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ASPECTS OF WORLD TRADE OF INTEREST TO THE FISHERY INDUSTRIES¹

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In speaking about fish meal and oil, one of the industry members remarked that if there is ever an industry with an international look, this is it. The reference was to the menhaden industry, and its manufacture and sale of fish meal, oil, and solubles. Therefore, certain aspects of world trade are of concern and interest to the fishery industries.

World trade is a broad and complex subject so this article will be limited to a description of several major international trade organizations and some recent developments that are shaping foreign trade policies.

EUROPEAN ECONOMIC COMMUNITY

One of the important developments affecting world trade in fishery products is the formation of the European Economic Community or Common Market. This is already bringing about changes in world trade patterns. Six nations--France, the Federal Republic of Germany, Italy, Belgium, Luxembourg, and the Netherlands--have agreed to enter into a complete economic union. This union involves a promising market of about 170,000,000 people, one comparable in size to that in the United States.

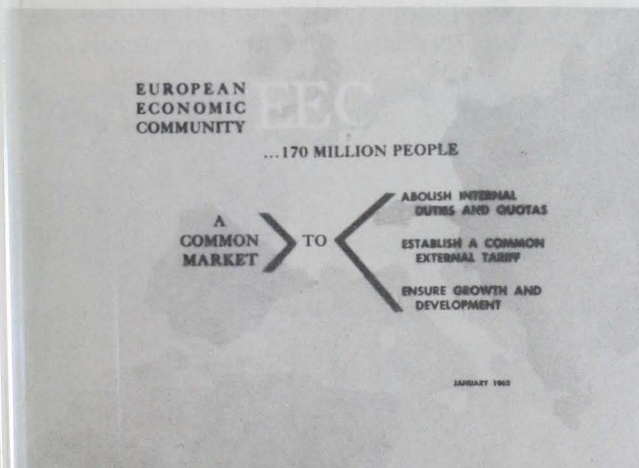


Fig. 1 - The EEC unites six nations in an economic union known as the Common Market.

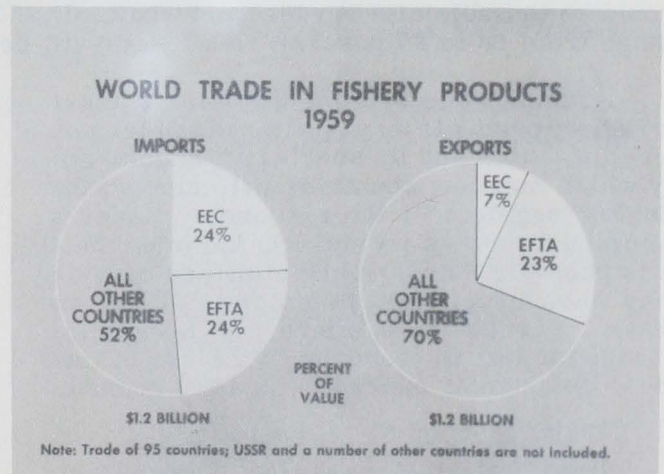


Fig. 2 - EEC (Common Market) accounts for 24 percent of world imports of fishery products and 7 percent of exports.

In terms of total dollar value of world fishery imports, the Common Market takes 24 percent of the total trade. It accounts for 21 percent of total United States exports of fishery products. In recent years, the bulk of United States exports to the Common Market have consisted of fish oils, amounting to some \$8,000,000 to \$10,000,000 annually.

¹/Adapted from a statement at the National Menhaden Convention Sponsored by the Virginia Fishermen's Association, February 13, 1962, Old Point Comfort, Fort Monroe, Va.

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The Treaty of Rome of March 27, 1957, provides for the gradual elimination of tariffs and quotas on trade among the six countries of the Common Market. Because the present individual tariffs of member countries differ widely in the level of duties, the treaty generally provides for setting up a single "average" common tariff on imports of products from outside the area. The new duties are scheduled to become effective gradually over a period of about 10 years, possibly by 1970.

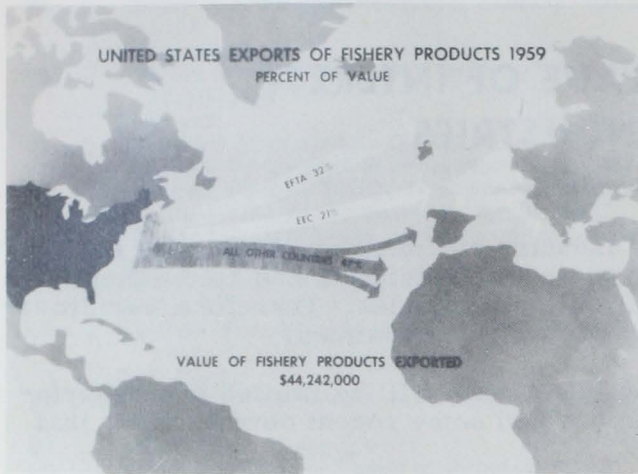


Fig. 3 - The European Common Market accounts for 21 percent of United States exports of fishery products.

