Brexit and fisheries

fishing resources and markets at stake

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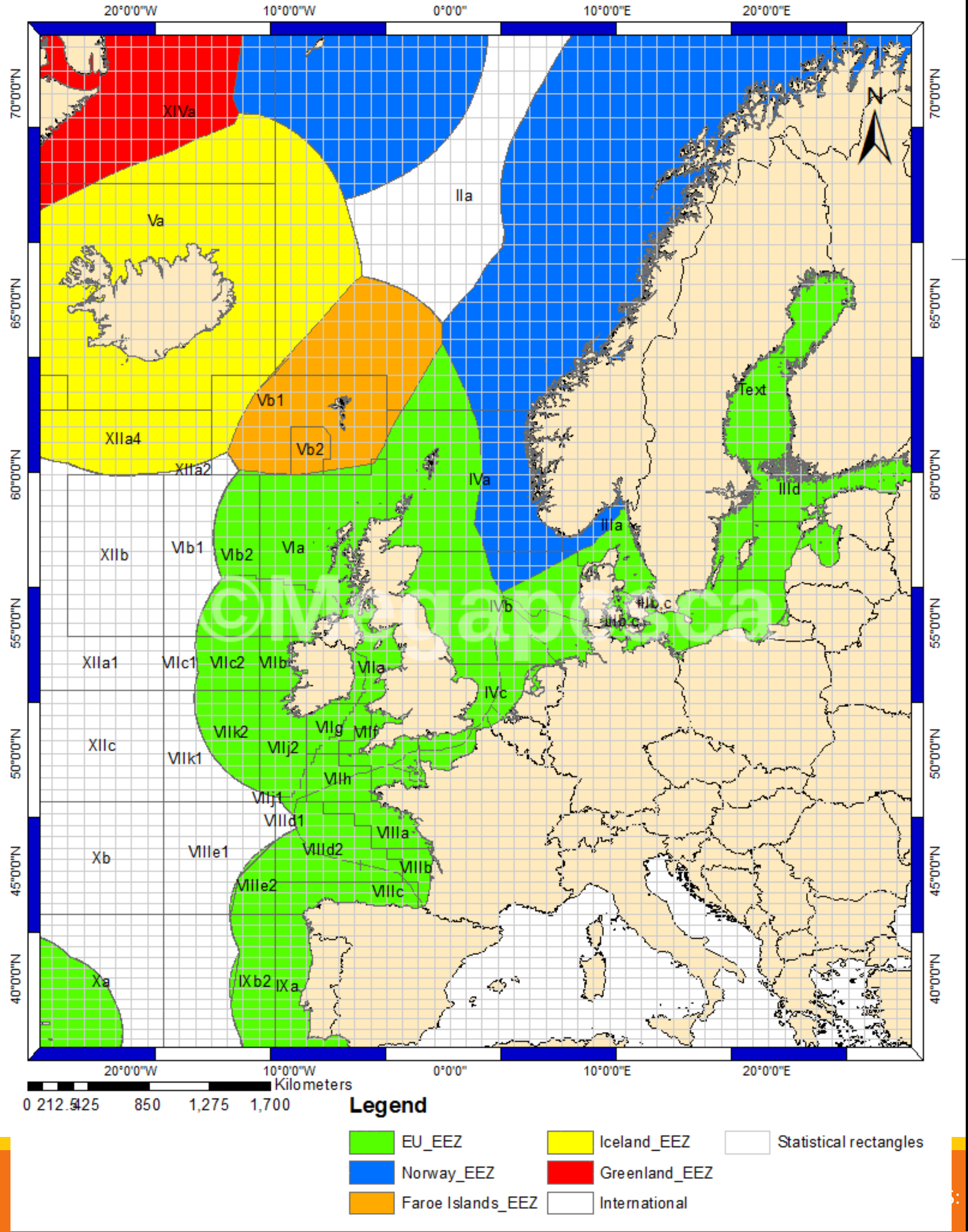
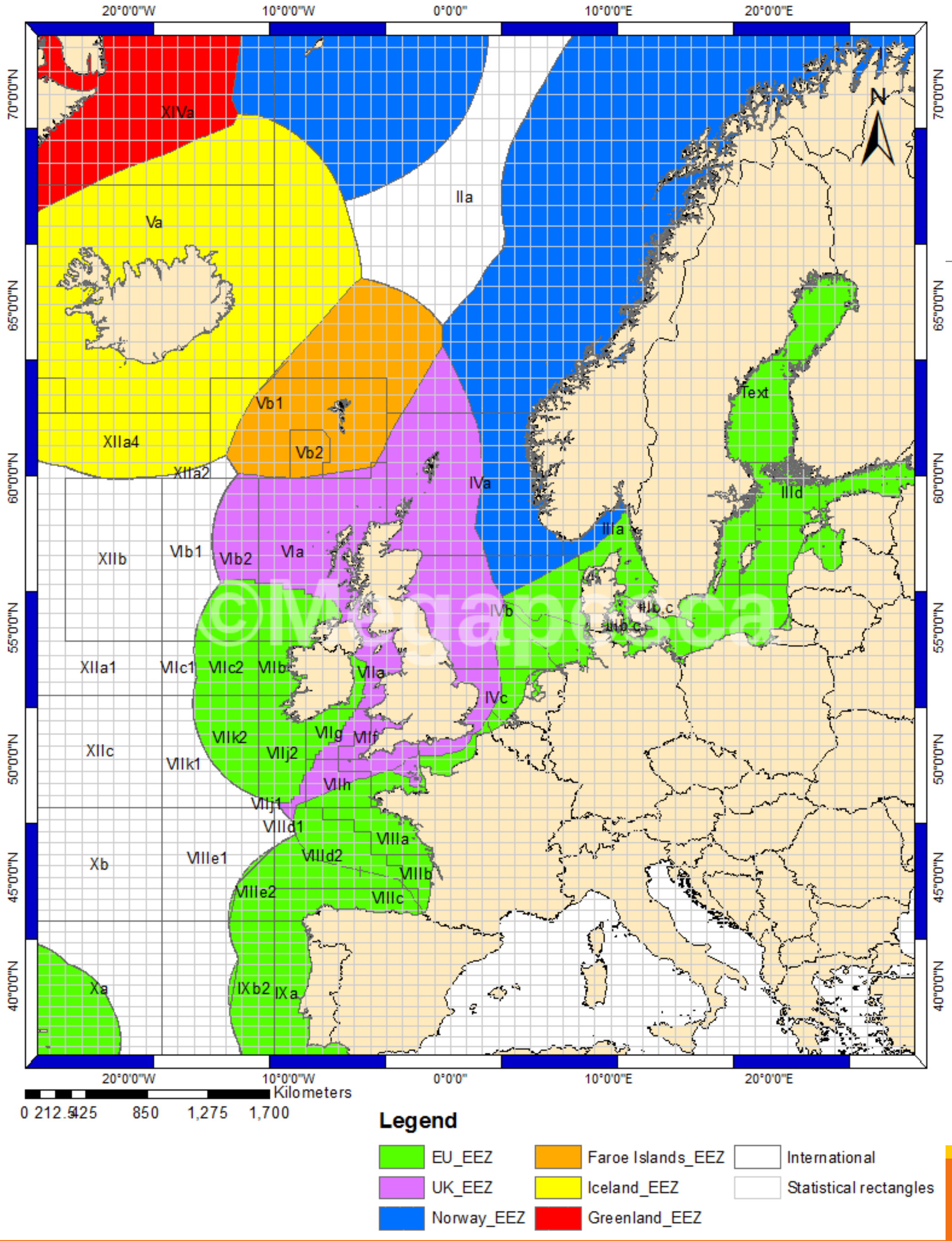
a)

