Iceland’s Integration Into the Common Fisheries Policy of the European Union
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B.Sc. í viðskiptafræði
Preface

This thesis is a final assignment, written by Mathias Wolf, for a bachelor degree in business administration at the faculty of business at Reykjavik University. The purpose of this thesis is to examine possible scenarios for the integration of Iceland’s fisheries policy into the Common Fisheries Policy of the European Union after the country’s accession.

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Reykjavik, 17th May 2013

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Abstract

This following bachelor thesis aims at examining possible scenarios of the integration of Iceland’s fisheries policy into the Common Fisheries Policy of the European Union in terms of management and ownership of the Iceland’s natural fishing resources. Iceland applied for EU membership in 2008 and has enjoyed quick progress in the accession negotiations. As fisheries play a significant role for the Icelandic economy, concerns over the possible loss of control over the country’s marine resources after an accession, have been voiced. An analysis of both policies and comparison of key points of interest to the Icelandic negotiation position will be done in order to assess possible outcomes of the negotiations and their consequences for the Icelandic fisheries management. This bachelor thesis is a descriptive case study, using mostly qualitative measures. A content analysis of legal and policy documents as well as secondary literature is the basis for this thesis while interviews complete the data collection. The findings indicate that Iceland has good chances to retain ownership and management of its marine resources after an accession into the European Union, yet will have to accept a few changes of its fisheries policy.

Keywords: Iceland, European Union, fisheries management, accession, CFP
1. Iceland’s Integration into the Common Fishery Policy of the European Union

In the aftermath of the financial crisis in 2008, which was caused by the collapse of the three biggest financial institutes and nearly led to national bankruptcy, Iceland applied for full membership in the European Union in 2009. The country is reported to have made the fastest progress in recent EU accession history (EUbusiness, 2012). With 10 out of 35 policy areas of the negotiating chapters already closed and eight more opened, the membership appears to be reachable within the near future. Due to its membership in the European Free Trade Association (EFTA) the foundation for an EU accession is already laid in the European Economic Area Agreement (EEA). The Agreement includes many of the regulations needed to make the internal market work for the EFTA states. Despite these positive developments, a Capacent Gallup survey (2011) shows that public support for EU membership still remains low. Amongst other points of mistrust, a majority (66%) believes that “their country’s interests would be harmed by the EU’s fishery policy” (p. 6).

Foreign investments in fisheries and fish processing in Iceland are highly restricted and the current laws “have the purpose of protecting the nation’s exclusive rights to the fishing grounds” (Ministry of Fisheries and Agriculture). The fear of foreign investors gaining unlimited access to Icelandic marine resources and the consequential loss of control are apparent and it is obvious how highly these resources are valued in an economic context. So far the negotiations on the fisheries chapter have not yet started. However, it seems that the outcome will decide whether Iceland will join the EU or not.

The demand for sustainable use and management of marine resources is of great importance, as fisheries is one of the main pillars of the Icelandic economy (Iceland Responsible Fisheries), contributing a considerable amount to the nation’s GDP. Over the past six decades Iceland has ranked amongst the largest fishing nations in Europe (Valtýsson). Given the small size of the population only a few nations are as dependent on the fishing sector as Iceland. Scientific research, based on estimates of stock size and its potential for renewal, has been the foundation for setting the annual quota for utilisation of marine resources in a sustainable manner. This approach has been considered very successful resulting in very few stocks being overfished in Icelandic waters (Hagstofa Íslands, 2012).

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1 Switzerland excluded
2 Third behind Russia and Norway in 2010
The Common Fisheries Policy (CFP) of the European Union was originally part of the common agriculture policy from 1958 but was reintroduced as a separate policy in 1970. The CFP pursues sustainability of fisheries and an overall enhancement of the industry’s competitiveness in order to meet the changes in demand and dwindling stocks. Unfortunately, the success of the CFP to this day is considered small, if taken into account that 88% of the stocks are overfished and the profit margins of fishermen are in continuous decline. The latest Green Paper on fisheries (2009) addresses the shortcomings of the CFP and aims at promoting a reform of the policy after 2013 (Khalilian, Froese, Proelss, & Requate, 2010). Today fisheries contribute approximately 0.25% to the GDP of the EU, making this sector almost insignificant in comparison to Icelandic conditions where the contribution reaches 11% (Bjarnason, 2010; Statistics Iceland, 2012c).

In light of the on-going accession negotiations, a seemingly minor dispute over the sustainability of fishing a single species is said to impair the country’s chances to join the Union. Iceland’s unilateral determination of catching quotas for the horse mackerel has been heavily criticised by EU and Norwegian officials, as both parties have interest in the mackerel stocks in the North-East Atlantic region. Changed migration patterns in recent years have led the species into Icelandic waters in greater amounts, making what once was a by-catch an actual marine resource. The dispute, which has been referred to as the “mackerel war” in foreign media (Leruth, 2012; Davies, 2010), reached a new dimension when the Parliament of the European Union empowered the Commission to ban the import of fish from overfished stocks (European Parliament, 2012). Several rounds of fruitless consultations over the last two years between representatives of the EU and Norway on one side, and the Faroe Islands and Iceland on the other have preceded this latest attempt to get Iceland and the Faroe Islands to back down in their fishing practices (Damanaki & Berg-Hansen, 2012). Even though fisheries enjoy different degrees of economic relevance, this rather minor dispute gives an insight on the conflict on a larger scale that can potentially arise from such issues.

With the current debate on how EU membership could impact Iceland’s sovereignty of its natural resources and how both the country and the EU could benefit from the accession through Iceland’s decades of experience in fisheries, this thesis aims at answering the question: “What are the consequences of Iceland’s accession into the European Union,

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3 In reference to the ‘Cod Wars’ between Iceland and the UK in the 1950’s and 70’s
regarding the European Commission and Icelandic stakeholders, in terms of management and ownership of Iceland’s natural fishing resources?"

1.2 Methodology

1.2.1 Research Design

The research question is of a descriptive nature and is therefore best approached through a descriptive case study design where the observed unit is Iceland and its integration in the framework of the European Union, here in particular the Common Fisheries Policy. There are no dependent or independent variables to be tested or controlled in this design. The main variables are rather the perceived consequences originating from Iceland’s accession in terms of management and ownership of the countries natural fishing resources.

1.2.2 Execution

A background analysis of the development of the Icelandic fishing policy, followed by an analysis of the Common Fisheries Policy of the EU are the most relevant issues addressed in regard to the research question. The anticipated changes of the Icelandic fisheries policy caused by the accession will be addressed in the fourth chapter, as well as the economic consequences. This will include the presentation of possible scenarios, taking into account various credible outcomes of the negotiations. The possibility that Iceland chooses to reject the membership and likely future developments, resulting from that decision, will be addressed as well. An analysis of the Icelandic stakeholders and a conclusion will complete the thesis.

The websites of both EU and Icelandic government institutions, as well as secondary literature will be used to obtain the necessary data to answer the research question. Additional data is obtained through interviews with chosen individuals, representing both the Icelandic and the EU side. Suitable contacts would be Icelandic companies in the fishing industry and the connected supply chain, the Marine Research Institute (MRI) as well as the ministry for fisheries and the mission of the EU in Iceland. Interview questions will be designed according to the status of the project.
2. The Icelandic Position

This chapter will provide an overview over the Icelandic fishing policy, its historic development as well as its significance for the Icelandic state in economic terms.

2.1 Background

Fisheries have been of great importance to Iceland ever since the island was settled more than a millennium ago. Completely surrounded by the Atlantic Ocean, the sea has played a key role in providing an essential source for food and income over the last centuries. Iceland’s geographic position sets strong limitations for the usage of land in agricultural terms, thus creating greater dependencies on the marine resources. Due to its location at the northern end of the Gulf Stream which creates beneficial conditions for the thriving of fish stocks “Iceland’s fish resources had appeared to be unlimited” (Bjarnason, 2010, p. 205).

Until the middle of the 20th century an effective management of fisheries around Iceland was practically impossible and could be attributed to several reasons. The Exclusive Economic Zone (EEZ), a strip of the ocean where Iceland could claim sole sovereignty, extended only three nautical miles from the coastal baseline, until 1952 when Iceland unilaterally extended it to four nautical miles. Foreign vessels had been fishing uncontrollably and with ever improving gear permitting larger amounts of fish be caught. As a result some stocks were assumed to be under severe pressure and a stricter resource management was called for. Over the course of more than two decades, Iceland expanded its EEZ unilaterally three more times, until it extended to 200 nautical miles from the coastal baseline in 1976. Every extension was highly criticised and opposed by the UK in particular, culminating in a series of hostile encounters called the Cod Wars. The legitimacy to expand its EEZ was later endorsed as well as internationally recognised in 1994 when the United Nations Convention on the Law of the Sea came into effect (Icelandic Fisheries).
Since the last EEZ expansion, the volume of fish Icelandic vessels have caught (see Figure 1), has increased significantly. That has helped the country to make its way from one of the poorest nations to one of the richest in the world (Skarphéðinsson, 2011; Central Bank of Iceland, 2012). The following paragraph will give a brief overview of the development of Iceland’s marine sector and its relations to the country’s economy as a whole.

