

Wageningen IMARES

The role of subsidies in fisheries management

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Crisis? What crisis?

Crude Oil Prices

Richard Fuld says Lehman collapse brought on by 'lack of confidence'

By Laurie Bennett | October 6, 2008 at 1:25pm | 1

Lehman Brothers CEO Richard Fuld told Congress today that his company's bankruptcy was "an absolute tragedy."

"I feel horrible about what happened," he said in prepared remarks submitted to the the House Committee on Oversight and Government Reform.



To the rescue!!!

Fortis: Belgium acts to prevent financial group's collapse

- Governments agree to pour €11bn into Fortis
- Fruitless weekend effort to find commercial buyer

Treasury: no British savers will lose cash from Icesave collapse

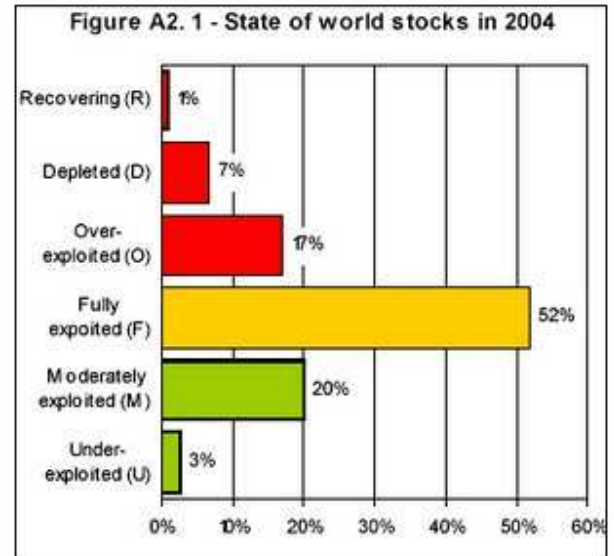
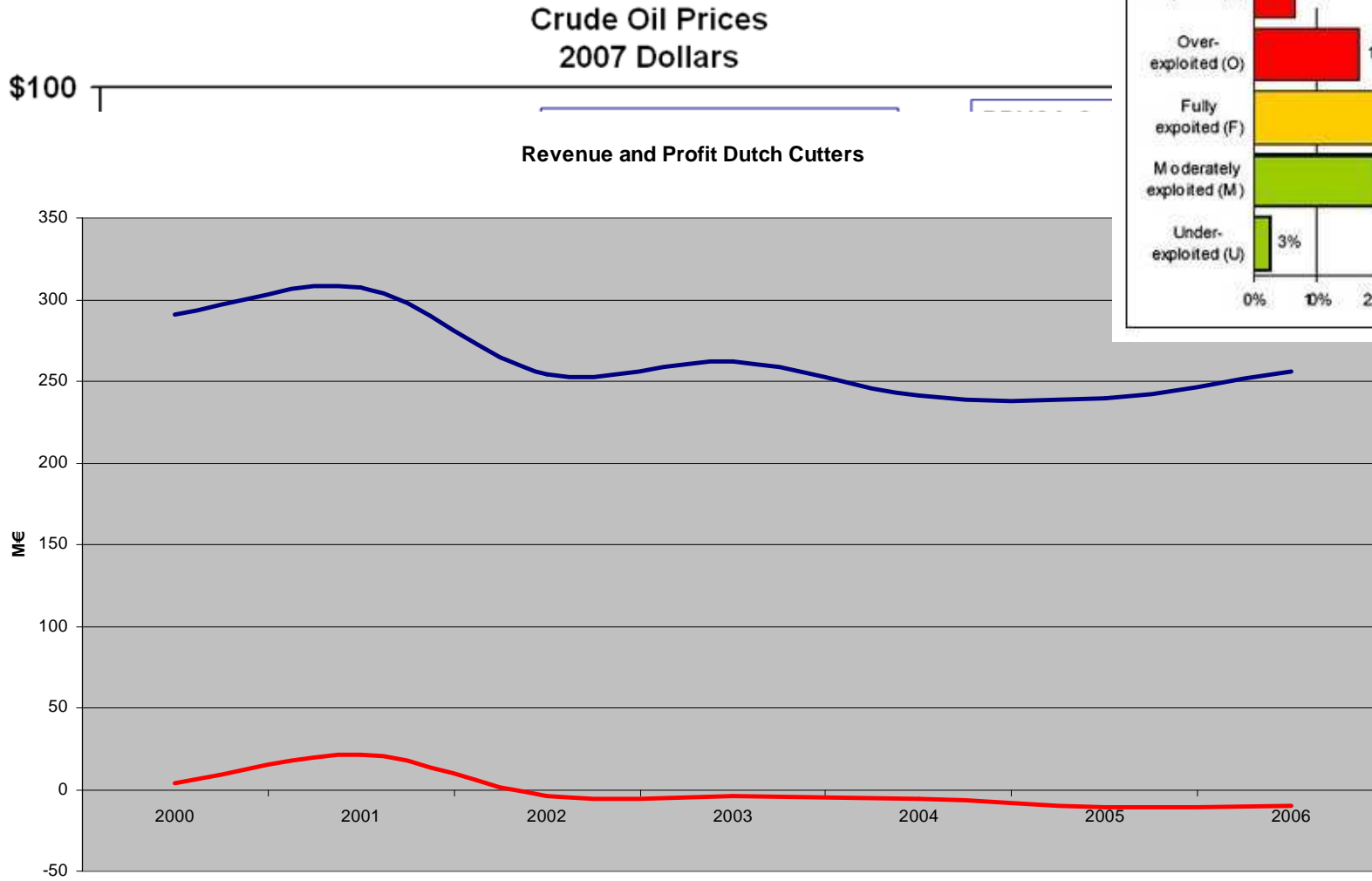
Banks Need State Aid to Avoid Worst of Credit Crisis, Merkel Says



