



**FISKERI- OG KYSTDEPARTEMENTET**

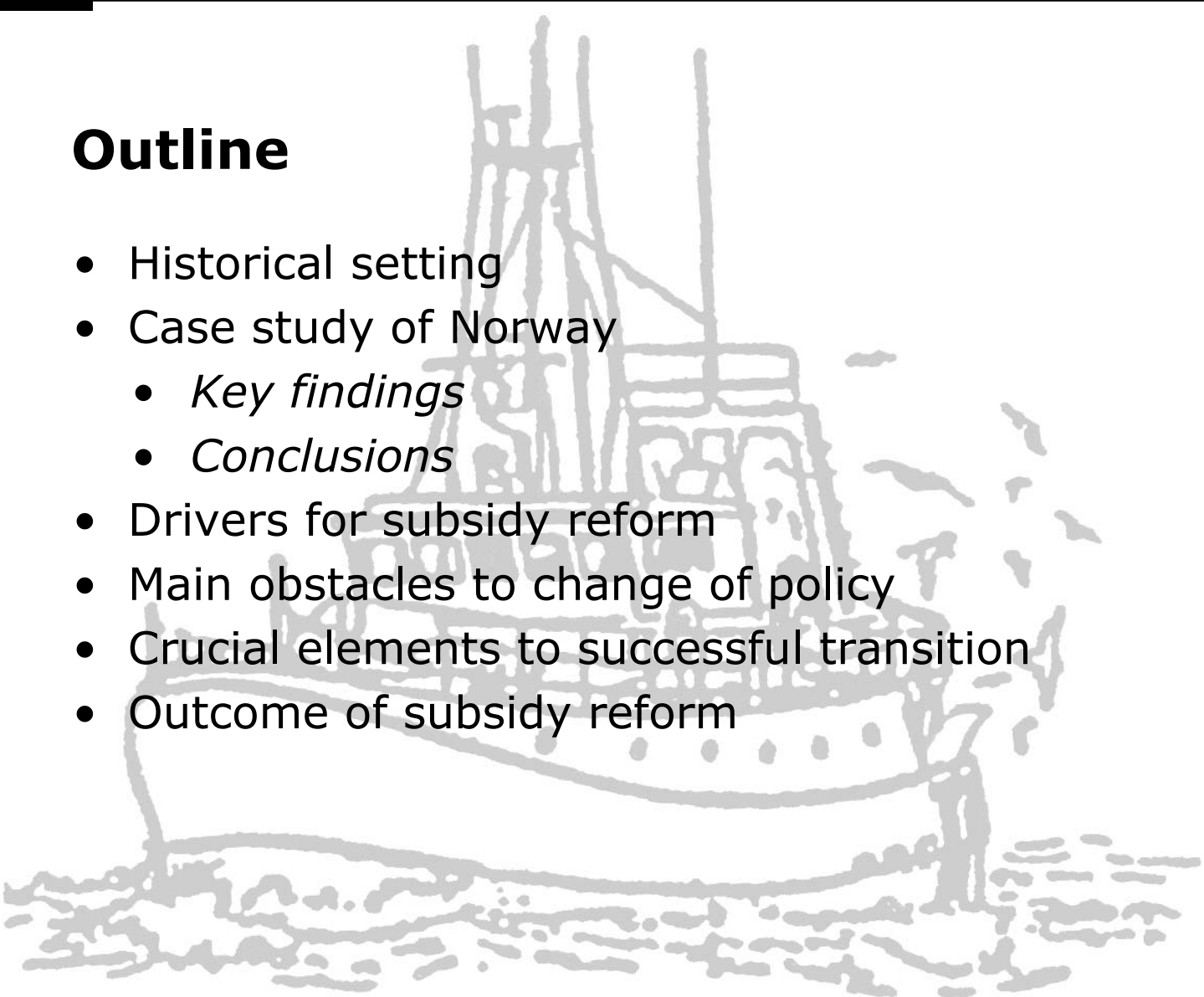
*Norwegian Ministry of Fisheries and Coastal Affairs*