In setting up their external tariffs, the Common Market countries have decided that fish oils shall remain free of duty. Fish oils will benefit by much more favorable duty treatment than many other fishery products. The proposed duty on fish meal is 5 percent ad valorem. Under the gradual application of the duties, the present national fish meal duties would be lowered in Italy, West Germany, and France, but increased in Belgium, the Netherlands, and Luxembourg, until at the end of 10 years all would apply the 5 percent duty. Fish solubles would be dutiable at 9 percent and whale oil at 2 percent. Proposed duties on canned fish will range from 18 to 25 percent; fish fillets will be 18 percent.

Normal trade with the Common Market in fishery products may be altered by the new level of duties and by special arrangements by which member countries will support the fishery segment of their economy under a common fisheries policy. On the other hand, it is possible that a higher standard of living may have beneficial effects on total fishery trade. For example, there are favorable prospects for an increase in the use of fish meal because of expanding poultry production.

The Common Market countries, in their effort to promote growth and development, will develop a common fishery policy. This policy could provide for the mobility of labor and capital, supports to fisheries, special marketing schemes, fishing by vessels of one country in territorial waters of another, or grant permission for vessels to land their fish catches freely in another Common Market country. We do not know yet what special market or support devices might be established in the Common Market; these are to be decided upon in the next few years by the EEC Commission.

Recently the United Kingdom and Denmark petitioned for membership in the Common Market. The conditions under which these countries would be permitted entry are now being

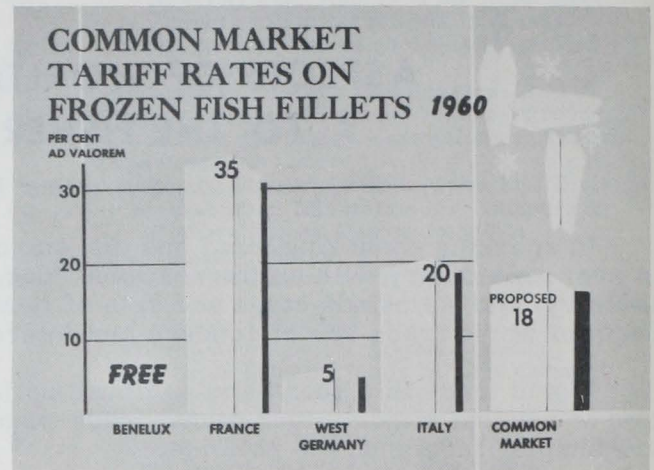


Fig. 4 - In the Common Market, present national duties on fillets will gradually adjust to a uniform level by 1970.

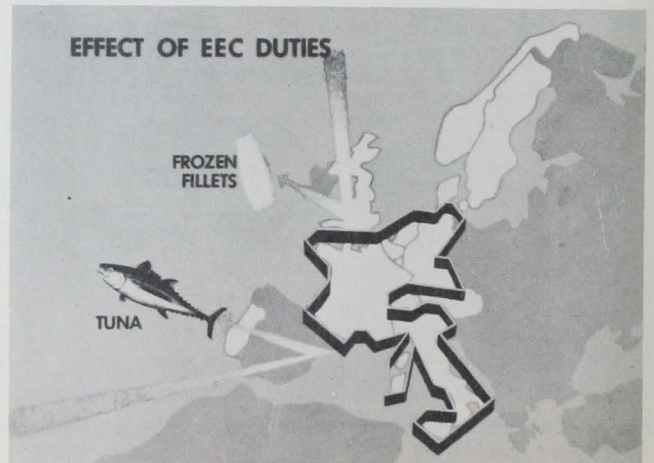


Fig. 5 - Increased Common Market import duties may divert present trade to other countries.

negotiated. There is some question how the British Commonwealth countries would participate should the United Kingdom enter the Common Market. Assuming that the United Kingdom application will be approved, it might be expected that the 10 percent duty on United States fish oil imported into the United Kingdom would gradually be reduced to the free-of-duty level of the Common Market. Should the United Kingdom and Denmark become members, the Common Market would then encompass a trading area of about 250,000,000 people. Other countries also have expressed an interest in joining the Common Market.

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

Another organization which is expected to play an important part in the integration of Europe is the Organization for Economic Cooperation and Development (OECD). In September 1961, the OECD was established with membership from 20 countries. The United States, Canada, the six Common Market countries, the United Kingdom, Norway, Iceland, Sweden, Denmark, Portugal, Switzerland, Austria, Greece, Spain, Turkey, and Ireland are members. Through cooperative actions, the OECD hopes to spur the economic growth of its members, to encourage worldwide trade and investment, and to aid the lesser-developed countries of the world in economic expansion.

