

Norwegian Comments to the Commission Green Paper on the Reform of the Common Fisheries Policy

Introduction

Fisheries and aquaculture are important coastal industries, which in combination with shipbuilding, shipping and associated industries and services are major contributors to economic activities and settlement in the coastal areas. Research, development and innovation also form important components of marine and maritime clusters. In a wider context, this encompasses science, biological research, management of living resources, research, development and innovation of technical equipment and technology, the production of food, the protection of consumer health, and lastly the marketing and trade of the products produced. In this respect, the concept of the value chain is crucial.

In a global context, around fifty per cent of the world population lives in proximity to the sea and ninety per cent of all forms of marine life exists in the upper layers of the coastal areas and the seas. Management and use of the oceans must ensure the carrying capacity of the ecosystems. Climate change and changes in the marine environment will potentially confront us with a set of new and demanding challenges. We may see changing migration patterns for fish and new allocation conflicts. Ocean transport must be regulated in order to ensure safety. Pollution of the air and sea must be reduced and contained. The sustainable use of the oceans and climate change are thus the major challenges for today and for the future.

The fisheries sector will continue to be crucial in ensuring food for humankind in the future. This requires effective and sustainable management. There are enormous values at stake. The World Bank has estimated an annual loss in revenue of around 50 billion US dollars as a consequence of fishing overcapacity and IUU fishing.

There will be greater demand for more extensive international cooperation on issues which up until now have been dealt with domestically. There will be increased demand for better internal and external co-ordination of policy areas and a greater need to monitor human activity and ecosystems.

Who will be permitted to utilize the oceans and the coastal areas, where and under what conditions? Any policy reorientation needs to take account of the relevant flanking issues, which may, to a lesser or larger extent, be outside the proper area of competence of the institution that conducts the reform process.

There are thus many issues and questions to address comprehensively and very little time to lose. We would like submit our observations and views against this background, keeping in mind that the Commission has posed specific questions to specific issues under the CFP.

The Green Paper on the Reform of the Common Fisheries Policy gives a holistic and sincere assessment of the current challenges facing the European fisheries sector. Norway welcomes the efforts to identify and address these challenges and would commend the Commission for the transparency which characterizes the Green Paper. We appreciate the invitation to take part in the consultation process.

There are a number of differences between the Norwegian and the EC fisheries policy. We recognize the complexity and scope of the Common Fisheries Policy, and acknowledge that simple and practicable solutions are sometimes difficult to find.

Nevertheless, we share your vision of a future fisheries policy. Furthermore, we jointly manage our shared stocks in the North Sea, and we are partners to the coastal state agreements on herring, blue whiting and mackerel in the Northeast Atlantic. Evidently, the future CFP is an important issue for Norway, and we share many of the challenges you are faced with.

Some of the management solutions that have been developed for the Norwegian fisheries have proved to be efficient tools to overcome some of these challenges. Obviously, adequate measures and instruments in our waters are not automatically transferable to other areas. We recognize that some of the challenges that the Community is faced with are in their very nature different from the Norwegian setting, and our experience in dealing with certain issues might be limited. It is, however, our hope that certain parts of the Norwegian management system – with the necessary adaptations – might inspire you in your reflections and efforts to reform the CFP.

The Green Paper raises a number of questions. In the following we have focused on those issues where we believe our experiences can be of interest, and where we hopefully can convey a useful and relevant contribution.

4.1 Addressing the deep-rooted problem of fleet overcapacity

Overcapacity is probably the most fundamental challenge to fisheries management, and failure to address this problem will hamper progress in other areas as profitability will remain poor. There are in essence only two ways to deal with the capacity problem; either through ever-increasing subsidies or by reducing the number of economic entities. Measures to cap, freeze or in other ways restrict technical parameters are inherently inadequate as they fail to address the economic realities and are easily circumvented.

Continual technological advances in the fisheries allow limited fish resources to be harvested with increasing efficiency. This trend entails structural changes in the fishing fleet and the rest of the fishing industry. As such, the structural policy for the fishing fleet is an essential instrument and should be an integrated part of fisheries management. Without any new fishing opportunities, which in any case are unlikely to arise, the number of vessels and employees in the fisheries will constantly dwindle, unless subsidies are used to maintain excess capacity.

An important factor in this respect is the development of the gross productivity. When the overall economic development is positive, the fishing industry must improve its own efficiency in order to stay competitive or at worst not to drop (even further) behind other sectors. Paradoxically, in the case of economy-wide decline, the fishing sector can allow itself a little more leeway. This is, however, to a certain extent an irrelevant point, especially given a situation where the economic capacity, measured by gross investments and employment, from the outset is far greater than the resource base ever will allow for. In such cases the only way forward is to introduce tough measures to rapidly build down the overcapacity. This is never an easy path, but on the other side the alternatives are not especially tempting: continued overfishing, stock collapse, industry protests, bankruptcies and escalating subsidies.

It is therefore important for the structural capacity adjustment systems to be assessed and discussed in light of the primary objectives of such systems:

Firstly, they are to be instrumental in enabling the fishing fleet to keep up with continual productivity growth in the same way as any other sector. Capacity adjustment schemes are necessary because fish stocks set definitive limits for total production in the fisheries. The systems must thus also facilitate improved profitability and give those that operate in the sector opportunities for improving their efficiency within a regulated framework.

Secondly, the systems must promote better capacity adaptation in the fleet to match the resource base. As individual actors can combine different input factors such as for example engine power, vessel size, fishing gear and fish finding equipment, it is hardly expedient to regulate capacity in relation to the technical parameters of individual vessels. A number of other reasons dictate the need for vessel owners to be given relative freedom in assembling their own operating assets. As such, restricting the number of vessels in the fishing fleet is the most practical means of regulating capacity, regardless of the fact that the total technical fishing capacity is determined by more factors than the number of vessels alone. If a system with access regulation is established, which effectively limits new entrants in the fishing fleet, and the fisheries are managed through total allowable catches (TAC) and vessel quotas, then technical fishing capacity *per se* is not a relevant capacity target.

The Norwegian fisheries management regime is essentially based on limited entry schemes, TACs and individual vessel quotas. Within this framework there are numerous ways to address the issue of overcapacity, but they all hinge on the preconditions. Without limited access any gains will be dissipated by new entrants. Individual vessel quotas provide a positive set of incentives and make the benefits visible. TACs based on scientific advice within precautionary limits will ensure sustainability as long as the quotas are respected and enforced properly through strict control measures. Access regulations through annual permits and licenses, combined with individual vessel quotas, constitute user rights and thus allow for the introduction of market-based capacity adjustment schemes.

However, there is also another key element in the Norwegian fisheries management system. Within the framework of limited access and quotas, the resource allocation between vessels and vessel groups is fixed. This strengthens the overall stability, and results in greater investment security, something which again stimulates capacity adjustment if the schemes are available.

Limited access, individual quotas, sound resource management and structural measures give the right to participate in the fisheries an intrinsic value. If the number of operators is reduced and the available quotas are distributed among fewer vessels, for example, as a result of structuring processes – the prospects for future profitability increase and the value of the fishing permit also increases. It is all about creating a healthy set of incentives.

Norway has a long history of implementing structural measures for its fishing fleet as an integrated part of the overall fisheries management regime. Two structural instruments have been employed: decommissioning and various systems for consolidating quotas. The period up to the 1980s was characterized by different decommissioning schemes, but for the last decades the emphasis has been on market-based quota merger schemes.

One of the main differences between the various systems has been the form of financing. While the public sector to a large extent has financed the decommissioning systems, the quota merger schemes have in effect been privately financed efficiency improvement programs, combined with built-in scrapping requirements. The key aspect of the quota merger system is that the individual that undertakes the cost of withdrawing a vessel from a fishery is granted a higher quota in return.

The different schemes are adapted to and operate within defined vessel groups. This makes it possible to address special needs and concerns, and has allowed for a gradual introduction. Even though there are certain differences between the schemes they all rest on the same logic and principles, and build on the concept of defined and exclusive user rights. Access limitations always precede the introduction of structural measures; otherwise the benefits emerging from improved efficiency would be dissipated by newcomers. Furthermore, structural measures are only introduced in fisheries that are regulated through total quotas and vessel quotas, which is the case for the large, commercial stocks in Norwegian waters.

