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Briefing Paper

Addressing Fisheries Subsidies: A Quest for Sustainable Fisheries Production

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Summary

This briefing paper highlights the impact of harmful subsidies on fisheries, requisite policy and governance measures necessary to ensure sustainability of fisheries production and trade, as well as the main issues with regard to the WTO negotiations on fisheries subsidies. It concludes with approaches and suggestions that have been made in resolving the issue of harmful subsidies, towards sustainable management of oceans and marine resources.

Background

According to the Food and Agriculture Organization (FAO), eighty percent of the world fish stocks have either been fully exploited, or over exploited, and yet fish remains a critical source of **people's dietary needs**. It is estimated that in 2013, fish accounted for approximately 17 percent of the global populations intake of animal protein and about 6.7 percent of all protein consumed.¹ Moreover, the United Nations 2030 Sustainable Development Goals (SDGs) Agenda identifies fisheries and aquaculture as important resources that can contribute significantly to food security and nutrition necessary for sustainable economic and social development.

Besides being an important source of nutrition, fisheries in their habitat in the oceans and coastal biomes are critical for climate regulation, biogeochemical processes and support of other indirect ecosystem services such as nutrient cycling (Gattuso et al., 2015). Fisheries are also an important source of employment for millions of people providing economic security by generating incomes (World Bank, 2009; Sumaila et al., 2012; FAO, 2014).

Despite the globally acknowledged significance of the fisheries sector, harmful practices such as overfishing, pollution and habitat destruction are threatening sustainability of fisheries and likely to result in the tragedy of the commons (Pauly et al., 2002). There is therefore an urgent need for a concerted international approach in redressing the global fisheries situation so as to ensure

sustainability of this critical resource. According to a recent World Bank study² global economic losses estimated at about \$83 billion were incurred in 2012, largely as a result of over fishing. Reforms in governance of fisheries are a prerequisite for sustainability of this critical sector.

Through literature review, this briefing note highlights the impact of harmful subsidies on fisheries, requisite policy and governance measures necessary to ensure sustainability of fisheries production and trade, as well as the main issues with regard to the WTO negotiations on fisheries subsidies. It concludes with approaches and suggestions that have been made in resolving the issue of harmful subsidies, towards sustainable management of oceans and marine resources.

Fisheries subsidies impact on Trade and Livelihoods

It is well established that fisheries subsidies are the leading contributor to fishing overcapacity and overfishing. Indeed the Global Ocean Commission in its 2014 report identifies the issue of subsidies as one that requires urgent attention by the international community.³

Globally, fisheries subsidies are estimated to be about USD 30 billion, of which about 60 percent (approximately 18 billion) contributes to fishing overcapacity (Sumaila et al., 2010).⁴ Practices such as fishing operations on the high seas are sustained by subsidies and have significant impact in depleting fish stocks. It is therefore imperative that subsidies are disciplined, specifically for the

¹ UNCTAD: State of World Fisheries and Aquaculture Report 2016

² World Bank, 2017: *The Sunken Billions Revisited : Progress and Challenges in Marine Fisheries*

³ UNCTAD Trade and Environment Review 2016: Harmful Incentives : The Case of Fisheries Subsidies: Remi Parmentier

⁴ Sumaila, Lam and Le Manach (2013), Global Fisheries Subsidies – Note EU Parliament

following reasons:⁵

- Capacity enhancing subsidies (which makeup the highest share of global subsidies) contribute to between 30 -40 percent of landed values by wild fisheries worldwide (i.e. overcapacity).
- Subsidies distort the fisheries market and disadvantage fishers receiving less or none. Given that most subsidies benefit large scale industrial fishers, the small scale fishers – predominately from developing and Least Developed Countries are disadvantaged.
- Overcapacity fishing is not sustainable and this is already leading to decrease in fisheries catches despite substantial advancement in fishing effort (Sumaila et al., 2012).
- Harmful subsidies also undermine fish management measures, making it a prerequisite to eliminate them for effective and sustainable management of fisheries (Munro and Sumaila, 2002).