### 2.2 Economic Aspects of Fisheries

The marine sector has been of key importance to the Icelandic economy especially throughout the latter half of the 20th century. The increased economic growth Iceland experienced in this period could be attributed, to large extent, to the marine sector (Statistics Iceland, 2012a; Central Bank of Iceland, 2012). In the past three decades however, the significance of this sector has somewhat lessened in favour of other fast growing industry branches, like those for manufactured goods including “aluminium smelting and medical and pharmaceutical products” (Central Bank of Iceland, 2012, p. 15). Nonetheless, the fishing industry still makes a considerable contribution to the nation’s GDP and provides “a major share of the country’s foreign currency earnings” (Ministries for the Environment, Fisheries and Foreign Affairs, 2004, p. 5), as much as 25%.
After non-tradable services (63%) and manufacturing\(^4\) (19%), fisheries accounted as third biggest position for approximately 11% of the GDP in 2011, as shown in Figure 2 (Central Bank of Iceland, 2012). In 1980 the share of fisheries amounted to 16% of GDP, indicating that the sector had reached the point of maturity. This means that the fishing industry is unlikely to experience any rapid growth as occurred in the mid 70’s when the government policy caused overinvestment in the fishing fleet, by granting too favourable loans in order to promote increased catching capacity (Bjarnason, 2010). As with the share in GDP, the portion of marine products in exports has sunken over the last decade from almost 70\% in 1999 to approximately 40\% in 2011, as shown in Figure 3 (Statistics Iceland, 2012b). Due to Iceland’s high volume of exports and imports in comparison to its domestic production, it is not surprising that fluctuations in catches and variable prices for marine products have often contributed to the economic instability that the country has been exposed to (Ministries for the Environment, Fisheries and Foreign Affairs, 2004).

\[\text{Figure 2. Icelandic GDP for 2011 shown as a sector breakdown (values are subject to rounding). Adapted from “Gross Domestic Product by industries, percentage breakdown, 1997-2011,” by Statistics Iceland, 2012c. Copyright 2012 by Statistics Iceland.}\]

\[\text{Figure 3. Marine Exports for the period 1997-2011 and their contribution to the Icelandic GDP in per cent respectively. Adapted from “Exports in Goods,” by Statistics Iceland, 2012b. Copyright 2012 by Statistics Iceland.}\]

\(^4\) Including energy
Figure 3 shows the decrease of fisheries’ contribution to Iceland’s GDP from 12.5% in 2003 to 6.2% in 2007 while at the same time an appreciation of the Króna can be witnessed. The catch volume for the same period sank far slower and during the financial crisis of 2008 the development reverses.

In 2012 the fishing and fish processing industry provided jobs for 8,000 people in Iceland, who represent approximately 5% of the total workforce (Statistics Iceland, 2012d). In 1995 almost twice as many people have been employed in the same sector which is another indicator that the industry’s maturity has been reached (Ministries for the Environment, Fisheries and Foreign Affairs, 2004). It should also be considered that “(w)ithout fisheries, the more than 2/3 of the Icelandic economy that provides various services would likely be worse off. A service economy can only thrive if there is some underlying production.” (Bjarnason, 2010, pp. 223-224). Currently a significant number of businesses from a wide range of industries are connected to the marine sector. This includes biotechnology, shipbuilding and software development as well as the manufacturing of fishing gear and equipment. Any changes of the fishing policy can thus have far-reaching effects on the economic life in Iceland (Ministries for the Environment, Fisheries and Foreign Affairs, 2004).

Today the marine sector is highly diversified in regard to caught species, modes of processing and the markets that are traded on. In a time of reduced catch volume, the per-capita efficiency among Icelandic fishermen continues to remain high, which can partly be attributed to technological advances and the continuous reduction of the Icelandic commercial fishing fleet (Bjarnason, 2010). Both improved on-board processing and the shift to fresh seafood products, has added value to the products of the marine sector as well as higher yields on the markets. These developments have enabled the fishing industry to offset lower catch volumes in recent years⁵ (Central Bank of Iceland, 2012). In many other countries, such as Norway and China, aquacultures reported great success in generating considerable incomes in the last few years (Statistics Norway, 2012; European Commission, 2012b). In Iceland, on the other hand, this industry branch is considered insignificant, generating on average 0.1% of the nation’s GDP (Statistics Iceland, 2012c).

Without a policy determined to manage its marine resources responsibly in the long-run, Iceland’s economic growth trajectory would have been undoubtedly a different one. For that

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⁵ 1.2 million tons in 2011 compared to 2.2 million tons in 2002 (Central Bank of Iceland, 2012)
reason, the next paragraph will give an overview over the current status of the Icelandic fishing policy.

2.3 The Fisheries Policy

2.3.1 Principles

The Icelandic fisheries policy has been formulated as a part of Iceland’s policy of the ocean and was adopted by parliament in 2004 as a result of the cooperation of the Ministries for the Environment, Fisheries and Foreign Affairs. The policy’s aims are, amongst others, to ensure sustainable and responsible fishing in Icelandic waters. In this manner the current level of biodiversity, as well as the “future health of the ecosystem as a whole can be preserved” (The Ocean Iceland’s Policy, pp. 3-4) “in order to ensure and maintain long-term productivity of all marine resources” (Bjarnason, 2010, p. 203). In order to achieve these goals Iceland tries to apply a combination of an ecosystem6 and a precautionary approach7 which takes into account the interaction of species, environmental changes and multi-species impacts. Iceland thus recognises its responsibility for the protection of its ecosystem, especially when faced with lack of scientific certainty (Ministries for the Environment, Fisheries and Foreign Affairs, 2004).

2.3.2 International Compliance

The Icelandic fishing policy is fully in line with international laws and agreements and is essentially comprised of the following three pillars:

1. The United Nations convention on the Law of the Sea (UNCLOS) which provides the legal framework for ocean issues and a basis for the management, conservation and utilisation of marine areas both within and beyond Icelandic jurisdiction.

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6 “In the context of sustainable development, responsible fisheries management must consider the broader impact of fisheries on the ecosystem as a whole, taking biodiversity into account. The objective is the sustainable use of the whole system, not just a targeted species.” (Food and Agriculture Organisation of the United Nations, 2003, p. 25)

7 Used when stock information are uncertain, unreliable or inadequate. Reference points for stock exploitation should be set cautiously under the described circumstances. The interaction of species needs to be taken into account as well (United Nations General Assembly, 1995).
2. The principle of sustainable development, the basis of which was established at the 1992 United Nations Conference on Environment and Development in Rio de Janeiro.

3. The principle, that responsibility for the conservation and utilisation of marine ecosystems is best placed in the hands of those States directly affected by the decisions taken and that have the greatest interests at stake.

(The Ocean Iceland's Policy, 2004)

As mentioned before, the first pillar stands for Iceland’s sovereignty in regard to issues concerning its EEZ while the second pillar displays the basis for the precautionary and the ecosystem approach. The third pillar in particular is based on the belief that unrestricted access to Iceland’s EEZ would result in irresponsible and unsustainable utilisation of the presently available marine resources. For that reason the Icelandic government continues to assume a protective stance towards the exploitation of its natural resources (The Ocean Iceland's Policy, 2004). It is noteworthy that Iceland is a partner in several international agreements and scientific organisations, to name a few the World Trade Organisation (WTO), United Nations Food and Agriculture Organisation (FAO), the European Free Trade Association (EFTA) and the European Economic Area (EEA) which connects it significantly to the European Union in terms of trade relationships (Central Bank of Iceland, 2012). Despite all these commitments Iceland has managed to retain full sovereignty regarding its fishing policy since there are no corresponding chapters in the aforementioned agreements.

In order to manage limited resources successfully it is necessary to develop tools and strategies that provide the flexibility to react to changing environmental conditions. The next section will deal with the fisheries management and its instruments.

1.3.3 Fisheries Management

In his article ‘The Fishery: The Objective of Sole ownership’, Anthony Scott remarked “that for natural resources – as for other types of wealth – “everybody’s property is nobody’s property.”” (1955, p. 116). Considering this, it was not uncommon in the middle of the last century that everybody would try to catch as much as possible. Any catch reduction in favour of the possibility of stock regeneration would be counterproductive since someone else would take the spared share (Gordon, 1954). The previously mentioned extension of Iceland’s Exclusive Economic Zone combined with the introduction of a quota system in 1984 (1990), had important consequences in the management of the fishing stocks. Iceland did not only
effectively become the sole owner of all marine resources in the state’s territorial waters, but now it also fell to government bodies to decide on their allocation and thus the degree of exploitation (Bjarnason, 2010; Gyfason & Weitzman, 2002; Lög um stjórn fiskveiða nr. 38/1990).

Both the Total Allowable Catch (TAC) and the Individual Transferable Quota (ITQ) system are important tools of the fisheries management in Iceland. While the first one sets the limits of the possible harvesting of Iceland’s marine resources, the latter one allocates the catch shares to those eligible for utilization. The development of these two systems goes hand in hand and should therefore not be studied independently from each other.

1.3.4 Total Allowable Catches (TACs)

The various stocks that are utilised for the fishing industry are subject to scientific assessment from the Marine Research Institute (MRI) which reports annually about the stocks’ status and projections of their future development (Marine Research Institute, 2012). The Institute’s findings are the basis for the total allowable catch determination for each stock, set by the minister of fisheries each year and are a cornerstone for a responsible fisheries management system in Iceland. “The system is intended to limit the total catch and to prevent more fishing from the fish stocks than the authorities allow at any given time.” (Ministry of Fisheries and Agriculture, 2007). It is possible to change the TACs for specific species as well during the year, given the new research findings allows the possibility of greater stock exploitation (Atvinnuvega- og Nýsköpunarráðunetid, 2013). Moreover the Ministry for Fisheries and Agriculture reserves the right to close off certain areas completely or temporarily for fisheries or only for specific fishing gear in order to protect spawning grounds for specific species or vulnerable habitats from demolition. These measures are aimed at ensuring that a particular stock is given enough time for renewal if its status is considered critical, or if there is e.g. an abundance of under-sized fish or juveniles. The Icelandic fishing policy and TAC system enjoy decades of experience yet are still considered in a steady “process of improvements and learning” (The Icelandic Ministry of Fisheries).