*3<sup>rd</sup> OECD Workshop on Reforming Environmentally  
Harmful Subsidies, Paris 5<sup>th</sup> October 2005*

*Subsidy Reform  
Experiences from the Norwegian Fisheries Sector*

*Deputy Director General Jan Frederik Danielsen*

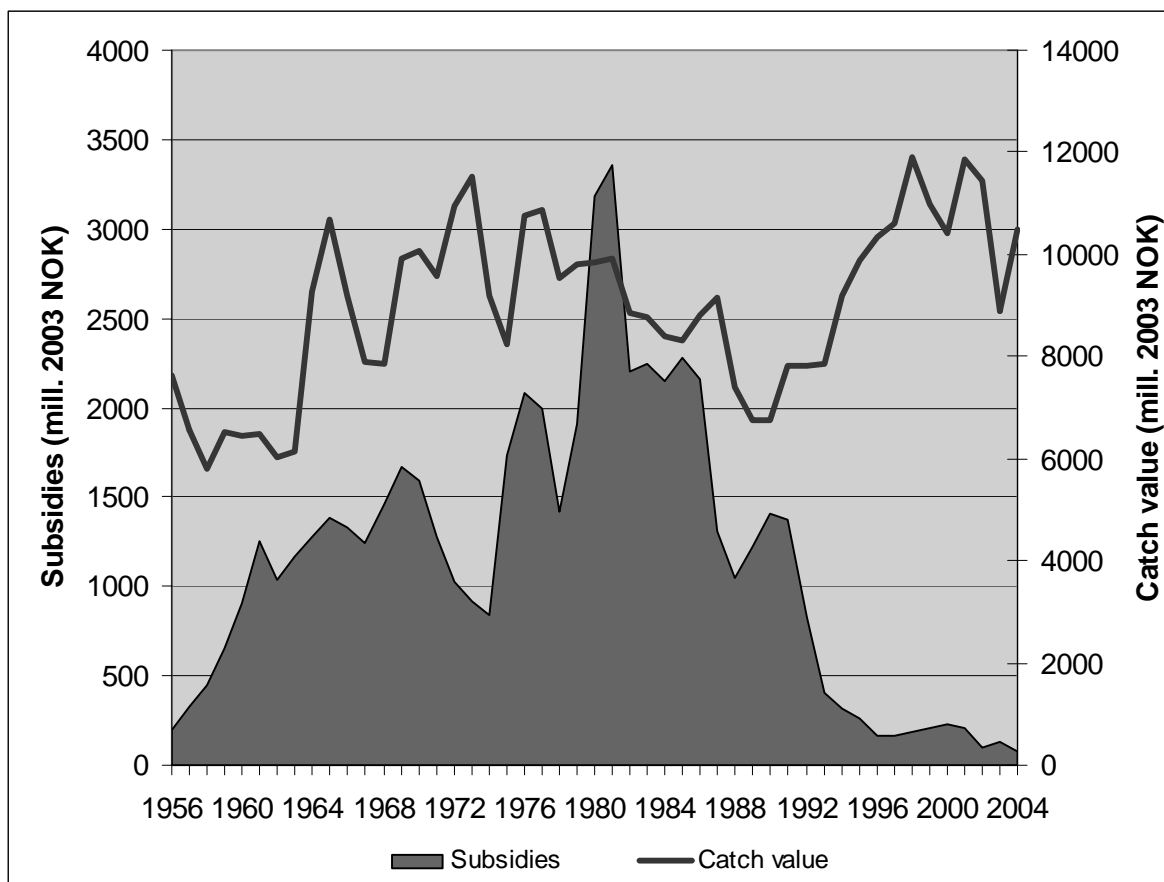
## Outline

- Historical setting
  - Case study of Norway
    - *Key findings*
    - *Conclusions*
  - Drivers for subsidy reform
  - Main obstacles to change of policy
  - Crucial elements to successful transition
  - Outcome of subsidy reform