Another critical element underpinning the structural measures is stability in the quota allocation between different vessel groups and individual vessels. This stability ensures that capacity reductions and efficiency gains in one vessel group will not be diluted through quota reallocations, and thus provides the necessary security for investments. The lesson to draw from this is that a certain amount of stability and predictability is required to facilitate industry-financed capacity reduction. Redistribution amongst the groups would undermine trust, increase uncertainty and discourage new investments. Distributional stability between vessels and vessel groups is consequently a basic criterion for achieving the intended effect of structural measures.

Structural instruments currently employed in Norway consist partly of a limited decommissioning scheme for small vessels, and a structural quota system (SQS) for most vessel groups. The decommissioning system is now being phased out. The SQS is basically very simple; someone who owns two vessels can on certain terms merge the quotas and fish them with just one vessel. Vessels with a permit and quota can therefore be purchased specifically for the purpose of consolidation. This increases the transaction rate and accelerates structural changes. An absolute requirement is that a vessel is physically scrapped in each transaction, and that all related permits are surrendered.

Once the conditions have been fulfilled, the owner's remaining vessel in the same vessel group can be allocated a structural quota for the fishery in question. The structural quota corresponds to the withdrawn vessel's quota, minus any predetermined curtailments depending on which vessel group the transaction takes place within. The structural quota is allocated with a set time limit of 20 years. Provided that the vessel owner continues to meet the conditions that apply to owning a fishing vessel and the permit has not been withdrawn for other reasons under the various provisions of the Participant Act, the structural quota will be allocated in the same way as the vessel's basic quota. The SQS was developed in the early 1990s, but the design has changed several times since then. Today the SQS system covers all the fishing vessels above 11 meters holding a valid license to participate in a closed access fishery.

In order to address various concerns and objectives there are several constraints build into the SQS. Restrictions are embedded to curb concentration of ownership and quotas, and to uphold a diversified fishing fleet. Examples of restrictions that are in place are:

- maximum quota size for any individual vessel;
- quotas can only be associated with a licensed fishing vessel owned by an Norwegian fisherman;
- quotas can only be consolidated within geographical regions and within established vessel groups;
- scrapping requirements.

The SQS has proved to reduce the number of vessels, and the profitability of the fishing fleet has improved dramatically since the introduction of the different schemes. This shows that measures can be effective even when constraints are attached to protect or promote other objectives than capacity reductions and efficiency gains.

In the Norwegian coastal fleet defined as vessels less than 28 meters overall length, 891 licenses and 520 vessels have been removed through the SQS since 2004, corresponding to a 20 percent reduction in the number of vessels.

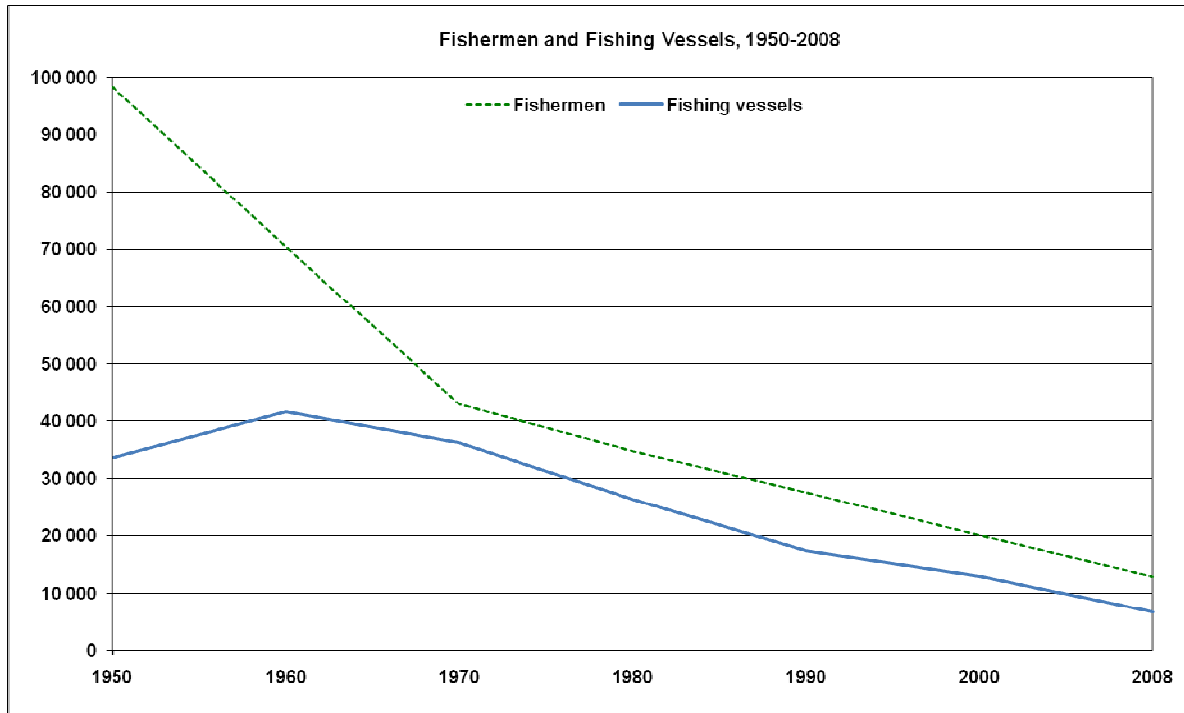
- Technical parameters relating to fishing capacity is extremely difficult to limit through legislation, and should be avoided.
- Scrapping funds must be designed carefully and fit in with the overall structural policy. Decommissioning schemes should be based on the OECD's bestpractice guidelines.
- Transferable user rights have proved to be an effective tool for capacity reductions. The introduction of such measures must be preceded by strict access regulations to have the desired effect, and they can be implemented on a step by step basis.
- The structural policy is an integrated element in the overall fisheries policy, and must be coherent with other policy elements. Common standards or minimum requirements can therefore be necessary.

4.2 Focusing the policy objectives

Successful fisheries management rests on the basic premise of sustainability, *i.e.* productive fish stocks and healthy marine ecosystems. However, traditions and the link between fisheries and rural coastal areas with few alternative employment opportunities in many cases distort the policy objectives. Consequently, fisheries policy objectives, both in Norway and the EU, encompass divergent or even conflicting goals. The challenge is if or how the different objectives can be balanced and pursued simultaneously. Without long term ecological sustainability any other objective will be redundant, as they all rely upon streams of revenue from the fisheries. In this respect it is essential to formulate the objectives in a fashion which leaves no trace of doubt about the hierarchy of the objectives, and ecological sustainability has to be the number one priority. This is *de facto* the case for the Norwegian fisheries policy.

Ecological sustainability is not necessarily a well-defined concept, and one can argue that it ranges from merely steering clear of established biological limit points in order to avoid stock collapse or recruitment failure, to far more ambitious goals like maximum sustainable yield or maximum economic yield. When considering these options, one should also keep in mind that the accuracy and precision of management decisions can be a limiting factor, and that optimization also comes at cost. Nevertheless, it seems evident that future fisheries management should have higher aspirations than just avoiding the worst case scenarios.

Furthermore, a decent amount of sobriety is called for when evaluating the fisheries' capability to create new jobs, address social concerns and uphold settlement patterns. As pointed out in the previous chapter, the technological and economic development constantly reduces the number of fishermen and vessels required to harvest the resources efficiently. This is illustrated by the decline in these numbers in Norway over the last decades, occurring in spite of policy objectives calling for the opposite.



Along the same lines it is important to recognize that rebuilding of overexploited fish stocks inevitably implies temporary reduction of fishing opportunities, and permanent reduction of fishing capacity. This transition obviously comes at a cost which the fish stocks are not able to carry, and consequently the concerns have to be addressed through other measures or policies.

- Sustainability is a prerequisite for the long term viability of fisheries, and this must be recognized through the objectives of the fisheries policy.
- The number of jobs in the harvesting sector will continue to drop due to technological and economic development.
- It is important to monitor progress in terms of sustainability, and patience is called for as the rebuilding of fish stocks can be a slow process. Furthermore, the time frames can be adapted to short-term industry concerns, but the objective of sustainability should not be jeopardized.

4.3 Focusing the decision-making framework on core long-term principles

Pursuant to the Norwegian Act relating to the management of wild living marine resources (Marine Resources Act) of 6 June 2008, Section 1, the purpose of the Act is to “ensure sustainable and economically profitable management of wild living marine resources and genetic material derived from them, and to promote employment and settlement in coastal communities.” At face value, this is not very different from the current CFP objective that “the Common Fisheries Policy shall ensure exploitation of living aquatic resources that

provides sustainable economic, environmental and social conditions". But the manner in which the policies are formed and executed differs.