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8 TAC for capelin was increased by 120.000 tonnes in the middle of the fishing season based on proposals of the MRI.
1.3.5 Individual Transferable Quota (ITQ)

The first attempts to bring fish species under an effective management scheme in the years 1976 to 1983 included recommendations for the total allowable catch (TAC) of cod, one of the most important commercial species for the Icelandic fishing industry as well as for other species such as herring and capelin (Information Centre of the Icelandic Ministry of Fisheries and Agriculture). This was done in response to warnings marine scientists had issued in the ‘Black Report’\(^9\) regarding the health of the cod stocks especially in Icelandic waters (Hafrannsóknastofnunin, 1975). Faced with dangerously low stock levels by 1983, it was decided to introduce an individually transferable quota (ITQ) system in 1984 where every fishing vessel would get allocated a fraction of the TAC based on its landings in the three previous years (1981-83). The fairness and legitimacy of such a system was highly debated and met strong resistance in the fishing community (Arnason, 2005; Information Centre of the Icelandic Ministry of Fisheries and Agriculture). It was, nevertheless, an effort to get overfishing under control. The years leading up to 1990 have been used as an adaptation period to the new system for the fishing industry. The TACs for several species were still beyond scientific advice however, and the ITQ was not yet binding for vessels that chose not to take part in this system (Information Centre of the Icelandic Ministry of Fisheries and Agriculture).

The Fisheries Management Act (nr. 38/1990) finalised the transfer into the ITQ system and made it binding for most of Iceland’s commercial fisheries\(^10\). The shares in the TAC can be purchased by any Icelander and are valid indefinitely. Moreover the shares are “perfectly divisible and fairly freely transferable” (Information Centre of the Icelandic Ministry of Fisheries and Agriculture). Consequently, fishing companies do not only have the option to transfer quota between single vessels within their own fleet, but also the right to rent or sell their shares in the TAC, partly or completely, to other businesses or fishermen that are registered in Iceland. The ITQ therefore obtains to a certain degree the character of high value, private property (Arnason, 2005) which stands in contrast to the idea that all marine resources are de facto property of the state.

The Fisheries Management Act (nr. 38/1990) has been amended several times since its adaptation to meet the challenges of a changing biological and economic environment. The

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\(^9\) Unofficial name due to the pessimistic outlook of the report.

\(^10\) Small boat fisheries are excluded.
government has created strict regulations to prevent undue consolidation and in its most extreme case, monopolisation. In doing so the number of shares in major fishable stocks held by “a fishing company or a group of companies closely linked by ownership” has been limited to a maximum of 12% of the value of all TACs. Different, but no less strict, regulations exist for owners of small-size vessels (Information Centre of the Icelandic Ministry of Fisheries and Agriculture). An important amendment was made in 2002 with the implementation of a fishing fee mandating that from 2004 onwards every vessel owner would have to pay a resource tax if he holds shares in the TAC. This was the first time after the initial selling of the TAC shares that the state actually benefited from the exploitation of its resources (Arnason, 2005).

A policy can be ambitious on paper but becomes worthless if its implementation fails due to the lack of will to enforce it. The following paragraph will shed some light on implementation and surveillance of the Icelandic fishing policy.

1.3.6 Policy Implementation and Surveillance

The effective monitoring and control of landings is an essential necessity of successful fisheries management and falls largely into the responsibilities of the Directorate of Fisheries. Any catch that is landed in Iceland is automatically subject to weighting and registration in a public internet database by harbour authorities. Inspectors of the Directorate of Fisheries have furthermore the possibility to e.g. scrutinise the mandatory catch logs, the areas of fishing (travel logs of the vessel) and the catch composition (The Icelandic Ministry of Fisheries). In collaboration with the MRI samples from newly landed catches are regularly taken and analysed. In this way the majority of the Icelandic fishing fleet can be utilized for research purposes. The findings influence the MRI’s recommendations to the Directorate of Fisheries about mesh size and area closures as well as recommendation to the Minister of Fisheries in regard to TACs (Ministry of Fisheries and Agriculture). Furthermore anyone that sells or buys catch in Iceland “is obligated to present reports to the Directorate of Fisheries”. In this manner discrepancies can be uncovered and a great degree of transparency is ensured. The enforcement of the fishing policy at sea is conducted by the Coast Guard (The Icelandic Ministry of Fisheries).

Discarding of caught fish is strictly prohibited and punishable by law. Untimely registration or fishing beyond the allotted quota may result in heavy fines, the retraction of the fishing
permit or even imprisonment (Ministry for Fisheries and Agriculture). All these measures underline the importance of responsible and sustainable fishing in Iceland as much as the political determination to adhere to the rules once they are set. Furthermore it becomes clear that the marine sector in Iceland assumes a key position not only from an economic but also a social standpoint.

1.3.7 Limitations on Direct Foreign Investment

The position of resource protectionism becomes particularly apparent in regard to the legal framework surrounding the possibilities of investing into the fishing or fish processing industry in Iceland. Direct foreign ownership of fishing companies is virtually impossible. Non-Icelandic shareholders only have the opportunity to indirectly possess up to 25% (33% under certain circumstances) in an Icelandic fishing company. A combination of direct and indirect ownership is possible though and can legally amount to up to 49%. Only two other key industries in Iceland namely the energy and aviation sector are subject to similar strict restrictions regarding foreign investment (Lög um fjárfestingu erlenda aðila í atvinnurekstri nr. 34/1991).

With Iceland’s expected accession to become a full member in the European Union an array of questions in regard to the Icelandic fishing policy has presented itself that need to be addressed. The second chapter will address the Common Fisheries Police of the European Union.
3. The Common Fisheries Policy of the European Union

The Common Fisheries Policy (CFP) is the European Union’s way of organizing and managing the fishing activities in Europe’s large and diverse seascape. Fishing stocks are a natural, mobile and renewable resource and migration patterns are often not limited to the fisheries zone of one particular member state. The CFP therefore provides the rules for the coordinated management of this common resource “in order to prevent overfishing and provide economic and social security for fishing communities.” (CFP Reform Watch, 2013). The policy covers several areas, that pertain today’s fisheries and provides measures to ensure sustainable fisheries combined with environmental preservation (European Commission, 2012e).

In order to understand the current events and discussions that surround the CFP, it is necessary to have a look on the historical developments that have led up to this point. For that reason, the second chapter of this thesis will provide an overview of the development of the CFP, its main structure, its economic significance to the EU as well as its future prospects.

3.1 “... and of fisheries” - Development of the CFP until 1972

“The development of the CFP has been extremely complex and it clearly shows how domestic politics and interests influence the Community system of government.” (Leifsson, 1995, p. 8) The beginnings of the CFP can already be found in the early stages of the European Community but it would take several decades before an independent policy would be formally introduced in 1983.

In 1957 the Treaty of Rome established the European Economy Community (EEC) and with it a common agricultural policy (CAP) which defines its products as “the products of the soil, of stock farming and of fisheries and products of first stage processing directly related to these products”\textsuperscript{11} (Treaty of Rome, 1957, p. 16). Apart from these three words fisheries had not been mentioned anywhere else in the treaty, showing how little importance this resource was given at the time. The establishment of the customs union that followed the EEC’s creation

\textsuperscript{11} Note: Emphasize has been added belatedly.
would make tolls within the combined territories of the member states not only redundant (Treaty of Rome, 1957, p. 29) but also created a few new problems. The fishing sectors and tariff structures were significantly different between the community countries and the continued liberalisation within the framework of the OECD and GATT agreements added to raising conflicts in fish trade. The French fishing sector had especially much to lose as the common market provisions began to take effect since it had enjoyed the highest levels of protection amongst the community members\(^\text{12}\) (Leifsson, 1995). To address this issue the Commission created a package of proposals in 1966, which came into effect in February 1971 (Karagiannakos, 1995).

The new regulations\(^\text{13}\) did not only introduce a common market policy and a common structural policy but also reconfirmed the objectives of the CAP, set forth in the Treaty of Rome:

1. “to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
2. thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
3. to stabilise markets;
4. to assure the availability of supplies;
5. to ensure that supplies reach consumers at reasonable prices.”

(Treaty of Rome, 1957, p. 16)

These regulations established a common organisation of the market in fishery products that supported prices and conformed to the Community market. Moreover, the structural policy was set up in order to reach greater coordination of the structural policies of member states (Karagiannakos, 1995). The new agreements were then incorporated into the Treaty or Acts of Accession and became part of the Acquis Communautaire\(^\text{14}\) which is binding for every new

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\(^{12}\) Tariffs between 25 and 30% imposed on major fish species in France compared to 0% in Belgium and 5% in Germany (Leifsson, 1995).

\(^{13}\) Regulation (EEC) No 2141/70 and No 2142/70

\(^{14}\) A collection of community laws and regulations that is subject to continuous expansion and change.
member of the community (European Foundation for the Improvement of Living and Working Conditions, 2007; Karagiannakos, 1995). The full extent of these new measures became clear when the coastal states Denmark, Ireland and the United Kingdom joined the EEC in 1973 combined with the extension of the EEZ for coastal states to 200 nautical miles in 1977. The new members were all historic fishing nations and increased the volume of trade of marine products multiple times due to their large commercial fishing fleets. As a result measures for intensified protection and conservation of fishing resources have been attempted since the late 1970’s. One of these measurers is the introduction of individual TACs for several fish stocks based on historical catches in the respective waters under the principle of relative stability\(^\text{15}\). In the allocation of quotas special provisions were made for regions that had shown special dependencies to the fishing sector. The setting of a TAC by the European Council proved to be important because community regulations granted vessels from any member state free access\(^\text{16}\) to the territorial waters of any other member state. A common misunderstanding is that any member state can claim access to another state’s fishing grounds. Equal access means that fishing vessels that have obtained a share in a nation’s TAC\(^\text{17}\) for a specific stock are allowed to fish for this stock even if it should migrate into another member state’s fishing zone. In this way quota can be utilized more efficiently by fishing when stocks are ready for harvest and when market conditions are favourable (A. Leifsson, personal communication, March, 2013).

