Integrated Maritime Policy of the European Union as the Planning Model for Croatia

Abstract

European Union’s Integrated Maritime Policy is an attempt to coordinate complex and interdependent policies related to maritime affairs, and to tackle the issues concerning the allocation of ecological economic resources in a holistic, integrated manner. Since it is better in organisational terms to deal with local information locally, this new approach aims at reducing organisational centralisation, devolution in decision-making from hierarchies into networks of EU member states in accordance with the fundamental EU principle of subsidiarity, with the coordinating role of the EU Commission. The new policy approach also aims at increasing horizontal and vertical coordination of maritime policies at the EU level. Since the repelled Common Fishery Policies were not coordinated between member states, and were not coordinated with complementary industries, the spill-over effects affecting other complementary and competing industries were great. The paper provides an analytical overview of the Integrated Maritime Policy of the European Union, the manoeuvring space given to Croatia to unfold its own maritime policies within the EU IMP, its prospects, and the expected consequences of its implementation for Croatia.

Key words: Planning Model, Integrated Maritime Policy, Maritime Affairs, Common Fishery Policies

1. Introduction

There are more than 5 million people employed with marine and maritime sectors in the EU which create an annual Gross Value Added in excess of 500 billion euro. Some 40%, i.e. 200 million people live and some 88 million people work in European coastal regions (Commission 2014). Since the economic sectors related to marine, maritime, and coastal industries have failed to achieve noticeable economic growth, it has come to
the Commission’s attention that some of the reasons may be due to overregulation and bureaucratisation, and some due to the inability of the central bureaucracy to manage the complex economic process based on the huge system of economic actors. For this purpose, the Commission has started a program of regulatory screening, simplification, and decentralisation.

The Integrated Maritime Policy of the European Union is based on the recognition that all issues relating to Europe’s maritime industries are interlinked and that maritime policies need to develop in a coordinated way, without creating significant negative spill-over effects on other activities and industries. To prevent these negative spill-over effects from taking place, the Commission decided to devolve and integrate the maritime policies for coordination purposes. This approach is consistent with modern organisational practices of designing institutional mechanisms for the coordination of networks. Collective consumption and common good properties of maritime domain activities require careful design of institutional mechanisms of allocation with coordination between a large number of stakeholders.

2. The European Union Integrated Maritime Policy

The Integrated Maritime Policy of the European Union is a strategy for the sustainable development of maritime sectors (Commission, 2012). The objective of the integrated maritime policy of the EU is to build a framework for coordination of maritime activities, to provide for the highest possible level of sustainable use of oceans and seas and, in order to facilitate growth of marine areas and coastal regions in terms of marine transport and to increase the efficiency of maritime transport in Europe and ensure its long-term competitiveness by creating a European maritime transport space without barriers and maritime transport strategy for the period 2008 – 2018 (Commission, 2008). In the segment of ports regulation: to publish guidelines for the application of environmental legislation relevant to ports and propose a new port policy. In shipbuilding: to promote technological innovation and a network of maritime multi-sectoral clusters, to create jobs in the maritime sector: by improving professional qualifications in order to offer better professional opportunities in the sector. In the environment: to reduce the effects of climate change in coastal areas and to adapt to these changes, to stop the loss of biodiversity, to preserve marine ecological systems, and to reduce pollution and greenhouse gas emissions from ships. In fishery management: to create a solution for waste disposal, hazardous fishing practices (e.g. bottom trawling in sensitive areas) and illegal, unreported and unregulated fishing, as well as to promote environmentally safe aquaculture.

Stakeholder approach to allocation of marine and maritime domain resources is an important part of economic governance in the context of sustainable and economically effective management of costal zones (Debelić, 2014). Marine and maritime domain resources are economic ecological goods, are scarce and as such need institutional mechanisms of allocation. Maritime Spatial Planning (MSP) and Integrated Coastal
Zone Management (ICZM) are the first step towards the creation of such mechanisms. Their role is to survey and monitor possible uses of marine and maritime domain scarce resources and plan for efficient cross-sectoral and cross-border management of coastal zones (Commission, 2012). The latest reports received from 16 EU Member States in 2011 show large variations in adopted policies (Commission, 2012). It is to be expected that large variations in adopted policies will also produce large variations of success rates in tackling the various allocation problems. This competition of allocation mechanism designs will ultimately produce differences in sustainability, profits, etc. Nevertheless a Tiebout type of administrative selection by a competition based way of searching for better mechanism designs could ultimately provide for successful organisational forms of management procedures.

