

Massive subsidies to the fisheries sector

Each year the fisheries sector receives huge amounts of money in the form of subsidies. Some of these subsidies are directly harmful, since they contribute to the overcapacity of the global fishing fleet. This problem has received a lot of attention lately, at European as well as global level.

Global fisheries subsidies are officially estimated at between USD 14 billion and USD 20 billion annually¹. There are, however, indications that this is an underestimate, since reporting by national and local authorities is often incomplete. Recent estimates claim global subsidies to be as high as USD 26² billion annually.

Subsidies can be direct or indirect. Direct subsidies are those directed at a specific recipient or part of the sector. Indirect subsidies do not have a specific recipient. Examples of these are fuel tax exemptions or third-country agreements, where the EU or a national government pays a higher price for the agreement than the price paid by vessels to use the resource. Within the EU, fishing vessels pay to fish in a third country's Economic Exclusive Zone (EEZ), the price however is well below the cost of the agreement.

Harmful subsidies

A large proportion of the fisheries subsidies are harmful, since they contribute to the overcapacity of the global fishing fleet. Currently the global fishing fleet is estimated to be 250 percent larger than is required in order to exploit the world's fish resources in an environmentally sustainable manner³.

Subsidies to the fisheries sector are not only a threat to the marine environment and fish resources, they also cause problems for local communities in developing countries. Most developing countries do not have the ability to subsidise their fishing sector in the way that the EU does, for example, which distorts global competition and trade. Moreover, many countries, including EU Member States, support the direct or indirect export of capacity to other countries' waters. This can take the form of *joint ventures*, when a country sets up a deal or merges with a national fishing company, and thereby changes flag in order to access their fishing grounds. It can also take the form of third-country access agreements, where a country buys fishing rights in other countries' waters. In both cases the fish resources are exploited by economic interests outside of the country, which decreases the availability of resources and the development potential for the local population.

International negotiations

Since overfishing is a global problem, the international debate has focussed on how to exploit marine resources in a responsible and sustainable manner. An important part of this work is to make sure that fishing capacity is in line with the existing resources. Over the last five years there have been discussions in various international fora, including the UN Food and Agriculture Organisation (FAO) and the World Trade Organisation (WTO) regarding the role of subsidies and how to jointly limit harmful subsidies that distort competition.

The major policy forum in which fisheries subsidies are currently being addressed is the WTO, where discussions take part in the Negotiating Group on Rules. Several countries have submitted proposals on possible ways to regulate fisheries subsidies. Currently the submissions agree on the need to regulate fisheries subsidies. The negotiations therefore revolve to a great extent around identifying which subsidies are considered harmful.

Subsidies to the EU fisheries sector

In Europe, support for the fisheries sector was introduced in order to help fishermen return to work after World War II. As the European Union was created and the Common Fisheries Policy (CFP) took form, structural support to the Member States, which was mainly used for modernisation, became one of the most important parts of the CFP. The aim of this support was to make the EU fishing fleet more competitive.

Since then this support has been broadened and now covers a great deal of the fisheries industry, including aquaculture. Restructuring of the Community fishing fleet began back in 1992, since modernisation and expansion of the fleet had led to a sharp decline in many of Europe's fish stocks. One of the aims of this restructuring was to curb fishing overcapacity. The EU therefore started to give financial compensation for the decommissioning of fishing companies and for the scrapping or conversion of vessels to be used for purposes other than fishing. New types of structural support were introduced, such as support for the development of more selective gear or more environmentally sound fishing methods. Support for the improvement of sanitary conditions and the handling of seafood onboard the fishing vessels was also introduced. However, the EU continued to support the modernisation and building of new vessels in order to make the fishing fleet more competitive.

Within the EU today, there are essentially two types of support: structural support and national aid. Structural support is essentially money distributed by the EU in order to facilitate the production of commodities and the organisation of production. Structural support exists among other sectors as well, such as agriculture, and this support is designed to give long-term results. Since January 1994, structural support for fisheries and aquaculture has been provided within the framework of Community structural funds.

The EU has four structural funds that channel economic support to the fishing sector. The Financial Instrument For Fisheries Guidance (FIFG), which will be replaced by the European Fisheries Fund (EFF) in 2007, is the most important structural fund. The FIFG, which ran from 2000–2006, distributed EUR 545 million each year, or a total of EUR 3,746 million. The EFF, which was adopted in July 2006, will distribute a total of EUR 3.8 billion over the programming period of 2007–2013. In 1997 alone it is estimated that the EU subsidised the fishing sector to the value of EUR 824 million. Additional money is available under Community financial measures for the implementation of the common fisheries policy, and in the area of the Law of the Sea, also known as the 2nd instrument, the European Regional Development Fund (ERUF) and the European Social Fund (ESF). Moreover, the EU finances a number of third country access agreements, the

majority being in Africa, under the regulation for third country agreements⁴.

National or state aid is “aid to facilitate the development of certain economic activities or certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest”⁵. Examples of such aid are financial transfers, loans at reduced interest rates, interest subsidies and financial incentives to companies. The rules for such aid are controlled under the Commission Regulation for *de minimis* 1860/2004, which is currently being debated, as well as the Commission guidelines for national Regional Aid (98/C7406), which will be replaced by a new set of guidelines (2006/C 54/08) for the programme period of 2007–2013.

Reprioritising EU support

The reform of the CFP in 2002 meant great improvements in structural support. The decision was taken to end common support for modernisation of vessels, beginning in 2004. At the same time support for modernising fishing vessels was only distributed on the condition that they would increase fishing capacity. The reform also included an end to subsidies for exporting overcapacity, through so-called *joint ventures*, as well as increased subsidies for the scrapping of vessels. However, the creation of new fishing opportunities for the EU fishing fleet is still one of the highest priorities within the CFP. Negotiation over third-country agreements therefore continues, and this is generally paid for by the EU.

A new proposal for the EFF was put forward by the Commission in 2004, based on the reform of 2002. The EFF was adopted in July 2006⁶, and includes a number of new, broad support initiatives for sustainable development in coastal communities with limited opportunities for alternative employment, as well as support for increased protection of fish stocks and the marine environment. However, it does contain some doubtful provisions, which could pave the way for further increases in fishing capacity, including opportunities for vessel modernisation, support for the recruitment of young fishermen and support for engine replacement.

Generally, the Fisheries Secretariat believes that subsidies to the fisheries sector should gradually be terminated, and that support for the building of new vessels, capacity-enhancing support and fuel subsidies should be stopped immediately. Not all subsidies are harmful, however. Some of the EU-structural funds, such as the EFF, have the opportunity to be used for nature conservation measures such as developing Marine Protected Areas (MPA:s) or new environmental friendly technology. There is also the possibility to use these funds for financing of the Natura 2000-network. If subsidies are used in a way that deals effectively with overcapacity, such as the scrapping of vessels or provision of socioeconomic measures, such as retraining fishermen for alternative employment, or giving compensation for temporary or permanent fishing cessation to allow fish stocks to recover, they could contribute to the sustainable development of the EU and the global fishing sector.

References:

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CONTACT:

The Fisheries Secretariat, Svartviksslingan 28, 167 39 Bromma
PH: +46 (0)8 704 44 84, fax: +46 (0)8 795 96 73, E-post: info@fishsec.org, www.fishsec.org