\subsection*{3.1.1 Norway – A Special Case}

When assessing Iceland’s EU application it is helpful to have a look at Norway since both nations are similar in many regards, including the cultural significance of fisheries. Norway was one of the applicants for community membership in 1962\(^\text{18}\) but withdrew the application after a ‘No’ in a national referendum in 1972. The equal access provision was adapted practically hours before accession negotiations started with the new applicants and would thereby have become part of the Acquis Communautaire. Britain, along with the six existing members of the Community, was hoping to gain access to the fishing grounds of the potential

\(^{15}\) An allocation key that takes into account a member states past catch record in respect of given species and areas, the potential losses from fisheries in third-country waters due to the EEZ expansion, and the protection of regions and populations that have proven especially dependent on fisheries and adjacent industries (European Commission, 2009a).

\(^{16}\) The exception is a zone of 12 nautical miles from the baseline of each member state.

\(^{17}\) The distribution and allocation of fishing rights remain with local authorities in each member state and can vary significantly between them.

\(^{18}\) The application had been rebuffed by France in 1963 and negotiations have been temporarily suspended again in 1967 due to strong economic ties between the applicants, all where members of EFTA, as well as enmities especially between France and the UK (Ellison, 2006).
new entries “especially since they had been progressively ejected from rich traditional fishing grounds around Iceland, Norway, Greenland and Canada” (Leifsson, 1995, p. 17) and therefore supported the EC’s advance. “The Norwegians, who had large fishing interests to defend, were particularly angered by” (Leifsson, 1995, p. 14) the means that the Community had chosen in order to achieve its own goals and thus “the CFP unquestionably played a great role in the Norwegian ‘No’ vote of 1972.” (Leifsson, 1995, p. 14).

3.2 Development of the CFP from 1972 until today

Throughout the history of the CFP various kinds of agreements were stricken with third countries in order to provide “access for the Community’s fleet to the waters of non-member countries” (Bjarnason, 2010, p. 199) to ensure availability of supplies (Karagiannakos, 1995).

Without such arrangements the general extension of fishing zones to 200 nautical miles and the substantial reduction in fishing opportunities would have resulted in serious repercussions for the Community fishermen. […] (M)any Community fishermen based their livelihood on catching what had now become other nations’ fish (Bjarnason, 2010, p. 199).

The years 1983 and 1992 mark two more important steps in the development of the CFP. New and existing measures were combined in a single and coherent package, the first actual Common Fisheries Policy, in the beginning of the ‘80’s. A new part of the CFP was the implementation of a structural policy from 1983 and onwards which had arguably far-reaching effects on the future development of the fishing sector (Karagiannakos, 1995). The realisation that fishing capacities surpassed the volume of the available fish stocks was nothing new to the community and had already been addressed since the early 80’s with the Multiannual Guidance Programs (MAGPs), that were progressively aiming on the reduction of those capacities (Bjarnason, 2010) “with a view to restoring and maintaining the balance between available resources and fishing activities” (Iborra Martín, 2011, p. 2). Moreover, the introduction of a licensing system in 1992 for community vessels aimed at limiting the access possibilities to the marine resources and was supposed to further support previous measures (Karagiannakos, 1995; Iborra Martín, 2011).
Despite all efforts, the CFP’s application still proved largely ineffective, leaving many stocks in EU waters outside safe biological limits due to discards, overfishing and fleet over-capacity, at the beginning of the new millennium. TACs were still set far beyond scientific advice and the risk of the collapse of several stocks was a serious possibility for future developments (Commission of the European Communities, 2001). The shrinkage of the stocks and hence lower returns over the course of nearly three decades had only encouraged an increased exploitation of the EU’s marine resources. Investing in improved fishing technology compounded the vulnerability of the stocks and the ecosystem and undermined the industry’s economic situation (Bjarnason, 2010). In 2002 the reformed CFP largely reconfirmed the aims of the changes that had been made ten years earlier but gave greater importance to sustainable fisheries. Further fleet reductions were inevitable and as well as the restructuring of the EU’s fishing industry as a whole (Iborra Martín, 2011). However, the Green Paper of 2009 attested the CFP poor results, stating that the objectives that had been agreed on in 2002 have not been met overall (Commission of the European Communities).

In the light of the developments over the last thirty years the success of the CFP is questionable and critics (Khalilian et al., 2010; Wakefield, 2009; Karagiannakos, 1995) as well as Union officials (Damanaki, 2011; European Commission, 2013a) go as far as calling it largely a failure. It is important to realise that the CFP is a result of a number of compromises rather than a unilateral decision - compromises that are often severely influenced by national interests of the responsible Union officials. Today 22 out of the 27 member states of the EU have coastlines and therefore it is not surprising that said interests don’t always have to be motivated by what is best for the EU as a whole but rather by political ambitions or even greed (McCormick, 2011). Political pluralism and the common lack of consensus in EU institutions are very likely the reasons why the CFP could not fulfil the ambitious goals it was meant to achieve.

It can be argued that fisheries have great political potential but it is necessary to analyse the economic impact of this sector as well to form a more comprehensive picture of its significance to the EU. For that reason, the next section will provide some context on the economic aspects of the CFP.
3.3 Economic Aspects of the CFP

“Fishing still remains essential to many local economies in the EU, although its overall contribution to the economies of EU member states is modest, not exceeding 1% in any member state, and 0.25% for the EU GDP as a whole.” (Bjarnason, 2010, p. 193). Figure 4 gives an overview over the current contribution of fisheries to the national GDP in each member state respectively. The EU’s expenditures on the CFP in turn are administered by the European fisheries fund (EFF) and currently do not account for more than 0.5%\textsuperscript{19} of the EU’s total budget (European Commission, 2012b, 2012c).

![Figure 4](image)

**Figure 4.** EU Fisheries as part of GDP and Subsidies. The stacked column (orange and blue part) show how much fisheries contributes in per cent to the national GDP in each member state respectively. The blue part of each column displays how much of this contribution is actually subsidized by the EU with Malta as the only notable exception (fisheries account for more than 1%). Adapted from European Commission (2012b, p. 48). Copyright 2012 by European Union. Other data adapted from several other Eurostat publications.

\textsuperscript{19} EUR 4.3 billion out of EUR 925 billion allocated for fisheries for period 2007-2013. For the calculations it is assumed that funds are equally distributed over the course of six years, meaning equal payments every year. Every member state receives an individually allocated percentage and for that reason some member states could effectively be considered net-benefactors (e.g. Estonia, Latvia, Slovakia and Slovenia).
Three years ago the EU still ranked in fourth place in global comparison, producing slightly more than four per cent of the world fisheries and aquaculture output, which amounted to nearly 150 million tons that year (see Figure 5).

During the past decades the marine sector has declined significantly\(^{20}\) (Eurostat, 2012), making the EU today a net-importer for marine products in order to meet the growing demand of the Union’s citizens (see Figure 6). In 2010 the EU imported nearly three times more than it exported, using Norway, China, Iceland and Vietnam as its main suppliers. The trade imbalance amounts to almost EUR 14 billion (European Commission, 2012b), which can be neglected in view of the EU’s GDP as a whole, totalling several trillion Euro. While only a small part of EU landings is still caught in EU waters an increasing volume is caught, in the meantime, outside EU territory to help meet the EU’s demand for marine products. Bilateral agreements between the EU and partnering countries allowed Union vessels to catch 40%, by weight, of the EU’s total landings in non-EU waters additionally to the 20% that are caught in the high seas. The joint management of several fish stocks has created a particularly close link between the Union and Norway, providing “shared access to around 750 thousand tonnes of fish, worth well in excess of EUR 2 billion” (European Commission, 2009b, p. 24).

\(^{20}\) Approximately 33% only since 1995
Aquacultures have been utilised increasingly since the early 60’s to meet the growing demand for marine products, enabling this particular sector to provide about 20% of the total volume of EU fisheries production, which amounted to 6.4 million tons in 2009 (see also Figure 6). In comparison, the EU was the world’s fifth largest producer of marine products when taking catches and aquacultures together, yet represented only a moderate share of 4.4% of the global output (European Commission, 2012b).

Even though aquacultures have experienced a steady growth of almost 5% per year between 1960 and 2000, this particular sector appears to have reached the current limit at around 1.3 million tonnes (Eurostat, 2013a).

However, one of the bigger problems the EU has been facing, are the gradually dwindling net landings over the past years, resulting from fleet overcapacities combined with overfishing (Khalilian et al., 2010). Similar to Icelandic conditions the total size of the fleet has been shrinking yet the capacity level in the EU has stayed approximately even caused by an increase in efficiency from technological advances that has balanced the reduction out over the same period of time. Further funding from the EFF and indirect subsidies have helped to artificially maintain an uneconomic fleet that is simply too big for the available stocks (Commission of the European Communities, 2009).

In several Member States, it has been estimated that the cost of fishing to the public budgets exceeds the total value of the catches. In simple terms, this means that European citizens almost pay for their fish twice: once at the shop and once again through their taxes (Commission of the European Communities, 2009, p. 9).
Lastly, overfishing is not only a problem from a biological but also from an economic standpoint. In fact, the overutilization of a resource with a limited potential for renewal leads to the erosion of possible future profits (Commission of the European Communities, 2009).

According to European Commission (2012b) the EU member states provided work for approximately 290,000 people combined in the fisheries and marine aquaculture sector (ca. 170,000\(^{21}\)) as well as the processing industry (ca. 120,000) in 2009. In addition, it can be assumed that several thousands more are employed in auxiliary industries (Karagiannakos, 1995). These numbers, however, represent merely an insignificant fraction of the total workforce\(^{22}\) that resides in the EU as a whole (Eurostat, 2013c).

Overall the image is created that the fisheries sector is a relatively minor economic activity in the EU, yet the CFP and its instruments are able to influence the socio-economic life in single communities significantly by funding and sustaining working opportunities that might otherwise not exist any longer (Bjarnason, 2010). For that reason, the next section will address the structure of the CFP and its main components.