The integrated maritime policy of the European Union has 5 pillars: sustainable marine and maritime growth (Blue Growth), maritime transport, energy, shipbuilding, and fisheries and aquaculture, and it covers the following cross-cutting actual policies: Blue growth, Marine data and knowledge, Maritime spatial planning, Integrated maritime surveillance and Sea basin strategies. From the perspective of this research, the Blue growth approach that highlights five sectors of a significant development potential for sustainable jobs creation and growth in general is important to fulfil the need for a precisely targeted and effective public policy in the context of long term sustainability and effective protection of costal zones. Such an approach sheds more light on the process of intergradation and harmonisation of Croatian and EU maritime policies by clarifying the targeted development directions.

2.1. Sustainable marine and maritime growth

The sustainable marine and maritime growth or, as the Commission prefers to call it – the Blue Growth, is a set of measures aiming at liberalisation, i.e. elimination of institutional and administrative constraints oriented to marine and maritime industries. The final goal of this policy is to develop sectors that have a potential for sustainable jobs and growth, such as: aquaculture, coastal tourism, marine biotechnology, ocean energy, and seabed mining whereby Croatia has particular comparative advantages in the two first mentioned. The specific features of these measures are formalised in more detail within the Marine Strategy Framework Directive (MSFD).

The MSFD requires the 23 Coastal out of the 28 Member States of the European Union (EU) to put in place measures for preservation or restoration of good environmental status of marine waters by 2020. The MSFD is also an attempt by the European Commission to apply an ecosystem-based approach in the organisation and management of marine resources for the purpose of freeing the resource to development initiatives without endangering the ecosystem’s sustainability and stakeholder interests. So, the MSFD has the potential to become the principal source of marine and maritime domain environmental and economic management measures in the EU (Long, 2011). The MSFD is the European Commission’s first attempt and challenge to manage the
marine and maritime domain sector by means of a single directive instead of a number of sector policies such as the common transport policy (CTP) and the common fisheries policy (CFP) (EP 2008).

2.2. Maritime transport

The Commission’s White Paper for Transport specifies the Maritime Transport Strategy goals as: the cost-efficient and competitive shipping and the creation of European networks of seamless transport chains for passengers and cargo (Commission 2012). Maritime transport suffers from serious bureaucratic disadvantages as compared to other means of transport. A ship is subject to more complex and time-consuming procedures than other means of transportation including air travel. An internal shipping market in Europe does not exist yet. Consequently, other maritime industries complementary to Europe’s shipping industry also suffer from this disadvantage and lack the potential for development. One of the solutions proposed by the Commission is the simplification of administrative and customs formalities for intra-EU maritime transport. It is the consequence of Croatia’s economic and taxation policies that Croatia has lost the major part of its quite large merchant fleet.

2.3. Energy

The EU’s Strategic Energy Technology Plan has laid down the rules of interoperability of trans-European energy networks. Croatia, because of its geographic position, as a littoral Mediterranean and Energy transit country to the Central and Eastern Europe, finds itself to have the key comparative advantages in creating the CEEC’s Energy transportation policies. For that purpose the Croatian Energy strategy needs to be revised and updated to the EU regulatory standards and to the needs of Croatia as a full EU member country. In this respect, the Croatian Integrated Maritime Policy shall play the key role. Nevertheless, the Croatian energy sector remains an open and market based system. By increasing its openness and outside competitive pressures, the system is about to increase its efficiency even more in the near future.

Since the EU Research Framework Programme and the Intelligent Energy programme further support the development of alternative energy technologies, Croatia may, for that purpose, tap into the newly created EU funding possibilities.

