

"A new impetus to the CFP: Better governance, Better economics"

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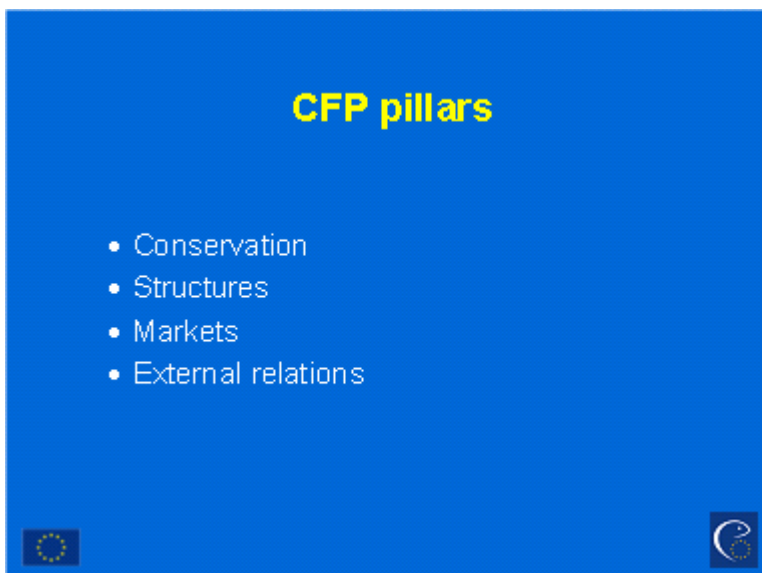
Ladies and Gentlemen,

First and foremost, I would like to express my gratitude to the conference organisers for inviting me here today. I personally think it is essential that the European Commission plays an active role in these events. It therefore gives me extra pleasure to have almost the entire Economic Analysis unit of DG FISH here as well. And I must admit, Iceland is a rather special and highly appropriate venue for discussing fisheries economics!

As you probably know, the CFP has a long history stretching over more than 25 years. Since it was born in 1983 the fisheries sector has changed dramatically while, in a broader context, the European Union has gone through a major process

of political integration, enlargement (both geographical and of competences) and institutional change. To respond to these developments, the CFP has been subject to continuous adjustments and to three substantial reform processes, the most recent in 2002. Yet, the stated objective to "ensure exploitation of living aquatic resources that provides sustainable economic, environmental and social conditions" is far from being met, and we continue our search for ways and ideas to give new impetus to the CFP.

I will very briefly touch upon its main components.



The CFP basis itself on four main pillars, namely:

- Conservation and limitation of the environmental impact of fishing
- Structural intervention
- Markets
- Relations with the outside world

Our conservation policy aims to protect fish resources by regulating the amount of fish taken from the sea, by allowing young fish to reproduce, and by ensuring that measures are respected. Here, sustainability remains the key.

Our structural policy, namely our European Fisheries Fund, aims to help the fishing and aquaculture industries adapt their equipment, infrastructure and organisations to the constraints imposed by scarce resources and the market. Additional measures are also aimed at creating a balance between fishing effort and available fish resources.

Through our market pillar we aim to promote and maintain a common organisation of the market in fish products, and to match supply and demand for the benefit of both producers and consumers. With increased levels of globalisation this area is becoming more and more dynamic and we must keep abreast with developments.

Finally, we work with our international partners to set up what we call "fisheries partnerships agreements" and to negotiate at the international level within regional and international fisheries organisations for common conservation measures in deep-sea fisheries.

Of course, the monitoring of regulations is crucial to effective fisheries management, in support of the overall CFP objectives. Besides the mentioned four pillars, the CFP includes a number of tools and instruments to ensure effective control and enforcement by encouraging compliance and deterring fraud.

The CFP is therefore a complex and comprehensive policy, well equipped, potentially, to meet the challenges of this sector. Nevertheless, at the beginning of the new millennium we acknowledged that the CFP had not delivered all it promised. More specifically:

- There was overexploitation of fish stocks;
- Several important fish stocks, such as cod, were on the verge of collapse;
- Significant negative knock-on effects on fishermen's income, the balance of the marine ecosystem and the supply of fish to the EU market prevailed.