Pre brexit



b)

Post brexit



Brexit and fisheries: two major questions

Who is going to

<u>catch</u>

all that fish ?

Who is going to

<u>eat</u>

all that fish?

the British consumers

Seafood consumption in the UK is concentrated on five species:

- Salmon
- Tuna
- Shrimp
- Cod
- Haddock

The vast majority of British consumers are buying their fish processed: fileted, boneless, skinless. Shrimps are sold peeled, a crab is (almost) always sold as crab meat.
=> important demand for processed products

Major consequence on trade

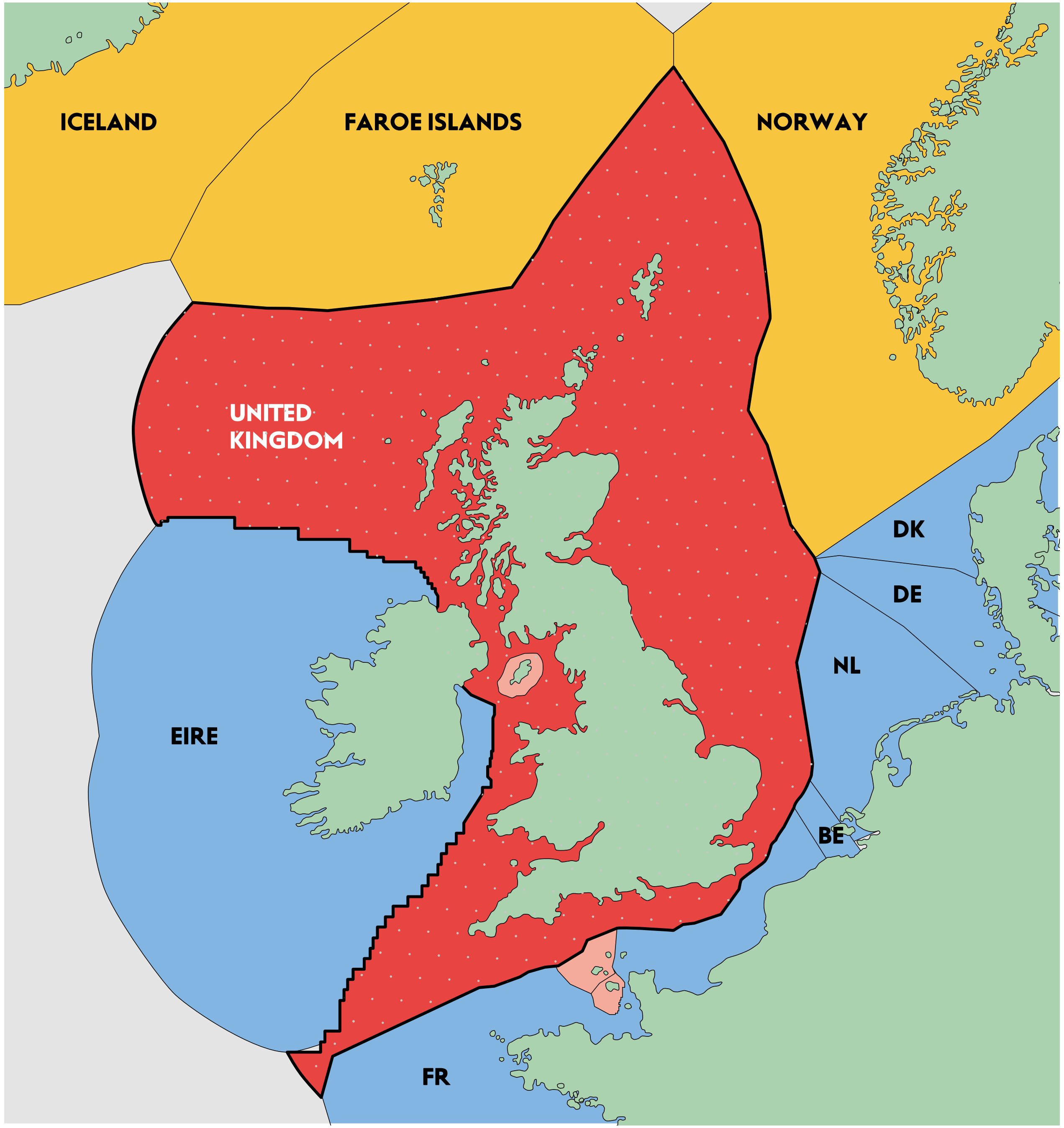
- Roughly 3/4 of the British consumption is imported
- Environ 3/4 of the British production is exported

Whose line is it anyway?