An OECD Fisheries Committee was established to carry out a program to promote the harmonious development of fisheries and to iron out trade problems. This Committee will have close links with the OECD Trade Committee and others dealing with economic policies. Since September 1961, the Fisheries Committee has met twice in Paris to consider such major trade problems as subsidies and supports, import restrictions, sanitary requirements, and marketing practices. A. W. Anderson, formerly Assistant Director of the U. S. Bureau of Commercial Fisheries

and now Regional Fisheries Attache in Copenhagen, is vice-chairman of the OECD Fisheries Committee.

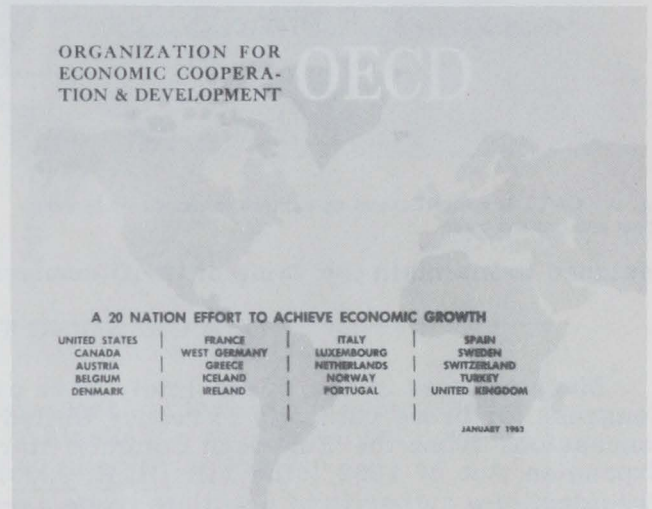


Fig. 6 - Through cooperative actions, the OECD will spur economic growth, encourage trade, and aid lesser-developed countries.



Fig. 7 - A Fisheries Committee in OECD will work closely with other committees concerned with economic policies of member countries.

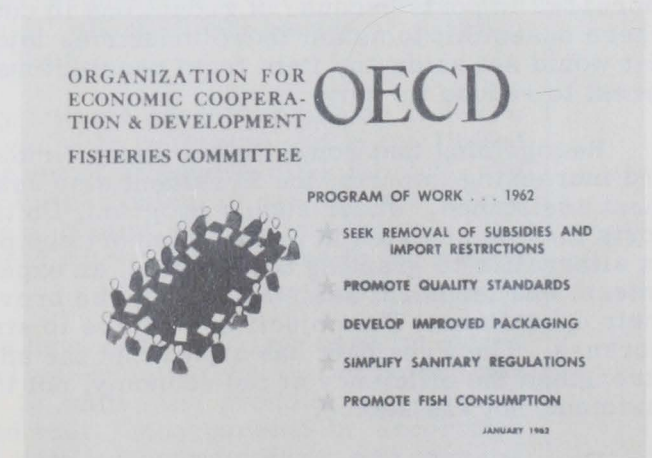


Fig. 8 - The OECD Fisheries Committee will promote harmonious development of fisheries.

GENERAL AGREEMENT ON TARIFFS AND TRADE

Some 40 countries of the world have banded together in an international forum for the operation and administration of trade agreements. This organization is known as the General Agreement on Tariffs and Trade (GATT). The member countries account for about 85 percent of total world trade. Under the GATT, six rounds of trade agreement negotiations have been held. The last round of tariff negotiations was recently concluded in Geneva; the details of negotiations between the Common Market and other member countries, including the United States, were reported previously in this periodical.^{1/}

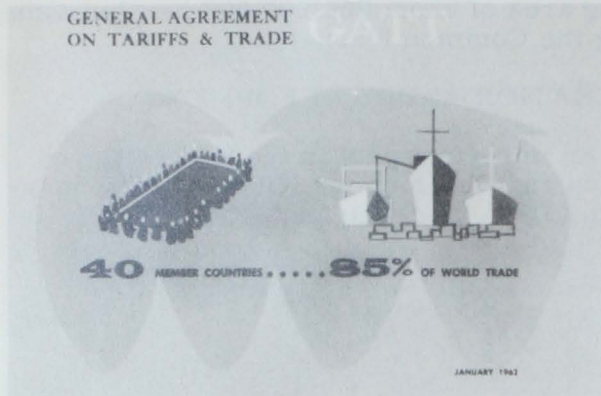


Fig. 9 - GATT is a multilateral agreement to reduce trade barriers and expand trade.