Since the subsequent CFP reform in 2002, the Commission has taken steps to improve the overall sustainability of European fisheries by promoting an economically viable fishing industry. The main changes have concerned the following areas:

- Conservation, with the adoption of a long-term perspective for fisheries management;
- Fleet management, with the discontinuation of state aid for renewing fleets after the end of 2004;
- Governance, with greater integration of fishermen and other stakeholders in decision-making.

Of course, this is part of an ongoing exercise which calls for operational aspects of the sector to be looked at in conjunction with its economic, social and

environmental dimensions. It is the socio-economic part that has too often in the past lagged behind, but this is something that we are now determined to put right, as I will explain to you in more depth later.

Before that, please let me outline what I consider to be two main ongoing innovative policy initiatives: integrated maritime policies and the review of fisheries control legislation and practices.



In addition to reforming the operational aspects of the CFP, we have also seen a shift to a broader and more holistic perspective; i.e. not just fishing, but all ocean related activities examined together. We believe that our work towards an integrated maritime policy for the EU will increase the coherence and co-ordination between our sea-related policies and activities. It will allow us to extend and optimise the range of benefits that we derive from our maritime activities without threatening the integrity of the resource base: the sea itself.

Fishing is, of course, an essential component of such a policy. I am firmly convinced that the fishing industry, as well as fishing communities, will draw great benefits from an integrated approach to maritime policy. Our future work will

encompass an ecosystem approach to fisheries management, better coastal and spatial planning, improved governance and enhanced knowledge of the various maritime sectors, especially through the collection of better socio-economic data.



If the maritime policy is a visionary and wide-ranging project, we should not lose sight of the substantial problems we encounter when enforcing our policies. Of course, establishing effective controls is essential, yet the CFP results in this area are far from satisfactory. There is a long history of lack of compliance and poor enforcement policies in many fisheries which clearly requires correction. The 2002 reform has made this a priority, and this has led to substantial improvements including the introduction of the electronic logbook and the vessel detection system in 2006.

Furthermore, the new Fisheries Control Agency is now also fully operational. The Agency shall promote uniform and effective application of the rules of the CFP through the organisation of operational cooperation and coordination between Member States. This will help to improve control across the board, with Member States becoming better able to deter those who fish illegally. Besides these core activities the Agency has horizontal attributions notably in the area of training of

inspectors and inspection techniques and methodologies in view of harmonising the implementation of the Common Fisheries Policy at Community level.

Finally, we will soon begin to work in earnest on examining the most efficient and cost-effective control and enforcement approaches.

But all this is not enough. Hence, the recent decision to launch a new, comprehensive review of our control regulation, aiming at a substantial simplification of the rules to make them more effective and easier to enforce is a very important one. And, in parallel, a new and perhaps, from a symbolic viewpoint, even more important initiative is our drive to reinforce the fight against IUU fishing.

Illegal fishing must clearly be combated both in EU waters and beyond. Whereas there is much we can do internally; co-operation with our international partners will seriously enhance our ability to eliminate this scourge. This is the core of our new initiative that will reinforce and further develop the EU contribution to fight against IUU fishing practices on the high seas.

Here, the Community is beginning to play an increasing role. I believe that our efforts to fight against IUU fishing as well as our work towards a ban on destructive fishing are particularly good examples in improving governance worldwide. We must ensure that we continue to strengthen our contribution to activities of international fora, such as the FAO and RFMOs.

