

Contribution to the discussion on reforming the CFP – Elimination of subsidies to fisheries

The fisheries sector in the EU is currently characterized by many small producers, a lack of structuralized organization and an aggregated profit equal to around zero. It is furthermore widely known that the fishing industry is heavily subsidized. Consequently, perhaps now more than ever, a re-evaluation of the role of subsidies is called for.

Baltic Sea 2020 believes that the reform process of the CFP and the upcoming EFF mid-term review, provides a window of opportunity for the European Commission to closely examine and take concrete steps towards abolishing subsidies.

Enclosed you will find a more extensive report "*Towards elimination of subsidies in fisheries*" commissioned by Baltic Sea 2020, which examines the issue of subsidies in depth. With this submission Baltic Sea 2020 would like to highlight the steps that should be taken in the near future.

Market means

In many respects the CFP constrains market incentives. The current system has led to subsidies distorting competition and free of charge access to fish stocks, resulting in reduced production costs and the "tragedy of the commons".

Baltic Sea 2020 is convinced that more effective fisheries management can be achieved by making use of the existing market forces in a proper manner. For that reason we recommend the introduction of transferable user rights. First and foremost trade in the user rights on national level should be allowed. In due course it should, however, mean that nationality restrictions should be revoked. Thereby foreign interests will be allowed to set up a fishing company in a specific Member State and operate under the legislation of that state.

Furthermore, a system of royalties needs to be introduced on EU-wide scale in order to avoid distortions of competition, where some fishermen are obliged to pay for access, while others can fish free of charge. If the constraints of relative stability are lifted, a full EU-wide tradability of fishing rights can also be made possible. This will open up for vessels being able to hold fishing rights from several MS and pay royalties accordingly, all in consistency with the aims of the internal market.

We are aware that the operation of such a system may require the creation of a clearing house, which handles supply and demand of fishing rights, auctions them out and possibly collects royalty payments. However, we believe that setting up an organization for the management of the new structure will be worth the effort, as the introduction of the new system will undoubtedly lead to a significantly more efficient fishing industry.¹

Regional management

Baltic Sea 2020 welcomes a more regionalized approach to fisheries management as we hold the view that closer interaction and dialogue among stakeholders will bring about more efficient and sustainable management of stocks. However, we do not believe that a regionalized approach should be applied in the introduction of tradable user rights along with royalty payments. Introducing this on a regional basis alone would most probably put traditional Baltic fishermen that are less well off,

¹ For further elaboration, see page 12-14 in the report "*Towards elimination of subsidies in fisheries*"

in a disadvantaged position, where old Member States would try to buy out fishing rights in the new Member States.

Evaluating existing measures

In our attempt to look closer at specific measures within the EFF we suggest that the role of subsidies should be reevaluated on the basis of specific criteria. By making such an evaluation we strive towards excluding the most harmful subsidies and the measures left “acceptable for support” must score positively on all criteria:

1. Reduce environmental impact of the sector
2. Incorporate long-term considerations
3. Strive towards a better balance between fishing capacity and fishing opportunities
4. Enhance market and level playing field
5. Be consistent with other policy measures and market incentives
6. Be effective and efficient and limited in scope and time

Meaning, any measures that increase fishing effort, benefit specific groups, attempt to overrule market forces or are based on short term considerations, should be eliminated or phased out.

Suggested steps forward

Our overall position on the issue of subsidies is based on the assumption that most presently existing subsidies should in fact be phased out, or be replaced by support that is better targeted. However, as abrupt abolishing of subsidies can be difficult, Baltic Sea 2020 suggests a division of support measures into four groups that should be managed in the following manner.

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- ***Full elimination***

The measures listed below should be abolished on the grounds of the argument that the support goes directly to individual beneficiaries or to small groups. As such they often distort competition:

- Decommissioning schemes;
- First replacement of gear;
- Fishing ports and shelters;
- Development of new markets;
- Modification of vessels for other activities;

These measures should be scrutinized during the upcoming mid-term review of the EFF with regard to their effectiveness, consistency with other policies and market distorting impact. On the basis of the results of this evaluation, the regulation makes it possible to decide on abolishment of some of these subsidies already in 2011.

- ***Gradual phasing out***

The next group of measures can, according to the above listed criteria, be gradually phased out in the years 2014-2020. During the years that they still exist, support should, however, only be made available under the condition of substantial co-financing by the sector itself. The fact that the industry gets increased responsibility and that the rate of co-financing potentially increases, will over time lead to a decreased willingness of the sector to uphold these measures. Consequently they will be regarded as superfluous and can effectively be phased out:

- Modernization, regardless of purpose;
- Gear selectivity;

- Compliance with legal requirements;
- Support to small scale fisheries;
- Support to young fishermen;
- Creation of POs;
- Quality and food safety;
- Working conditions;
- Certification and labeling

- **Positive incentives**

The third group of measures differs a lot from the ones mentioned above as these can bring positive effects to the catching sector by generating positive incentives. They primarily focus on fostering cooperation among various stakeholders and creating conditions for entrepreneurship. In order to function accordingly, the measures must be formulated explicitly by specifying the rights and responsibilities of various stakeholders:

- Cooperation between science and sector in areas of technology and management
- Management of resources, incl. Natura 2000;
- Development of new technologies to reduce discards or environmental impact;
- Promotion of awareness in areas of sustainability, through education;
- Improving quality of management through greater involvement of the industry in policy preparation;
- Implementation of infrastructure for “market assisted management”.

- **Transfer to other structural funds**

The last group consists of measures that take place in a broader context of regional and social development. According to Baltic Sea 2020, expertise beyond fisheries is required for these actions as the horizon is much wider than what can be seen from fisheries perspective. Therefore we suggest that general support should be placed in the broader context of environmental or economic policies:

- Socio-economic measures to be addressed by ESF;
- Regional or local measures be addressed by EFRD;

Moreover, the likelihood that these funds would support fisheries related activities is relatively small.

Conclusion

The current system undermines not only the sustainability of fishing resources. It also significantly undermines the efforts of effective fisheries management, simultaneously distorting trade and damaging the environment. As subsidies only bring a short-term increase in profit to fleets, inevitably, overfishing reduces the gains for all fishermen in the long-term.

Baltic Sea 2020 truly hopes that the European Commission will take our concerns into account when reviewing the current system of subsidies to the European catching sector. Today there is a widespread understanding amongst some governments and stakeholders that change within this area is needed. This, however, requires bold and clear cut action.

Yours sincerely,
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