

Tariffs on seafood imported into the EU

Background

The European Union (EU) is in favour of the development of world trade and the progressive abolition of international trade restrictions, a sentiment enshrined in Article 206 of the Treaty on the Functioning of the EU. The EU is a strong supporter of the initiative originally coordinated by the General Agreement on Tariffs and Trade (GATT) and later by the World Trade Organisation (WTO) to work towards increased trade liberalisation. As trade liberalisation negotiations slowed internationally, the EU has resolved to work with individual nations or blocs of nations to facilitate trade through bilateral and regional agreements.

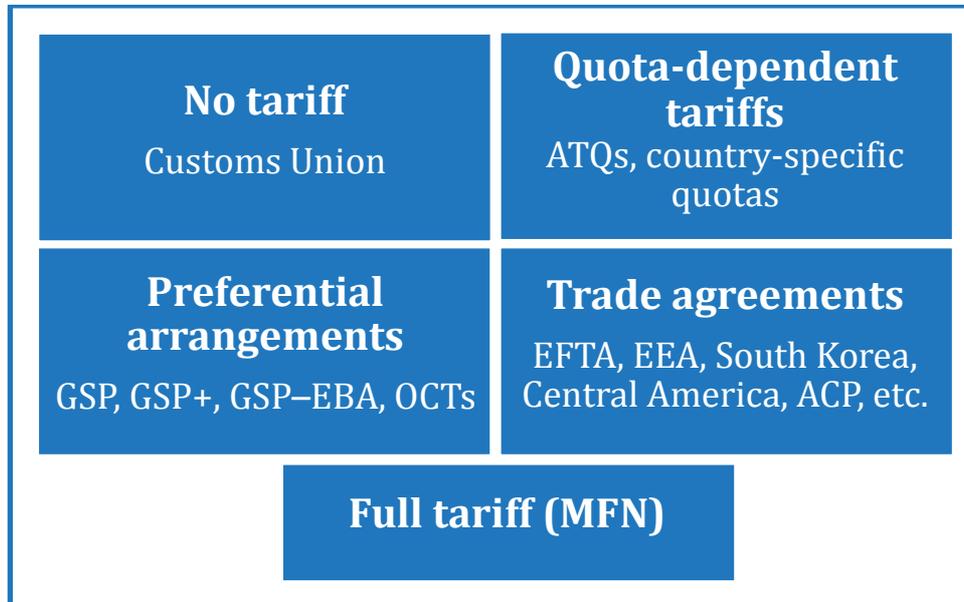
A tariff is a tax on imports intended to generate income for the state and to maintain a level of protection against high import volumes that might threaten national businesses. In general, high tariffs are placed on processed and finished goods, whereas lower tariffs are placed on goods considered to be raw materials that are essential for industries of national importance. Import duty is calculated on the basis of the tariff and the value of the goods. The value of the imported goods is based on the price paid by the buyer to the seller. Importers of goods originating outside the EU are liable to pay a duty: either according to the standard tariff or, if the goods are covered by a preferential arrangement, according to the reduced tariff. Arrangements that provide tariff reductions include customs unions, preferential arrangements with specific qualifying countries and bilateral trade agreements. Examples of these are given in Figure 1.

The Common Customs Tariff

The Common Customs tariff is the basic standard tariff applicable to goods imported into the EU. It is laid out in Council Regulation 2658/87 and has been amended several times. Each commodity commands a specific tariff. All imports are subject to a duty that is calculated on the basis of these tariffs unless some other arrangement applies.

Commodities are defined according to the Harmonized Commodity Description and Coding System (generally referred to as the Harmonised System, HS) developed by the World Customs Organisation (WCO) and adopted by the EU and by most countries. For example, 0303 refers to 'Fish, frozen, excluding fish fillets and other fish meat of heading 0304', and 0303 54 is (frozen) mackerel of the species *Scomber scombrus*, *Scomber australasicus* and *Scomber japonicus* (Figure 2).

Figure 1. The current tariff landscape.