### 3.4 Structure of the CFP

Due to the highly migratory nature of some wild fish stocks, the member states recognize the need of a joint management of their respective fishing activities in order to ensure sustainable fisheries (Bjarnason, 2010). The marine resources that reside in EU waters are common property with equal access for all members of the Union and their utilization a shared goal. The management of the exploitation of said resources falls largely into authority of EU institutions, notably the Commission and the Council of the Ministers of Fisheries, while local authorities in the member states decide over the allocation of the quotas for each fishery and each vessel (European Commission, 2009a).

Similar to many other policies that form the legal framework of the EU, the CFP is subject to constant modifications to allow the Union to adapt to a changing environment and to address new challenges. The scarcity of marine resources is one of these challenges and as a result, the policy is currently divided in four pillars that are intended to address these problems in various ways (Eurostat, 2011).

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21 Measured in full-time equivalents (FTEs)
22 According to Eurostat ca. 240 million people in the third quarter of 2012.
The conservation policy constitutes the first pillar. It is one of the EU’s exclusive competencies\textsuperscript{23} and regulates how fishing should take place, e.g. what should be caught and how it should be caught in order to prevent overfishing and damage to the marine environment. The main aim of this part of the CFP is sustainability and the TAC system is the cornerstone of the EU’s conservation efforts for marine resources as well as a key element in the management of fishing activities. Based on scientific advice, the Commission proposes single TACs for the most significant commercial fish stocks on an annual basis. The European Council of Fisheries Ministers takes these proposals into account when setting the catch limits (European Commission, 2012d). These TACs are then divided among the member states under a system referred to as relative stability, resulting in a national quota for each country (Eurostat, 2011; European Commission, 2012d).

The structural policy is the second pillar and supports “the fishing and aquaculture industries adapt to the constraints imposed by scarce resources and the market by developing their organisations and equipment” (Eurostat, 2011). Measures include funding and technical support for fishermen to achieve greater sustainability as well as fleet management to reduce existing overcapacities (CFP Reform Watch, 2013b; European Commission, 2012e).

The market policy makes the third pillar and assists “producers, processors and distributors get a fair price for their produce and ensuring consumers can trust the seafood they eat” (European Commission, 2012e). The policy rules and initiatives are intended to “guarantee fish supply, stabilise prices, oversee quality of products and maintain reasonable salaries in the sector” (CFP Reform Watch, 2013b).

As the last pillar, the external policy covers mostly the EU’s external relationships focusing particularly on negotiations of agreements with non-EU countries and international fisheries organisations on behalf of the members states (European Commission, 2012e).

\textbf{3.4.1 European Fisheries Fund (EFF)}

The EFF is one important tool to achieve the objectives mentioned above because it provides the necessary financial means. Currently vested with EUR 4.3 billion, it mainly tackles the scrapping of fishing vessels to reduce fleet overcapacities, supports the further development

\textsuperscript{23} “(T)he EU alone is able to legislate and adopt binding acts in these fields. The Member States’ role is therefore limited to applying these acts, unless the Union authorises them to adopt certain acts themselves” (Europa, 2010a).
of aquaculture and funds particularly those communities most affected by changes of the CFP (European Commission, 2012f).

3.5 Ground-breaking Reformation of the CFP?

In response to the green paper of 2009 (Commission of the European Communities) which draws a rather dark picture for the future of the European fisheries sector if nothing is changed in the current fishing practices, the European Commission has proposed a comprehensive reform package in 2011 that could, if successfully adopted, cause fundamental changes of the CFP. The proposal covers nearly all areas, that the existing CFP applies to and this section will provide a comprehensive presentation of the suggested modifications (European Commission, 2013b).

3.5.1 Multi-Annual Approach

It is suggested to move away from a great number of plans for individual stocks to fewer plans including several species at once. This action would pay credit to multi-species impacts and the interaction of species. Therefore it is also suggested to apply the ecosystem approach and the precautionary principle in the future. Furthermore, the use and availability of sufficient scientific data needs to be expanded to support the introduction of a Maximum Sustainable Yield (MSY) for individual species. The member states will be endowed with the rules and obligations the proposal establishes and “will be entrusted with collecting, maintaining and sharing scientific data about fish stocks and the impact of fishing” (European Commission, 2013b).

3.5.2 Banning of discards

Fishing vessels will have to be equipped with the means to “ensure full documentation of all fishing and processing activities to monitor compliance” (European Commission, 2013b). The proposal requires all catches of commercial species to be landed thus virtually banning all discards. Furthermore it is suggested to prohibit completely the sales of undersized fish for human consumption. The “measures will ensure more reliable data on stocks, support better management and improve resource efficiency” (European Commission, 2013b) and will pose as an incentive for fishermen to use more selective fishing gear in order to avoid unwanted catches (European Commission, 2013b). Moreover, a “better framework for aquaculture will
increase production and supply, reduce dependence on imported fish and boost growth in coastal and rural areas” (European Commission, 2013b).

3.5.3 Transferable Quota System

The introduction of a transferable quota system by 2014 is possible but other solutions are considered as well. The system would grant its owner entitlement to a share of the national fishing opportunities which could be, similar to Icelandic conditions, leased or traded to provide more flexibility and greater accountability (European Commission, 2013b).

3.5.4 Decentralised Governance

This is very likely the most ambitious and far-reaching reform proposal. The changed CFP aims at ending the micro-management from Brussels and transfers greater powers into the hands of member states and local authorities. Brussels will continue to define the general framework but will leave it to the member states to implement regulations and guidelines. Furthermore the Commission retains the right to make decisions where member states fail to come to an agreement or where targets are not reached (European Commission, 2013b). Additionally, financial support from the EU will become more conditional and those who fail to meet the changed aims will be barred from receiving community aid.

3.5.5 New Market Policy

It is suggested to introduce new marketing standards on labelling, quality and traceability as well as a new system that would allow producer organisations to remove excessive quantity of marine products from the market if prices fall below a certain limit. These measures aim combined at better informed customers and greater market stability (European Commission, 2013b).

So far the proposal of the Commission has been submitted to the European Council and the European Parliament and the negotiations between these two institutions will decide, in a process of co-legislation, over the future design of the CFP. Since this process leaves both parties with the possibility to make amendments it remains to be seen how many of these new measures will be applied and if they will prove successful.

As Iceland’s negotiations for EU membership are still pending, a changed CFP will undoubtedly become part of the Acquis Communautaire and thereby significantly influence
the dialogue between the Union and its latest applicant. Some of the proposed changes show clear parallels to Icelandic fishing management while other positions still exhibit differences.
4. Key Points in the Accession Negotiations

The Icelandic fishing sector can currently be considered a closed system, leaving little room for foreigners to pursue economic activities. Foreign vessels are practically prohibited by law from fishing in Icelandic waters (Lög um veiðar og vinnslu erlendra skipa í fiskveiðilandhelgi Íslands nr. 22/1998). More importantly, investments in the marine industry and especially into the fishing sector are subject to strict limitations and under the ITQ system most of the quota, if not all, is in Icelandic ownership (Lög um fjárfestingu erlendra aðila í atvinnurekstri nr. 34/1991). With Iceland’s accession into the EU the system would be required to open up or it would otherwise violate Community regulations if no other provisions were made (Treaty of Rome, 1957). In light of the CFP’s poor performance, Iceland considers the continued success of its fishing management at stake. It can be expected that the CFP revision will undergo several rounds of negotiations between the EU Parliament, Council and Commission where officials of each member state will attempt to influence the outcome in their favour. The process has high political conflict potential. Due to ideological and economic reasons nothing less can be expected as well in Iceland.

One of the most important questions for Iceland is: *Who will be in control of the country’s marine resources after an accession to the EU?* The ability to introduce and pass new laws for the management of fisheries would shift from Iceland to the EU (European Union, 2010). One of the most important points in the Icelandic negotiating position is the definition of the nation’s EEZ as a special fisheries management zone (SFMZ) where Iceland would retain the right over the policy making process (Majority of the Foreign Affairs Committee, 2009). Based on article 349 of the Lisbon Treaty (European Union, 2010) the Canary Islands create a persuasive precedent (European Commission, 2011) that might be useful in strengthening the Icelandic negotiating position.

It remains to be seen if Iceland will be able to obtain this special status. For that reason, the purpose of the following chapter is to assess possible problems that might arise in regard to the main question of this thesis as well as to provide possible solutions, given Iceland cannot obtain the SFMZ status.
4.1 The Relative Stability Problem

At this time the CFP is subject to an extensive re-examination and proposals have been made to change large parts of it. This concerns the principle of relative stability24 as well, a cornerstone in European fisheries management, and a key point to the Iceland negotiating position. Kristján Pórarinsson (2011), spokesperson for the Federation of Icelandic Fishing Vessel Owners, is one of those opposed to Iceland’s EU membership, basing his arguments on the outcomes of Norway’s accession negotiations in 1994. The country failed in its attempt to secure exclusive rights on its marine resources within its EEZ. It is debatable though how far the same conditions apply to the Icelandic situation. There are at least two scenarios in regard to this principle that could have significant influence on the Icelandic accession talks. The first scenario includes the continued, unaltered application of the principle while the second scenario deals with the principle’s employment with changes, including the possibility of its abolition.

