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Review

Fisheries structural policy in the European Union: A critical analysis of a subsidised sector

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ABSTRACT

Policies based on grants to specific economic sectors, such as the fisheries sector have become widespread over the last fifty years. Despite their long history, there is no consensus regarding their scope or effects. In recent years, European economic policy has been subject to substantial change, not only regarding the level of funding but also concerning support mechanisms for Member States in the form of grants.

The primary objective of this article is to conduct a critical analysis of the impact of EU policies on fisheries subsidies. To this end, it was necessary to analyse the evolution of these subsidies over the period 1994–2012. The article highlights aid for modernising fishing vessels and reducing fishing efforts by scrapping vessels.

1. Introduction

In a recent report, the European Commission estimated that three-quarters of commercial marine stocks are overfished. Undoubtedly, the subsidy-based fisheries policy implemented in recent decades has led to an unsustainable imbalance between available fish resources and fishing capacity in the European Union (hereafter EU). The inevitable result has been the gradual decline of catches and reduced profitability in the fishing sector. These results do not only apply to the EU. Sumaila et al. (2010) computed total fisheries subsidies for the year 2003 and included estimates of subsidies to developing countries[1]. According to them, fishery subsidies are $ 27.1 billion. It reduces operating costs and increases fishing capacity in an unsustainable manner. Asia provides the largest amount of fisheries subsidies ($ 15.7 billion). In this regard, the most important Asian countries are China ($ 4.1 billion), Japan ($ 4.6 billion), Republic of Korea ($ 0.9 billion), Vietnam ($ 0.7 billion) and Thailand ($ 0.6 billion). USA also spends approximately $ 1.8 billion on fishery subsidies. These subsidies have been estimated at 20–25 per cent of the value of the catch (Milazzo, 1998).

These circumstances led to a reorientation of structural fisheries policy in the EU of reducing the community fleet by granting aid to scrap obsolete vessels[2]. As a consequence, the multiannual guidance programmes (MAGP) have been in place since 1983 to reduce the EU fleet and adjust fishing effort to match available resources. Although MAGP I (1983–1986) and MAGP II (1987–1991) failed to achieve their objectives, at a minimum, they prevented a significant increase in fishing capacity and highlighted the lack of reliable information on the tonnage and installed capacity of the community fleet and the absence of control mechanisms that would ensure that shipowners would receive the correct amounts of funding. MAGP III (1992–1996) represented a step forward, dividing the fleet into segments according to the target species and the gear used. Finally, the MAGP IV (1997–2001) was replaced with an entry/exit scheme. Under this scheme, capacity, measured in terms of

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[1] Sumaila et al. (2010) made a comparison between global fisheries subsidy estimates (US$) from FAO (1992), Milazzo (1998), Sumaila and Pauly (2006).

[2] The fisheries structural policy was established in 1970 with the decision to apply to the European Agriculture Guidance Guarantee Fund (EAGGF), Guidance Section, to support modernisation, construction, processing and marketing within the fisheries sector.

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both tonnage and power, is not allowed to rise above 1 January 2003 levels.

The Financial Instrument for Fisheries Guidance (FIFG)[3] was created in 1994 to achieve a balance between fishery resources and their exploitation and strengthen the competitiveness of the sector and the socioeconomic development of areas dependent on fisheries. In accordance with the FIFG, fleet overcapacity was addressed through MAGP. The most common intervention in this regard was financing measures to adjust fishing effort through the implementation of permanent cessation premiums on fishing activities, aid for scrapping fishing vessels and the creation of joint enterprises.

In 2007, the FIFG was replaced with the European Fisheries Fund (EFF), which was more closely aligned with the new emphasis on sustainability, had simpler procedures and was designed to reflect the needs of the EU-27. Its priorities include measures to adapt the community fishing fleet by permanently withdrawing vessels or temporarily ceasing fishing activities[4].

Overfishing remains one of the largest factors contributing to the degradation of marine ecosystems, biomass depletion and loss of biodiversity around the world (Crowder et al., 2008). According to the Millennium Ecosystem Assessment (MEA, 2005) the marine and coastal ecosystems are among the most productive in terms of services that are linked to human well-being. The total services of the ecosystems provide at least US$33 trillion dollars annually, 63% of which comes from the marine ecosystems (Costanza et al., 1997).

Although several definitions of ecosystem services may be found in the literature (Costanza et al., 1997; Daily, 1997; Daily and Ellison, 2002; Boyd and Banzhaf, 2007), the definition that describes ecosystem services as the benefits that people obtain from ecosystems is probably one of the most cited (MEA, 2005).