No tariff: Seafood of EU origin can be transported freely between member states of the EU without commanding any tariff. Seafood imported into the EU and which has been cleared by Customs at the border (and any duties paid) is also in free circulation within the EU. The EU has a Customs Union with four non-EU states: Turkey, Andorra, Monaco and San Marino.

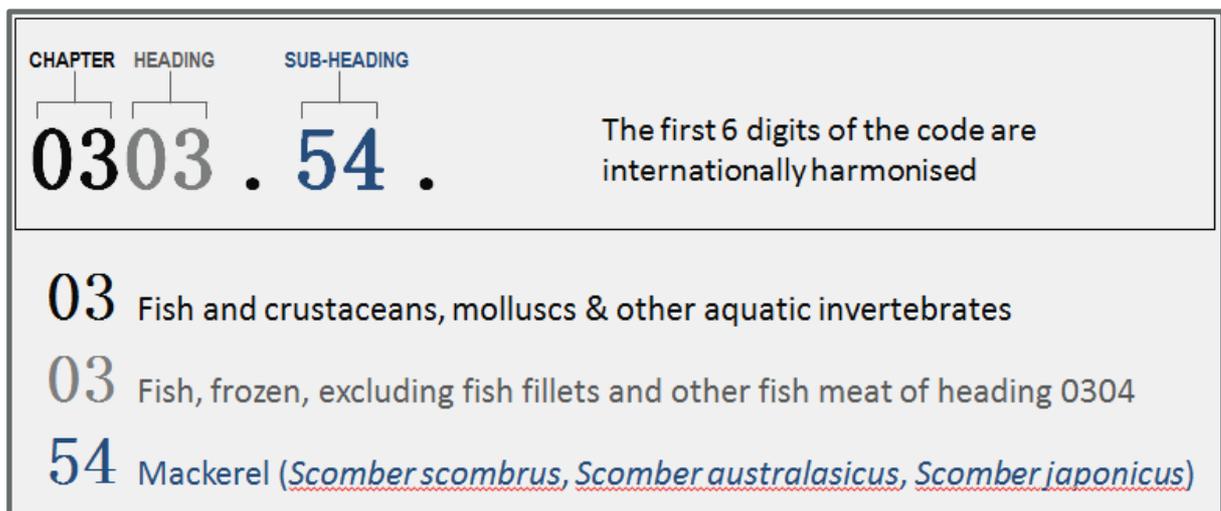
Quota-dependent tariffs: Fishery products that are covered by autonomous tariff quotas (ATQs) during 2016–2018 are listed in Council Regulation 2015/2265. The EU also provides a small number of tariff quotas for specific seafood products exported from particular countries e.g. Norway, Iceland and Serbia.

Preferential arrangements: The General System of Preferences (GSP) provides developing countries access to EU markets. Overseas countries and territories (OCTs) are countries such as the Falkland Islands and Saint-Pierre and Miquelon which are linked to member states but outside the EU. Exports from OCTs to the EU benefit from tariff preferences.

Trade agreements: The EU has trade agreements with several countries or blocs, including the members of the European Free Trade Association (EFTA: Iceland, Liechtenstein and Norway), Switzerland, Morocco, Mexico, South Korea, CARIFORUM, etc. The list of trade agreements has been expanding and new agreements with Canada and Vietnam are currently being phased in (see Figure 3). Seafood imported into the EU from these countries benefits from preferential tariffs which occasionally may be quota dependent.

Full tariff: Seafood imported from countries without a preferential arrangement or not as part of a tariff quota will be subject to the full EU tariffs, known as the Most Favoured Nation (MFN) tariffs.

Figure 2. The Harmonised System (HS) is an international product nomenclature developed by the World Customs Organization (WCO).



Additional digits, which are not internationally harmonised, can be added to specify the commodity further. The EU uses additional digits in this way, and has developed its own Combined Nomenclature (CN) for goods. Continuing with the frozen mackerel example, the CN system distinguishes between frozen mackerel of the species *Scomber scombrus* (0303 54 10 10), *Scomber japonicus* (0303 54 10 90) and *Scomber australasicus* (0303 54 90 00).