Boundaries inside the EU EEZ are soft, compared with borders between EU and Norway or EU and Faroe Islands

Inside the EU EEZ, they are not aligned with statistical rectangles

Until recently, the delineation between the UK EEZ and other Member states EEZ were not settled



Production in UK waters

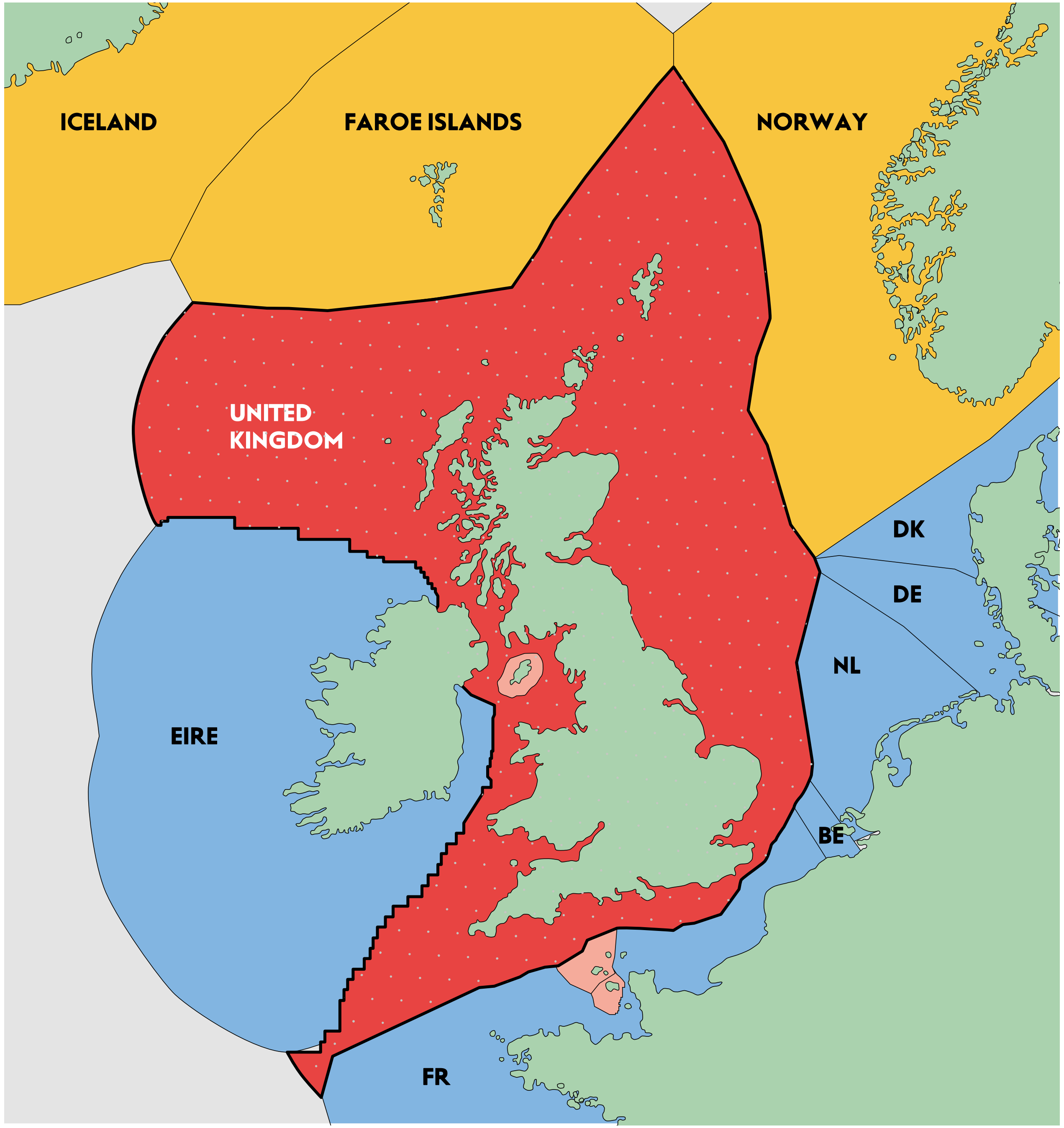
EU-27 fleet: 654,000 tons / 524 m€
(21% of total EU-27 production)
(2012-2014 average)

UK fleet: 512,000 tons / 750 m€
(80% of UK total production)

Estimations varies quite significantly depending on studies, notably because of the different limits considered and the way shared statistical rectangles are considered.

Foreign owned UK-flagged vessels: at least 59,000 tons of various fish products (mostly pelagic) in 2015

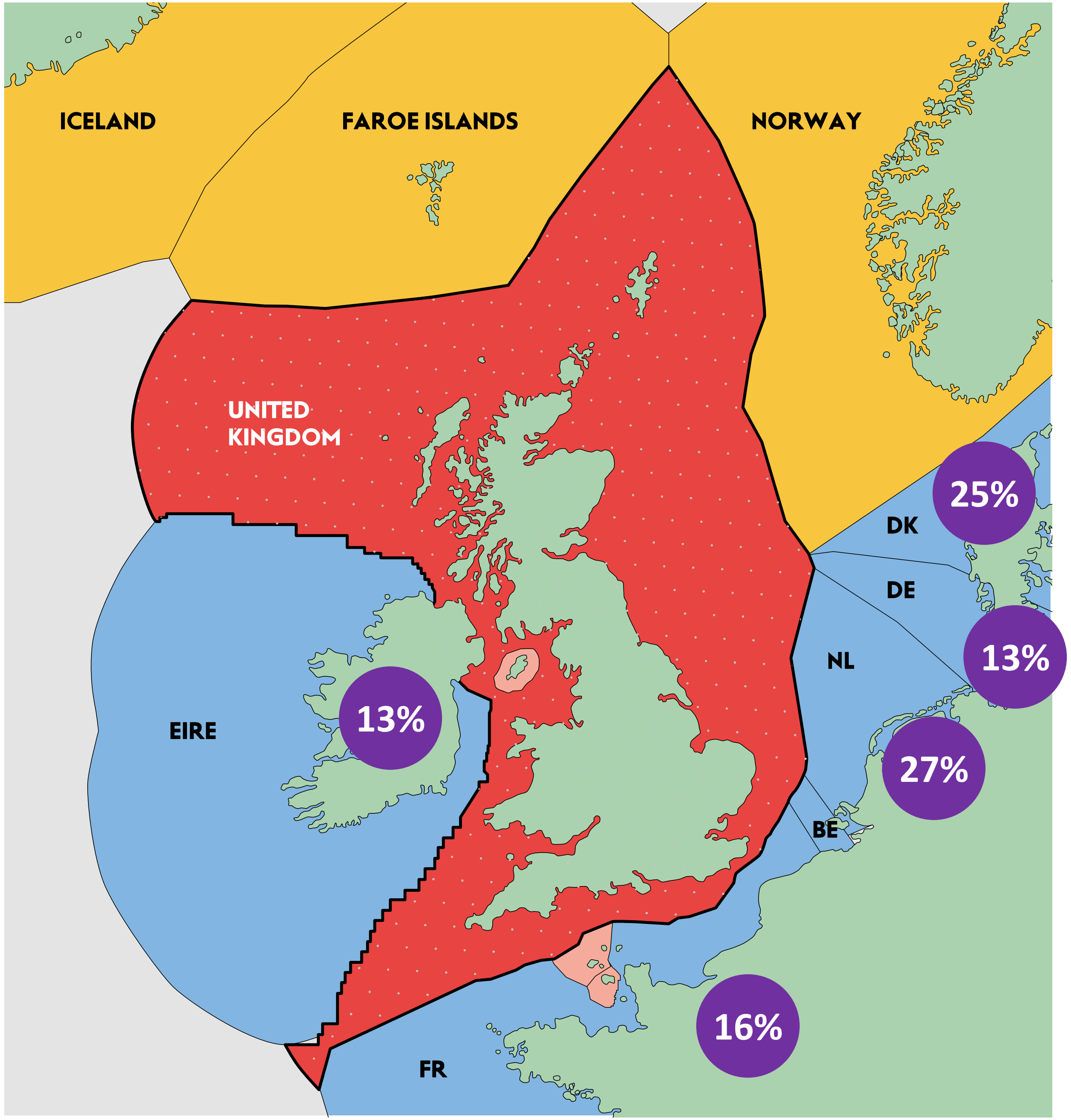
93% of the salmon production is controlled by 5 foreign-owned companies (Norway 4, Canada 1)