In Norway, the Ministry of Fisheries and Coastal Affairs sets the management objectives and develops fisheries policies and principles. This is based on consultations, input, and advice from scientists, industry and recommendations by the Norwegian Directorate of Fisheries. The practical day to day implementation in the actual fisheries of the adopted general policies and management is delegated to the Directorate of Fisheries.

This institutional setup provides a clear chain of responsibility and accountability, and allows for rapid decision making and implementation. Another important element is that all aspects of fisheries management are addressed by the same body, either directly or through delegated competence. For the sake of policy coherence this is critical, and this kind of setup ensures that different interrelated policy elements are strung together. Furthermore, within the scope of adopted policies and principles, there is a large degree of flexibility and willingness to adjust the practical rules and regulations in order to meet industry needs and demands. Regarding the institutional setup and decision making framework it is in our experience important to avoid a fragmented and uncoordinated system, as the different elements are closely interconnected and have to be considered in an integrated way.

Fisheries management has to be conducted on the basis of long term planning. This is dictated by both ecological realities and industry concerns. Given the natural variations of stocks, the call for stability in the management regime is rather obvious. Inherently, decisions which are adopted for the duration of one year are more prone to short term perspectives. Annual decisions must therefore be based on long term objectives, and a commitment to improve the long term management.

Transparent and publically available long term management plans can be a useful tool to secure sustainability and eliminate short term *ad hoc* decisions. However, it is equally important that stakeholders are involved in formulating joint policy objectives. An including and transparent process can improve adherence to the plans, and increase the probability of appropriate accountability. Management plans can also, within clear and prioritised objectives, give guidance both in the short and long term. Subsequently, an operative regulatory body could be granted a rather flexible role in enacting these policies, and be charged to adjust the course if the enactment is perceived to be outside the long term objectives.

As a safeguard, management plans could be stringently tied resource constraints pursuant to scientific advice. For instance, according to Section 11 of the Norwegian Marine Resources Act, "... *When a national quota has been determined, the total quantity of group quotas, research and training quotas and other quotas issued may not exceed the national quota.*" At the same time, all fish caught (including by-catch and undersized fish, and any catches over quota) is required to be brought ashore and deducted from the available national quota.

Evaluation of the agreed management plans by ICES, with transparency in the outcome of any evaluation, and re-negotiations based on shortcomings, could provide an additional safeguard and ensure the long term sustainability.

- Management plans and clear policy objectives should provide the basis for the long term focus of the fisheries policy.
- Enactment of the policies becomes easier with transparent and inclusive decision making processes.
- Policy coherence is a critical element in both the policy formulation and implementation. The different elements of fisheries management are closely connected, and must be addressed consistently.
- Fisheries are by nature a rather uncertain activity, and this calls for a fair degree of flexibility and cooperation with industry in the implementation of the policies and regulations.
- Institutionalized consultation procedures can secure the advisory role of stakeholders.

4.4 Encouraging the industry to take more responsibility

In order to achieve industry responsibility it is paramount that the stakeholders must depend on the success of the fisheries management. The long term interests must be more important than the short term, which means that the stakeholders must be sure that if they comply with the rules in the short run, it will be profitable for them in the long run. An important condition for this is that there must be closed access to the resources, so that the stakeholders that have to make sacrifices in the short run will make profits in the long run.

Industry responsibility depends to a large extent on stakeholders' involvement in the decision making process. In practice this implies that managers must provide for a framework in which the industry representatives can take part, play an active role and where it is clear that their input is an important contribution in the dialogue between authorities and industry. The framework for the dialogue can be a forum of fixed meetings. In the Norwegian system such meetings take place twice a year when the ICES advice is made available. The fixed framework should, however, be supplemented by continuous dialogue and consultation throughout the year. When new or revised regulations are called for, the Norwegian industry is automatically consulted in a 6 week public hearing process. At the same time they may, although on an informal basis, propose revisions of regulations in force, particularly if these regulations prove to be difficult to implement in practical fisheries.

Further encouragements to make the industry take more responsibility in implementing the CFP are crucial. It would probably be wise to introduce new incentives in a stepwise fashion, although addressing the problem of overcapacity will be crucial in creating the structural conditions for these incentives to become effective.

As mentioned in the Green Paper, "co-management arrangements could be developed" in order to make the industry and individual actors more accountable for fishing practices, and it is pointed out that "some Producer Organisations (POs) manage the quota uptake of their members and provide for private penalties against those who overshoot their individual quota at the expense of others". Additionally, this is a way of internalizing the costs of ensuring sustainable use of the resources. This is also vital, we believe, in facilitating a culture of compliance (see below).

It is Norway's view that this is a promising direction to follow. The Norwegian government and our fishing industry have experience in co-management arrangements through the system of Sales Organizations (SOs) dating back to the 1920s. From our perspective, the cooperation between government and SOs has been instrumental in order to limit overfishing. Since the

SOs control all first hand sale of fish in Norway on behalf of the Directorate of Fisheries, and since the SOs issue sales notes for all these transactions, a system of transparency has been created where the SOs also can provide data for quota control. These data are all available in an electronic form for controls by government agencies. The costs of the SOs are covered by the industry itself. Since the entire industry contributes to the system, and since the system rests on modern IT solutions, the costs for the individual vessel owner or buyer is low.

In effect, all parts of the industry are covered by the obligation to let first hand trade be controlled by the SOs. The catch and sales data are collected automatically in data bases, so that the SOs and government agencies have real time control of quotas for individual vessels and for the TAC for different stocks. Furthermore, catch data from the individual vessels are publicly available. If a vessel marginally exceeds its quota (typically during the last trip of fishing), the vessel owner or captain does not receive payment for this, but the fish is sold with the profit going into the SO. On the other hand the fisherman is not fined if the overshooting is clearly unintentional. There is a detailed regulation in place for this system, and the outline here is simplified to convey the basic notion. It is worth pointing out that excess catches are counted against the national quotas. Our experience with this system is that for co-management systems to be effective, they must be created on the basis of the following:

- clear and explicit definition of responsibilities and tasks through government regulations;
- autonomy for the SOs/POs within the limits of regulations;
- full access to data for government agencies for control purposes;
- gradual specialization within the SOs/POs in form of dedicated human resources to resource control.

The foundation for the co-management set-up is an institutionalized cooperation between government agencies and SOs at all levels of the organizations, including at the level of inspectors.

- A legal framework and regulations for sales organizations/producer organizations should be established where the organizations are given rights and responsibilities in terms of co-management of fishery regulations.
- Information infrastructure for real time exchange of information on vessel registries, vessel quotas, catches, landings and sales between the organizations and national governments.
- The industry should finance and run the SO/POs.

4.5 Developing a culture of compliance

The term “culture of compliance” could perhaps be criticized for being vague. Nevertheless, the term covers a fundamental aspect of sustainable fisheries, in the sense that norms generally accepted by fishermen, vessel owners, buyers - and fishing communities at large - are the best safeguards against unethical and illegal fishing.

In the Norwegian context, this has been a controversial issue in the fishing industry. The fishermen’s organizations have argued that Norwegian fishermen and communities share a strong culture of compliance. Nevertheless, controls have revealed that unreported fishing may take place also in small coastal communities. The present demands of ever increasing

productivity/efficiency, strong competition and low prices all contribute to put pressure on traditional norms of good fishing practices. Needless to say, overcapacity does not improve this situation.

Presence of fishing inspectors is the most immediate and realistic countermeasure to deal with this problem. The Government has further facilitated a culture of compliance by:

- initiating close cooperation between industry and government agencies to discuss and implement ethical standards for the fishing industry;
- publicly challenging the view that “all is well” in the industry;
- establishing an “alert phone” in the Fisheries Monitoring Center in the Directorate of Fisheries, where citizens may inform the Directorate of possible infringements in their local communities;
- creating dialogue between fisheries inspectors and fishermen in order to inform the fishermen of the details of regulations. This is also an important input to the government in terms of assessing the effectiveness of regulations. Regulations must be consistent, simple and as logical as possible in order to have legitimacy in the industry.