The CN has about 10,000 headings at the eight-digit level, of which about 600 relate to seafood.

Sometimes the CN will define that the import will have to be subjected to a specific treatment following importation. For example 'frozen Alaska pollock for processing' is 0304 750010 whereas 'frozen Alaska pollock (other)' is 0304 750090. This is because Alaska pollock for processing has a zero-tariff quota under the 'end use' special Customs procedure, whereas Alaska pollock (other) does not.

Full tariffs (also known as MFN)

Full tariffs for seafood imported into the EU range from 0 to 24%. Examples of full MFN tariffs are given in Table 1.

Table 1. Full tariffs applicable to a range of seafood goods.

Description	CN	Tariff (%)
Fresh cod of the species <i>Gadus morhua</i> , not fillets or meat pieces under 0304	0302 51 10 80	12
Sardines of the species <i>Sardina pilchardus</i> , whole, frozen	0303 53 10	23
Mackerel of the species <i>Scomber scombrus</i> , whole, frozen	0303 54 10 10	0
Alaska pollock, frozen fillets not for processing	0304 75 00 90	13.7
Pangasius, frozen fillets	0304 62 00	9
Prawns of the genus <i>Penaeus</i> for processing	0306 17 92 20	12
Squid, prepared or preserved	1605 54 00	20

Tariffs that are the result of a trade agreement between the EU and a state or a bloc of states

The EU negotiates trade agreements in the spirit of trade liberalisation and with the aim to strengthen the EU economy, increase the competitiveness of EU businesses, encourage exports and improve access to essential raw materials. Tariff reduction or elimination is a critical element of any trade agreement. The various trade agreements in place or under negotiation are mapped out in Figure 3.

Below (Table 2) are some examples of trade tariffs agreed under two of the agreements currently in place: the European Economic Area (EEA) agreement (Iceland, Norway and Liechtenstein) and the Association Agreement with Chile. The tariffs on seafood imports from Iceland and Norway may be subject to tariff conditions other than those governed by the general EEA tariffs indicated below. This is because there are exemptions built into the EEA agreement and because the seafood commodities may be included in tariff quotas.

Table 2. Tariffs applicable to a range of seafood items under the trade agreements negotiated between the EU and the nations of the European Economic Area (EEA) and between the EU and Chile.

Description*	CN	Tariff for EEA (%)	Tariff for Chile (%)
Fresh cod of the species <i>Gadus morhua</i> , not fillets or meat pieces under 0304	0302 51 10 80	0	0
Sardines of the species <i>Sardina pilchardus</i> , whole, frozen	0303 53 10	6.9	0
Mackerel of the species <i>Scomber scombrus</i> , whole, frozen	0303 54 10 10	0	0
Alaska pollock, frozen fillets not for processing	0304 75 00 90	4.1	0
Pangasius, frozen fillets	0304 62 00	2.7	0
Prawns of the genus <i>Penaeus</i> for processing	0306 17 92 20	12	0
Squid, prepared or preserved	1605 54 00	6	0

* It is unlikely that products such as Alaska pollock and pangasius, for example, are imported from Chile. However, the item list is kept identical between tables to allow comparison across tariff regimes.

Tariffs under the EU's General System of Preferences (GSP) regime

A number of countries are subject to the General System of Preferences (GSP) regime. The objective is to allow developing countries to have access to EU markets, which in turn contributes to their economies. Seafood products, whether raw or finished, originating in these countries and exported to the EU command zero or low tariffs. The list of qualifying countries is updated annually. The list is populated by countries of low or lower-middle income (as determined by the World Bank). The scheme has these three arrangements:

- The basic GSP arrangement, which provides import tariff reductions for 81 developing countries and territories.
- A special incentive for sustainable development and good governance, known as GSP+, which covers eight beneficiaries.
- The Everything But Arms (EBA) arrangement, which provides complete tariff-free and quota-free access to the EU market for all commodities except arms for 49 Least Developed Countries (as defined by the United Nations).

Examples are given in Table 3.