📍 Merkel is attending an emergency summit of euro-zone leaders in Paris

Chancellor Angela Merkel sought backing Sunday from skeptical Germans for a costly bank rescue plan. Berlin's bail-out package could cost German taxpayers billions of euros.

And in fisheries?



So.... To the rescue!!!!

- Strict management of the stocks
- Support for the people
- With the help of subsidies if we need to?

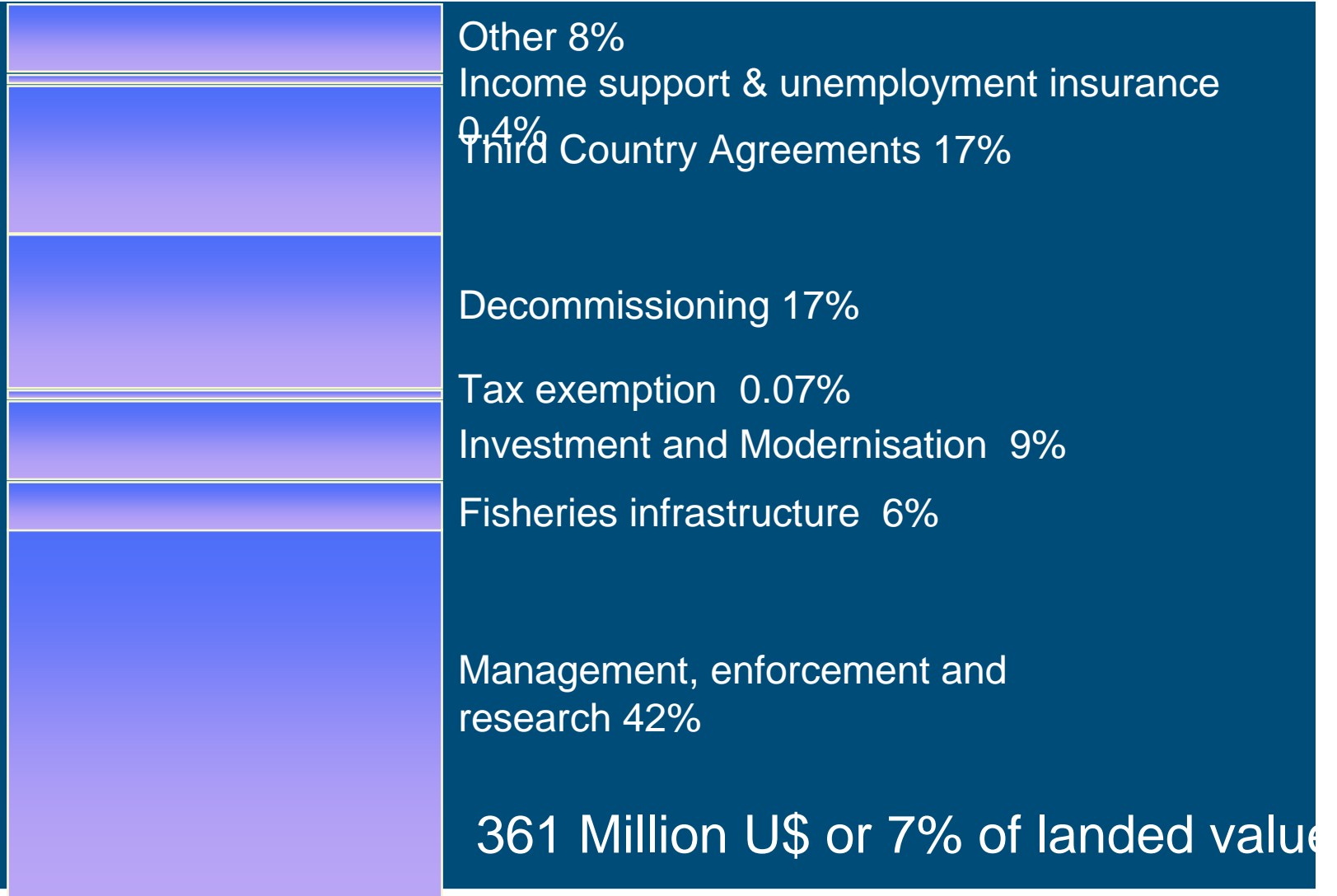
Magnitude of global subsidies in fisheries