While it is difficult to produce exact evaluations of the effect of such measures, it is evident that they give public attention to compliance in the fisheries. This, at least to some degree, has the inherent value of raising awareness in the industry and in the community. As both environmental NGOs and the media follow the fisheries closely, and are not hesitant to criticize what they deem unethical, there is an additional risk of reputation in committing infringements in the sector.

Another important element is that if the right set of incentives is in place, it should be profitable to comply with the rules. Furthermore, a functional and efficient control system must be in place. Cheating must be penalized.

Furthermore, we believe that new measures against IUU fishing, such as Council regulation (EC) No 1005/2008 will be a significant contribution to provide for increased transparency and compliance in the industry.

- | |
|---|
| <ul style="list-style-type: none">• Enforcement mechanisms should be decentralized and given a degree of autonomy within the framework of EC and national regulations.• A culture of compliance ultimately rests on norms of sustainable fishing in the industries and their communities. In addition to official regulations, the Commission should therefore initiate a broad dialogue to enhance sustainable fishing. |
|---|

5.1 A differentiated fishing regime to protect small-scale coastal fleets

There is a common assumption that small-scale coastal fisheries are more vulnerable than the large scale, industrialized fleet. However, this is probably only the case to a certain extent, and it depends entirely on the regulatory framework. It is also important to acknowledge that small-scale fisheries consist of small business entities, which have to be profitable in order to survive. The Norwegian experience is that it is possible to secure a future for coastal, small-scale fisheries alongside the larger-scale fisheries.

The challenges facing the small-scale fisheries can be addressed through a range of different measures. The first approach relates to technical regulations, where it is still possible to grant small-scale vessels a somewhat more liberal regime. Still, quotas must be respected and the scope for special concessions has been reduced by the technological advances which improves the harvest capacity also in small-scale fisheries.

Another approach is the setup of a structural policy where different provisions and safeguards can be implemented to shield or support the small-scale fisheries. Examples from Norway are quota ceilings, quota curtailments, limitations on the transferability of quotas and targeted decommissioning funds.

A third avenue is to maintain some open access fisheries for the smallest vessels, as is the case for the Norwegian cod fisheries. However, this open access cod fishery is also regulated with vessel quotas. Along the same lines, there is an opportunity to support the small-scale fleet through targeted quota allocations.

The social concerns faced by coastal communities can hardly be solved by merely improving the conditions for the small-scale fishing fleet, but profitable small and medium sized enterprises are important to secure employment and settlement. Still, the problem of overcapacity can be just as serious in the case of small-scale fisheries as for the large-scale fisheries and must consequently be addressed in this part of the fisheries sector as well. As pointed out earlier the capacity adjustment schemes can be designed with safeguards or restrictions, but when a large part of the fishing fleet actually consists of small-scale vessels the capacity issue must be dealt with in an adequate manner. It is possible to ease the necessary transition in both the fisheries and coastal communities through broader community programs and an integrated approach. It is furthermore important to accept that it is unrealistic to hinge the future of coastal communities on small-scale fisheries alone.

- The small-scale coastal fleet constitutes an important part of the overall fishing fleet, and thus the issue of overcapacity must be tackled also in this fleet segment.
- Social concerns faced by coastal communities cannot realistically be solved by the small-scale coastal fleet alone.
- Small-scale vessels can be supported through a range of different measures, where the scope and scale can be linked to relative importance of dependence.
- Building on the same basic principles of user rights and responsibilities, different regulatory schemes can be designed to accommodate special needs or concerns pertaining to the small-scale fleet. In practice a differentiated regime can work seamlessly given clear identification of the different segments.
- Small-scale vessels can be granted some flexibility with respect to technical regulations, but at the same time it must be recognized that also small vessels can represent a significant harvest capacity that must be monitored and controlled.

5.2 Making the most of our fisheries

The main elements of Norwegian fisheries management are access and quota regulations, coupled with capacity adjustment schemes. Effort management is only applied in some marginal fisheries without access regulations. The rationale behind this approach is basically that when a TAC is established and distributed among the vessels, technocratic effort restrictions are redundant. They will easily be circumvented and hamper the efficiency.

The next sections address some of the issues raised in the Green Paper, with an emphasis on the underlying principles for Norwegian fisheries management and how discards can be dealt with.

Principles for management and further development of strategies

The Norwegian Marine Resources Act, which entered into force January 1 2009, contains a clause which states a principle for management of wild living marine resources and fundamental considerations. According to this principle, the Ministry shall evaluate which types of management measures are necessary to ensure sustainable management. Before new measures and strategies are to be implemented, their compliance with the following requirements shall be subject to evaluation:

- a) a precautionary approach, in accordance with international agreements and guidelines;
- b) an ecosystem approach that takes into account habitats and biodiversity;
- c) effective control of harvesting and other forms of utilisation of resources;
- d) appropriate allocation of resources, which i.a. can help to ensure employment and maintain settlement in coastal communities;
- e) optimal utilisation of resources, adapted to marine value creation, markets and industries;
- f) ensuring that harvesting methods and the way gear is used take into account the need to reduce possible negative impacts on living marine resources and the marine environment;
- g) ensuring that management measures help to maintain the material basis for Sami culture.

Thus, The Marine Resources Act takes into consideration biological, economical, social and cultural perspectives when setting the management framework. Decisions on the management of the resources must be made within a sustainable framework, build on a holistic approach and be based on comprehensive professional and scientific knowledge. The Act puts a heavy burden on the fisheries management bodies by requiring broader use of science and fisheries dependent data. In Norway the fisheries management bodies have played an active role in developing objectives and tools, and have also engaged directly in environmental processes concerning the management of the marine ecosystems.

Ideally, any management path must secure that the harvest is within the biological sustainable limits of the resource, usually expressed by limit reference points set by ICES.

During the last decades, efforts have been made to develop and implement harvest strategies or control rules, which specify the political objectives and give guidance to the scientific community. Agreed management plans facilitates a depoliticised setting of annual TACs, and can thus induce a shift to a more principal and long-term management approach focussing on the main political objectives. For some of the most important species in Norwegian waters, like Northeast Arctic cod and Norwegian spring spawning herring, this approach has been successful and built solid, productive spawning stocks, and thereby high sustainable yields. Although the state of fish stocks varies due to natural causes, these experiences demonstrate the long term benefits of stock rebuilding and sustainable harvest.

Technical regulations

Sustainable harvest of marine living resources depends on healthy marine ecosystems. To ensure that fish stocks are maintained at viable levels, catch limitations have been introduced in most fisheries. It is of utmost importance that the catches do not exceed the agreed quotas.

Discards and IUU (illegal, unregulated and unreported) fishing undermine the TACs that have been set. In order to reduce the problem of discards, Norway has established a set of regulations and other management measures. The main objective is to promote an exploitation pattern where recruits and undersized fish are spared, and where unwanted by-catch can be minimized.

Discard ban

Norway introduced a ban on discards in 1987. It is important to note that the discard ban is only part of a larger, comprehensive package of policies by which Norway tries, to eliminate discards. The discard ban was established for a very specific reason. After seven consecutive weak year classes, the Arctic cod stock was in a poor condition when finally, in 1983, a strong year class occurred. But a strong year class could be grossly reduced through discarding. The answer to the problem was the establishment of a program for temporary closures of fishing grounds. Another problem at the time was the practice of high grading. In a situation with high catch rates, the cod trawlers were inclined to keep only the biggest fish, discarding the smaller, but still legal-sized fish. This practice was perfectly legal under the laws and regulations at that time. However, it was recognized by politicians, scientists, managers and fishermen alike that the practice of discarding huge quantities of cod was both a waste of valuable resources and morally wrong. The malpractice of throwing away valuable food also got headlines in the Norwegian media and attracted the attention of the public.

Even though control and enforcement of the discard ban represented a major challenge, the then Norwegian Minister of Fisheries decided to ban discards on ethical grounds. This was an important decision and the ban on discarding of cod and haddock had an immediate effect on the trawler fleet's behavior on the fishing grounds. The very existence of the rule has proved beneficial in changing fishermen's attitudes and discouraging the practice of discarding.