Table 3. Tariffs applicable to a range of seafood items under the three arrangements (GSP, GSP+ and EBA) of the GSP.

Description*	CN	Tariff (%) GSP, e.g. India	Tariff (%) GSP+, e.g. Philippines	Tariff (%) EBA, e.g. Bangladesh
Fresh cod of the species <i>Gadus morhua</i> , not fillets or meat pieces under 0304	0302 51 10 80	8.5	0	0
Sardines of the species <i>Sardina pilchardus</i> , whole, frozen	0303 53 10	19.5	0	0
Mackerel of the species <i>Scomber scombrus</i> , whole, frozen	0303 54 10 10	0	0	0
Alaska pollock, frozen fillets not for processing	0304 75 00 90	10.2	0	0
Pangasius, frozen fillets	0304 62 00	5.5	0	0
Prawns of the genus <i>Penaeus</i> for processing	0306 17 92 20	4.2	3.6	0
Squid, prepared or preserved	1605 54 00	7	0	0

* It is unlikely that products such as fresh cod or Alaska pollock, for example, are imported from these three countries. However, the item list is kept identical between tables to allow comparison across tariff regimes.

Tariff quotas for certain fish and fish products

The EU Autonomous Tariff Quota (ATQ) Regulation covers a number of specific fishery products for which the duty has been suspended or reduced. Once the quota is used up on a first-come-first-serve basis, the tariff reverts to the full tariff (or, if applicable, the tariff as defined by an alternative arrangement). Tariff and volume are specific to each product. The philosophy behind the regulation is to provide the EU processing industry an adequate supply of raw and semi-raw materials to ensure that established processing plants remain productive and competitive. ATQs are granted only to products that are imported for further processing within the EU according to a defined list of qualifying processes.

The list of quotas that covers the period 2016–2018 is given in Council Regulation 2015/2265. The quotas are arrived at following consultation with member states and with the fish processing industry, most importantly through the EU Fish Processors Association (AIPCE-CEP).

Up-to-date information on the ATQ uptake is available on the European Commission website here:

http://ec.europa.eu/taxation_customs/dds2/taric/quota_consultation.jsp?Lang=en

In addition to ATQs there are various other tariff quotas available. Most of these are not autonomous but form part of a bilateral trade agreement between the EU and the third country. One of them is the Icelandic tariff quota list which is given in Council Regulation 499/96. Other countries that can provide tariff-free or reduced-tariff quotas of seafood include Norway, Faroe Islands, Albania, Bosnia and Herzegovina, Chile and Saint Pierre and Miquelon.

Tariff quotas are usually available annually on a first come first serve basis. Some quotas are exhausted very fast. The Icelandic 2016 quota of 250 zero-tariffed tonnes of various fishery products (including several flat fishes, cod and hake) was completely taken up on 14 January 2016. The 2016 ATQ of 3,500 tonnes of 'Shrimps and prawns of the species *Pandalus jordani*, cooked and peeled, for processing' was exhausted on 4 January 2016. Some other quotas are not exhausted so quickly, such as the 2015 ATQ of 30,000 tonnes of 'Cod, (*Gadus morhua*, *Gadus macrocephalus*), frozen fillets and frozen meat, for processing', exhausted on 25 August 2015. Sometimes quotas are not exhausted completely, which may be because of a change in market conditions or because the quota arrangement is superseded by another trade arrangement. In general, the Commission revises ATQs every three years and, in consultation with industry, sets them at levels that are as close as possible to predicted market demand.

The concept of origin

Tariffs may be preferential or non-preferential. In general, preferential tariffs are dependent on the goods originating in a particular country. Tariffs that are covered by GSP or that are the result of a bilateral trade arrangement are preferential; they are established to give preference to a particular country or group of countries. Non-

preferential tariffs are those relating to ATQs, for example, and apply irrespective of the country of origin.