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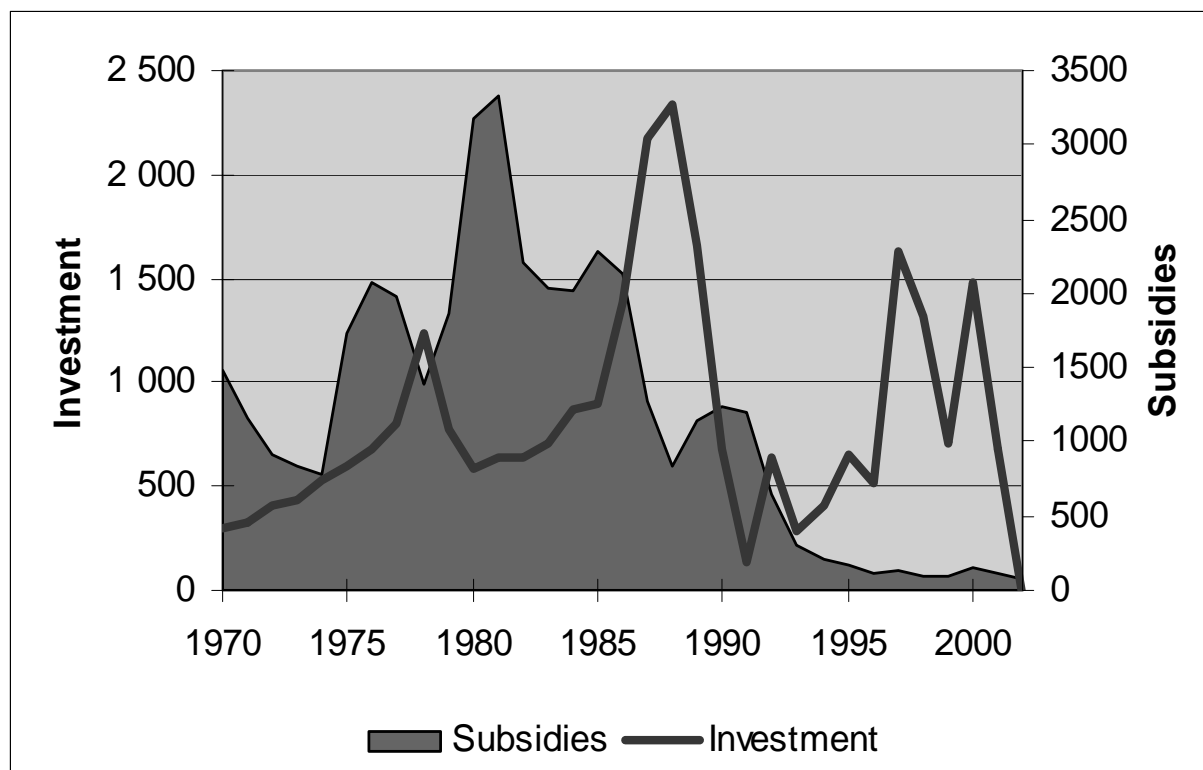
## Historical setting

- Cooperation between the government and different interest groups is an embedded feature of Norwegian policy making
- Most of the subsidies were channeled through the General Agreement (1964-2004)
- The Norwegian Fisherman Association, an interest organization comprising both vesselowners and employees, represented the entire industry
- Co-management ensures loyalty and responsibility