Regulations aimed at the fishing activity

Norway's conservation and management philosophy rules that all regulations and corresponding enforcement should be directed towards the fishing activities themselves as the starting point. Under Norwegian legislation, it is prohibited to fish "illegal" fish. The prohibition constitutes an obligation for fishermen to change fishing grounds when the fishing operations contravene regulations. They are obliged to avoid placing themselves in an illegal position. For instance, if by-catch limits or the permitted intermixture of undersized fish are exceeded, the fishing operation on the fishing ground in question must cease. The Coast Guard will instruct the vessel to move to another fishing ground if an inspection reveals that the intermixture of undersized fish is too large. It should be noted that this does not represent a closure of areas, but guidance to help the fishermen stay within the law. This measure has been applied in Norwegian waters in the Barents Sea, the Norwegian Sea as well as in the North Sea. The lesson to be learnt is that it is possible to develop a quota based, functional, regulatory system for mixed fisheries that minimizes discards.

Closure of areas

Over the recent years the focus of control and enforcement has gradually been extended from concentrating on technicalities like mesh sizes and attachments to nets, to broader schemes aimed at promoting a biologically sound fishing pattern.

Closed areas are basically grouped into four categories, namely marine protected areas, trawler-free zones, flexible areas and areas where the number of undersized fish exceeds the

permitted limits. However, there also exist strict regulations aimed at protecting juveniles and local fish stocks in the coastal area.

Trawler-free zones are permanently closed areas. They have been established mainly to avoid gear conflicts. Flexible areas are temporarily closed fishing grounds where gear conflicts frequently occur, and gear conflicts are to be prevented by means of enforcement. The marine protected areas have mainly been established to protect coral reefs.

The surveillance program in the Barents Sea

In addition to the establishment of permanently closed areas, Norway introduced, in the late 1980s, a surveillance program in the Barents Sea. This is a program for closing and opening of areas on a real time basis to avoid the catching of undersized fish and intermixture of unwanted species. The commercially most important species in the Barents Sea are covered by the program. Commercial fishing vessels are hired to investigate the fishing grounds, with specially assigned inspectors on board. Specific criteria relating to intermixture are laid down as basis for closure. When investigations reveal that the criteria are fulfilled, the area will be closed. Information on relevant areas to investigate is received from scientists, from the Coast Guard and from the fishing fleet. Closed areas are re-examined after a period to control if there still is a basis for keeping them closed. If the intermixture of juveniles in the catches no longer exceeds the permitted levels, the closed areas are reopened for fisheries.

The concept of closure and opening of areas has been developed in close co-operation with Russia with whom Norway shares important stocks in the Barents Sea. The program is an extremely important instrument for achieving rational exploitation patterns in the fisheries in these areas. The recovery of the cod and haddock stocks in the Barents Sea, which both were in a poor state some years ago, can probably be linked to this program of temporary closure of areas.

From a conservation perspective, there are no negative side effects related to the method of closing areas with undersized fish. There is full agreement between Russia and Norway about the suitability and usefulness of this approach. Moreover, this regulation is also highly recognised and respected by the fishermen, with whom it has gained a high degree of legitimacy. The reason for this is that by closing areas full of small fish, the regulation prevents behaviour which is contrary to their professional code of conduct as fishermen; fishermen generally consider that catching fish below an accepted minimum size is unprofessional and morally wrong.

Development of selective gear

The focus in Norway on the discard problem over the years, and especially the regulations introduced to cope with the problem, have had a beneficial influence on the research and development of more selective gear. The introduction of grid technology both in shrimp and cod trawls is a very good example of this spin-off effect.

Other measures to reduce incentives to discard

In getting fishermen to end the practice of discarding, the Norwegian authorities' approach has been one of carrot and stick. In parallel with the prohibition against discarding, there is a compensation scheme for fishermen who land fish caught unintentionally in contravention of the regulations. The general rule is that the economic value of the fish caught in contravention of the regulations is forfeited to the state. As such, where vessel quotas or by-catch limits are exceeded, the fishermen may regard it as better to discard the illegal fish rather than landing

it. As an attempt to counter such behaviour and to support the loyal fishermen, a compensation scheme has been established. Fishermen may retain 20% of the value of the fish if it is established that the illegal catch was taken unintentionally.

In the pelagic fisheries, there are various measures to avoid overshooting of quotas. The main measure is the so-called under-regulation of the different group quotas. This means that the sum of the vessel quotas is lower than the overall group quota allocated. The difference is estimated on the basis of earlier overfishing at vessel level.

In addition to the general measures for the regulation of the different fisheries to avoid overfishing, a set of rules has been established for sanctions against the individual fisherman or vessel, both for overfishing and illegal fishing.

By-catches

The problem of by-catches is complex and challenging. Various fisheries may need different solutions and the permitted percentages of by-catch vary between fisheries. The authorities calculate the quantities required to allow for by-catches before determining the quantities for direct fisheries. For North Sea cod, the first priority is to cover unavoidable by-catch in other fisheries. The necessary quantity to cover unavoidable by-catch is calculated annually and is set aside before the fishery is opened.

Quotas connected to individual vessels

The basis for the harvest of fish is quotas linked to individual vessels. There are two types of quotas which are integral to the Norwegian regulatory system. The Norwegian national quotas are allocated to different groups of vessels; these quotas are then allocated to each vessel, either as individual quotas (IQs) or maximum quotas. The difference is basically that in the first case the quota is guaranteed, while the maximum quota system implies that the fishery will be stopped when the total quota is reached, regardless of each vessel's individual catch.

Altogether the measures described above have resulted in the minimization of discards in Norwegian fisheries. The wide range of measures that have been implemented to support the discard ban clearly shows that the discard problem needs to be addressed with a broad regulatory approach.

Effort regulations

We believe that the total range of measures mentioned in this chapter, coupled with the principles outlined in chapter 4.1, explains why Norway has never implemented effort regulations as a major principle in fisheries management.

The combination of access limitation and quota regulation has proved to be effective in preventing overfishing of quotas as well as minimizing discards. Furthermore, this system is superior to effort management schemes from an economic perspective. However, success is also due to the existence of prudent technical regulations in combination with a discard ban, as well as certain area regulations. The main objective is to promote an exploitation pattern where recruits and undersized fish are spared, and where unwanted by-catch can be minimized. All in all, this seems to secure a fishery conducted in accordance with a reasonable exploitation pattern.

One of the major advantages of the limited access/TAC system has been the development of selective gear for example sorting grids and other devices, in order to avoid unwanted catches.

This is because the system is directed towards the fishing operation itself. By using effort regulations the incentives for further development in this field is reduced. Effort regulation is difficult to combine with our objective which is to protect juveniles and undersized fish. Hence, effort regulation will not be as effective to promote a sustainable exploitation pattern in the North Sea.

We strongly believe that the way forward is to continuously work for improvement of the current system and not to develop large and complex effort systems. For us it is evident that the Norwegian discard package is the right approach to reduce and eliminate discards.

The overall capacity must be reduced and effort regulation will make this more difficult. As explained in chapter 4.1, *measures to cap, freeze or in other ways restrict technical parameters are inherently inadequate, as they fail to address the economic realities and are easily circumvented*. Furthermore, they require micromanagement of technical parameters, which will only inhibit the fishing vessel. It is also hard to see how a system based on effort regulation can be combined with a global TAC, as the result will be a race between the vessels to secure their own catches. Paradoxically, effort regulations can increase the capacity in the fishing fleet, and thus enhance the problem of overcapacity. Fishing days, engine size or other effort parameters do not relate to the actual fishing practice, and consequently they do not address destructive fishing activities. It is furthermore difficult to see how an effort management scheme fits together with an ambition of more industry responsibility, as effort regulations in essence eliminate the incentives for the industry to self-adjust.

This means that a well functioning system for capacity reduction is very hard to create in a management system based on effort regulation.

- The Norwegian Marine Resources Act takes into consideration both biological, economical, social and cultural perspectives. Decisions on management of marine resources must be taken within a sustainable framework, build on a holistic approach and be based on comprehensive professional and scientific knowledge.
- Long term management plans are an integral part of fisheries management and an important instrument for achieving MSY targets. These can be developed, extended or supported by wider fisheries management plans.
- Norway introduced a ban on discards in 1987. The discard ban is only part of a larger, comprehensive package of policies, by which Norway endeavors to eliminate discards. Important elements to support the discard ban are obligations for fishermen to change fishing grounds, closure of areas where the number of undersized fish exceeds the permitted limits, development and use of selective gears (sorting grid and mesh sizes), quotas set aside to cover by-catches.
- It is possible to develop a quota based, functional regulatory system for mixed fisheries that minimizes discards.
- Effort management regimes must be used with great caution, and the inherent deficiencies of effort regulations can easily lead to micromanagement and inefficient fishing practices.