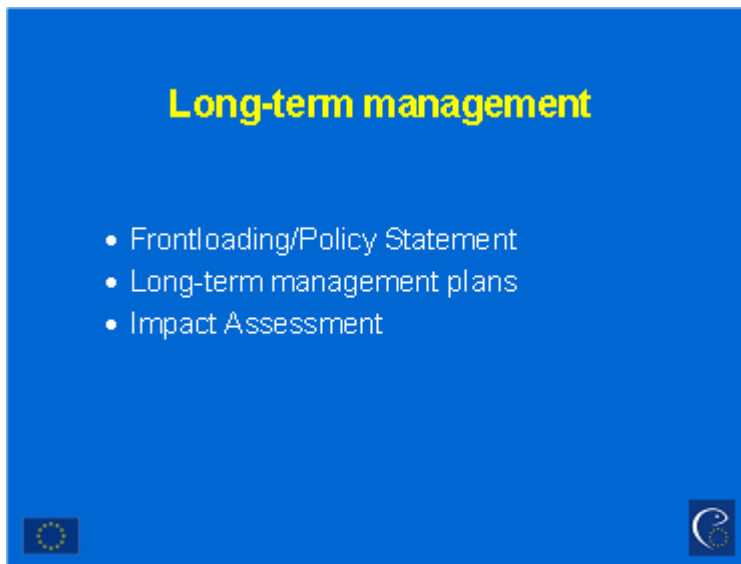


Having set the scene for some of our major policy initiatives, I would now like to look at some specific aspects of the Common Fisheries Policy where the economic dimension has proved to be of utmost importance, and where the Commission is delivering a new impetus. In particular, I want to focus on two major objectives towards which we are working intensely, namely:

1. Promoting better regulation and governance
2. Incorporating more economics in the CFP

It must be said that in order for us to support the clearly overarching first objective of better regulation, we must also incorporate more economics. These two objectives clearly go hand in hand and are best illustrated in the context of various areas where we are taking actions.

One such area is the development of long-term approaches to the management of fisheries, which aims at simplifying our regulations, improve their effectiveness, and provide a more stable basis for our economic operators both at sea and on land.



As part of the long-term approach to fisheries, which as said earlier the EU began to adopt following the reform of the CFP in 2002, we strive to go beyond the traditional decision-making process on annual fishing possibilities (TACs and quotas) and associated measures.

Until now, the annual process on setting TACs and quotas did not formally begin until the Commission tabled its proposal in late November. As a result, there was little time for proper consultation with stakeholders on how decisions were made.

This has now changed. Consultation with interested parties is increasing and widening - allowing more time for decisions to be weighed up by stakeholders and policy-makers before being taken in Council. As a further improvement, the Commission is also moving towards presenting its TAC proposals earlier in the year so as to avoid the need to resolve a wide number of important issues in a short space of time leading up to the annual December Fisheries Council. This is what we refer to as "frontloading".

Another important step in this regard is the preparation of our annual Policy Statement. This statement outlines the main 'harvest rules' which the Commission

intends to apply to fish stocks, including those governed by multi-annual recovery and management plans. This provides the basis for debate with stakeholders and Member States on the best strategy to ensure sustainable exploitation levels and guarantee lasting high yields.

The Commission intends to use this opportunity to bring its annual TAC and quota management methods into line with the multi-annual approach.

In parallel with developing a new approach to the annual TAC and quota exercise, the Commission is committed to elaborate and implement specific long term plans (recovery or management) for several fish stocks.

Here, the explicit use of impact assessment, which the Commission is committed to undertaking on all major legislative proposals within all policy areas, will help assess management targets and time path alternatives to be deployed for the long-term plans. The possible, alternative policy options suitable for achieving the selected goals must be analysed and compared in terms of environmental, economic and social trade-offs over time.

The first case in which we have attempted to develop a fully fledged impact assessment was for North Sea sole and plaice. This proved to be a very useful and enriching exercise, although not necessarily straightforward. It showed what needs to be done to overcome weaknesses and shortcomings of data, tools and processes. We must continue to develop our toolbox, as was done only last month at the meeting of the STECF (Scientific, Technical and Economic Committee for Fisheries, our scientific advisory body) on a proposed management plan for Northern hake. This meeting further encouraged fully integrated work by both biologists and economists.

Something we must realise is that a "one-size-fits-all" approach will not work in general and we are therefore bound to exercise more prudence when examining policy actions for each individual fishery or issue at stake. This is a clear role for impact assessment. We also acknowledge that many management targets exist. One such target is MSY, which has been successfully been applied to a number of fish stocks in EU waters. Admittedly, it is not a problem-free approach and further efforts are needed over the coming years to find appropriate targets for each fishery.



Two other areas where we are doing major efforts are CFP simplification and improved stakeholder participation.

The European Commission took a major step towards putting in place simpler measures under the CFP by adopting an Action Plan for simplifying and improving fisheries legislation and its administrative environment over the period 2006-2008. The Plan is part of the Commission-wide process aimed at encouraging better regulation and has benefited from the input of all the interested Parties who all want clearer and simpler fisheries measures.