2.4. Shipbuilding

There are some 150 large shipyards in Europe and around 40 of them are competing in the global markets. Some 120,000 people are directly employed with the shipyards in the European Union. The Study on Competitiveness of the European Shipbuilding Industry (DG Enterprise & Industry 2009) shows that the shipbuilding sector has some
specific risks: market resource risk (mainly steel and labour costs), low margins due to overcapacity, so the management requires a long-term risk approach (DGEI 2009). Most of the problems are usually not solved by internal or market hedging strategies, so the shipbuilding industry is dependent on subsidies that also represent the greatest barrier to the international trade. This problem is not limited only to the EU, but also to Japan, Korea, and China, resulting in international disputes. Following these experiences, the Study on Competitiveness of the European Shipbuilding Industry proposes for a global shipbuilding level playing field to be created, for the pricing practices to be addressed that raise suspicion of overcapacity dumping, and for research, development, and innovation (RDI) investment in the EU shipbuilding industry to be improved. It is the European Commission’s strategy to create implicit subsidies for the shipbuilding industries by openly increasing investments into educational infrastructure and aids to research, development, and innovation clusters and by facilitating the exchange of knowledge through active support of innovation clusters although the level of intellectual property right protection in the shipbuilding is low due to enforcement cost issues (DGEI 2009).

Fast forward to the Croatian shipbuilding problems and possible solutions, the investments into educational, research, development, and innovation facilities are not classified as subsidies according to the EU law and may be financed by many EU programs. Any innovation or intellectual right that finds its way to the market cannot feasibly be protected. Due to low marginal productivity of highly skilled workers in Croatian shipyards, the common market poses a real threat for “brain drain” into the nearby highly productive Italian shipyards. There is a real threat of subsidising Italian shipyards by producing highly qualified workforce in Croatia.

2.5. Fisheries and aquaculture


The Commission’s decision to fix the problem created by obsolete, inefficient, and counterproductive directives and decisions by abolishing them altogether was a correct step in the right direction, although probably too short of the goal to completely reform the fisheries according to the principles of subsidiarity and to free the trade on a common market without government interventions.

The new fisheries and aquaculture policies aim to provide the building blocks for sustainable fisheries while respecting the ecosystem, ensuring food supplies, thriving
coastal communities, profitable industries, and attractive and safer jobs. These goals should be achieved with the long-term management having clear sustainability targets.

The transition to the new policies will be accompanied by the European Maritime and Fisheries Fund to improve sustainability, performance of small-scale coastal fisheries, promote aquaculture, support job creation in maritime communities and deliver cost-efficiency in maritime affairs.

In May 2014, the Commission started a proposal for unlocking maritime resources for commercial use as a means of fostering economic growth while also respecting the marine environmental policies in conformance with the Marine Strategy Framework Directive (MSFD).

3. Integrated Management Approaches to Maritime Policies

Integrated management approaches are attempts to overcome problems of scarce resource allocation by the consensus-based decision-making and other forms of tackling the problem of scarcity by non market methods. Integrated management is a way of solving the economic problem of opportunity cost and trade-off in an economic environment of scarcity by other, less economic and more political means, since the market price mechanism is in some instances viewed as socially unacceptable.

The European Union Integrated Maritime Policy represents an attempt to create a political framework for dialogue between various yet interlinked tasks related to maritime affairs, without compromising the economic development. After the failure of decades of centrally planned and managed maritime policy, the Commission decided to devolve some of the maritime policies to the member states according to the principle of subsidiarity the 1992 EU of Amsterdam was built upon. This devolution of policies presents the littoral EU member states with a window of opportunity to plan, organise, and manage their own maritime policies according to their own needs, interests, and abilities.

3.1. Integrated Maritime Policy as a planning mechanism

As the Commission’s own 2012 document “Progress of the EU’s Integrated Maritime Policy” claims, the IMP initiatives are addressing data and planning issues (Commission 2012), so the entire IMP project is formalised around the concept of better planning through better informational basis, a dubious concept negating the existence of specific, timely and local knowledge (Hayek 1945). Integrated management approaches are optimisation schemes that optimise the allocation of resources between numerous stakeholders. The Integrated Maritime Policy is foremost an attempt to involve the largest possible group of stakeholders to draw a set of guidelines for further policy measures. Subsequently to the drawing of a set of guidelines, the Commission invited Member States to draw up their own national integrated maritime policies, and organize
a consultation loop procedure feeding information into the further development of maritime policies and allowing for an exchange of best practices. Nevertheless, the European Commission declares regarding the Integrated Maritime Policy that: “…the full potential for optimised policy-making will not be reaped unless the integrated approach permeates every level of government, all players involved, research and policy advice and stakeholders’ activities.” (Commission 2008. p. 4) That being said, the integrated management approach to maritime policy is not only oriented towards Member States, industry representatives, and other stakeholders to brainstorm optimal rules and guidelines, but there is also a possibility of direct allocation of scarce goods, a policy in direct contrast to the market orientation of the *acquis communitaire.*

The legitimate question arises of whether the European Commission has the strength and willingness of transposing market oriented ecologic economic policies of the sort seen in the fisheries’ by promoting market oriented mechanisms as for example the Transferable Fishing Concessions mechanism with its Individual Transferable Quota’s marketable instruments, or shall take a step back towards non market oriented mechanisms of organisation, management, and allocation.