Production in UK waters

Five countries accounted **94%** of the EU-27 production in the UK waters in volume.

In value:
France is the most exposed country (up to 30% of the EU-27 production; i.e. 157 m€),
before The Netherlands (99 m€; 21%)
and Ireland (86 m€;17%)



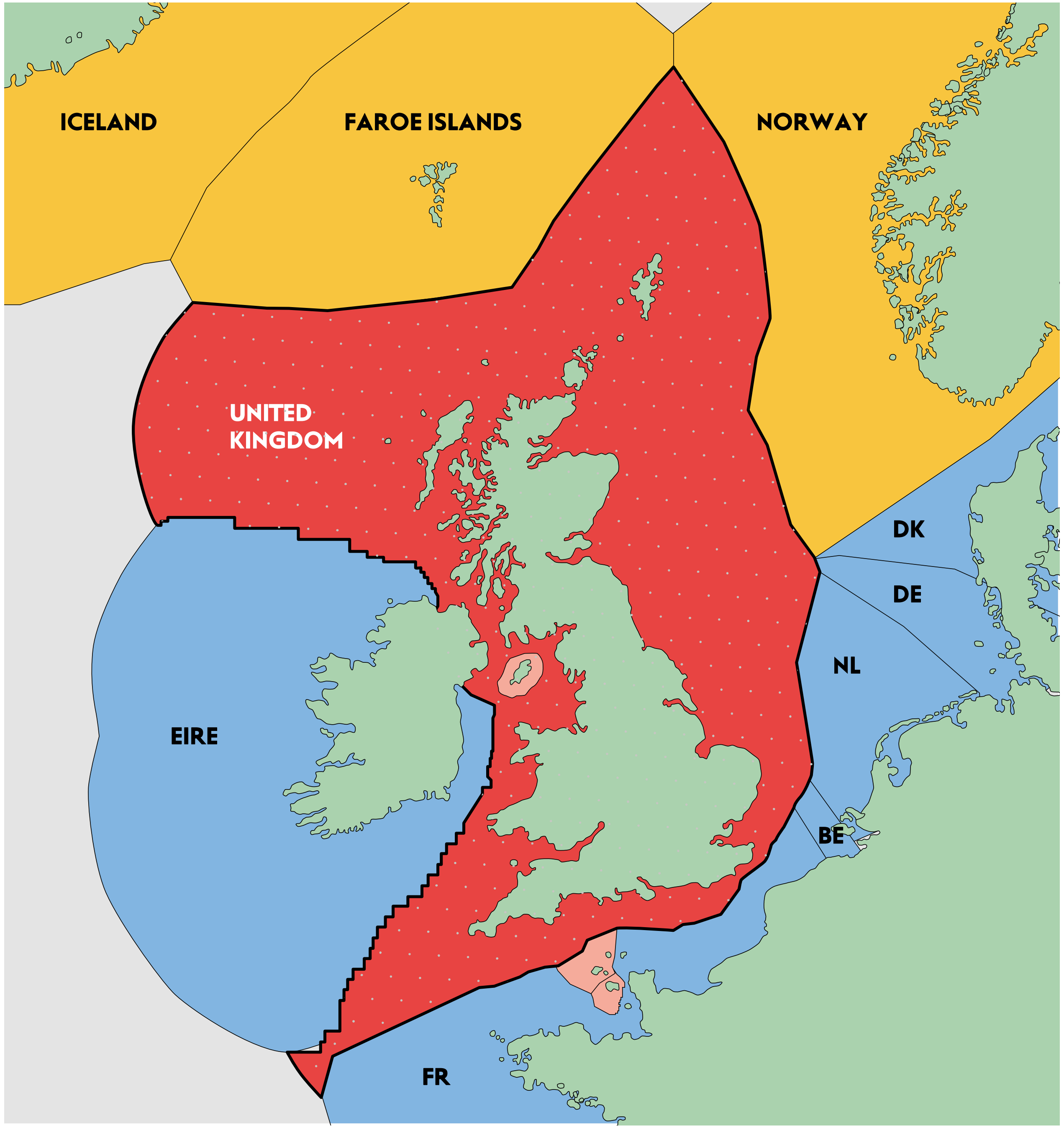
Production in UK waters

In relative terms:

In volume: over 50% of the Dutch and German total production

In value: UK-waters represent

- 50% of the Belgian turnover,
- 34% for The Netherlands,
- 25% for Germany



UK Seafood trade

UK is a net importer of seafood products.