We are confident that this will be a major advance towards a CFP which is not only easier to understand and easier to implement, but which will be more likely to achieve its twin goals – a profitable and sustainable European fishing industry, based on healthy fish stocks and marine environment. Specific actions are underway to reduce administrative costs, so as to enhance overall governance and ease the financial burden on the industry and Member State administrations.

Governance has gained further momentum with the establishment of the Regional Advisory Councils (RACs) as one of the pillars of the 2002 reform of the CFP. Set up by stakeholders themselves, RACs prepare advice and suggestions on fisheries aspects in the area they cover and transmit them to the Commission or to the relevant national authorities. Submissions may be in response to a request from these bodies or on the RACs own initiative. The Commission is not obliged to follow the RACs advice but it always explains to RACs how it has taken into account their recommendations.

The RACs comprise two thirds of representatives of the fisheries sector (shipowners, employed fishermen, producer organisations, small scale fishermen, processors and traders, market organisations and women's networks) and one third of other groups affected by the CFP (NGOs, recreational fisheries, consumers and aquaculture) while scientists are invited to participate in the meetings of the RACs as experts. The Commission and regional and national representatives of Member States may be present at the meetings as observers.

Transparency in the workings of the RACs is very important. The meetings of both the General Assembly and the Executive Committee are open to the public. Only in exceptional circumstances, the Executive Committees may, by a majority, decide to meet in private.

Given the important contribution of RACs to the development of the CFP, it was recently decided to declare them as bodies pursuing an aim of general European interest, which entitles RAC with a permanent funding of €250,000 every year.

Seven RACs have been established to cover the main EU areas or fisheries, i.e. the Baltic, Mediterranean, North Sea, North-western waters, South-western waters, Pelagic stocks, and Distant waters fisheries.

Six of them are now fully operational and we have already seen useful and truly bottom-up contributions to improve fisheries policies on the ground. This is clearly a significant development in our new CFP, on which we are fully committed to seek further improvements.



Rights-based management

- Public consultation (link on our web)
- Economic efficiency
- Fine-tuning management systems
- External contributions to debate

Another area, and perhaps our biggest project, at least seen through an economic perspective, concerns the use of rights-based management tools in fisheries. This is a clear example of where we try to combine more economic thinking and pursuing better regulation. Our initiative back in February was to instigate a debate on RBM serves as yet another timely reminder of the direct link between fisheries management measures and economic efficiency. Admittedly, the topic is not new;

actually it was discussed a few years ago. However as you are all well aware, the complexities of the CFP and diverse political wills do not always allow the Commission to do as it pleases.

I now personally want to ensure that this leads to a wide-ranging debate on how fishing rights have developed in the Union and the role they can play in helping to deliver sustainable fisheries, including economic and social goals. This debate will help to shed light on the options available to Member States to fine-tune their management systems. As such, it is an important part of our common effort to improve the way the CFP is governed.

The Commission has already engaged in useful dialogues with stakeholders over the last four months both in Brussels and in various Member States. I am also pleased to see that some excellent papers have been presented at this conference. I look forward to seeing more contributions of this kind over the coming months.



More Economic Advice

- Economic Analysis unit
- Many DG FISH policies analysed
- Data Collection Regulation and AER
- Economic Seminar (link on our web)
- More external support

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Ladies and Gentlemen,

In general, I think we can all agree, at least those who work closely with the Commission, that the role of economic advice in our decision-making is on the rise. Some of the difficulties experienced in the sector (such as stock declines and rising fuel costs) imply that, if fishing is to be retained as an economic activity, we must include a thorough consideration of its economic dimension when defining policies and designing management measures.

Since the creation of the Economic Analysis unit in DG FISH in 2005, there has been far more joined-up policy-making, taking social and economic considerations into account. This improvement in the way we take decisions within DG FISH is particularly welcome in view of some of the policy proposals that are currently up for discussion, namely those on discards, IUU fishing, and long-term management plans. These are all important areas on which targeted and urgent action is needed. We also need to use economic thinking to better scrutinise the use of state aids, structural funds and fisheries agreements, as well as to monitor and regulate the functioning of markets and the future role of aquaculture.