Origin is the 'economic' nationality of the goods. This is an important concept in the case of preferential tariffs because the preferential tariff applies only to goods originating from the particular country or countries covered by the arrangement. When they arrive at the EU border, the goods will have to be accompanied by proof of origin in the form of a certificate of origin, so that Customs officials can ensure that the appropriate preferential tariff is being applied. While the concept of origin remains the same, the administrative procedures for issuing certificates of origin are changing. The certificates of origin are currently issued by the exporting country's competent authority, but these certificates are being phased out. The Registered Exporter system (REX), whereby the exporter certifies origin, is being phased in to take over from the current system.

The concept of origin for the purposes of the GSP

For goods to qualify for preferences under the GSP, the products have to originate in that country, and this generally means that they must be 'wholly obtained' in the beneficiary country. The origin requirement for farmed fish, farmed molluscs and farmed crustaceans is that they are born and raised in the beneficiary country. The origin requirement of fish and other seafood taken from the sea is covered by more complex rules. Originating status is held by:

- Products obtained from fishing within the country's territorial waters.
- Products of sea fishing and other products taken from the sea outside the territorial waters by its vessels.
- Products made on board its factory ships exclusively from the products referred to in the point above.

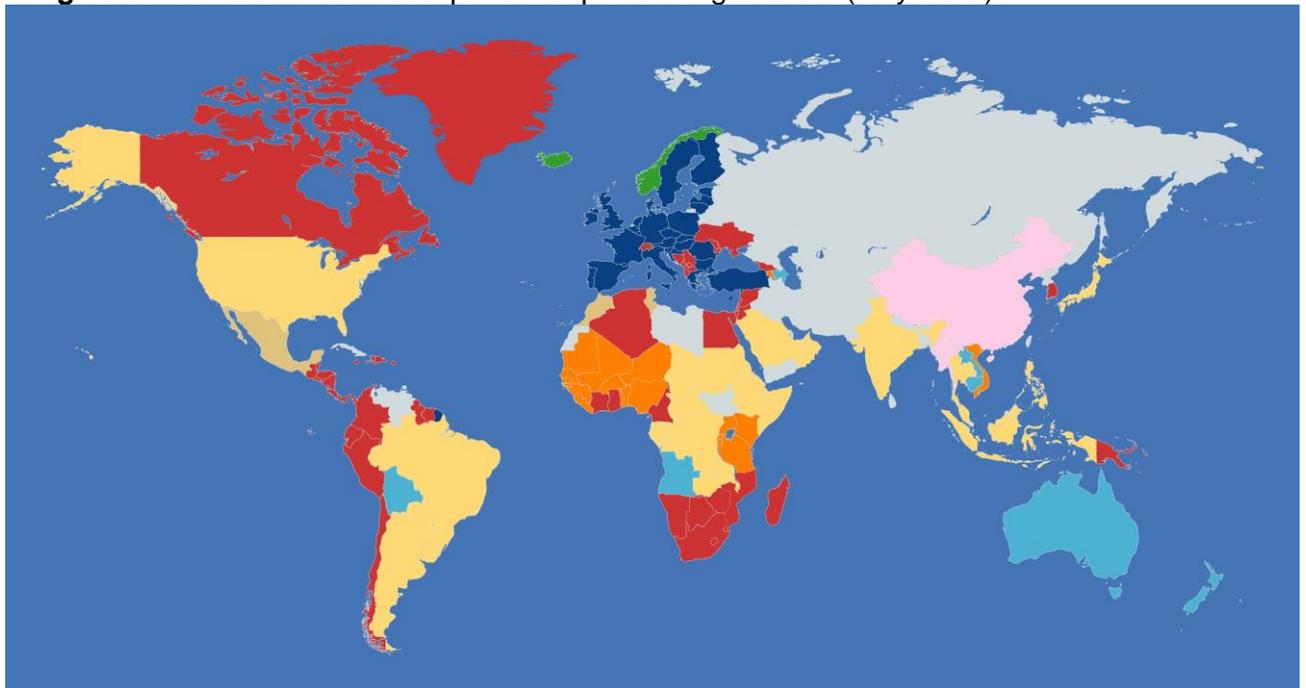
'Territorial waters' within the context of these rules of origin is strictly limited to the 12-mile zone. Fish caught on the high seas can be considered to originate in the beneficiary country in question if the vessel used is registered in the beneficiary country and is sailing under its flag (or of an EU member state) and in addition it meets one of the following conditions:

- It is at least 50% owned by nationals of the beneficiary country or of member states
- Or it is owned by companies that
 - have their head office and their main place of business in the beneficiary country or in member states and
 - are at least 50% owned by the beneficiary country or member states or public entities or nationals of the beneficiary country or member states.