## Onset: Direct economic transfers to the fishing industry and catch value (NOK 2003)

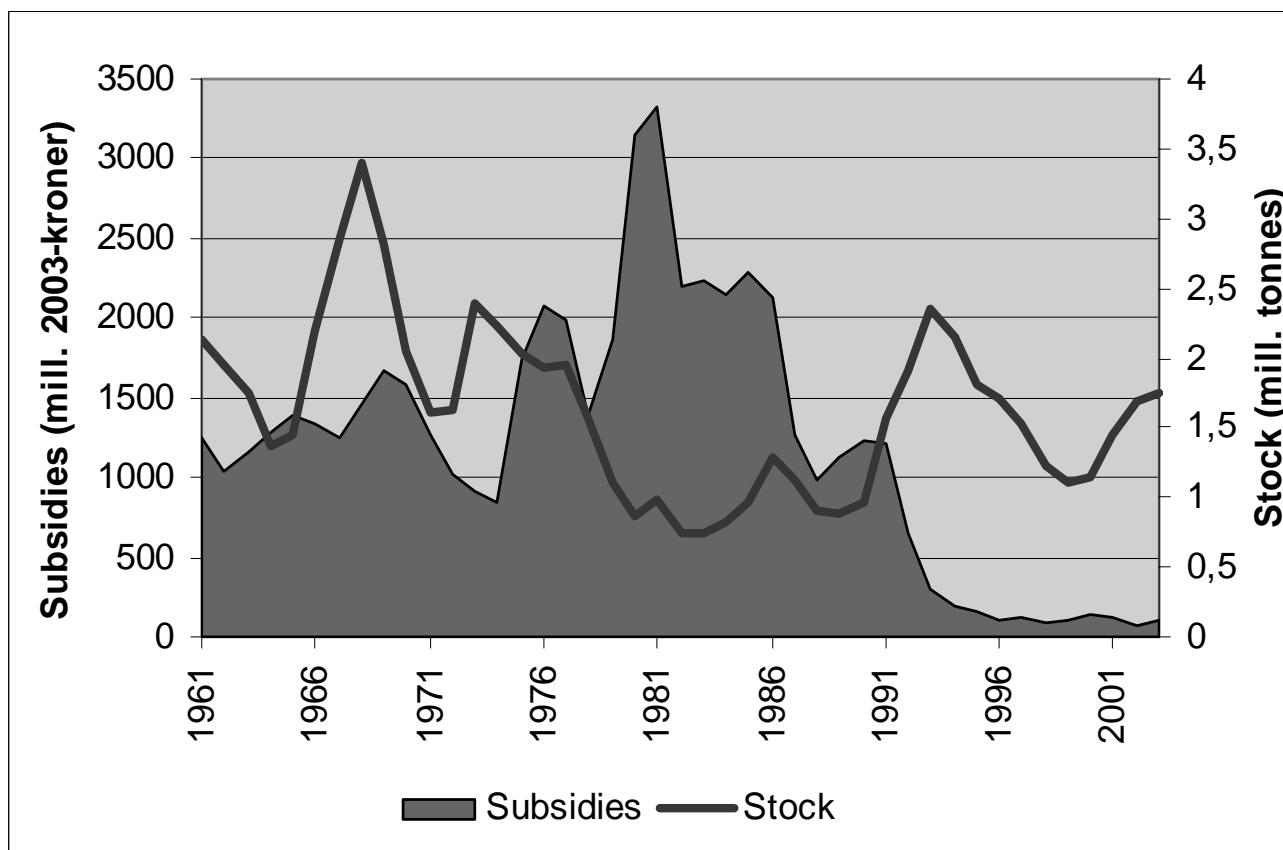


## Observation #1 Fisheries subsidies and gross investment in fishing vessels: no significant correlation



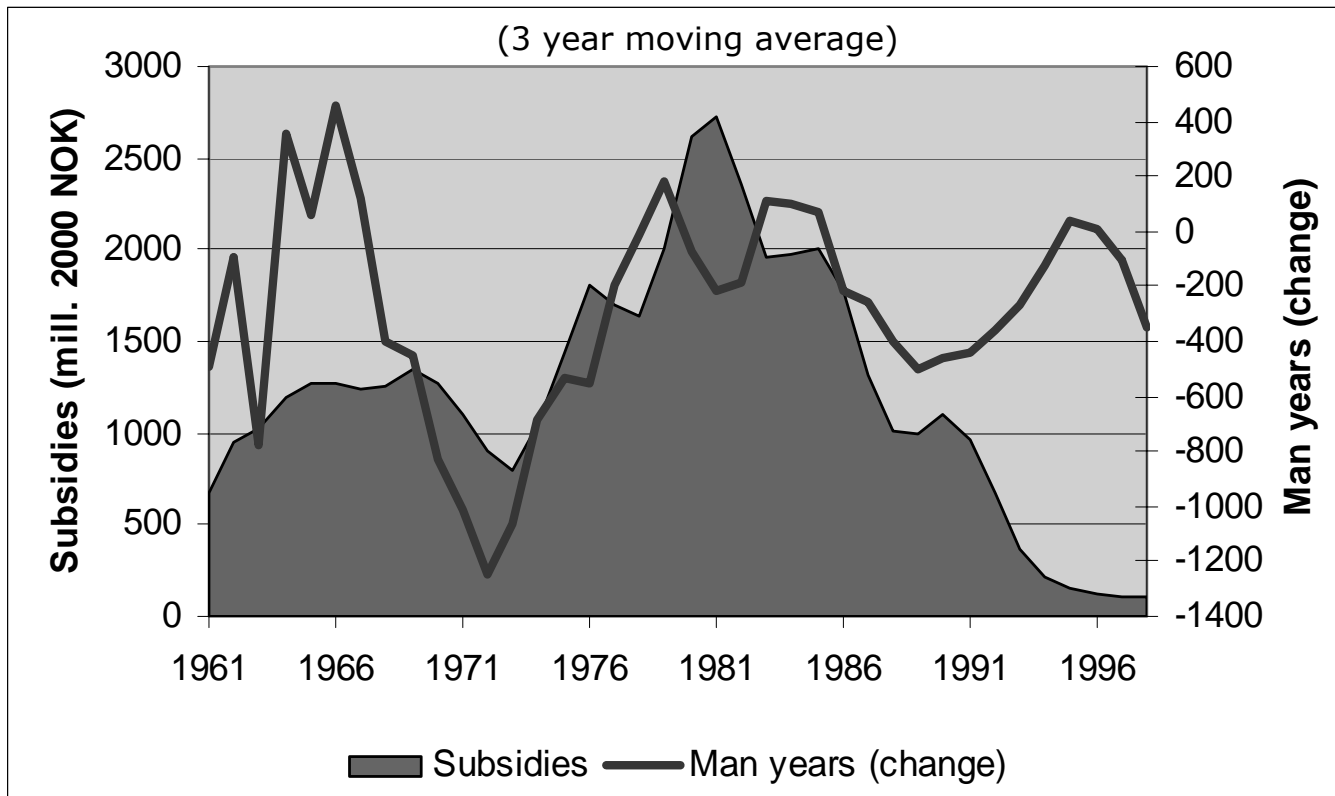
Some indication of reverse causality, especially among the smaller vessels; investment led to increased subsidies

## Observation #2 Fisheries subsidies and the northeast arctic cod stock: hardly any strong effects due to management regime (TAC)