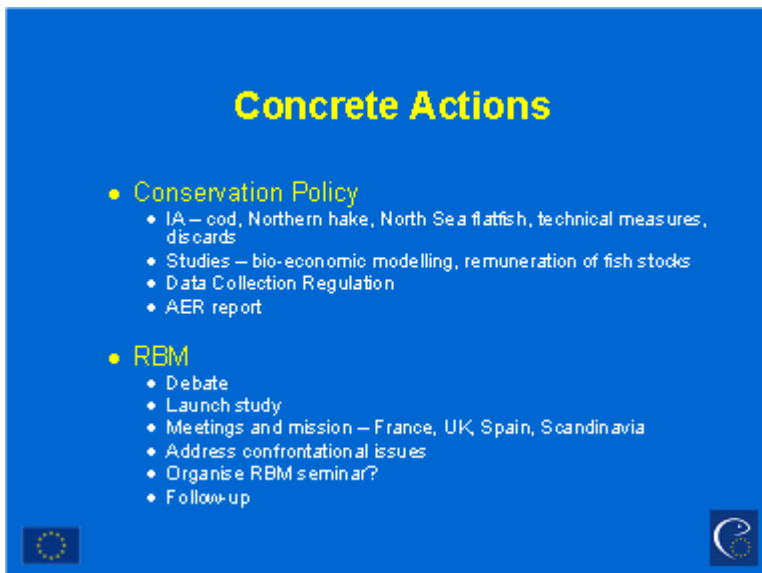
To assist this process along we obviously need much better data. Thus, we are making great efforts to improve our knowledge base and I am pleased to see that our Data Collection Regulation now allows us to collect and analyse the economic data of Member State fishing fleets in quite a systematic manner. We must, nevertheless, continue to make progress in data coverage and reliability if we are to effectively use this data to provide a basis for legislative proposals. For that we of course need the close cooperation of the governments of EU Member States and of the economic experts to assist us in our cause.

One important objective of this area is the continued production of the Annual Economic Report of EU fisheries. This shall not only assist to paint a picture of the current economic performance and various trends. It shall also provide us with the required data to provide a reliable basis for our economic analyses.

The economic dimensions of fisheries were also brought to the fore at our recent Economic Seminar in Brussels, which was attended by some 150 stakeholders, national administrators and academics. The main focus of our two day programme was to examine the role of value added activities and the appropriate use of structural funds. A better understanding of incentives and effects of our various management systems was deemed equally important, and was also intensely discussed. We hope to carry these discussions forward to our RBM consultation, allowing for the examination of practical case studies in EU fisheries.

We do consider that this first Economic Seminar of its kind was a success. Our Commissioner has already expressed his willingness to see that more of these seminars are organised in the future, on a regular basis.

Although the creation of the Economic Analysis unit was somewhat of a milestone, I do acknowledge that this team cannot stand alone. They will need the ample support of experts in umbrella organisations such as EAFE and IIFET. We are at the moment seeking a substantial increase in the number of economists sitting in the STECF advisory committee, which is a further reminder of what we aim to achieve in the future. We will seek to continue to improve our advisory platform, both through the rules and functioning of the STECF, but also through closer collaboration with the national research institutes and the academic world.



Ladies and gentlemen

I would like to round off my presentation here today by sharing with you our next steps in 2007 and beyond. The Commission envisages a range of concrete actions. We - I mean the economists - are particularly expected to develop our advisory role in DG FISH in relation to the following four areas:

In the area of **conservation policy**, we will continue to work on impact assessment and data issues. More specifically, we will:

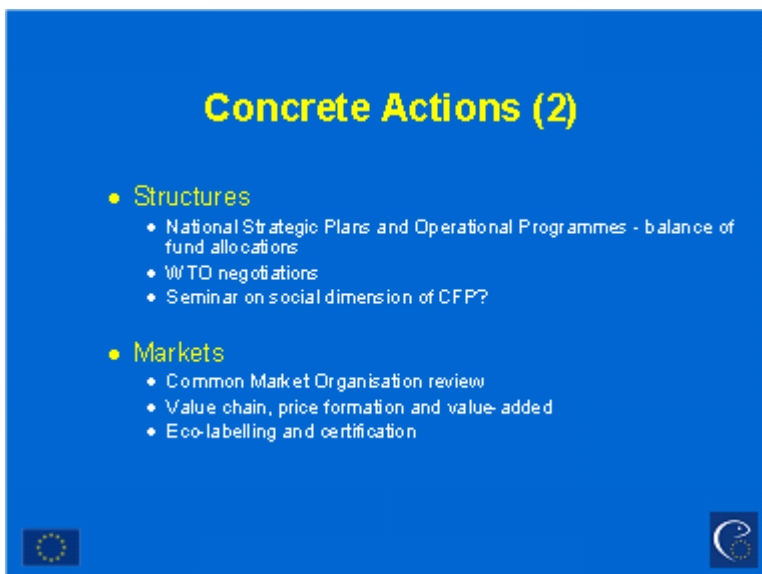
- Carry out impact assessment in all major cases, including in particular, North Sea Cod, Northern Hake and Technical measures;
- Launch supplementary studies to improve knowledge in some complex areas such as bio-economic modelling, coastal development etc; and
- Work on modifications of the EU Data Collection Regulation and the Annual Economic Report on the economic performance of EU fleets.

As for our consultation on **rights-based management**, we will:

- Carry on the consultation and debate at EU level;
- Launch a study on RBM approaches in EU Member States;
- Attend stakeholder meetings and carry out study trips;
- Collect concrete ideas, including on confrontational approaches;
- Consider the organisation of a seminar on RBM; and
- Sum up the debate and propose potential EU actions.

In fact, the willingness of participants to actively discuss RBM at our Economic Seminar suggests that the timing of our own consultations is the right one. I think we can expect many contributions of contrasting views!

We will also further reflect on how RBM initiatives can actively contribute to other priority areas of the Commission e.g. IUU, discards, Maritime Policy, long-term management plans, fishing agreements, and control. Interactions are apparent and deserve further examination.



In the area of **structural intervention**, our European Fisheries Fund (the EFF) runs from 2007-13, and has a total budget of around € 3.8 billion. This is our major planning instrument for the industry. Funding will be available for all sectors of the

industry – sea and inland fisheries, aquaculture businesses, producer organisations, and the processing and marketing sectors - as well as for development and fisheries areas. This shall be in accordance with National Strategic Plans and Operational Programmes setting out objectives, priorities and fund allocation, to be designed by Member States in agreement with the Commission.

Future actions in this area will include the examination of National Strategic Plans and Operational Programmes, to ensure that financial allocations can meet the desired objectives, and that these objectives are in line with our policies. For example, are structural adjustment objectives in line with resource and market conditions and the economic viability of the industry? Or, is financial aid compatible with better governance objectives?

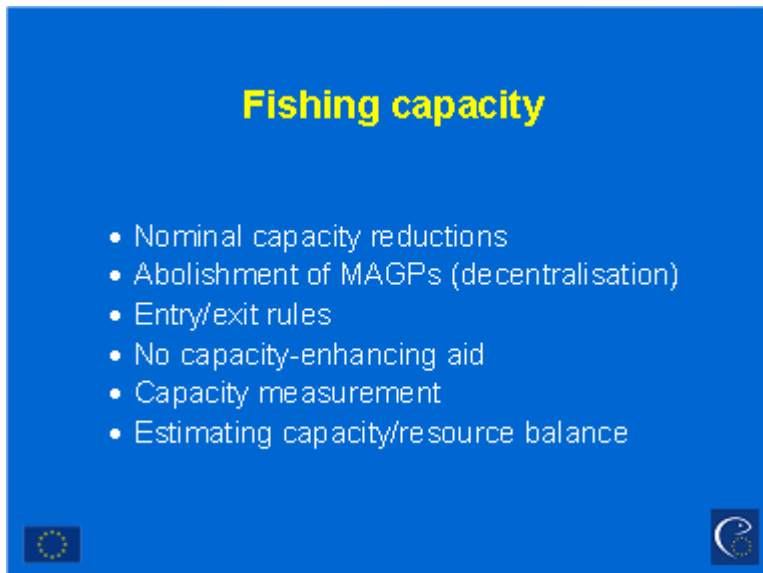
Furthermore, we need to keep an eye on the international context, specifically on the WTO negotiations: here we need to work actively to ensure that the Doha round strikes the right balance for using subsidies in fisheries, preserving our possibility to use the EFF, which we believe represents such a right balance.

