



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.06.1997
COM(97) 323 final

97/0177 (CNS)

Proposal for a

COUNCIL REGULATION (EC)

on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement

(presented by the Commission)

EXPLANATORY MEMORANDUM

The purpose of the attached proposal for a Council Regulation is to obtain the approval of the Council for Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement.

In the light of the mandate given by the Council of December 1995, the Commission, on behalf of the Community, negotiated with the Republic of Latvia a new Fisheries Agreement which was initialed on 24 April 1996 and signed on 19 December 1996.

The new Agreement foresees that the Parties will undertake to cooperate with the aim of establishing joint enterprises in the fisheries sector in Latvia. For this purpose, Article 5 provides for the possibility of concluding, at a later stage, a Protocol implementing the elements of the so-called "second generation" Agreement.

During the fisheries consultations between the Community and Latvia, held on 7 and 8 November 1996 in Brussels, the Parties agreed on the final text of this "second generation" Protocol, as drafted during the negotiations of the Agreement in April 1996. Protocol I was initialed in Riga on 14 February 1997.

The Protocol implements the basic rules for the creation of joint enterprises between Latvian and Community shipowners in Latvia and establishes the level of the financial assistance at ECU 2.5 million for its three-year period of validity.

On this basis, the Commission proposes that the Council, after having consulted the Parliament, should approve the proposal for a Council Regulation on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement.

Proposal for a
COUNCIL REGULATION (EC) No. .../97

of 1997

on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 43 thereof, in conjunction with the first sentence of Article 228 (2) and the first subparagraph of Article 228 (3),

Having regard to the proposal from the Commission,

Having regard to the opinion of the Parliament,

Whereas the Community and the Republic of Latvia have negotiated and initialed a Protocol laying down the conditions relating to joint enterprises provided for in the Agreement on Fisheries Relations between the European Community and Latvia, signed in Brussels on 19 December 1996¹;

Whereas it is in the interest of the Community to approve this Protocol,

HAS ADOPTED THIS REGULATION:

Article 1

Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement is hereby approved on behalf of the Community. The text of the Protocol is annexed to this Regulation.

Article 2

The President of the Council is hereby authorised to designate the persons authorised to sign the Protocol for the purpose of committing the Community.

¹ O.J. No. L 332 of 20.12.1996, p. 2

Article 3

This Regulation shall enter into force on the seventh day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entire and directly applicable in all Member States.

Done at Brussels, on

For the Council
The President

PROTOCOL I

Laying down the conditions relating to joint enterprises provided for in the Agreement on Fisheries Relations between the European Community and the Republic of Latvia.

Article 1

For the purposes of this Protocol, a joint enterprise shall be defined as:

A company regulated by Latvian law comprising one or more Community shipowners and one or more partners in Latvia, with the aim of fishing for and possibly exploiting Latvian fishing quotas by vessels flying the flag of Latvia with a view to the priority supply of the Community market.

Article 2

1. The Parties shall create suitable conditions for the creation of joint enterprises in the fisheries sector between Latvian and Community shipowners with the aim of jointly exploiting Latvian fishery resources under the conditions laid down in this Protocol.
2. Latvia shall ensure a non-discriminatory, fair and equitable treatment to such joint enterprises to operate in Latvian waters and shall provide them with access to Latvian fisheries resources on the same basis as Latvian fishing vessels.
3. To encourage the establishment of joint enterprises in Latvia, and as part of its policy for the restructuring of its fleet, the Community shall facilitate the reflagging of Community vessels to Latvia.
These reflagged vessels that have been integrated in the Latvian fishing fleet with the financial assistance foreseen in Annex II shall not be re-integrated in the Community fleet.
4. The integration of reflagged vessels originating from the Community shall not result in an increase of the overall capacity of the Latvian fishing fleet. Therefore, as part of its policy for the technical renovation of its fishing industry, Latvia shall transfer the existing fishing licences withdrawn from the replaced vessels to the newly integrated vessels.

Article 3

The Parties shall select the projects for joint enterprises provided for in Article 2. For this purpose, a Joint Committee shall be set up which duty shall be to:

- evaluate the projects presented by the Parties for the establishment of joint enterprises provided for in Article 2 of the Protocol, in accordance with the criteria set out in **Annex I**;

- check that the projects are being properly administered and oversee the use of the financial assistance given to projects in accordance with Article 5 of this Protocol;

The Joint Committee shall meet once a year alternately in Riga and Brussels and exceptionally at the request of either Party; each Party shall decide on the composition of its Delegation.

Article 4

1. In order to encourage the establishment of joint enterprises referred to in Article 2, the projects selected by the Parties shall be eligible for financial assistance in accordance with the conditions laid down in **Annex II**.
2. The financial assistance referred to in paragraph 1 shall be paid to the Community vessel owner to cover part of his financial contribution to the establishment of a joint enterprise in Latvia, after the removal of the vessel in question from the Community register.
3. The Community shall grant to joint enterprises newly established in Latvia a financial support of fifteen (15) per cent of the amount paid to the Community owner. This financial support in the form of operating capital shall be paid by the Community to the Latvian National Board of Fisheries of the Ministry of Agriculture which is empowered by the Latvian Government to lay down the terms governing its use and its administration.
The Latvian National Board of Fisheries of the Ministry of Agriculture shall inform the Joint Committee of how these funds are used.