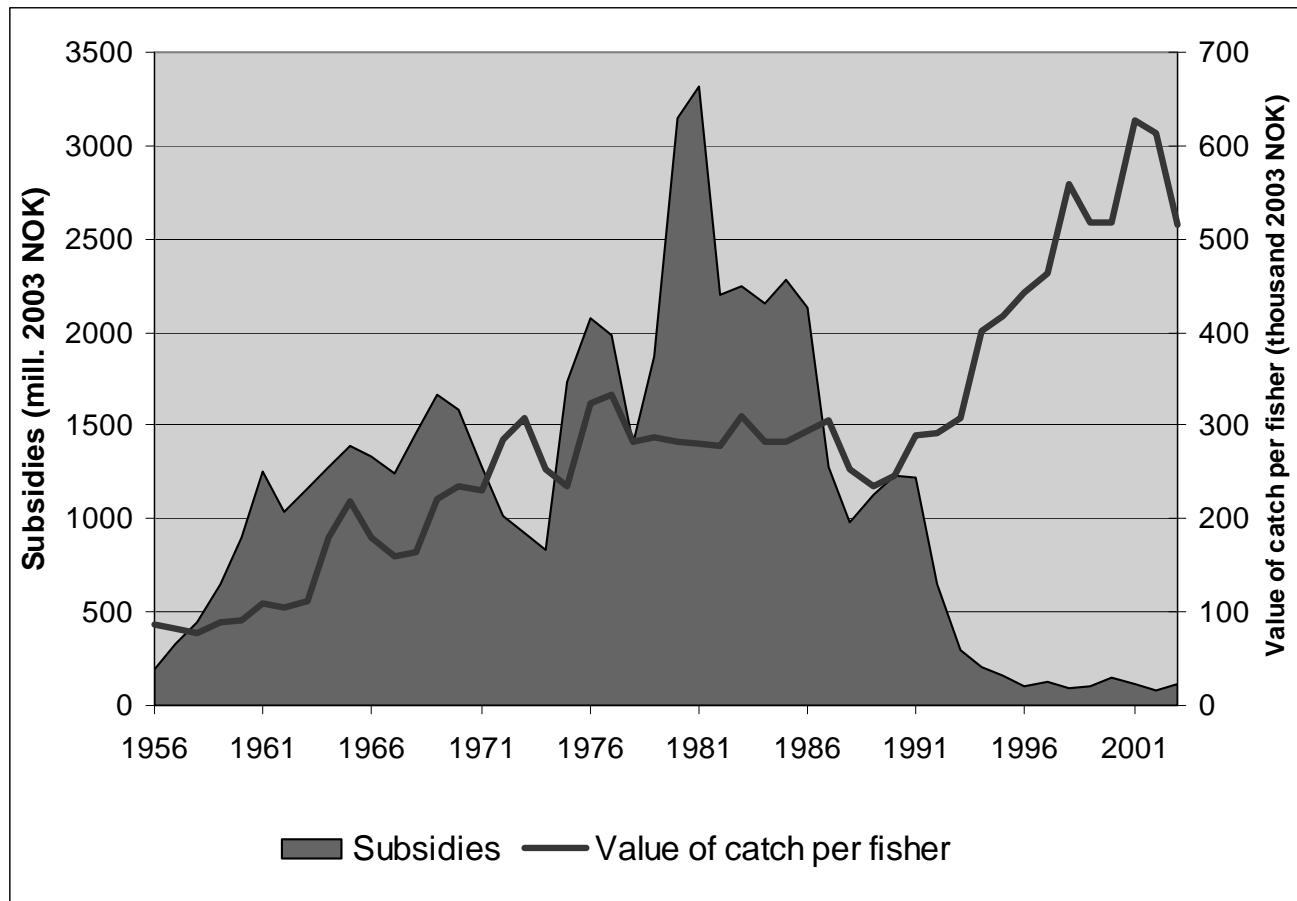
Substantial environmentally-driven fluctuations