5.3 Access to coastal fisheries

From the Norwegian perspective relative stability between the different vessel groups in our fishing fleet has been an important part of the overall fisheries policy. The distributional stability has provided financial security, and spurred an industry-driven capacity reduction.

Over time relative stability makes it possible for the different fleet segments to self-adjust the harvest capacity to the available resource base and improve the efficiency in the industry. On that note it is difficult to see exactly how the principle of relative stability limits the flexibility to manage the CFP.

Within a fixed quota share it is in essence not any differences between the adaptations of a single vessel or a group of vessel. In any case it is a question of adjusting the input factors to the available resource base in an efficient manner. Furthermore, the demands for higher quotas are inevitable in a situation characterized by consistently low profitability. Finally, discards and destructive fishing practices must be addressed through a range of measures whereby quotas are only one of the elements.

However, the principle of relative stability must be flexible enough to allow for a continuous development of the fleet structure, and facilitate efficiency gains in the fishing sector. These concerns can be addressed through mechanisms such as quota swaps, quota exchange schemes or other similar measures.

Regarding the question of access to inshore areas, it is evident that restrictions on gear or the size of the vessels which are allowed to operate can be beneficial for local fish stocks, especially given the pressure from other user groups in the coastal areas. In Norway there is a range of regulations and restrictions on where vessels of different lengths can operate. These restrictions are set up for biological reasons, but also to avoid gear conflicts and to protect the small-scale fleet from competition for fishing grounds. As larger vessels can operate in areas further off the coast without any particular problems, the restrictions are uncontroversial. A regime where the small-scale fleet is given exclusive access rights to areas within 12 nautical miles can be worthwhile to consider both from an ecological and practical perspective.

- Distributional stability coupled with defined user rights are key components to successful capacity reductions. These elements safeguard the financial investments that are required, and provide necessary long-term stability. In this respect relative stability may contribute to fulfilling the objectives of the CFP.
- Within a stable distributional framework it is possible to explore options to enhance the flexibility, such as quota swaps, quota exchange schemes or internal systems in defined vessel groups or regions.
- Area based access regulations can be beneficial for the stocks, as such regulations can ease the fishing pressure and secure a resource base for the small-scale fleet. In any case the harvest capacity of the small-scale vessels must be recognized.

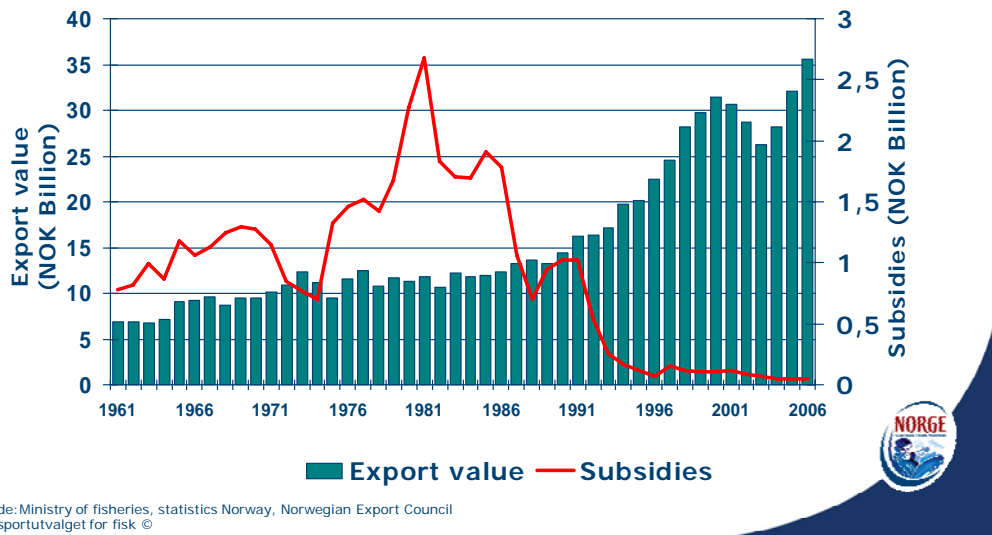
5.4 Trade and markets – from catch to consumer

We share the main elements of the description the Commission has provided for the sales of fish and the price situation in the market, in particular the onward transfer of costs. In our view, this illustrates the fact that all stages of the value chain in the fishing industry and its regulation must be considered in order to provide for a comprehensive policy approach and to ensure that the overall objective of an economically viable and sustainable fishing industry can be realized. This point is also summarized in the heading to this sub-chapter.

Structural imbalances and overcapacity leads to lower profitability and increased pressure on limited resources. Weak organisation of the supply side results in reduced possibilities to transfer more of the cost of fishing to the subsequent parts of the value chain. Finally, once

on the market, fish and fishery products compete with heavily-subsidized and cheap agricultural products.

Export value and subsidies in the seafood industry



Kilde: Ministry of fisheries, statistics Norway, Norwegian Export Council
Eksportutvalget for fisk ©

The Commission has pointed to a high degree of dependency on public transfers in EU fisheries. We believe that the fishing industry should be put under a regulatory framework that reduces its overall dependency on government transfers. We recognize that certain imbalances may be addressed by corrective financial measures, as, inter alia, the Common Market Organisation (CMO) and the European Fisheries Fund provides for. However, making fishermen and the processing industry dependent on applying for government transfers should not be a main instrument in the policy-maker's toolbox. The provision of such funds is normally associated with a considerable time-lag, i.e. it takes place long after the problem has arisen and provides a direct disincentive to adapt to changing circumstances. A profitable and robust industry seems better suited to make rational market-based decisions in the short and medium term. This will also contribute positively to sustainability. Paving the way for profitability in all parts of the value-chain in the fishing industry should thus be a main policy pillar. Further on in the value-chain, from first-hand sales and onwards, measures to address the current imbalances should in our view include:

Firstly, it is important to strengthen the regulatory powers of the POs, both with respect to when, how and how much fish may be caught, as well as regulatory powers relating to the first-hand sales of fish.

Secondly, market research indicates that generic marketing and promotion of seafood products is very important as a basis to ensure increased consumption of fish and fishery products as the pooling of resources will yield better overall results than individual marketing.

Thirdly, a growing awareness of the favourable health effects of a balanced diet that includes fish, as well as appropriate responses to changes in consumer demands relating to information and labelling of fishery products, create new possibilities for increased consumption of fish and fishery products, thereby bolstering the economic basis of the fishing industry as a coastal and regional industry.

With this in mind, we have chosen to address some of the questions posed under chapter 5.4 under three thematic clusters: i.) markets and the role of producer organisations ii.) marketing and promotion of seafood products, including the issue of certification and labelling in the seafood sector, and iii.) trade policy and links between trade and sustainability.

Markets and the role of producer organisations

We note that various reports conclude that the CMO has not functioned properly, and has even failed to meet its objectives. The Commission describes a fragmented European fisheries sector where there is no level-playing field between key actors.

A hypothesis well worth investigating is whether stronger “producer organisations” will offer better possibilities to provide a higher and more stable income and a level-playing field in the sector. An important factor in this context is the fact that the market situation to a large extent is characterized by many, often financially weak, suppliers (fishermen) and one or only a few buyers.

There are many similarities between the Common Market Organization (CMO) and the Norwegian system of sales organisations. Both systems relate to the first-hand sales of fish and operate with a set of competences relating to the pricing of products¹.

However, there are also differences between the Norwegian sales organisations and the PO's. The most important being the fact that the Norwegian sales organisations are accorded greater regulatory powers and that the sales organisations play an integral part in the Norwegian management and control system.

The fact that the sales organisations are owned by fishermen, who contribute to the budget of the sales organisations through a mandatory fee, imparts a sense of ownership and responsibility. This is also the case for the control functions performed by the sales organisations (see also response to Ch. 4.4).

The price formation mechanism of the CMO is linked to the Community Guide Price system, and subsequently to the Community and PO withdrawal prices. The functioning of this system depends both on the actual price-levels set, which is normally significantly below observed prior market prices, as well as on whether or not the withdrawal of fish from the market has the desired price effect.

The Norwegian system does not have the “withdrawal” component. The sales organisations may fix minimum prices, which can be adjusted during the course of the year. It is thus possible to increase the “added value” of anticipated market prices for the benefit of the fishermen. If the minimum prices are set too high, buyers will not buy the fish. This corrective mechanism contributes to the fixing of “realistic, market-based” minimum prices, even though there might be a lag in the price fixing mechanism.