For a start, the European Commission recognises there are scarce resources in the maritime domain environment and industries competing for these scarce resources. The European Commission is unaware of what these scarce resources actually are, since the resource scarcity has to be firstly defined by its nature, location, and function. The registers and property rights on these resources have been neither fully developed nor fully claimed as these resources are part of the maritime domain, or are not claimed as part of the Exclusive Economic Zone from international waters.

The Commission proposes an increased level of surveillance, the Maritime Spatial Planning (MSP) and the Integrated Coastal Zone Management (ICZM), that necessitates institutions of allocation and accompanying records of entitlement in the form of registries, exchanges, and enforcement organisations, i.e. the rules of the game that specify how individual market participants relate to each other regarding the scarce economic maritime domain goods.

Institutions need records of entitlement, i.e. formal details and descriptions of the maritime domain property, its location, and functional uses. For this purpose the Commission instituted measures of Maritime Spatial Planning (MSP) and Integrated Coastal Zone Management (ICZM) that would assure an efficient cross-sectoral and cross-border planning of marine waters and coastal zone management. These are crucial for guaranteeing sustainability, providing legal predictability and reducing costs for investors and operators, in particular those ones operating in cross-border areas.

The recognition by the European Commission that the maritime domain resources are scarce is a step in the right direction. Property rights on these scarce maritime domain resources need to be defined, acknowledged and protected. This needs some institutional development in the future.
3.2. Institutional development within the Integrated Maritime Policy framework

Institutions are rules of the game that say and recognise who really owns what, and what rights are included in the property right. That gives the market participants a clear view on how they relate to one another regarding the use of scarce maritime resources.

The principal foundation of any institutional design are the administrative registers, i.e. evidences of property right entitlements that give the market participants information about other participants’ rights and obligations, otherwise known as assets and liabilities. But, property rights are not about legal sovereignty, they are about the control of productive assets through entitlement. Legal recognition of property titles gives market participants a possibility to acquire assets and incur liabilities collateralised by those assets. The symmetry between acquiring assets and liabilities is the symmetry between profit and loss, rewards and risks. The inability to achieve this symmetry is the inability to create commensurate market incentives for productive allocation and development. The new Integrated Maritime Policy stresses the importance of property rights.

The European Commission does not impose a single institutional mechanism design on Member States as long as the coastal Member States in the Mediterranean do have an Integrated Coastal Management plan that is compulsory.

Maritime domain resources are a special category of common goods and common pool resources that purposefully lack full property rights, i.e. these property rights consist only of exclusion, management, transformation and lease rights, granted exclusively to the central government as an organisational and managerial agent. It is presumed that, by negating the equal property right status to the maritime domain resources as it has usually been granted to other resources, they are better protected against unsustainable overuse. Unfortunately, in reality just the opposite happens. Because of the lack of property rights, there is no possibility to determine any acceptable rules of conduct for the preservation of these scarce resources. Lacking the right of alienation, nevertheless may not pose a problem, as lease hold rights have for a long time developed in the common law countries and the long-term lease hold right may serve as a proper collateral for investment. Impossibility of collateralisation of investment risks on maritime domain resources is a major obstacle for attracting foreign direct investment. Long-term lease-hold contracts in form of long-term concessions or public-private partnerships (that substantially all amount to concessions) may be a feasible solution. The problem with this arrangement is that it is very narrowly and purposefully defined, and the functional use of the resource is determined by the contract. Concessions give no entrepreneurial freedom to change the function of and the activities related to the resource. This mechanism design failure will probably produce allocative inefficiencies in the future. In conclusion, although concessions partially mimic the allocation through prices and free entrepreneurial market system, they fail to provide for the effective allocation by function of the resource.
The devolved Integrated Maritime Policy is an opportunity for Member States to design their own institutional mechanisms commensurate with their own goals. There are two major problems with collective action and public goods. The first is preference revelation, and the second is preference aggregation. The first problem may partially be resolved through stakeholder activity and participation in the discussion about the rules of the game, although the discussion about the rules of the game is highly biased when not done behind the “veil of ignorance”. The second problem of preference aggregation is more difficult to solve as the results of the aggregation depend on the aggregation rules adopted.