Finally, we are willing to respond to the need to incorporate more of the social dimensions in our policy making. We are currently considering the organisation of a seminar on these issues.

In the **markets** area we shall:

- Continue our review of the Common Market Organisation;
- Begin to analyse the flow of the value chain and price formation, to provide the basis for potential initiatives that can add value to fisheries products;
- Work on the economics of eco-labelling and certification, to support ongoing work to highlight the economic drivers and incentives in the fishing industry, as well as analysing industry-led initiatives.

Needless to say, economic reflections also need to continue on our broader reaching policies for maritime activities and enforcement, to which I referred earlier in this presentation.



Before concluding there is, of course, one very controversial aspect that I have not yet mentioned; that of fishing capacity. The Commission is fully aware that many EU fisheries are still facing overcapacity and that we need to find a sustainable long-term balance between capacity and available resources. We are aware that many of these problems may stem from the lack of property rights in fisheries and our ongoing consultation will hopefully shed more light on this issue.

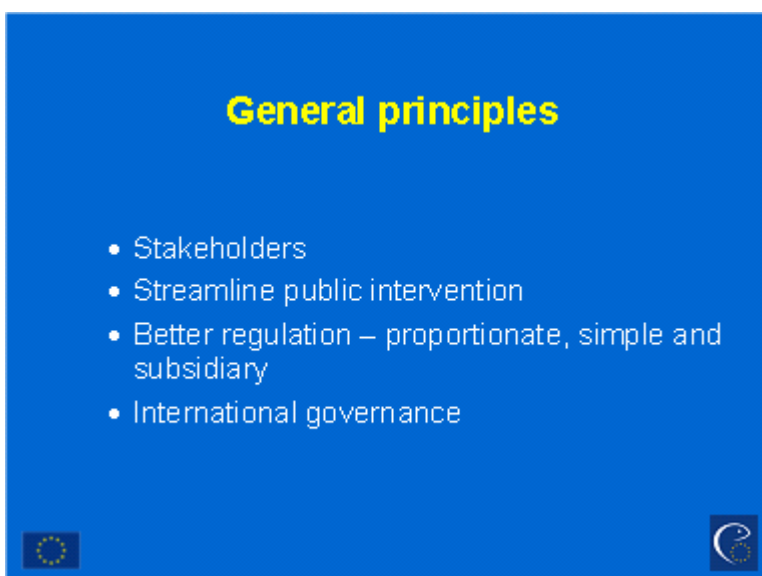
The Commission has nevertheless acted to reduce the capacity of fishing fleets over recent years, and capacity reductions in at least nominal terms have resulted from these efforts. Also, since the abolishment of our Multiannual Guidance Programmes (MAGPs) in 2004, there is no longer a centralised management approach. Capacity is now regulated through strict entry/exit rules, which has been ably assisted by the fact that funds for fleet construction and capacity-enhancing modernisation have been phased out completely. Importantly, we also maintain

close coordination with Member States on using EFF funds for fleet capacity management.

Efforts in this area are continuing to refine our analysis and our fleet policy. The Commission has also recently initiated a review of capacity and effort measurements and will shortly ask the STECF for advice on analytical approaches to estimate the balance between fleets and resources at Member State level.

Ladies and Gentlemen,

We know that all this is very much an ongoing process and that finding the appropriate set of policies to obtain our CFP objectives has no magic recipe. However, it goes without saying, that if we wish to make real inroads on these issues we need to work closer to the people who are in a position to deliver their research findings, and ultimately, the economic advice. I would like to stress once more that finding a much improved advisory platform for economic advice is at the forefront of our own current thinking and will merit much needed attention in the coming months.



General principles

- Stakeholders
- Streamline public intervention
- Better regulation – proportionate, simple and subsidiary
- International governance

To conclude, I would like to leave you with four general principles that I personally think will help guide us to a brighter future for the fishing industry; namely increasing stakeholder input, streamlining public intervention, seeking better regulation, and improving EU and international governance.

The role of economics in applying these principles is obviously significant. The wide and enthusiastic participation to this EAFE event and the high quality of research and interventions presented over these three days is reassuring me that we can find excellent support in the EU scientific community to ensure that this role is fulfilled.



Thank you for your attention!

Emilio Mastracchio