- World Bank: \$14 - \$20 billion or 20–25% of turnover in the sector.
- OECD and APEC: \$12 billion, or 17% of turnover.
- OECD 1999 \$6 billion:
 - EC\$1.2 billion
 - US \$1.1 billion
 - Japan \$2.5 billion

A short history of EU subsidies

- After WOI support to restart work
- Start of CFP: modernization to make the EU fishing fleet more competitive; subsidies for
 - decommissioning, reconstructing vessels to be used for purposes outside of fishing
 - development of more selective gear and environmentally sound fishing methods
 - improvement of sanitary conditions and the handling of seafood onboard
- EU today
 - Structural support: EFF sustainable development in coastal communities with limited opportunities for alternative employment; support for increased protection of fish stocks and the marine environment; vessel modernisation, support for recruitment of young fishers, and support for engine replacement.
 - National aid: 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

EU fisheries subsidies in 1997



Fuel subsidy

<i>Leading high-seas bottom-trawling nations</i>	<i>Subsidy per liter of fuel (US\$)</i>	<i>Fuel subsidy (US\$m)</i>	<i>Landed value of catch (US\$m)</i>	<i>Fuel subsidy as percent of landed value</i>
Japan	0.25	25.44	125	20%
Australia	0.20	1.03	9	11%
South Korea	0.18	17.38	92	19%
Russia	0.18	16.37	126	13%
Iceland	0.18	1.78	33	5%
Ukraine	0.15	3.66	20	18%
Faroe Is.	0.15	2.85	45	6%
Estonia	0.15	1.26	27	5%
Lithuania	0.15	0.46	10	5%
Latvia	0.15	0.29	7	4%
France	0.14	0.37	5	7%
Spain	0.10	6.97	103	7%
TOTAL	-	78	601	13%

Source: Sumaila, U.R., Pauly, D. eds. 2007. *Catching more bait: A bottom-up re-estimation of global fisheries subsidies (2nd version)*. Fisheries Centre Research Reports 14(6):49-53. Fisheries Centre, University of British Columbia, Vancouver.

Why give subsidies? The short version....

- Because we've got the money
- Because everyone else does it
- Because we think there's some economic benefit to offering subsidies
- Because you believe there's political advantage in it
- Because we want to, damn it