3.3. The European Commission maritime governance in the Mediterranean

According to the European Commission, the Mediterranean basin faces trade-offs concerning scarcity of space, risks in maritime security, scarcity of depletable and renewable resources, and degradation of the environment including effects on climate change. According to the Commission, the solution to these problems lies in improving governance of maritime affairs that should ensure a more sustainable growth for the region (Commission 2009).

Economics teaches us that there are no solutions to economic problems: there are only trade-offs. These trade-offs are welfare maximisation, and cost minimisation problems that are solved respecting the principal rule of sovereignty of individual preferences revealed within free (non compulsory) market transactions at arm’s length. When this rule is respected by all market participants, producers and consumers alike, we may speak of a truly free market.

4. Conclusion

The European Union Integrated Maritime Policy is the European Commission’s attempt to integrate, simplify, and coordinate economic policy issues concerning marine and maritime industries, maritime transport, marine energy sources, shipbuilding, fisheries and aquaculture, and environmental protection with climate mitigation concerns. With the Integrated Maritime Policy the European Union recognises the inseparability of economic systems, although the final goal of the policy scheme remains unclear. As it is presently formulated, it seems that the European Union aims at an increased level of integrated governance, a much harmless name for central planning. So, where is the actual difference between the present Integrated Maritime Policies and the past policies? The difference is in the information and decision-making processes. The IMP is an information gathering and processing framework starting at the local level and spanning sea-related industries giving the Commission at the top the tools for central planning of horizontal policies. It is the same old concept made more efficient.
Nevertheless, there are many opportunities for EU member countries. The mechanism of allocation of scarce marine and maritime domain resources between conflicting uses is unclear and left to EU member countries to decide for themselves. The relationship to other EU directives, decisions, and guidelines is also to a large part unclear and left to business and legal practice in the future. After the unsuccessful policies of the future, the EU has left the Member States to figure out for themselves what the successful policies should be, and copy the successful Meme to other Member States. The new Integrated Maritime Policies introduce a possibility of a Tieboutovian Memetics process at least in its early stages by giving the Member States the possibility to compete against each other with successful policies for scarce investment resources.

To assure for better governance, firstly, all available assets should be accounted for. For this purpose, the Integrated Maritime Policy precludes measures of Maritime Spatial Planning (MSP) and the accompanying evidences and registries. Secondly, their respective functional uses shall be accounted for. For this purpose, an extended communication with the stakeholders with the purpose of identifying conflicts of use is appropriate. Thirdly, the rule of sovereignty shall be applied to all identified assets and related uses. Fourthly, an institutional and non conflicting mechanism of allocation shall be appropriately designed.

References

Davor Mance, Borna Debelić, Siniša Vilke

**Integralna pomorska politika Europske unije kao planska podloga za Republiku Hrvatsku**

**Sažetak**

Integralna pomorska politika Europske unije je pokušaj koordinacije kompleksnih i međuovisnih politika vezanih uz pomorstvo te rješavanje problematike alokacije ekoloških ekonomskih resursa na holistički, integrirani način. S obzirom da je s organizacijskog aspekta bolje lokalnim informacijama baviti se na lokalnoj razini, ovim se novim pristupom nastoji smanjiti organizacijsku centralizaciju, odnosno postići veću devoluciju odlučivanja prema državama članicama sukladno temeljnom europskom načelu supsidijarnosti, a uz koordinacijsku ulogu Europske komisije. Takav novi pristup politici, također, ima cilj povećanje horizontalne i vertikalne koordinacije pomorskih politika na razini Europske unije. Zbog nedostatka koordinacije zajedničke politike ribarstva Europske unije među državama članicama te nedostatka koordinacije s komplementarnim djelatnostima, učinak prelijevanja imao je snažan utjecaj na druge komplementarne i konkurentske djelatnosti. Rad daje analitički pregled integralne pomorske politike Europske unije te pregled manevarskog prostora koji je dan Hrvatskoj za razvoj vlastite pomorske politike, kao i izgledima i očekivanim posljedicama njene primjene za Hrvatsku.

**Ključne riječi:** model planiranja, integralna pomorska politika, pomorstvo, zajednička politika ribarstva.