The sales organisations perform important services regarding the provision of guarantees and systems for secure payment and clearing. This helps minimising sales cost for fishermen as they all can use the same trading system.

¹ The Norwegian Sales Organizations only cover wild capture fish species.

The sales organisations may also halt fisheries and/ or direct catches to other landing sites, thus providing for the management of the supply of fish taking into account fluctuations in the market. Thus, such regulatory measures aim to avoid situations of oversupply or to address situations where production capacity in a particular landing site is unable to handle supply

The choice of becoming member of a sales organisation is voluntary. In spite of this, the vast majority of Norwegian fishermen are members of the relevant sales organisation. The first hand sales of fish from the fishermen to the industry has to be organised and channelled through the fishermen's sales organisations. Although the Green Paper does not contain information about the share of PO members compared to the total amount of fishermen in the EU, nor on the share of PO-organised sales of total sales of fish, we have the impression that the degree of organisation in the EUs fishing industry is modest.

Article 7 of the CMO provides a legal basis to mirror most of the arrangements described above, of which the price setting element is the most important. This can be done by using the so-called "extension of rules" to non-members. We believe that this mechanism could be extended both with respect to scope as well as to duration. In addition, this must be coupled with stakeholder involvement and a stronger focus on sustainability in a more holistic policy approach than we see today.

Promotion and marketing of seafood products; certification and labelling

There is most likely large potential for promotion and marketing to increase demand for seafood. At the same time, consumer demand is becoming increasingly more complex; both with regard to product labelling and sustainability. The fisheries sector meets strong competition for consumers from the agriculture and food sectors.

The Norwegian fisheries sector has a marketing scheme for seafood which is generic in nature. This is based on domestic legislation but is wholly financed by the industry itself. The generic marketing system, as administered by the Seafood Export Council² (NSEC) helps increase demand and, probably, product prices to the benefit of all actors in the industry. Generic marketing through NSEC, even though focusing on Norwegian fish, will often also be to the benefit of fish consumption as such in export markets. This may again generate increased consumption of seafood independently of where it comes from. The effect of the generic marketing campaigns is considered to be very favourable, and a rough estimate indicates that four times the invested amount is channelled back to the industry.

A growing number of different public and private standards, certification and labelling schemes create both opportunities and challenges for the fisheries sector and regulatory authorities. In this context, we note that many aspects relating to these issues are currently being addressed in various international forums, such as inter alia the OECD, the FAO, Codex Alimentarius and the WTO.

The increased use of certification and eco-labelling schemes may align incentives leading to improved management of fishery resources as well as reduced impact on ecosystems. Eco-labelling also grants the consumer information, which allows the buyers to adjust their purchasing behaviour. The growing use of certification and eco-labelling also poses policy challenges in terms of having de facto trade implications, as well as in cases where the

The Norwegian Seafood Export Council: www.seafood.no

government is called upon to reallocate management resources according to shifting attention directed towards different fish species. Eco-labelling is currently the subject of governmental debate – and has been for some years, mainly because:

- Many have noted a lack of transparency in accreditation, certification and labelling processes.
- There is no agreed or common standard defining the concept of sustainability and sustainable fisheries, although helpful minimum substantive requirements have been developed by the FAO for the eco-labelling of marine capture fisheries. The main question is whether the private labels conform to these guidelines. There will be competition in the market on the specific operationalisation of the various sustainability elements in a situation where some labels also incorporate elements of social rights, “fair trade” and other aspects.
- This may lead to confusion amongst consumers as different eco-labels will entail divergent interpretations of the concept of sustainability. Diversification of different labelling-schemes may also undermine consumer confidence towards fishery products in general, if labels try to “sell” badly substantiated claims of sustainability.
- One of the rationales behind eco-labelling is moreover to put pressure on authorities to bring about more sustainable fisheries. However, the different certification procedures are fragmented and focus on the certification of a particular fish-species or a particular fishery. For authorities, this may impact on a comprehensive management effort, both in terms of biological research as well as on the regulatory side.

One the basis of this, we observe that:

- A clear and transparent international framework for private standards is lacking, including a framework for certification procedures.
- There is a considerable need for more transparency among fisheries managers, private standard-setters, accredited certification agencies and wholesalers/ retailers.
- Marking schemes have an impact on competition and may exclude suppliers which for various reasons may not be able to obtain the label, inter alia cost aspects or because the fishery in question is not deemed to be sustainable.

In our view, the above demonstrates the need for addressing these challenges systematically in the relevant international forums before comprehensive domestic standards are elaborated. We believe that international organizations like the FAO and OECD have an important role in mitigating concerns to avoid unnecessary costs for the industry and the consumer, as well as consumer confusion. The development of minimum guidelines for eco-labelling of wild capture fisheries and aquaculture certification provides a form of benchmark which can aid transparency, stability and legitimacy of standards and reduce consumer confusion. We also believe that certifier accountability is an area where governments must work internationally to ensure necessary transparency.

Trade policy

Imported seafood forms the basis for substantial employment in the EU, in sectors such as trade, transport, processing and retail. We experience, as a major supplier to the EU, that European importers, processors and consumers are increasingly demanding safe seafood of high quality. At the same time, authorities and the public alike are increasingly concerned about how and under what circumstances the fish is produced, its effects relating to climate change and pollution as well as other environmental factors.

We share a common objective in achieving sustainability in the use of marine resources and oceans management. This includes combating IUU-fisheries, and to keep illegal catches out of the market. Using such market-policy measures to promote sustainable fisheries is important, as long as they are applied in conformity with internationally agreed rules. The rationale behind the IUU-system in the EU should trigger policy initiatives at the global level to reflect the link between market access and sustainably managed fisheries.

However, the CFP process, including the reform of the Common Market Organisation, should not lead to more protectionism. It is difficult to perceive that the domestic fishing industry can maintain a solid economic viability if it is unable to compete in the marketplace. Claims of a negative price impact of imported seafood on domestically produced fish should be seen in this context.

Protective tariffs and tariff escalation are elements which may or may not be part of a trade policy. The EC's external trade policy attempts to balance many different interests. The current import regime consists of a very complex and detailed mixture of tariffs and tariff free quotas, both bilateral and autonomous. Many commercial operators question the utility of a system which neither appears to be highly protective, nor provides for unrestricted trade. If the transactional and administrative costs were to be calculated, they would probably reveal that the total costs for both government and operators greatly exceed the assumed protective effect.

There is, in our view a case to be made for commissioning further studies relating to possible effects on the EC trade regime of further simplification and modernisation. This should be seen, not only in light of a discussion of trade and sustainable fisheries, but also in light of climate change, pollution and other environmental issues. In the context of the current WTO-negotiations on the reduction of tariffs for industrial goods, we note that the EC favours a more advantageous import regime for so-called "green goods". At a time when climate change is at the top of the international political agenda, it appears appropriate to also address this in the context of reforming the CFP.

What if the inherent tariff escalation in the EU trade system in light of cost and externalities related to transport, pollution and packaging is an obstacle to promoting more environmentally friendly trade?

A report elaborated by SINTEF (Foundation for Scientific and Industrial Research) addresses the CO₂-emission effects of various scenarios relating to the production and marketing of seafood. The scenarios investigate different products (round fish versus filets), packaging and chilling versus freezing and the use of different means of transportation. The report and its findings will be made available upon completion.

- Strengthening of the EU “Producer Organisations” may enhance stakeholder involvement and responsibility in day-to-day management and marketing
- More focus on the interrelationship between resource related and marketing related mechanisms may provide for a more balanced outtake adapted to market demand.
- As part of an integrated fisheries control system, the POs may contribute substantially.
- Proper marketing, promotion and labelling of seafood is needed to strengthen the position seafood products in the market.
- Promotion of sustainable fisheries and other environmental considerations by the integration of various mechanisms in the EU external trade policy may enhance the reputation and legitimacy of the fisheries policy.
- Simplification and removal of unnecessary transaction costs in the trading regime benefit all operators in the value chain substantially and may thus contribute to the competitive strength of fisheries products in general

5.5 Integrating the Common Fisheries Policy in the broader maritime policy context

The fisheries sector is part of the broader maritime policy and in order to develop an integrated ecosystem approach to marine management the interactions between different sectors must be recognized. Management and use of marine and maritime resources should aim at securing the sustainability of the ecosystems. This requires scientific knowledge, surveillance and integrated policies with an emphasis on holistic marine spatial planning. Environmental concerns such as climate change, overfishing and biodiversity must be addressed coherently and future solutions require a broad approach.