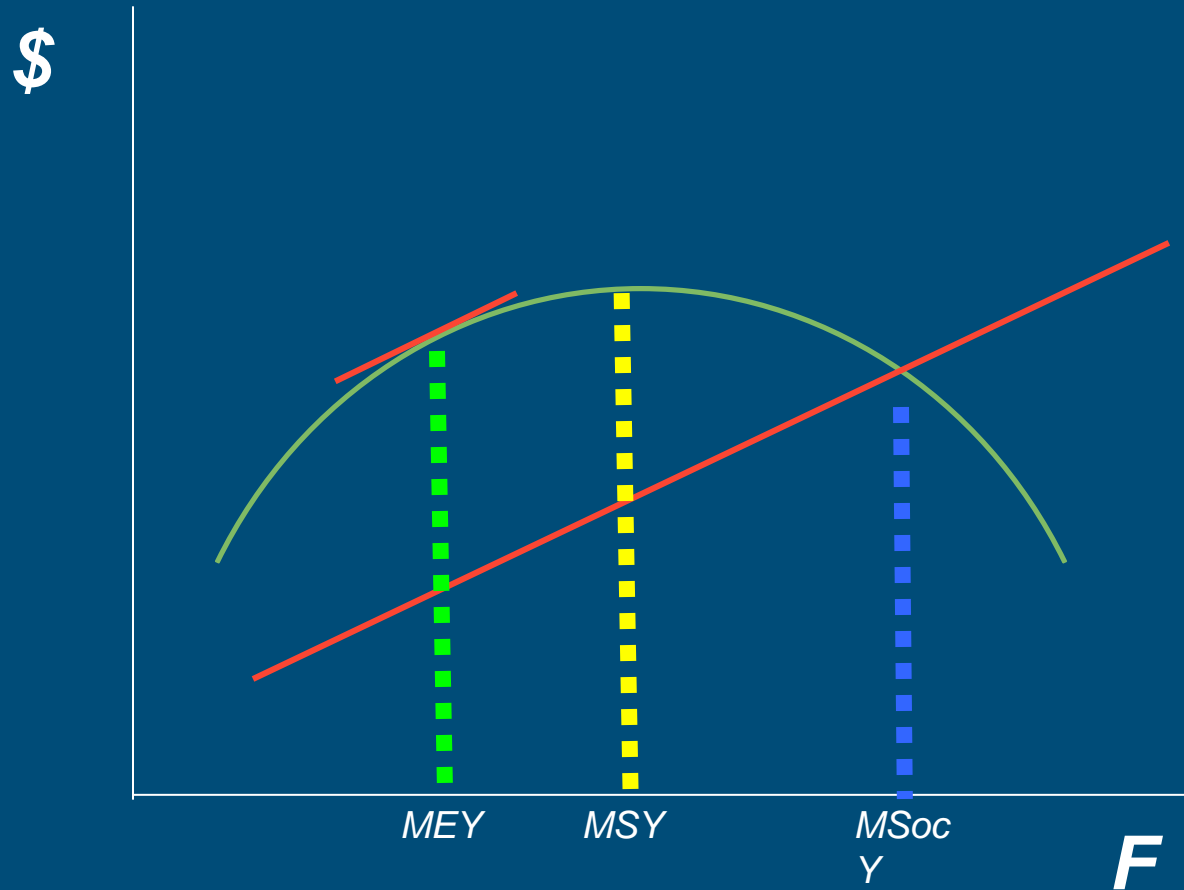
But seriously, why give subsidies?

- Because we do not like the price arrived at in the market
- Because we want to protect the producers
- Because we like to favor some groups (consumers) in society
- Because we want to increase demand
- Because we want to increase supply
- Because if we don't something will not happen
- In short: subsidies are an *economic* instrument but with a *political* rationale