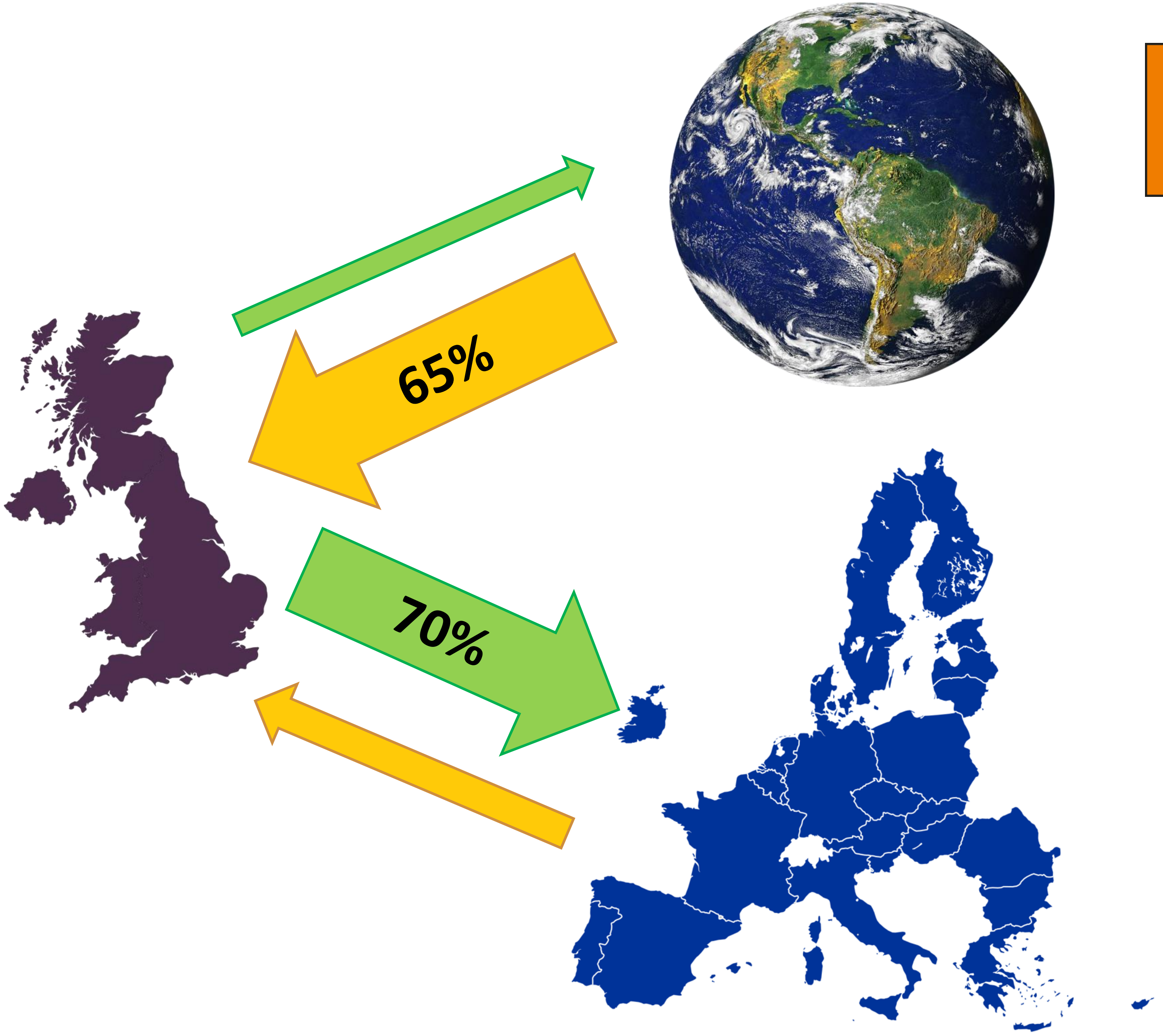
It imports mostly from outside the EU.

And the EU is its first client, by far.

Overall the UK has a trade surplus with the rest of the EU (1.32 b€ exports against 1.25 b€ imports)

France alone accounts for around **36% to 40 %** of the UK exports to EU-27, before Spain and Ireland at **14%**.

For some species, there is a clear intra-industry situation, with UK exporting high quality products and importing low quality substitutes



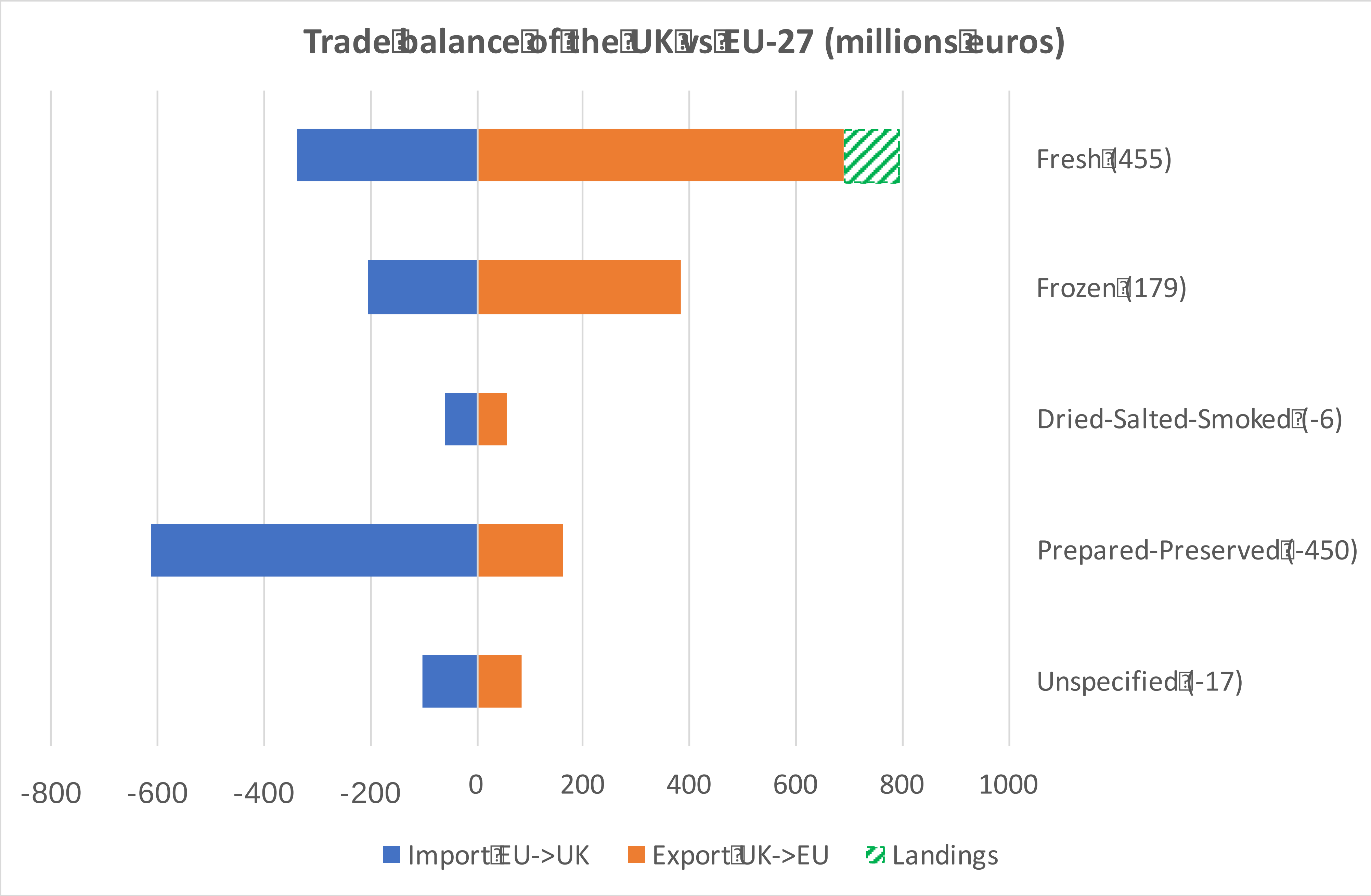
Some caveats

"**Rotterdam effect**" for imports and exports

Some **over-estimation** of UK imports from EU27
e.g. Sweden – 3rd EU-27 supplier – mostly Salmonids (over 100 m€) coming from Norway…