Article 5

For the purpose of financial assistance to the establishment of joint enterprises referred to in Article 5 of the Agreement and Article 4 of this Protocol, the European Commission shall contribute ECU 2,500,000 for the duration of this Protocol.

Article 6

1. The crew and captain of reflagged vessels operating under joint enterprises shall be citizens or permanent residents of Latvia.
2. The said crew members' work contracts shall be concluded in Latvia between the representatives of the shipowners and the crew members concerned and must include social security arrangements and life and accident insurance in accordance with Latvian legislation.

Article 7

1. This Protocol shall enter into force on the date on which the Parties notify each other of the completion of the procedures necessary for this purpose.
2. This Protocol is valid for a period of three years. Before the end of the period of validity of this Protocol, the Parties shall begin negotiations in order to decide upon any amendments to the Protocol and/or annexes which may be necessary for the subsequent period.

Article 8

This Protocol shall be drawn up in duplicate in the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Latvian, Portuguese, Spanish and Swedish languages, each text being equally authentic.

For the European Community

For the Republic of Latvia

ANNEX I

METHODS AND CRITERIA FOR PROJECT SELECTION

1. The Parties shall exchange information on the projects presented for the formation of joint enterprises according to Article 2 of this Protocol which are liable to receive financial assistance from the Community.
2. The projects shall be presented to the Community via the competent authorities of the Member State or Member States concerned.
3. The Community shall submit to the Joint Committee the list of projects eligible for financial assistance as provided for in Article 5 of this Protocol. The Joint Committee shall evaluate the projects in accordance with the following criteria:
 - a) technology appropriate to the proposed fishing operations;
 - b) target species and fishing zones;
 - c) age of the vessel;
 - d) previous experience of the Community shipowner and the Latvian partner in the fisheries sector.
4. The Joint Committee shall recommend to the Parties the projects selected in accordance with the criteria set out in point 3.
5. Once the projects have been approved by the Parties, the Community shall forward to the Latvian Party the list of selected projects for implementation.

ANNEX II

SCALES OF ASSISTANCE TO JOINT ENTERPRISES

Class of vessel, by gross registered tonnage (GRT)			Maximum amount of premium for a 15-year-old vessel (in ECU)		
0	<	25	6,215/GRT		
25	<	50	5,085/GRT	+	28,250
50	<	100	4,520/GRT	+	56,500
100	<	400	2,260/GRT	+	282,500
400	and	over	1,130/GRT	+	734,500

The premiums for setting up joint enterprises paid to beneficiaries may not exceed the following amounts:

- 15-year-old vessels: see table above;
- vessels less than 15 years old: scale from table above increased by 1.5% per year less than 15; however, deduction *pro rata temporis* shall be made for any construction and/or modernization aid received by the vessel in the 10 years preceding the establishment of the joint enterprise and no financial assistance shall be granted for vessels of 5 years old or less.
- vessels more than 15 years old: scale from table above decreased by 1.5% per year over 15.

Member States of the European Community shall contribute **25%** of the above mentioned sums to projects involving vessels reflagging from the Member State concerned to the Republic of Latvia.

FINANCIAL STATEMENT

1. **TITLE:** Proposal for a Council Regulation on the conclusion of Protocol I to the Agreement on Fisheries Relations between the European Community and the Republic of Latvia laying down the conditions relating to joint enterprises provided for in the said agreement
2. **BUDGETARY LINE CONCERNED:** B7-800
3. **LEGAL BASIS:**

Article 43 of the EC Treaty in conjunction with the first sentence of Article 228 (2) and the first subparagraph of Article 228 (3)
4. **DESCRIPTION:**
 - 4.1. **General objective:**
 - to implement Article 5 of the Agreement on Fisheries Relations between the European Community and the Republic of Latvia
 - to establish the conditions for the constitution of joint enterprises in the fisheries sector between Latvian and Community shipowners
5. **CLASSIFICATION OF EXPENDITURE:**
 - 5.1. DO
 - 5.2. CD
6. **TYPE OF EXPENDITURE:**

Financial assistance for the creation of joint enterprises between Latvian and Community shipowners
7. **AMOUNT OF EXPENDITURE:**
 - The financial compensation for joint enterprises has been fixed at ECU 2.5 million for the three-year duration of the Protocol.
 - 7.1. **Method of calculation:**
 - The financial assistance provided for in Article 5 of the Agreement, in order to encourage the establishment of joint enterprises, is based on the sliding scale scheme fixed on the Structures Regulation (EEC) No. 3699/93.

7.2. Likely schedule of payment vis-à-vis commitments:

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

8. ANTI-FRAUD PROVISIONS:

The Annual Agreed Records of Consultations will require that information is given to the Community on how this financial compensation and contribution will be used.

9. ELEMENTS OF COST/BENEFIT ANALYSIS:

The Community fleet in the Baltic Sea has been severely hit by reductions in catch possibilities, mainly due to biological factors (low salinity of the water, M-74 disease) and pollution of the water. Any increase in fishing possibilities above current critical catch levels will contribute towards preventing the fleet, connected industries and services ashore from collapsing and disappearing. This will also avoid, to a certain extent, payments under lay-up schemes or social programmes.

The "second generation" Protocol I will provide for a reduction of capacity in the Western Baltic and a modernization of the fleet in the Eastern Baltic, without increasing the capacity in that area.

10. ADMINISTRATIVE EXPENSES: None.

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