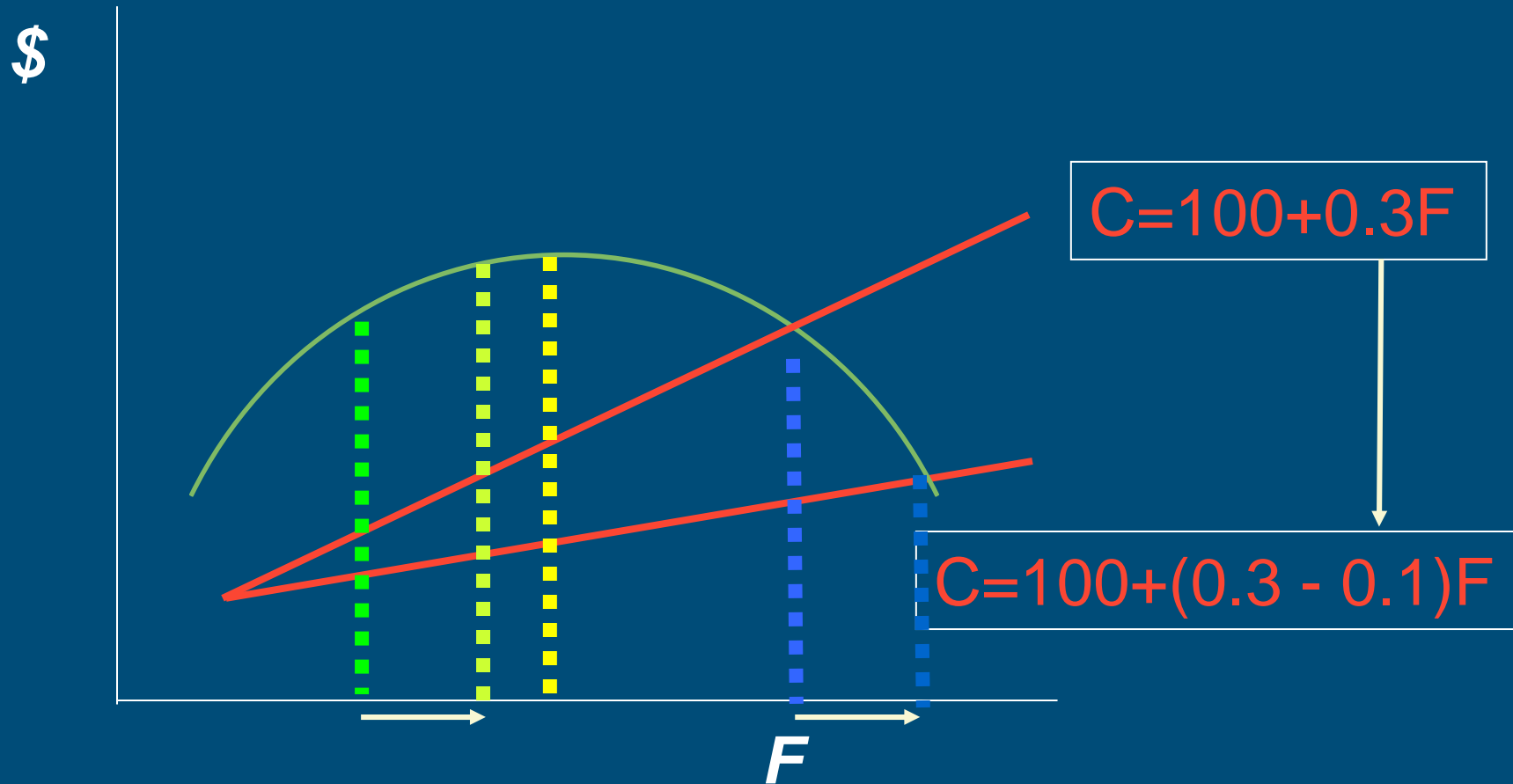
Are subsidies bad?

- Let's do some economics
- First: the 'short story'
- Direct subsidies to reduce the cost of things

Basic fisheries bio-economics

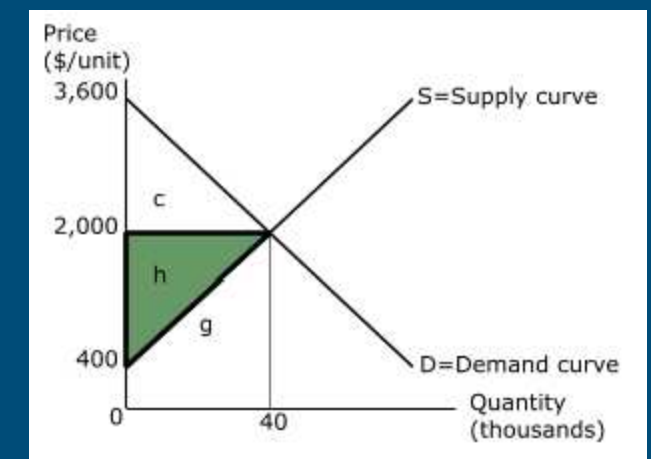
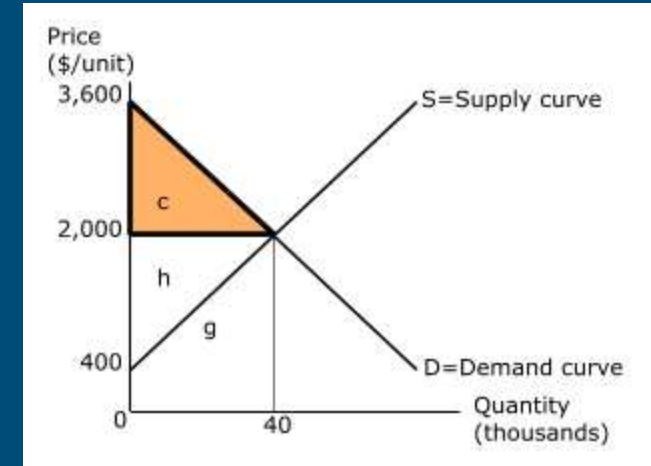


Subsidise fisheries



Conclusion??

- Yep, we fish more fish
- But that is not necessarily bad
- And who gains? That depends
 - Transfer of funds
 - Consumer surplus
 - Producer surplus
 - Looks like consumers win!!??