And some '**underestimation**' of UK exports due to direct landings in EU-27 ports not always reported in the trade statistics

- Small pelagic species : around 141 m€,
  e.g. abroad landing of mackerel worth 107 m€, when UK landings are just 91 m€
- Plaice landed in Netherland for an annual value of 21 m€ when trade statistics show 850k€ of plaice exports…


Trade balance of the UK vs EU-27 (millions euros)
Fresh (455)
Frozen (179)
Dried-Salted-Smoked (-6)
Prepared-Preserved (-450)
Unspecified (-17)
-800
-600
-400
-200
0
200
400
600
800
1000
Import EU->UK
Export UK->EU
Landings

Brexit - Possible scenarios

Reducing the mobility of labour might result in an increase in labour costs, and thus might decrease the competitiveness of UK fishing and processing companies
According to Seafish, **42% of the staff** employed by the UK seafood processing industry is from the EU27.

Fishing: UK considered as a third country

Seafood trade: The seafood products that are currently traded without any tax within the common market might be subject to Tariff and Non-Tariff Barriers on **both sides**.
=> WTO rules (Most Favoured Nation – MFN tariffs).

Accessing the fishing resources

UK reclaiming the UK EEZ

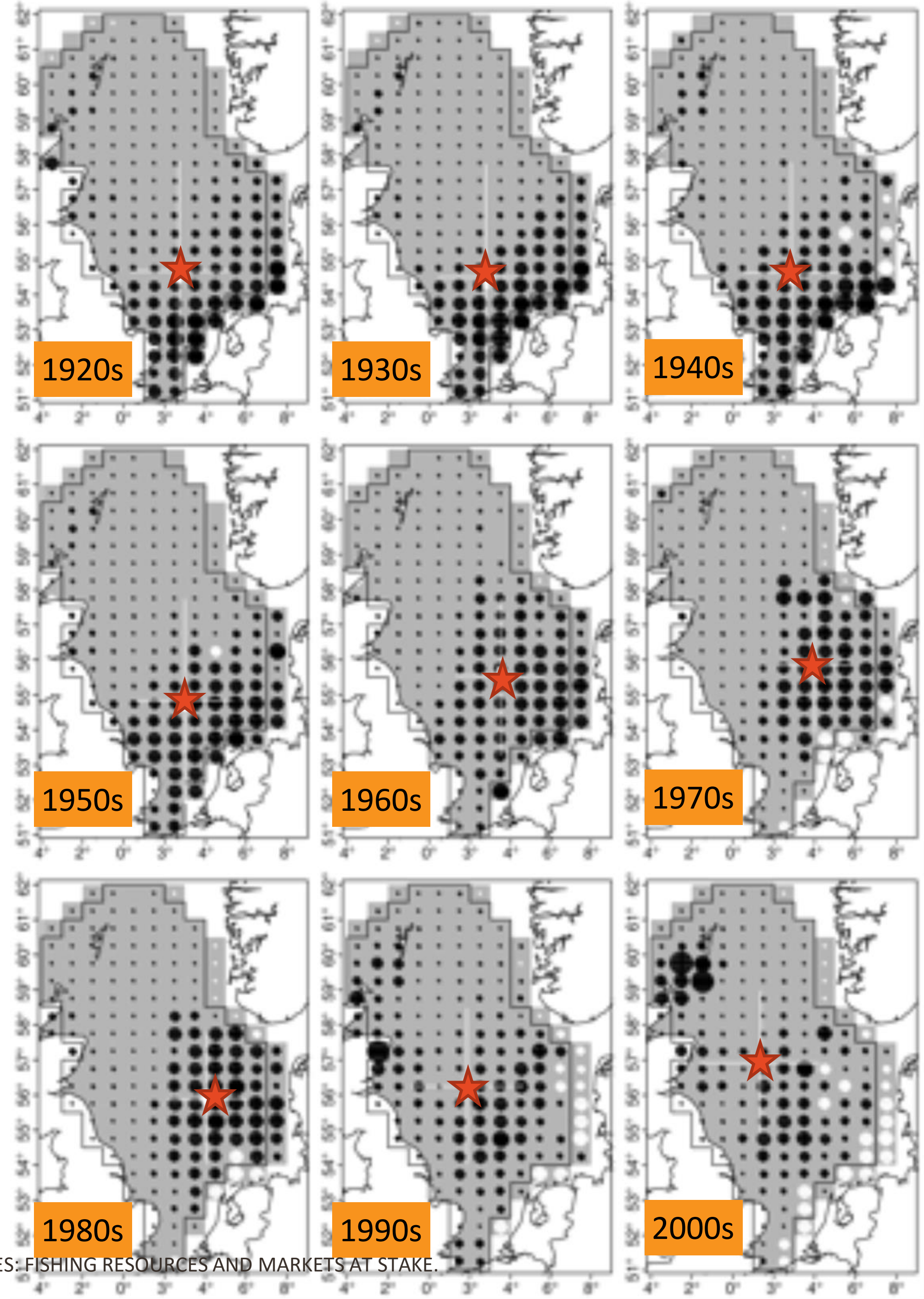
- More than 100 shared stocks

How to share those resources?

- Total exclusion vs status quo
- Zonal attachment

Zonal attachment what is the reference?