After twenty years of failed attempts, the overexploitation of fisheries resources has become a major problem, regarded as the primary threat to the preservation of fisheries in developed countries. The policy based on subsidising reduced fishing effort was implemented in a comprehensive package of measures, some of which were complete failures. To what extent have these policies based incentive grants not only achieved the desired goal but also encouraged the fishing industry to exceed them?[5]. According to the Fisheries Research Centre at the University of British Columbia, "*the only subsidies that are considered to be good are those that enhance the growth of fish stocks through conservation, and the monitoring of catch rates through control and surveillance measures to achieve a biological optimal use. These include fisheries management programmes and services and fishery research and development*" (Sumaila et al., 2010).

The new Common Fisheries Policy (CFP) aims to reduce dependence on subsidies given the ineffectiveness of previous programmes. Thus, while the new European Maritime and Fisheries Fund (EMFF), which would eliminate aid for scrapping beginning in 2013 because it had failed to reduce excess fishing capacity, ultimately came into force, it was opposed by Germany, the United Kingdom and Sweden.

The aim of this article is to analyse the causes of the current situation and the impact of major EU structural fisheries policies over the last twenty years[6]. The remainder of the article is structured as follows: first, we analyse the evolution of EU fisheries subsides in two distinct sub-periods: 1994–2006 and 2007–2012[7]. Second, we present aid for scrapping fishing vessels, as it is emblematic of and highly relevant to the period considered, as an example to demonstrate the arguments advanced in this study. The next section describes the current status of EU policies on fisheries subsidies and the prospects for the near future. Finally, we present and summarise the primary findings of this article.

2. The state of the EU fishing sector

In the period 1994–2010, the EU fisheries sector underwent a general decline in the number of vessels to balance, to some extent, the gap between the size of the fleet and available fishery resources, while failing to recognise that the pressure exerted by these fishing vessels exceed the regenerative capacities of certain fishery resources. Some Member States, such as Ireland, France, Cyprus, Romania and Slovenia, failed to reduce their fishing fleets. Nevertheless, in 2011, France scrapped 133 vessels by providing public assistance, equivalent to approximately 7653 gross tonnes (GT). Cyprus plans to scrap approximately one hundred small coastal fishing vessels, which are not subject to effort limitations[8]. Slovenia is also considering using public subsidies for scrapping and then adjusting the fishing efforts of those fleets, as most of its fishing fleets have excess capacity.

In the period 1994–2010, the restructuring plans for the EU fishing fleet succeeded in reducing the size of the EU fleet by 16.4%, from over 100,000 fishing vessels in 1994 to approximately 84,000 in 2010 (Table 1). Despite recognising the high level of aggregation of the data, the reduction in the number of vessels has not significantly changed harvest capacity, as the power and tonnage remained unchanged (at 21 Tm gross and 78 Kw per boat).

In the period 1994–2011, total EU fleet catches declined by 37.62%, but this change was not homogenous across Member States (Table 2). Despite this reduction in catches, some Member States, such as Spain, suffer from overcapacity, resulting in an imbalance between fishing capacity and available fishing opportunities. The overcapacity of the fishing fleet relative to available resources, combined with the significant increase in production costs (especially fuel) endangers the profitability of fishing vessels, which in some cases are only profitable thanks to EU fishing subsidies.

The available data, in many cases provided by individual Member States, make it possible to verify a progressive reduction in overall fleet size accompanied by a decline in catches. Various programmes to restructure the fishing fleet using subsidies funded a reduction in catches of more than 208,000 tons annually. Two issues lie at the heart of discussions on the subject. First, there is the question of whether these grants improved the profitability of fishing vessels. The second question is whether these programmes helped to place European fisheries on the path to environmental and biological recovery. To answer these and other related questions, it is necessary to study of the effectiveness of various policy measures implemented in EU fisheries in recent years.

[3] Council Regulation (EC) No 2080/93 of 20 July 1993, and Council Regulation (EC) No 1263/1999 of 21 June on the Financial Instrument for Fisheries Guidance.

[4] Council Regulation (EC) No 1198/2006 of 27 July 2006 on European Fisheries Fund.

[5] Munro and Sumaila (2002) and Sumaila and Pauly (2006) note that simple economic models demonstrating that subsidies affect profits and therefore provide incentives for increased fishing effort have accompanied a number of overviews of subsidies published by leading intergovernmental and research institutions.

[6] See, for example, González-Laxe (2002, 2010), Penas (2002, 2008).

[7] Hatcher (2000) outlines the development of the European Community's structural policy for fisheries in the period 1971–1999 and examines the extent to which public funds were disbursed by the Community as aid to assist both the development and the restructuring of Europe's fishing fleets.

[8] According to the Report of the Commission to the European Parliament and the Council on the efforts Member States made in 2011 to achieve a sustainable balance between fishing capacity and fishing opportunities.