4.1.1 Continued, Unaltered Application of the Principle of Relative Stability

The rule for relative stability, as stated in EU regulation No 2371/2002, should ensure Iceland complete sovereignty over its marine resources. The claim to fishing rights in another member state’s EEZ are assessed under this rule based on the historic fishing activities of the claimant in the respective waters. In the case of Iceland no other state has received permission to fish in the nation’s territory since the EEZ was expanded to 200 nautical miles almost 40 years ago and any claims should thereby be invalid. A report on the 2004 enlargement of the EU states furthermore: A “reference period has been defined, which is recent and representative of the fisheries activities of the acceding countries.” (Commission's departments, 2003, p. 24). The previous point is clearly in favour of the Icelandic position and there is no doubt that it would be in the nation’s interest that the principle remains unchanged. What’s more, a recent statement of the Icelandic minister for foreign affairs25 seems to further confirm this viewpoint, claiming that “Iceland’s current amount of quota will stay intact for both local and straddling stocks” (Guðbjörnsson, 2013).

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24 Please see also chapter 2 on the Common Fisheries Policy.
25 Össur Skarphéðinsson
4.1.2 Continued Application with Changes of the Allocation Key

The legal character of regulations opens the possibility for their revision and amendment by the EU institutions, thereby opening a way of altering the principle of relative stability. “It would be possible to depart from the rule for the allocation of quotas at any time and change it permanently with the approval of a qualified majority in the Council.” (Evrópuvefur, 2012). The accession treaties of Malta, Poland and the Baltic states e.g. include respectively historical catches for different jointly shared stocks, making them primary law in these cases. “However the words “for the first time” have been added, in order not to completely exclude the legal possibility of adjusting these parts later.” (Foss, Matthiasson, & Ulrichsen, 2003).

In nearly 30 years of application the principle of relative stability has been only altered in order to align it with the changed conditions of the EU’s progressing enlargement. So far there has been a lack of political will to amend the rule because “to do so would open up the CFP to claims from other countries for quotas” (Barclay, 2012) and, in fact, Germany and France, both driving forces in EU matters, have issued a joint declaration in 2010 that supports the continued maintenance of the principle (Service de presse de Bruno Le Maire, 2010). Given the economic significance the issue carries in the EU, it seems unlikely that majority will be reached to cause changes of the principle.

4.1.3 Addressing Inherent Problems: Fundamental Changes and the Option of Abandonment

In the European Union marine resources are a common good which means that, with very few restrictions, access is granted to all member states equally and member states are not allowed to undertake discriminatory actions against fishing vessels or fishermen based on their nationality (Council Regulation (EC) No 2371/2002, 2002). However, the principle of relative stability, meant to distribute fishing opportunities fairly between member states, has also given rise over the years to complex practices such quota swaps between member states or out-flagging by fishing operators (Commission of the European Communities, 2009).

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26 “Primary law (primary or original source of law) is the supreme source of law of the European Union (EU), that is it prevails over all other sources of law.” (Europa, 2010b).
27 Poland was the third party in this declaration.
28 As mentioned before, ownership of a share of the quota in the targeted stock is a necessity.
After more than twenty-five years of policy and changes in fishing patterns, there is now a considerable discrepancy between the quotas allocated to Member States and the actual needs and uses of their fleets. In short, it is fair to say that relative stability no longer provides a guarantee that fishing rights remain with their fishing communities (Commission of the European Communities, 2009, p. 17).

Quota swapping, commonly also referred to as “quota-hopping”, describes the practice of purchasing quota for foreign vessels in domestic fish stocks in order to circumvent fishing restrictions imposed by quota limitations in the country of origin for the aforementioned type of vessel. One of the few conditions that have to be fulfilled is the registration in the local fishing boat register to become eligible for acquiring quota shares. This condition does not prevent that catch from local waters is landed in foreign ports thereby deferring economic gains in form of fees for landing and auctioning catch, purchases of ice and other necessities for storage and transport, etc. from local harbours. The practice has been legalized in 1991 by a ruling of the European Court of Justice against the UK (The Queen v Secretary of State for Transport, ex parte Factortame Ltd and others) and been intensifying since that time (Andersen, Nielsen, & Lindebo, 2009).

Quota hopping is only one of the inherent flaws of the principle. Yet another problem is created from the principle’s imposed lack of flexibility. Once quota is used up in one state, fishermen are prohibited from continuing to fish even though some share of the quota in another member state is not fully utilized. Presently, an increase of a national quota can only be achieved by increasing the Community TAC as a whole. This is arguably one of the key reasons for national administrations to try to increase their share of the TAC at the expense of other long-term considerations (Commission of the European Communities, 2009). These practices seriously question the legitimacy of the principle of relative stability.

In order to address the principle’s shortcomings the Commission has proposed the introduction of transferable fishing concessions (TFCs) which would allow fishermen e.g. to trade or rent their share in the national quota of their respective member state with fishermen from other members states in the EU (European Commission). The quota would thus be utilized best by those that exhibit the greatest degree of specialisation (Arnason, 2005). Despite these alterations the Commission intends to hold on to the principle of relative stability, stating that marine resources have to remain public property. Fishermen are merely
provided with the opportunity to utilize the resource for a limited period of time without authorities actually deferring property rights to them. The principle of relative stability thus supports state ownership, making it a necessary factor in the allocation of TACs between the Union members (European Commission). The complete abandonment of the principle seems highly unlikely as the CFP is essentially built on it (Morin, 2000).

4.1.4 Conclusion – Principle of Relative Stability

It is very likely under current conditions that the principle of relative stability, including the allocation key, will stay intact, thereby granting Iceland unchallenged sovereignty over its marine resources. The fear of foreign ships ‘invading and plundering’ Icelandic fishing grounds can therefore be dismissed. Nonetheless, future changes of the principle, like the introduction of the aforementioned TFC system are possible and should be taken into account for the further development of the CFP. For that reason it is advisable for Iceland to secure clear provisions in the treaty of accession. Despite showing significant similarities with the existing ITQ system in Iceland, transferable fishing concessions differ in at least one essential dimension – finiteness. Icelandic shares in the national quota have been sold in the past without a definite time horizon for the return of ownership to the state. The Commission’s proposal on the other hand envisages a fall back of the TFCs after the period for its utilisation has expired (European Commission). This puts the perceived economic security of Icelandic fishermen and vessel owners at stake and would undoubtedly be one reason to oppose the CFP. Finally, the complete abandonment of the principle of relative stability appears unlikely due to a lack of genuine alternatives (Morin, 2000).

4.2 The TAC Management Issue

The principle of relative stability is the key in the annual allocation of the national shares of the TAC for the most important commercial fish species within EU waters and beyond. The TACs are currently set every year for more than 100 species by the Fisheries Council, which consists of the ministers responsible for fisheries29 in their respective country. EU regulation stipulates that the final decision of the Council is expected to be based on proposals made by the Commission (1992). This would mean that Iceland, even though de jure still in possession

29 Varies between countries – fisheries most commonly a subdivision of ministry for agriculture or food
of its marine resources, would de facto surrender the ability, to independently decide over their utilization, to the Council.

Overfishing is still a large problem but could be limited with a balanced TAC management which considers both the diversity and co-dependencies of marine resources. The difficulties that arise with the management of TAC can be traced back to at least three issues:

1) Data availability
2) Discards
3) Political power games

4.2.1 Data Availability

The basis for the EU’s TAC and quota system is catch-quantity limitation and the system’s successful implementation relies greatly on the availability of complete and consistent data (Court of Auditors SPECIAL REPORT No 7/2007, 2007). Even though the data availability has somewhat improved for stocks under the TAC management\(^\text{30}\), the majority of stocks is still harvested without sufficient data (see Table 1). This makes it nearly impossible to establish a sound basis for effective stock management plans. Moreover, the coverage of stocks is subject to a distinct North-South divide where there is greater data availability for fishing resources in the North Atlantic compared to virtually no existing figures for the Mediterranean (see Table 2). In case of insufficient data the Council has to make use of ‘precautionary’ TACs\(^\text{31}\) that are “based on intelligent and educated guesswork rather than on solid scientific data” (Karagiannakos, 1995).

The European seascape is simply too large to be covered adequately by a few research institutes or organisations. For that reason, fishermen are intended to provide data by means of ship logs, landing declarations and sales notes in the EU in a comparable manner as in Iceland, to improve quality and quantity of accessible information (Court of Auditors, 2007; The Icelandic Ministry of Fisheries). Inconsistencies and infringements can easily be discovered by comparing the landed and sold amount of catch. As compliance to these procedures is deemed sufficient in Iceland, the EU appears to be unable to inspire greater adherence amongst its fishermen (Ministry of Fisheries and Agriculture). Control and

\(^{30}\) See Karagiannakos (1995, p. 141) compared to European Commission (2012b, pp. 4-5) and Bjarnason (2010, pp. 234-235)

\(^{31}\) Opposed to analytical TACs which are based on "sufficient" biological data (Karagiannakos, 1995)
enforcement are significantly lacking within the EU, making even the submitted information unreliable (Commission of the European Communities, 2009; Court of Auditors, 2007).

Table 1. Fish stocks under TAC management  

<table>
<thead>
<tr>
<th>TAC Management</th>
<th>Nr. of stocks (% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total nr. of stocks under TAC management</td>
<td>195 (100%)</td>
</tr>
<tr>
<td>Stocks utilized with insufficient scientific data</td>
<td>105 (54%)</td>
</tr>
<tr>
<td>Stocks on the verge of collapse</td>
<td>22 (11%)</td>
</tr>
</tbody>
</table>

Table 2. Number of fish stocks per geographic area

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Nr. of stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic</td>
<td>124</td>
</tr>
<tr>
<td>Baltic Sea</td>
<td>10</td>
</tr>
<tr>
<td>North Sea</td>
<td>20</td>
</tr>
<tr>
<td>Fish stocks straddling the Atlantic and the North Sea</td>
<td>29</td>
</tr>
<tr>
<td>Fish stocks straddling the North Sea and the Baltic Sea</td>
<td>8</td>
</tr>
<tr>
<td>Fish stocks straddling the Atlantic, the North Sea and the Baltic Sea</td>
<td>2</td>
</tr>
<tr>
<td>Black Sea</td>
<td>2</td>
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</tbody>
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Note. Table 1 displays the number of known and utilized fish stock in EU waters. Table 2 shows the geographical distribution of the stocks referred to in Table 1. Both tables adapted from European Commission (2012b, pp. 4-5). Copyright 2012 by European Union.