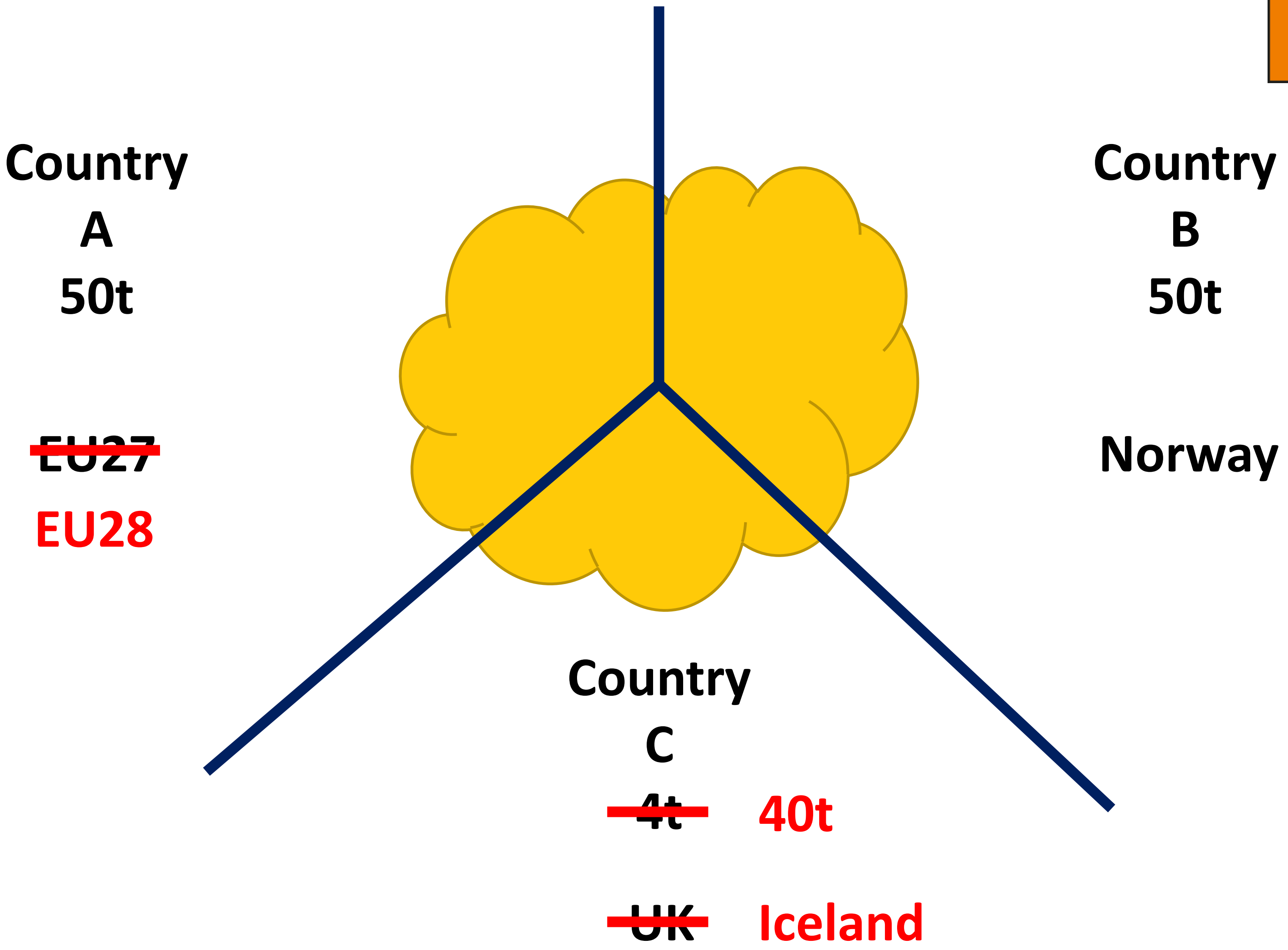
Example of the North Sea Plaice



From: Nine decades of North Sea sole and plaice distribution

ICES J Mar Sci. 2011;68(6):1090-1104. doi:10.1093/icesjms/fsr031

Fish story: zonal attachment



Accessing the fishing resources

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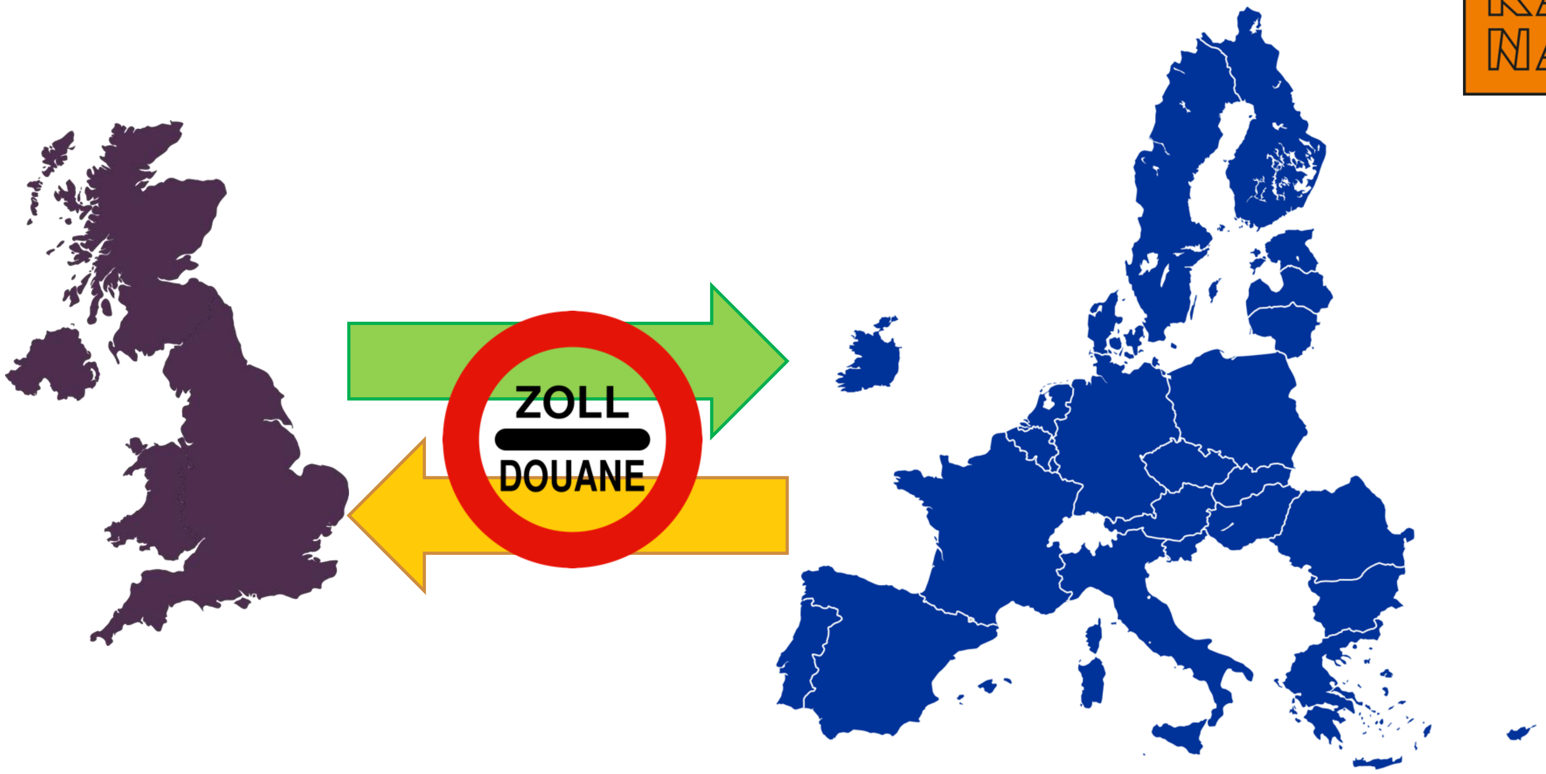
Access to Norwegian waters