Apart from bargaining for mutual reductions in import duties, other GATT activities include actions to reduce or eliminate quotas, internal levies, discrimination, subsidies, customs formalities, and other obstacles to trade. Commitments under the GATT are designed to maintain the value of tariff concessions and expand international trade.

OUR CHANGING TRADE POLICIES

Many articles in the press lately have covered the request the President made to the Congress for broad authority to reduce United States import duties in exchange for equivalent concessions from the European Common Market and other countries. Known as the "Trade Expansion Act of 1962," the bill (H. R. 9900) being considered by Congress would grant the President new authority to negotiate trade agreements, to lower existing duties by 50 percent, and even eliminate tariffs on products now dutiable at 5 percent or less and on products where the United States and the Common Market account for 80 percent of total world trade. It would also allow negotiation on broad categories of goods rather than on an item-by-item basis as in the present negotiating authority.

Safeguards like the "escape clause" and "peril point" would be retained. But the new definitions are based on determination of significant idling of plants and workers as the result of increased imports because of reductions in duty. Temporary tariff relief could be granted, where essential, to assist those industries injured by a sudden influx of imports. A reserve list would set aside any item from negotiations if it were determined not to be in the best interest to reduce its duty.

Recognizing that some United States firms and workers might be hurt by lower duties and increasing imports, the President also asked the Congress for authority to give adjustment assistance. Under such a program, United States enterprises idled by increased imports may be assisted in meeting import competition and making economic adjustments. As an alternative to granting tariff relief, an expanded program of tax relief, loans, loan guarantees, and technical assistance would be provided to aid firms to modernize and diversify their operations. The objective would be to strengthen the efficiency of affected firms and workers. The President has stated that the adjustment assistance would be designed to strengthen the efficiency of the economy, not to protect inefficiencies. The accent is on adjustment, not assistance.

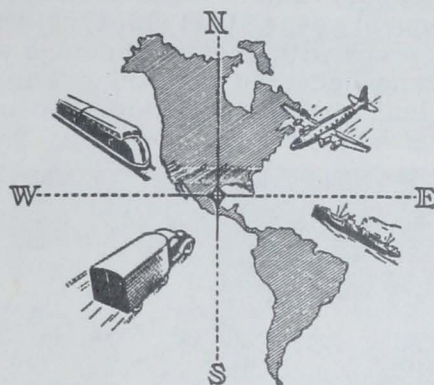
Provision would be made for various forms of tax relief such as a special carry-back of current operating losses from 3 to 5 years. Long-term loans at as low as 4 percent interest and for terms up to 25 years would be made where necessary to provide financial assistance if other financing were not available. Readjustment allowances would be given to workers idled by imports. Workers would get up to 65 percent of their average weekly wage for up

^{1/}See *Commercial Fisheries Review*, June 1962 pp. 1-6.

to 52 weeks, vocational education and training for higher or different skills, or financial aid to relocate to a different place.

CONCLUSION

This briefly outlines some of the organizations and international developments influencing and shaping United States foreign trade policies. Resulting actions will have a direct bearing on many United States fishing industries. The industrial fisheries would be well advised to carefully consider these developments and their probable effect on the fish meal and oil industries.



ALASKA FUR SEAL GUARD HAIR HAS MANY USES

Industry finds more and more uses for materials that might otherwise be wasted; one of the most recent examples is Alaska fur seal guard hair, which is now an article of commerce sold for a number of purposes.

Almost all fur-bearing animals have two kinds of hair--fine fur, which is very smooth and silky, and guard hair, which is longer and tougher than the fine fur and serves to protect it. Most animals have far less guard hair than fine fur, and in mink and silver fox wraps, the guard hair (until it breaks off) adds a fashionable note. But the guard hair of the Alaska fur seal is very dense and must be removed to produce the beautiful furs required by the market. The process is still carried out by hand; men scrape the furs with curved, two-handled steel knives quite similar to the bone knives used by the ancient Egyptians for removing hair from animals. About 70,000 pounds of Alaskan seal guard hair becomes available every year.

For many years, guard hair was only a waste product, bringing at best a few cents a pound on the open market. Then, both in Europe and in the United States, it came to be used as an ingredient of sweaters, thick fabrics, and skirts. Manufacturers were able to point to the content of genuine guard hair of the Alaska fur seal as a sign of great luxury, and the market value increased spectacularly--but it also fluctuated wildly, in response to the whims of fashion.

To stabilize the market, the producers have developed new uses for guard hair, taking advantage of its unique properties--primarily a "three color" appearance. The very tip of a guard hair is white; the predominant color is glossy black, and there is a straw-colored root. Incorporated in decorative papers, the graceful arch of the guard hair creates a unique, soft textural background of random patterns. Proposed applications include stationery, cover stock for books, reports, etc., wallpaper, lampshades, and underlays for countertops. (Industrial Bulletin, April 1961.)