for collective services (e.g. supply of ice to vessels, fuel, fish distribution, etc.).

### **Prawn fishing, a regulated activity**

Prawn fishery resources consist of four main stocks in tiers off the coast, but most fishing takes place on the continental shelf. In order to ensure the renewal of the species, total allowable catches (TAC) of prawns have been determined annually since 1985. Since 1988 some boats have extended their fishing activity to non-TAC species from the continental slope, the sales prices of which are higher on the European markets.

### **Production of prawn fisheries**

The average number of boats actually working each year is considerably lower than the number of equipped boats. Of the 67 equipped trawlers at the beginning of 1995, the average number of boats in the zone over the year as a whole totalled 51 (compared with 46 in 1994).

### **Prawn fishing activities**

	1991	1992	1993	1994	1995	1996
Number of authorised prawn boats	72	72	70	66	68	68
Average number of boats in the zone	56	58	57	46	51	62
Total catches (in tonnes)	3.653	4.208	3.431	4.241	4.343	4.344

Guianan production in 1995 accounted for 0.16% of world prawn production (0.2% if only wild prawns are considered).

Demand on the world market is growing, but there is also a rapid increase in the production of aquaculture prawns. Located mainly in South-East Asia and South America, aquaculture farms enjoy relatively low production costs. Consequently, sales prices on the world market have fallen considerably, obliging Guianan shipowners to reduce their profit margins in order to be able to continue marketing their production.

However, in 1995 the average prices of prawns continued to rise to some extent. The increase meant that Guiana's prawn exports fell by only 1% in value terms in 1995, whereas they fell by 6% in terms of volume.

## Geographical distribution of exports in terms of volume

tonnes

	1991	1992	1993	1994	1995
Metropolitan France	3.258,9	3.443,0	2.712,8	3.376,7	3.039,0
West Indies	143,4	180,8	228,8	339,9	349,0
of which:					
Guadeloupe	21,0	39,7	52,6	74,8	9,7
Martinique	122,4	141,1	176,2	265,1	289,3
Spain	80,6	41,6	74,1	93,8	191,0
Italy	327,0	6,7	13,5	0,0	0,0
United Kingdom	173,6	50,2	0,0	0,0	0,0
Miscellaneous	0,3	79,1	8,5	3,1	18,1
<b>Total</b>	<b>3.983,8</b>	<b>3.801,4</b>	<b>3.037,7</b>	<b>3.813,5</b>	<b>3.597,1</b>

In the 1993-1996 period, the volume of exports rose by 24%. In Europe, the main markets were metropolitan France and, in the form of re-exports, Spain, Portugal and Italy. Of the main local products exported (sea products, rice, timber, gold and fruit), prawns are the most important in value terms, accounting for 44.5% in 1995 and 38.7% in 1996.

Prices in metropolitan France are subject to pressure from imports from Asian and South American countries. The Guianan prawn is also subject to competition from high-quality fished prawns from, for instance, Madagascar, where shipowners have much lower production costs.

Note should also be taken of the effects of the Community's Generalised System of Preferences (GSP), which involves reductions in customs duties or even zero tariff rates. This is the case of prawns from Andean Pact and Central American countries, as aid against drugs. The Community has also recently introduced an autonomous zero-duty import quota of 6 000 tonnes of prawns. This system is tending to reduce prices on the European market.

In view of the above, the situation can be assessed as follows:

- since 1992, production has increased then levelled off;
- between 1993 and 1996, exports increased by 24% in terms of volume and 17% in terms of value; destinations diversified, particularly as from 1994 (Spain, Portugal, Italy, etc., in addition to metropolitan France); the medium-term trend appears quite favourable in this respect. The annual volume stabilised at around 4 200 tonnes;
- alongside this, however, competition became tougher on the international market, with increased production by the countries of Central and South America, South-East Asia and Madagascar, where production costs are of course much lower; the retailing and distribution industry of metropolitan France is putting pressure on prices by bringing these new possibilities of supply into play;

- the Community has itself made it easier for competing products to enter its market by introducing an autonomous tariff quota of 6 000 tonnes at zero duty in 1997 for a period of 12 months;
- the far-reaching restructuring of businesses, which began in 1994, is continuing, which shows the sector's ability to start afresh on an improved basis;
- nevertheless, the number of jobs has not fallen, standing on a long-term basis at over 600 including sailors, the land staff of the shipowning companies and the employees of direct sub-contractors;
- finally, the activity of the fleet has increased, with the proportion of boats at sea rising from 81% to 91% between 1993 and 1996.

This description of a situation both dynamic and fragile should not underestimate the role played by the Community's marketing support system. It has provided businesses with vital aid in most cases, whilst still allowing competition and competitiveness to have a stimulating effect.

There is little doubt that if this support had not been provided many jobs would have disappeared and several businesses would have been taken over by foreign interests. Moreover, from the biological point of view, the system is improving resource management. Without it, the search for economic viability through the tonnage produced, rather than by fishing focused on the categories most popular on the export market, would have increased the proportion of small prawns in the total catch, to the detriment of the sustainability of the resource.

#### **Assessment and updating of additional costs**

Tropical shrimp fishing in Guiana has no equivalent in the European Union, which is why assessing the additional costs encountered by businesses in that department has to be based on an analysis of the charges which a comparable activity would incur in metropolitan France.

In previous years the estimate drew a distinction between industrial and non-industrial fishing.

However, in updating the additional costs for 1997, account has had to be taken of the effects of the restructuring of the non-industrial sector, which began at the end of 1995. The restructuring plan provides for a semi-public company to buy up, by 1998, non-industrial trawlers previously exploited directly by their owner-masters.

In the near future all of the Guianan fleet will be exploited industrially. This means in general that a more heterogeneous fleet should be counted on, with average production costs different from those of the previous industrial fleet.

#### **Beneficiaries of the system and aid distribution mechanism**

Community aid is managed by the Fonds d'intervention et d'organisation des marchés des produits de la pêche maritime et des cultures marines (FIOM - Fund for Intervention and Organization of the Markets in sea fishing products and sea products), a public body whose aim is to improve and regulate the markets in fishery and marine aquaculture products. Annual instructions define the conditions and methods of payment for aid introduced under the compensation scheme. They define the beneficiaries, the level of aid, the conditions of eligibility, the breakdown of compensation between the beneficiaries and the lay-out of the application for aid.

Each beneficiary must submit to FIOM, via the Departmental Director for Maritime Affairs:

- an application for payment;
- a table showing production according to the production statements used for the calculation of crew pay and according to the export declarations submitted to the customs' services;
- a table summarising sales;
- a copy of each of the prawn sales invoices.

The payment of aid is carried out after local inspections by the Maritime Affairs services and central inspections by the FIOM before the expenditure is authorised. As the representative of the EAGGF-Guarantee Fund for France in the Sea Fisheries Sector, the FIOM also has four inspectors who may, on the basis of a defined programme, carry out *a priori* inspections of aid.

This framework for the payment of aid provides strict guarantees regarding the observance of Community regulations.

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