Do these direct subsidies f.e. on fuel price

help?

- Of course
 - Lower fuel price
 - Better 'profit'
- So subsidy = more healthy fisheries sector?
- Better consumer price?
- \Where is the money for the subsidy coming from?
 - Tax payer = consumer → so, no lower price
- Will the fleet adapt to this new fuel price level?
 - Not with a subsidy
- Why do we want to subsidize the fleet?
- How much will it cost and what will be the benefits?

Where do we stand so far

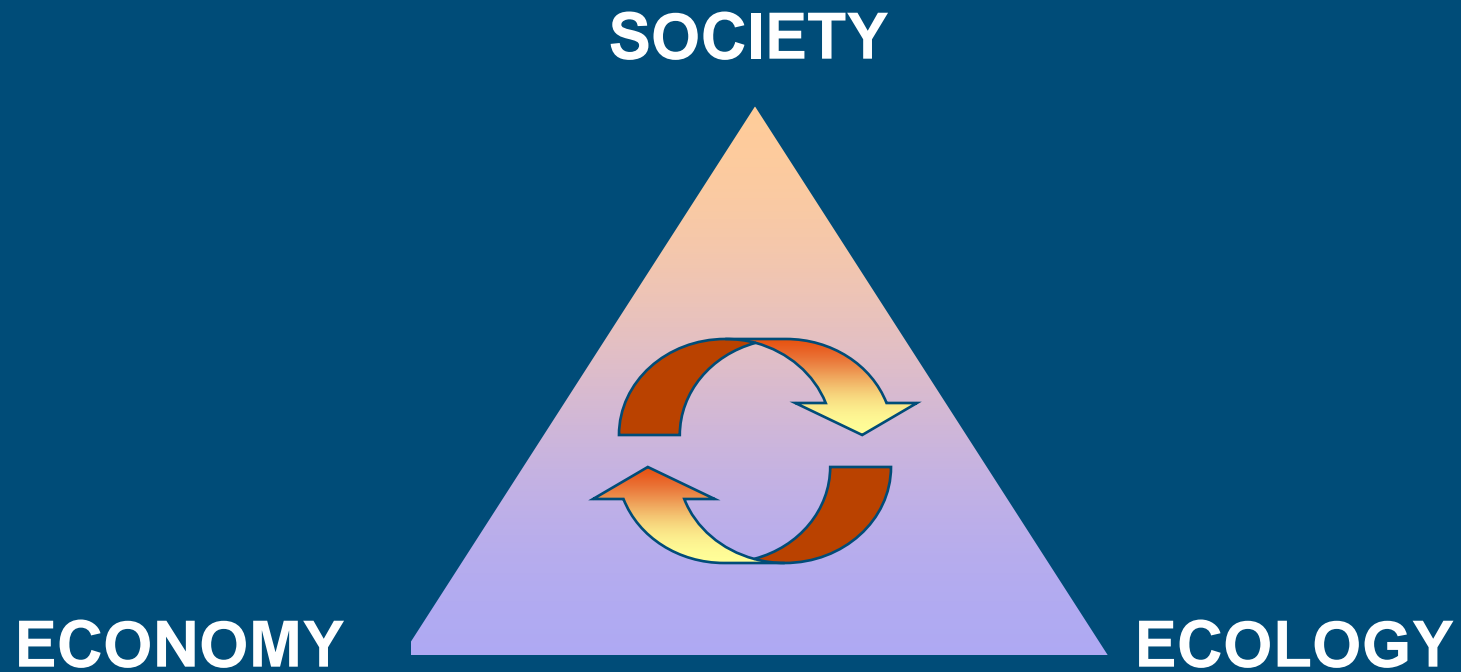
- Fuel price is high
- Price will remain high
- Fisheries will have to adapt to this
- Direct subsidies are no cure but a band aid

Subsidies

- The somewhat longer story

- Subsidies for the introduction of more sustainable practices
- Subsidies to support in difficult circumstances
- Subsidies to see something happen that we want

Challenge is sustainable production



Subsidies again?

- Government support to the phase of transition
 - Invest in development of a sustainable fisheries
 - Fuel efficient gears
 - Low ecological impact fisheries
 - Fleet restructuring
 - Finding a balance between ecological and economical viable fisheries with a society appreciating fisheries

Finally: subsidies

- Subsidies don't work, but we like them
- But in fisheries, economics don't work either
- Step forward?
 - Property rights
 - Viable alternatives
 - Get the economics right