(The) lack of compliance by the fisheries sector is essentially driven by the fact that the risk of infringements being detected is rather low due to severe shortcomings in national control systems” and “even where an infringement is detected, there is no guarantee that appropriate sanctions will be imposed since the sanction system in place is inadequate and not sufficiently deterrent (Commission of the European Communities, 2008, p. 4).

Transparency is a key factor in the matter and defines the effectiveness of the monitoring process. In Iceland every port is linked via computer to the Directorate of Fisheries and data on landings and catch composition are submitted real-time (Ministry of Fisheries and Agriculture). The EU, however, does not currently provide a union-wide system that allows the comprehensive traceability of catches, which could profoundly increase the speed with which changes in fisheries management are adopted and implemented. At the moment many of the member states operate systems that are specifically tailored to their needs and can differ greatly from each other in the way they collect and process information. Overall, overfishing
could be addressed more efficiently by harmonising the existing systems, presently available to the EU, or to facilitate potential upgrades (Court of Auditors, 2007).

In conclusion, the effect of a changing CFP on the Icelandic fishing policy, in the matter of lack of sufficient data, is assumed to be relatively insignificant. Firstly, the monitoring and enforcement structures already in place still surpass those of the EU and should ensure a sufficient data supply. Secondly, what is to be expected after an Icelandic accession is the transmission of more detailed landing data to EU institutions, taking into account that Iceland already provides basic statistical data to the Union (via Eurostat). Furthermore, it can be assumed that the pooling of research resources (equipment, facilities, knowledge, coverage, etc.) between Iceland and the EU will yield better results if utilized efficiently.

4.2.2 Discards

Discards are another problem that both, Iceland and the EU, have to deal with yet the estimates of its volume differ greatly. In the EU it is assumed that discards amount on average to 23% of the total catch while individual rates can vary significantly between stocks and species (European Commission, 2013b). The figure suggests that roughly 1 million tons of fish is thrown back into the sea. The practice does not only have negative economic and ecological consequences, such as loss of income or restricted stock regeneration, but also interferes with an effective resource management. Due to high mortality rates the discarded fish are often dead or unable to survive. Discards do not only represent a removal of biomass from the sea but are often not accounted for in stock estimates either, thus leading to overfishing based on poor data quality. The reasons for such practices are manifold: “wrong catch, wrong sizes, damaged catch, no quota or high grading” (Johnsen & Elíasen, 2011, p. 130). In most cases discards arise as a logical consequence based on the way the respective TAC systems are designed in both EU and Iceland (Bjarnason, 2010).

In the EU discards can be attributed to a lack of flexibility of the TAC system. Firstly, as the system still works on a single species basis, it practically dismisses mixed fisheries which fishermen face in reality (Ulrich, Reeves, Vermard, Holmes, & Vanhee, 2011). Moreover, the applied fishing techniques are often too unselective when targeting several species with

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32 In comparison: the estimated amount of discards equals approximately Iceland’s total catch in 2011 (Hagstofa Islands, 2012).

33 “High grading means that less valuable catch or sizes are discarded in favour of bigger or more valuable fish.” (Johnsen & Elíasen, 2011)
different size and maturity parameters at once and hence by-catches cannot be avoided at all times (Johnsen & Elíasen, 2011; Catchpole, Frid, & Gray, 2005). Once the quota for a particular species is exhausted fishermen are prohibited to land the excess amount, thereby essentially forced to throw the unwanted catch overboard (Commission of the European Communities, 2009; Clucas). Secondly, the TAC system is not designed to allow individual quota transfers between ships or even countries without the involvement of national authorities. The method is meant for quota swaps between member states rather than single boats (Council Regulation (EU) No 40/2013, 2013) and does not meet the dynamic environment fishermen deal with. With limited means to ‘legalize’ their catch, EU fishermen seem to feel the need to resort to illegal practices.

In Iceland, fishermen are obliged by law to land all catch with very few exceptions (Lög um umgengni um nytjastofna sjávar nr. 57/1996). With a near complete ban34 on discards some official figures are available but it cannot be excluded that the practice exists to far greater extent in the dark. The incentives for Icelandic fishermen are similar to those of their European colleagues and the surveillance system isn’t perfect either (Bjarnason, 2010). Discards are, however, presumably of lesser significance in Iceland than in the EU (Pálsson, Björnsson, Gísladóttir, Jóhannesson, & Ottesen, 2012) due to at least two reasons. Unlike in the EU, Icelandic fishermen are allowed to obtain additional quota within a given period of time after landing the catch to meet the imposed legal requirements. On one hand the additional flexibility that the regulations create meet reality more closely and on the other fishermen can face severe punishment in case of observed violations, including the loss of their fishing licence or even imprisonment (Ministry of Fisheries and Agriculture, 2007). As mentioned before both elements are virtually non-existent for EU fishermen.

The European Union plans to address discards with the on-going CFP reform and works currently on narrowing the legal framework for discard limitations (Council of the European Union, 2013). As parliament advocates for a complete ban (CFP Reform Watch, 2013a), the Council considers a reduction more pragmatic (Council of the European Union, 2013). However, a final decision has not been made and it remains unseen how far the Icelandic policy will be influenced.

The ban on discards is an essential component in the success of the Icelandic fishing policy. Any compromise that won’t meet this particular requirement would stand in opposition to the

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34 Some exceptions exists (Clucas)
Icelandic position. It would be necessary to specify distinct provisions for fisheries within the Icelandic EEZ in order to accommodate Icelandic legal requirements.

### 4.2.3 Political Power Games

Besides the problematic of data availability and discards, the role of the Council in the decision-making process is a third factor in the TAC management issue. The Council, as the final authority in setting the annual TACs, has a history of setting them in many instances too high (see Figure 7) thereby considerably hampering the conservation efforts the CFP was designed to address (Khalilian et al., 2010; World Wide Fund for Nature, 2012; Bjarnason, 2010; Wakefield, 2009; Commission of the European Communities, 2001; Karagiannakos, 1995). However, the TACs of the CFP are not solely based on biologic-scientific advice, but depend greatly on social, economic and political considerations. In fact, the CFP has the “‘unwritten’ objective which is to preserve social peace.” (Boude, Boncoeur, & Bailly, 2001, p. 322). For that reason it is no surprise that social issues preside over ecological or economic ones.

![Figure 7. Structure of total fish quota (TAC) for 107 fish stocks in the North Atlantic. Council-approved total quantity for fisheries, broken down in TAC (blue), permitted catch without scientific advice (grey) and catch additionally permitted by ministers (red). The red areas amount to 6.2 tons over the depicted period. Adapted from “LEGALISED OVERFISHING,” by World Wide Fund for Nature, 2012, p. 1. Copyright 2012 by World Wide Fund for Nature.](image)

The state of marine resources is highly controversial and it is nearly impossible to give an exact overview. Scientific advice is largely based on estimates and the analysis of specific
indicators such as the ratio of juveniles, fish size, etc. to assess the condition of a stock (Flaaten, Salvanes, Schweder, & Ulltang, 1998).

There are also numerous examples of fish stock predictions which in retrospect have been proved to be in large error or where serious prediction problems are presently experienced, impeding reliable scientific advice on optimal utilisation of the resources (Flaaten et al., 1998, p. 5).

Politicians are aware of these mistakes and uncertainties and can argue for a greater degree of consumption of the concerned resources than is advised (Bjarnason, 2010). Despite the obvious deficiencies, Iceland can expect to be largely exempt from the decision-making process due to the following provision:

Where a TAC relating to a stock is allocated to one Member State only, it is appropriate to empower that Member State […] to determine the level of such TAC. Provisions should be made to ensure that, when fixing that TAC level, the Member State concerned acts in a manner fully consistent with the principles and rules of the Common Fisheries Policy (Council Regulation (EU) No 39/2013, 2013, p. 2).

The existing local stocks in Icelandic waters are not subject to multi-annual plans and are thereby not dependent on special provisions either. The majority of fish caught by Icelandic vessels, or on average 79\%^{35} annually, is caught within the Icelandic EEZ which provide Iceland with ca. 90\% of the income from fisheries (Statistics Iceland, 2012a).

Since 2011 the provision has been used six times to delegate rights to concerned member states of the EU (European Commission, 2012a). It could be argued that the right was granted due to the economic insignificance of these stocks (T. Ísleifur, personal communication, April 4, 2013), yet with the principle in place and further empowerment by the principle of relative stability the chances are good that Iceland will retain the ability to set its own TACs.

If the Council should obtain the allocation right against all odds nonetheless, Iceland still has the possibility to utilize its marine resources on an ecological sound basis without fearing the consequences of overfishing. The individual quota allocation method is up to every single

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35 Values fluctuated between as much as 98\% and as low as 65\% in the period 2001-2011
member state which means that the ITQ system would remain in place. Quota that exceeds MRI recommendations could become subject to a gradual price scale. Fishermen would be discouraged to buy quota that is purposefully priced higher than the gains from the expected economic returns from exploiting it. In this manner Iceland would offer its entire allocated quota for distribution, but still ensure that the resource’s exploitation wouldn’t go beyond a sustainable yield (Bjarnason, 2010).

Another important issue is created from the future division of straddling stocks that make up approximately 15% of Iceland’s total catch (Evrópusamtökin). The unresolved mackerel issue is said to be one reason why the EU hasn’t opened the fisheries chapter yet and will continue to postpone the negotiations until a solution is found (T. Heiðar, personal communication, April 4, 2013). The mackerel’s share in Iceland’s total catch was in 2011 almost 14% (Hagstofa Íslands, 2012). The complexity of the issue is further augmented as several states have claims to the stock due to past fishing efforts. In 2013 Iceland has reduced its current mackerel quota for the second year in a row which could be seen as an attempt to appease the negotiating parties (Ministry of Industries and Innovation, 2013). The greatest difficulty might lie in reaching a flexible agreement which takes into account changing fish migration patterns as well as a perceived fair allocation of catch opportunities not only for the mackerel but also for other straddling stocks.

