Fisheries Subsidies - Impacts and Options for Reform

The Economics of Ecosystems and Biodiversity

23 March 2009
Dangers of Decline: Global Picture

“How inappropriate to call this planet earth when it is quite clearly Ocean” (Arthur C. Clarke)

Fish Stock Decline:

→ Disrupting world’s largest ecosystem
→ Destabilizing communities and their culture
→ Depriving the world of its major protein source
→ Destroying expectations and livelihoods
Contribution to Animal Protein Supply


TEEB – Fisheries Subsidies – Impacts and Options for Reform
Trends in Fisheries Production

Trends in Fisheries Exports

World exports of fish and fishery products


TEEB – Fisheries Subsidies – Impacts and Options for Reform
Importance of Fisheries Trade

Importance of Fisheries Trade

The relative importance of trade in fishery products in 2006

Fishery exports as a percentage of total merchandise exports

Top 10 countries

- Maldives
- Faroe Island
- Greenland
- Iceland
- Turks and Caicos Islands
- Seychelles
- Panama
- Belize
- Madagascar
- Uganda

FAO Fisheries Statistics
Importance of Fisheries to Livelihoods

- 40% of world fish production enter trade, half of it originating from developing countries
- 30 million people derive income from fishing & fishing related activities
- 95% of this employment is located in the developing world
State of Fisheries

- 75% of commercial fish stocks are overexploited (FAO, 2004)
- 52% fully exploited, 17% over-exploited, 7% significantly depleted, 1% recovering

Threat of Collapse by 2048

Science, November 3, 2006
The loss of potential economic benefits in the global fishery, due to fish stock depletion and over-capacity, is estimated at \textit{US$ 50 billion per year}.

\rightarrow \text{Cumulative global loss of net benefits from inefficient global fisheries} \\
\text{1974-2007: \textit{US$ 2 trillion}}

Main Contributors to Overfishing (1)

Main contributors to overfishing:

- open access resource
- overcapacity
- illegal, unreported and unregulated (IUU) fishing

Enhanced by SUBSIDIES
Fisheries Subsidies

30-34 billion USD annually
30% industry revenue

Trade Effects
• Enhanced profitability through reduced costs

Environment Effects
• Distorted access to the resource by enabling higher fleet capacity

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### Main Contributors to Overfishing (3)

#### Potentially Harmful Subsidies

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<th>Effective Management</th>
<th>Catch Controls</th>
<th>Open Access</th>
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<td></td>
<td>Over-capacity</td>
<td>Full capacity</td>
<td>Less than full</td>
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<tr>
<td>Fisheries Infrastructure</td>
<td>NH</td>
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<td>Management Services</td>
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<td>Access to Foreign Waters</td>
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<td>Decommissioning</td>
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<td>Capital Costs</td>
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<td>Variable Costs</td>
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<td>Income Supports</td>
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**NH** = Not Harmful

**PH** = Possibly or Probably Harmful

**H** = Harmful

**—** = Not Applicable

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**Note:**

- **Effective Management** indicates the impact on management strategies.
- **Catch Controls** assess the impact on catch limits.
- **Open Access** evaluates the impact on access to fishing resources.

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**Table Key:**

- NH: Not Harmful
- PH: Possibly or Probably Harmful
- H: Harmful
- —: Not Applicable
Progress on fisheries subsidies in the WTO*

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>1990s</td>
<td>Studies by FAO, UNEP and others reveal contribution of fisheries subsidies to overfishing</td>
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<tr>
<td>1998</td>
<td>Civil society and “Friends of Fish” begin calling for WTO action on fisheries subsidies</td>
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<tr>
<td>2001</td>
<td>WTO Doha Mandate to clarify and improve WTO disciplines on fisheries subsidies</td>
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<td>2002</td>
<td>World Summit on Sustainable Development calls for successful conclusion of WTO fisheries subsidies negotiations as a top priority for achieving sustainable fisheries</td>
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* Several International Organizations and NGOs - including UNEP, OECD, FAO, WWF, ICTSD and Oceana - provided technical input and fora for informal discussion throughout this process.
## Progress on fisheries subsidies in the WTO*

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<td>2003-2004</td>
<td>Emerging consensus on environmental dimension of new fisheries subsidies disciplines to be negotiated</td>
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<tr>
<td>2005</td>
<td>WTO Hong Kong Ministerial Declaration calls for prohibition of fisheries subsidies that contribute to overcapacity and overfishing, respecting appropriate S&amp;DT</td>
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<td>2005-2007</td>
<td>Different technical proposals on specific issues are tabled by WTO delegations at the WTO Rules Negotiating Group;</td>
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<tr>
<td>Nov 2007</td>
<td>Chair’s draft text on reformed fisheries subsidies (TN/RL/W/213) is presented to the Negotiating Group on Rules</td>
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<tr>
<td>Dec 2008</td>
<td>Chair’s “roadmap” – key remaining questions</td>
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Agreement on Subsidies and Countervailing Measures (ASCM)

- Multilateral disciplines regulating the provision of subsidies;
- Use of countervailing measures to offset injury caused by subsidized imports.

Definition of a subsidy: “any financial contribution by a government that confers a specific benefit on domestic industry“
Classification of subsidies:

Red light: A priori prohibition on a class of subsidies defined largely without regard to their actual impacts

Amber light: subsidies defined principally by their "injurious impacts"

Implications for fishery subsidies:

Narrow focus on trade distorting subsidies, thus no ex-ante prohibition, even on the most economically and environmentally harmful fisheries subsidies.

→ Clarification and specification of fishery subsidies necessary
Ministerial Declaration after Hong Kong 2005:

“[…] strengthen disciplines on subsidies in the fisheries sector, including through the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and over-fishing“

„Appropriate and effective special and differential treatment for developing and least-developed Members“

“Importance of this sector to development priorities, poverty reduction, and livelihood and food security concerns“
The Chairs Draft Text (November 2007)

- Prohibition of directly capacity- or effort enhancing subsidies
- Exemption of several classes of subsidies (e.g. vessel safety)
- Subjecting permitted subsidies to certain management and fisheries conditions
- Allowing DCs to use prohibited subsidies subject to certain conditions
- Review mechanism for management criteria
- Strengthened WTO notification rules on subsidies
December 2008: The Chair’s Roadmap for Discussion

1. What should the scope be for an eventual prohibition on certain classes of fisheries subsidies?

2. What is the appropriate scope and nature of special and differential treatment for developing countries?

3. What sustainability criteria should be placed as conditions or limits on fisheries subsidies that remain permitted?

4. What rules and mechanisms should be put in place to ensure transparency and enforcement?
Broader Context

• WTO has unprecedented opportunity to develop trade rules that explicitly benefit not only trade but also the environment and natural resources.
• A win-win-win outcome? Only if it is done right.
• Results on fisheries subsidies depend on overall Doha Round.
• Lesson transferable to other sectors?