There are specific situations whereby origin rules as applied for GSP purposes can be relaxed. The value tolerance or *de minimis* rule allows processed seafood under Chapter 16 of the CN to include non-originating material as long as its value does not exceed 15% of the ex-works price (Article 48 of Commission Delegated Regulation 2015/2446). Another relaxation takes the form of a derogation which may be granted to beneficiary countries, usually for a limited period. The Cape Verde

derogation is one such example: the country has been allowed to use imported, non-originating, fish to manufacture products that are then considered wholly obtained.

Figure 3. The state of EU trade partnerships and negotiations (May 2018).



- Customs Unions (EU, Andorra, Monaco, San Marino, Turkey).
- European Economic Area (Norway, Iceland, Liechtenstein).
- Preferential trade agreement in place.
- Preferential agreement in the process of modernisation.
- Preferential agreement awaiting adoption or ratification.
- Preferential trade agreement being negotiated.
- Potential for free trade partnership.
- Stand-alone investment agreement being negotiated.

Adapted from European Commission, DG Trade (2018) 'Overview of FTA and other trade negotiations. Updated May 2018.' Available from: http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf. Accessed 8 June 2018.

Glossary

Applied tariffs These are the tariffs currently in force, which are usually equivalent or lower than the bound tariffs.

Bilateral cumulation A mechanism by which materials originating in the EU, Norway, Switzerland or Turkey can be further processed or incorporated in a finished product in a beneficiary country as if they had originated in the beneficiary country.

Bound tariffs Parties to the WTO have agreed to 'bind' their tariffs, meaning that they resolve not to raise tariffs above a defined ceiling.

Cumulation A mechanism that allows non-originating material to be considered as originating in a beneficiary country when they are used for processing carried out in the beneficiary country. See also Bilateral cumulation, Extended cumulation and Regional cumulation.

Extended cumulation A system whereby certain materials are considered to be materials originating in the beneficiary country concerned when further processed or incorporated in a product manufactured in that country. This applies only to materials originating in a country with which the European Union has an eligible free trade agreement in force. Extended cumulation needs to be authorised by the Commission further to a request lodged by the beneficiary country.

Most Favoured Nation (MFN) This is the concept under the WTO whereby countries cannot normally discriminate between trading partners. In practice this results in a schedule of standard tariffs that are applied to imports from all nations. There are exceptions however: countries can set up free trade arrangements or grant concessionary tariffs.

Regional cumulation A mechanism whereby beneficiary countries are grouped together so that goods can be processed in countries within the group and still be eligible for import into the EU under the preferential arrangement. An example of this is regional cumulation under GSP, which allows GSP-eligible countries to be grouped as follows:

- I. Cambodia, Indonesia, Laos, Myanmar/Burma, Philippines and Vietnam (note: Vietnam will soon benefit from a free trade agreement with the EU).
- II. Bolivia, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Peru.
- III. Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka.

Tariff Rate Quotas Tariff rate quotas are used in agricultural and fisheries trade to regulate imports. A defined quota of the goods enters at a certain tariff rate. Once the quota is exhausted, any further imports of the goods in question revert to a higher tariff rate.

Wholly obtained A product is wholly obtained if it is obtained only from the country in question and any processing took place only in that country. See the text for more detail on how this applies to seafood.

WTO The World Trade Organization, located in Geneva, Switzerland, is the global international organisation that lays down the rules of trade between nations. WTO agreements are negotiated and signed by the bulk of the world's trading nations (currently at 164 countries) and ratified in their parliaments. The WTO aims to help producers of goods and services, exporters and importers trade in an open, transparent and non-discriminatory environment.

References and further reading

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