- SFPA with Greenland

International conventions:

- Main obligation: cooperation
- Notion of “surplus”

Impact of a WTO scenario
Short term



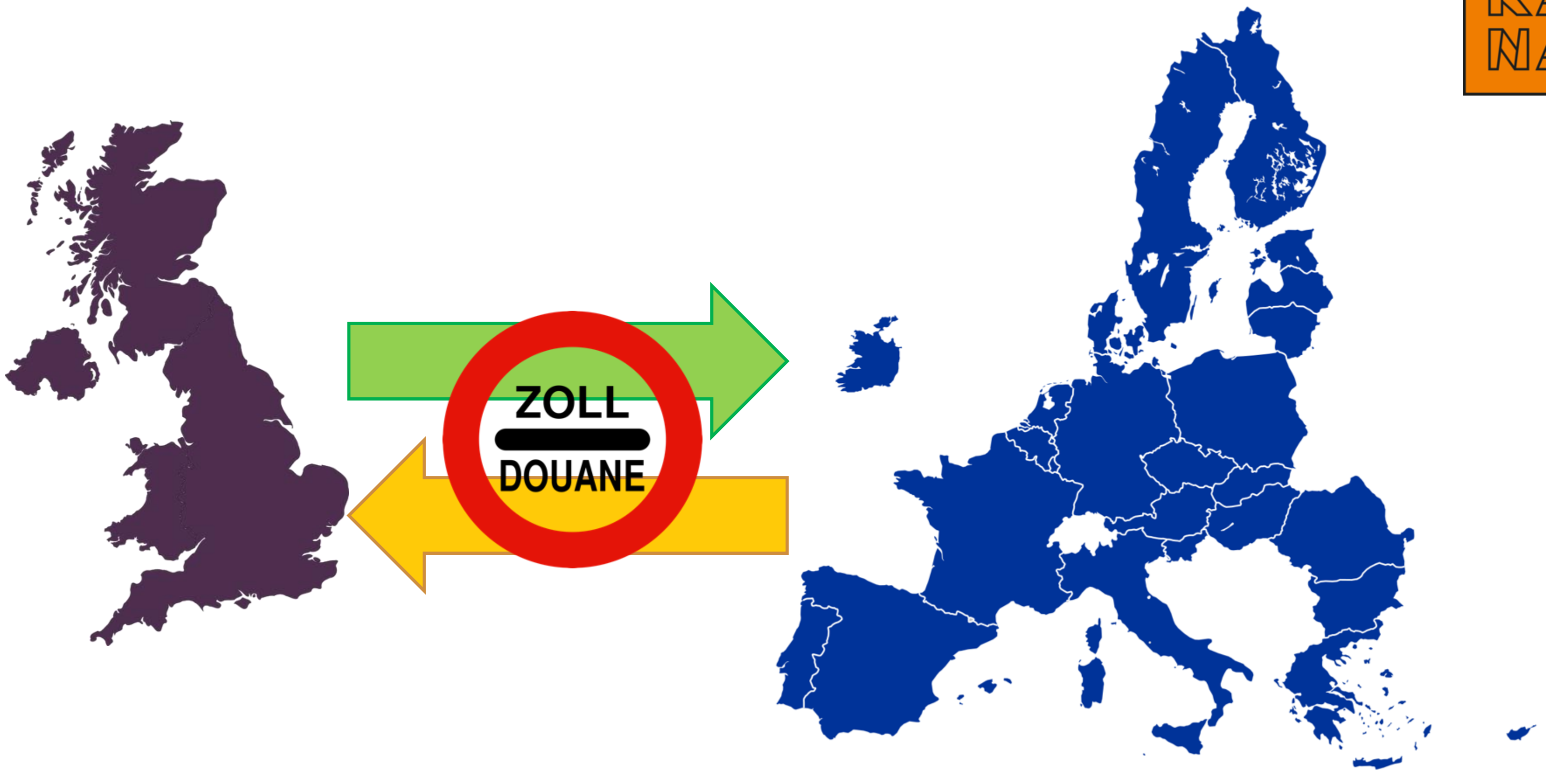
With current trade flows

Higher tariff for UK

13%	**Average tariff**	10.8
169 m€	**Additional custom revenue**	150m€

Additional custom revenues for the governments' budget

Impact of a WTO scenario
Long term



Demand for top 5 species + Pollock remains high

Demand may decline for other species

Demand for fresh products remains high

Relocation of processing activities for smoked/processed products

Trade barriers when importing fish in the EU from third countries

Catch certificate

Health certificate

Anti-dumping measures, such as minimum import prices

Escalating Tariffs

Autonomous Tariff Quotas (ATQ)

- How to split existing tariff quotas? Is it even possible?

Designated entry point and/or customs office for inspection

Access to port (UK vessels landing abroad)

Scenarios
Full nationalization of UK waters

Assumption: (mutual) exclusion of foreign vessels from 'national' waters and allocation of quotas according to the zonal attachment

For the species for which a **domestic demand exists** (e.g. Cod, Haddock, Shrimp), an increase in the UK production and landing is expected to (at least partly) result in a **drop in the UK imports** (substitution).

For the species for which the **domestic demand is limited**, an increase in the UK production and landing is expected to result (at least partly) in an increase in the UK exports (**providing UK economic agents could secure new markets**)…

Also depending on the capacity of the UK-fleet to catch all the fish (e.g. the EU-27 fleet producing some 400,000 tons of pelagic – Herring, Mackerel)

on the potential changes in the way the concept of 'economic link' is applied (Factortame case)

as well as changes in other associated economic domains (e.g. future investments)

Brexit and fisheries – in a nutshell

UK currently highly dependent on EU27 market to sell its products

Access to labour for the seafood industry

Access to resources versus access to market?

What is the main issue in the Brexit negotiations: fisheries and seafood? Or something else…

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