### Observation #3 Subsidies and employment: subsidies slowed the decline in use of labour in the fisheries



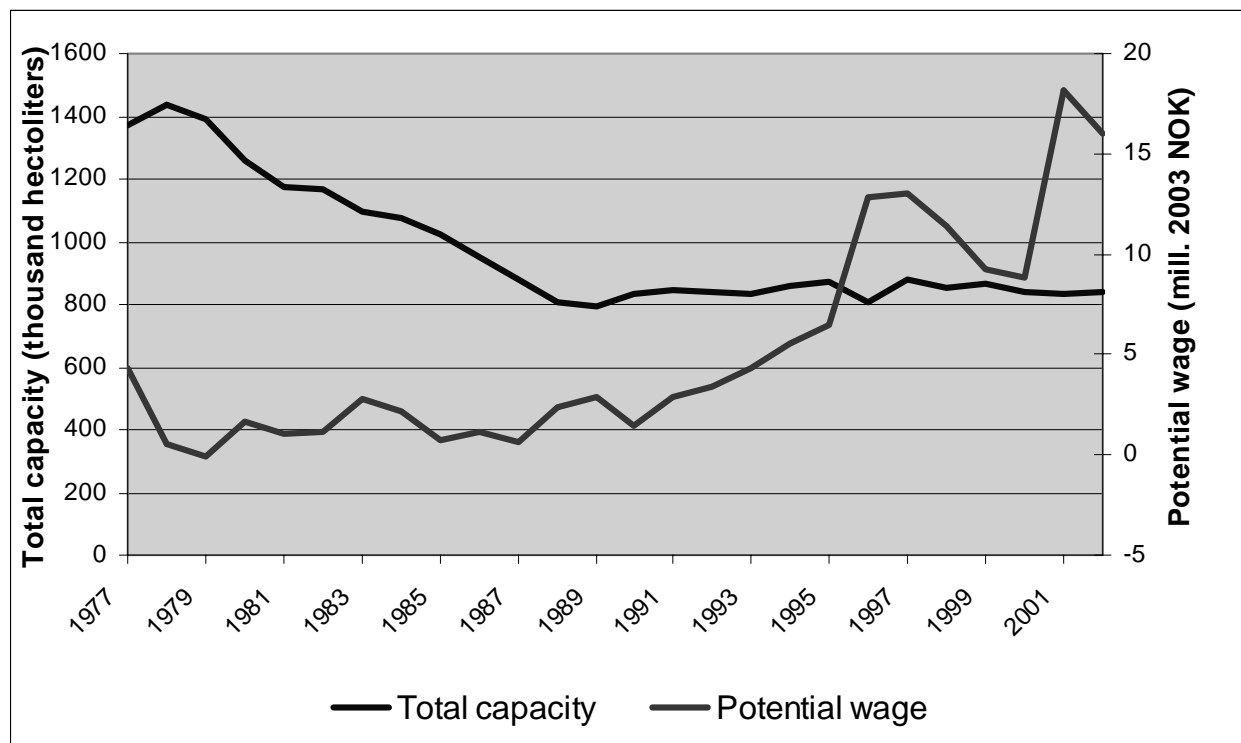
Decoupled when subsidies were phased out

## Observation #4 Value of the catch per fisher in Norway: removal of subsidies prompted structural changes and improved profitability





## Observation #5 Restructuring subsidies can be beneficial: the case of the purse seiners - reduced capacity and improved profitability



Decommissioning scheme from 1977, futile if not combined with individual vessel quotas and closed access

## **Conclusions: case study of Norway**

1. Temporary subsidies tend to become permanent
2. Abolition of subsidies does not inevitably lead to downfall for the industry
3. Timing is a vital aspect of subsidy reform
4. Removal of subsidies elicits structural changes
5. Subsidies aimed at permanent removal of capacity can be beneficial

## **Driving forces for Subsidy Reform**

- Change of policy: emphasis shifted from rural to industrial/commercial objectives due to an ideological swing
- The original basis for subsidizing the fishing industry gradually lost its ground
- International agreements and trends: EEA, EFTA, EU, WTO, FAO & OECD
- Pressure from efficient operators within the fishing industry
- Combination of synchronized forces

## Main obstacles to subsidy reform

- Limited options regarding alternative employment
- Lack of legit rationale for removal of subsidies
- Can be an onerous political task
- Tempting to alleviate during rough times

In **Norway** tough, no major obstacles due to:

- Market access preferred to subsidies
- Optional employment available in other sectors

## **Effective approaches to subsidy reform**

- Involve stakeholders through co-management
- Timing of subsidy reform is critical
- Gradual transition can ease the process
- Establish a mutual comprehension which substantiates the need to remove subsidies
- External forces can ease the potential internal conflict

## Outcome of subsidy reform

### Winners:

- The fisheries sector through overdue structural adjustments which have improved overall profitability
- Society at large - increased efficiency
- Nature - reduced pressure on fish stocks

### Losers:

- Inefficient operators that were forced out of the industry when the subsidies dwindled
- Small coastal communities unable to uphold employment opportunities and settlement