Access to integrated information is necessary for sound management of the seas. Integrated real time information is also essential for dealing with accidents and environmental emergencies.

Norway has launched efforts to develop an integrated monitoring and notification system which is building on existing systems. An integrated national web-based system will receive data from the various sector specific systems, for example on the environment, marine resources, oil and gas activities, and fisheries, and offers users a complete overview of relevant information about the northern sea areas. The system will provide public bodies with a better and comprehensive overview for management purposes, and private sector users with more readily accessible and complete information.

- The fisheries sector interacts closely with other sectors in the marine and maritime areas, and close integration is necessary in order to adopt an ecosystem approach to marine and maritime management.
- Access to fishing grounds and marine space is essential for the fisheries sector and it is crucial to incorporate the views of the sector in the institutional framework for spatial planning.
- Climate change is a serious concern for marine ecosystems, and the fisheries policy should be developed with sufficient precaution and flexibility to allow rapid adaptations to changes in the marine ecosystem.

5.6 The knowledge base for the policy

As stated in the Green Paper, policy decisions must be based on robust and highly qualified knowledge about the fish stocks, the ecosystem, and the environment. This kind of science as basis for the fisheries management has been crucial when it comes to rebuilding overfished stocks and maintaining them at a productive level. Improved knowledge and detailed data regarding the targeted resources and the ecosystem which they are part of will be even more important if new and more advanced management strategies are to be implemented. This development warrants increased research efforts and progressive work to continuous improvement of the knowledge base.

However, scientific research, monitoring and data collection is costly and demanding. In this respect there can be gains to be made from further coordination of research effort and infrastructure and closer cooperation between states and scientific institutions. Another path to be considered in order to improve the output from the scientific community is to include the experience and competence of stakeholders, and to involve stakeholders in the data collection processes.

Furthermore, such trust based cooperation between stakeholders and scientists can reduce tensions and build a common understanding, as well as improving the foundations for stock assessments and fisheries management.

- Sustainable management of fisheries depends upon robust scientific research.
- ICES should be the main independent provider of scientific advice in the North-Atlantic, and must not be an arena for political initiatives.
- Cooperation and coordination between states and scientific institutions can improve the overall output from the scientific community.
- Involvement of stakeholders in research programs tends to reduce tension builds mutual trust and respect.
- Fishing vessels can be cost-efficient suppliers of data, and provide valuable supplements to scientific cruises and aggregated catch data.

5.7 Structural policy and public financial support

The Norwegian fisheries sector was from the 1960s and until the early 1990s strongly subsidized through price subsidies and other operational support schemes. This led to excess employment and capital input in the fisheries sector. The profitability was consistently poor, and the industry lacked incentives to improve the efficiency.

The experience from this time, when subsidies constituted up to 70 percent of the first hand value of sold fish, shows that in general, subsidizing does not lead to long-term solutions. The main results of the subsidies were that the necessary structural adjustments needed to make the industry self-supportive were delayed.

Subsidies aimed at the fishing fleet have also contributed to the rise of capacity, and through subsidies for operating costs, unprofitable unities were maintained. In a report from 2006 (*Financial Support to Fisheries: Implications for Sustainable Development*), the OECD points at these problems and emphasizes that subsidies can undermine the aims of sustainable management. The OECD recommends unmistakably that such subsidies are phased out, and points out Norway as a successful example in this respect.

Since the early 1990s the Norwegian fishing industry has been without subsidies, with the exception of approximately 3-4 million euros annually in transportation support schemes for rural districts and social benefits for fishermen. It is fair to say that the industry has evolved to become a competitive, self-sustained industry. This has happened while the fisheries policy has paved the way for increased profitability for the individual vessel and fisherman, first of all through reductions in the number of fishing vessels. Catch per fisherman has therefore increased significantly, and indicates a strong negative correlation between subsidies and productivity.

On this basis, it seems evident that the main objective must be to eliminate subsidies in the long run. Subsidies hamper capacity adjustments and delay necessary transitions. If transitions are not undertaken, the subsidies will also increase each year, and it is an open question for how long the public will accept such use of public funds.

For an industry that to a large extent is reliant on subsidies, it is obvious that an overnight change represents a number of challenges, and there might therefore be need for an adjustment period where the subsidies are gradually phased out. In any case the subsidies should be used as a tool to support the overall objectives of the fisheries policy, and not the other way around. A fisheries policy based on subsidies is simply not sustainable, and the European Fisheries Fund should only be a temporary supplement to the CFP.

There can be some merit to the use of public funds to ease the transitional challenges which arise from structural adjustment programs and capacity reduction. Furthermore, there must be a clear linkage between the use of public funding and the policy objectives, and the success of the fisheries policy reform should not be depending on public financial support.

- Public financial support should be eliminated or at least limited, in order to create a self-sustained industry where there is a link between the outcome of the fisheries policy and the individual business prospects.
- Subsidies can ease the necessary transition to a new policy environment.
- Public financial support can also be used to promote generic improvements in gear and technology to achieve environmentally sound fisheries practices.
- Subsidies are not a natural pillar of a sustainable fisheries policy, and the concept where public assistance is conditional on the achievement of policy objectives should be further explored, as this holds the potential to create a healthy set of incentives.
- There should be an absolute requirement that public financial support underpins the objectives of the fisheries policy.

5.9 Aquaculture

The Commission asks in its Green Paper whether aquaculture should be integrated into the CFP. This is a policy issue for the EU to answer, but we note that aquaculture is currently covered by all components of the Common Fisheries Policy.

Our point of departure is that aquaculture is an integral part of the fisheries sector, playing a key role for many coastal communities. The fishing- and aquaculture industry is an important coastal industry. Marine clusters, including research and development and associated industries and services are thus major contributors to economic activities and settlement in the coastal areas. To exemplify, Norwegian fish farming generates export revenues of approx. € 2.5 bn in 2008), thus safeguarding employment and activity along the coast.

From a policy perspective it is important with an all-encompassing approach, considering the relationship between wild capture fisheries and aquaculture production. Although the production methods, the environmental impact and other important factors may differ, the principles applied for the management of wild capture fisheries and aquaculture are the same.

Public awareness and scrutiny have grown correspondingly with the expansion of the fish farming sector. This has also brought to the forefront challenges relating to fish disease, access to areas and area management and questions relating to feed in the aquaculture sector. This has resulted in a strong drive towards sustainability in the aquaculture sector and better policy coordination between aquaculture and wild capture fisheries. Ensuring sustainability is a precondition for long-term development and growth in the aquaculture sector. This implies full integration of environmental considerations, and of aquaculture policies to the marine environment and biological diversity.

In April 2009 Norway launched a strategy for sustainable aquaculture production that highlights key challenges and how to address them³. In the operationalisation of the new aquaculture policy, we will focus on, *inter alia*:

- Tackling disease in the fish farming sector

Disease in the fish farming sector has also spill-over on wild marine capture fisheries. Disease, including parasites, continues to be a major loss factor in the aquaculture industry.⁴

- Access to areas and zones for fish farming

Effective zoning facilitates maximum production within a limited geographical area and without unacceptable impact on the environment. The suitability of the aquaculture site is relevant to spread of infection, pollution, biological diversity etc. and for the growth, welfare and health of farmed fish.

- Feed and feed sources in the aquaculture sector

Consumers will increasingly demand that the feed used should have full environmental traceability for all its raw materials and that such documentation is made publicly available. This has led to increasing emphasis on the various sources used for feed (fish/ plant proteins), but also to environmental effects relating to the production of fish feed, as well as the subsequent aquaculture production.

The issue of feed and feed resources is directly linked to the management of wild capture fisheries. These interactions must be considered in order to achieve sustainability in both the aquaculture and wild capture fisheries sectors.

- | |
|---|
| <ul style="list-style-type: none">• Aquaculture is an integral part of the fisheries sector |
|---|

³ Cf. <http://www.regjeringen.no/en/dep/fkd/Documents/reports-and-plans/plans/planer-og-strategier-2009/strategy-for-an-environmentally-sustaina.html?id=566395>

- Aquaculture policy should fully integrate environmental considerations in order to fulfil environmental objectives and to meet the expectations of the market
- From a policy perspective it is important to consider the interrelationship between wild capture fisheries and aquaculture as the emphasis of sustainable production is rapidly increasing.