The influence of the Council on Icelandic fishing practices can be mitigated significantly with the aforementioned principles and regulations that the EU provides. However, to avoid that the quota allocation is left to chance in the future, it is important to secure these provisions in the accession treaty (Bjarnason, 2010).

4.3 Foreign Investment

As has been pointed out previously, it is unlikely that non-Icelandic fishermen will gain access to Iceland’s EEZ by means provided by the EU (e.g. relative stability key, TAC management). This leaves only the option of directly investing into the fishing sector to gain a foothold in the industry.

The EU’s legal body is based in essence on the four freedoms, namely the free flow of labour, goods, services and capital between its member states. Legal obstacles that hinder these flows are therefore meant to be abolished or gradually dismantled in order to create a level
economic field, commonly referred to as the single market (European Union, 2010). Iceland limits the free flow of capital significantly for investments in fishing and fish processing companies in order to protect national political interests (Lög um fjárfestingu erlendra aðila í atvinnurekstri nr. 34/1991). This matter is a principle issue and difficult to address in case Iceland were to be unwilling to loosen its existing regulations.

The above mentioned law works basically in two ways. It prohibits foreigners on the one hand to assume a controlling position within a company of the aforementioned industry and on the other hand it also limits the opportunities for Icelanders to obtain investment capital abroad. Under these conditions fishing companies have to resort to taking loans, not uncommonly denominated in foreign currency, which can become a burden in case of an economic downturn (Leifsson, Gunnlaugsson, Pétursdóttir, & Einarsdóttir, 2011). The financial crisis of 2008/09 had exactly that effect, leaving many companies in the fisheries sector highly indebted (Greiningardeild Arion banka hf, 2012).

Bjarnason (2010) argues that the changes, resulting from lifting the Icelandic investment restrictions, wouldn’t be a major issue. The quota is practically sold out and thus in Icelandic ownership and the total amount, to be fished each year, limited by the state. Furthermore the fishing fleet is still too big due to overinvestments in the past and shows indications of continued, gradual decline regarding its size. This leaves little room for additional investments and should discourage foreign investors to obtain large shares in the existing companies.

A permanent derogation from the principle seems unlikely and it is expected that Iceland will have to repeal its legislation concerning national ownership. However, it is possible to introduce other measures that could ensure that marine resource will “continue to contribute in a profitable way to economic life of the coastal state, in the long run as well as in the short run” (Foss et al., 2003, p. 29).

Firstly, as any other member state, Iceland would enjoy wide discretion with “regard to requirements of licensing and registering a fishing vessel in (its) national registry, as a precondition for fishing on (its) quotas” (Foss et al., 2003, p. 23). Vessels that don’t fulfil certain technical requirements could therefore simply be excluded from taking up fishing activities in Icelandic waters (The Queen v Ministry of Agriculture, Fisheries and Food, ex parte Agegate Ltd., 1989).
Secondly, Iceland can require the establishment of a real economic link from foreign fishing companies. This means e.g. that they have to land and/or process a fixed percentage of their catch in domestic ports or have to contribute by other means to the economic welfare of fisheries-dependent coastal regions (Bjarnason, 2010; Foss et al., 2003). Moreover, Iceland reserves the right to apply greater quota deductions on catches that are landed in foreign ports than at ‘home’ in order support local industries (Lög um stjórn fiskveiða nr. 116/2006).

Thirdly, the redesign of the current ITQ system offers further possibilities. Quotas could be allocated to fishermen only temporarily and would fall back after a given time period\textsuperscript{36} to the Icelandic state (Foss et al., 2003). Namibia and the Falkland Islands are two examples where such systems have been applied successfully (Ministry of Fisheries and Marine Resources, 2009; Harte & Barton, 2007). Quotas would fall back gradually and offer the option of the policy’s continued re-examination combined with possible changes if deemed necessary. The full or partial reallocation of quota could be facilitated through an auctioning process or other mechanisms. Current quota holders in Iceland are likely opposed to such measures as quotas can be seen as “assets of indefinite duration” (Armanos, 2005, p. 251). With the lifting of current investment restrictions, the sector as a whole could enjoy greater flexibility and stability through greater risk diversification (Foss et al., 2003).

The application of taxation supremacy is a fourth group of possible measures the Icelandic state can take. Currently the ‘catch fee’ (veiðigjald) or resource tax whose total amount is partially dependent upon on the performance of the fishing vessel is one way to cover the administrative expenses of the state (Lög um veiðigjöld nr. 74/2012). It is furthermore suggested to increase the fee from currently 13.3 to 19% in order to “accommodate the view that the nation should enjoy a greater share in the profits that marine resources provide” (Frumvarp til laga um stjórn fiskveiða, Þgsj. 1475, 827. mál, 2011). Currently the resource tax offers the state revenue worth several billion ISK every year. Further measures could include the special taxation of profits from selling catches and revenues that could accrue from fall-backs (Foss et al., 2003).

In conclusion, it is important to implement safeguards in order to ensure that benefits, arising from the ownership of quota shares, remain in Iceland and benefit the economic welfare of the nation. The above mentioned means should allow achieving this goal independent of which entities are incorporating the rights for the utilisation of Iceland’s marine resources. As with

\textsuperscript{36} E.g. 5, 10, 15 and 20 years
the previously discussed problems it is important to secure special provisions that favour Iceland’s negotiating position in the accession treaty to prevent later modifications.
5. Conclusions

Fisheries play a significant part in the perception of Iceland’s national identity and, as has been pointed out, it might be the single most important issue in the country’s accession negotiations to the EU (Majority of the Foreign Affairs Committee, 2009). It might even be the reason for Iceland to remain outside the EU in the case a favourable deal cannot be made. The fisheries sector in terms of total contribution to the economy, still has a significant impact on the socio-economic life in Iceland even though it is declining. The Union would undoubtedly have the means to facilitate notable changes for this industry after an accession.

Key points of the Icelandic fisheries policy are the preservation of the country’s marine resources for continued sustainable utilisation in the future and returning the dividends from their exploitation to the general public. Public ownership and administration of these resources are therefore central elements to ensure that these goals are reached. They also constitute an essential part of the Icelandic negotiating position. The Common Fisheries Policy of the EU, though committed to similar goals as the Icelandic fisheries policy, has failed to live up to them thereby creating vast differences between these two fishery management systems. As the CFP enters a process of revision and redesign, the possibility arises that the gap between these management systems can be reduced which could ease the pending negotiations.

The assumed impact of the CFP on the Icelandic fisheries policy varies greatly between the scenarios that are considered in this thesis. If Iceland were to be granted the status of a special fisheries management zone, the expected changes would arguably be very minor if not non-existent. The ownership and administration of the country’s marine resources would remain with the Icelandic state.

It is this author’s opinion, however, that an integration of the Icelandic fisheries policy into the CFP is more likely than retaining the former as an independent stand-alone complex. The CFP has no history of permanent exemptions but the regulations laid down in the policy create different conditions for Iceland than the rest of Europe. Due to its geographic position and based on the principle of relative stability no other country should have substantiated claims to Iceland’s local stocks. These stocks make up the main portion of the country’s catches and should remain off limits to foreign fishing fleets. In contrast, cuts are expected in the amounts of allocated quotas for straddling stocks. Given that the European Council retains
the right to set quotas, for both local and straddling stocks, Iceland will have to accept them instead of setting them unilaterally.

The European Council’s lack of adherence to scientific advice is very likely one of the greater threats to the success of Icelandic fisheries management in the future, assuming that Iceland joins the EU. It can be mitigated either by installing safeguards that do not violate Union law or by Iceland being allowed to set TACs for local stocks unilaterally based on special provisions in existing regulations.

Foreign investments in the fishing sector have received special attention and will be one of the harder issues to be solved. It is assumed that this form of investment will enjoy fewer restrictions in the future. It is possible, however, to set up safety measure that will ensure that the ownership of the Icelandic marine resources remains with the Icelandic state. This might require changes to the management of the currently used ITQ system.

The possible outcomes of the negotiations are in their essence positive for the Icelandic fisheries industry, yet it is assumed that Iceland will have to accept a few drawbacks. There is a good chance that Iceland will be able to work within the CFP by reaching a favourable deal that will grant Iceland to manage its marine resources in a manner that is comparable to current practices. The overall benefits arising from union membership should also be considered as an opportunity. It will be important, nevertheless, to secure favourable outcomes that concern Iceland’s fisheries management in the Accession Treaty to prevent them being changed at Iceland’s cost in the future.
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Interview Questions for Tómas Heiðar, 04.04.2013

What are the consequences of Iceland’s accession into the European Union in terms of management and ownership of Iceland’s natural fishing resources?

1) Which importance / status receives the principle of relative stability in the negotiations with the EU?
   a. Will the principle allow other EU member states to gain access to Icelandic waters?
   b. To which extend?

2) How likely are changes of the allocation key to the disadvantage of Iceland?

3) Currently the TAC for all EU members is set by the Fisheries Council. Will this procedure apply to Iceland as well or are there other solutions?

Foreign investments in the fishing sector – currently high restrictions to prevent complete foreign ownership.

4) Will foreigners be allowed to obtain shares in the Icelandic quota?

5) Will the laws surrounding foreign direct investment in Iceland in the fishing sector be changed significantly to allow greater FDI?

6) Do you see other important points that might influence the negotiations in the fisheries management area?

7) Össur Skarphéðinsson once said that getting a good deal in fisheries will make or break the deal for EU membership. In your personal opinion, will Iceland become a member of the EU or not?