Although many countries that provide fisheries subsidies are motivated by the desire to assist small scale poor fishers, the reality is that the largest share of the subsidies goes to large scale operators (Schuhbauer and Sumaila). In Indonesia for instance 95 percent of capacity enhancing subsidies goes to the large scale sector. Similarly in Mexico only about 10 percent of the over USD 200 million provided as subsidies goes to the small scale fisheries sector (Schuhbauer and Sumalia).⁶

Fisheries governance and policy towards sustainability

Effective fisheries governance and policies are necessity for sustainable fisheries production and trade especially in light of the current deterioration of fish stocks globally.⁷ The level of fully fished stocks, overfished and depleted fish stocks has increased from above 50 per cent of assessed fish stocks in the mid-1970s to about 75 percent in 2005 (FAO 2007a) and to almost 90 percent in 2013 (FAO 2014a).⁸

The global fleet engaged in fisheries more than doubled over a four decade period, reaching to about 4.7 million decked and undecked units in 2012 (FAO 1999; FAO 2014b)⁹, with Asia contributing the highest number of these vessels. In addition, fishers – be it artisanal or commercial scale operators – have tripled over the same period (FAO 1999, 2014a). A significant advance in fishing technology has also been made in the form of fishing gear and fish finding devices among others. However, despite these increases in fishing effort, the level of marine catches has not increased correspondingly. In fact since 2000, a decline in the catch per fisher is noted, which points to the depressed state of fishery resources.¹⁰

There is therefore need for absolute reduction in global fishing effort, which would allow for biological processes to reverse the current decline in fish stocks. According to a World Bank report, reduction in fishing efforts would also result in a number of economic benefits amongst which the following are highlighted¹¹:

⁵ Supra Note 3.

⁶ Ibid

⁷ Supra footnote 2

⁸ Ibid

⁹ Ibid

¹⁰ Ibid

¹¹ Ibid

- Increase of fish biomass in the ocean by a factor of 2.7.
- Increase of annual harvests by 13 percent.
- Recovery of higher-value species that would also result in rise of fish prices by up to 24 percent.
- Increase in annual benefits accruing to fisheries sector by a factor of 30, from \$3 billion to \$86 billion.

An annual 5 percent decrease in global fishing effort for a period of 10 years would allow global stocks to recover quickly to the optimal level within 30 years.¹² However such an adjustment would impact greatly on stakeholders in the fishing industry, and are quite costly to implement.

Effective fisheries governance regimes entail substantial costs in the form of scientific advice and management, enforcement, monitoring, control and surveillance all of which could amount to almost 14 percent of the value of fisheries landings (Shrank, Arnason, and Hannesson 2003; Keller 2002).¹³ The expenses involved pose a major challenge to developing countries, more especially the Least Developed Countries and Small Island Developing countries faced with other essential needs. However, for sustainability of fisheries, the current trends of over exploitation, and depletion of fish stocks needs to be urgently addressed, which calls for action more especially through implementing effective governance and management mechanisms at national, regional and global level.

Fisheries Subsidies Negotiations in the Multilateral

¹² Ibid
¹³ Ibid

Trading System

Negotiations on fisheries subsidies in the World Trade Organization (WTO) are among the multilateral efforts to address the challenges in sustainably managing global fisheries.

Although the WTO negotiations have dragged on for a long time, adoption of the United Nations SDGs that specifically provides a timeline within which to redress the issue of harmful subsidies (SDG target 14.6) seems to have reignited interest in concluding an agreement on disciplining fisheries subsidies.

A number of proposals and papers have been presented for negotiations on fisheries subsidies, with a general consensus on the need to discipline certain types of subsidies. The African, Caribbean and Pacific Group of countries (ACP) in their submission of May 2016¹⁴ express support for disciplines on subsidies provided to large scale commercial fishing activities particularly those done outside of their domestic jurisdiction. The submission also calls for prohibition of subsidies to vessels or operators engaged in illegal, unreported and unregulated (IUU) fishing. The ACP group emphasizes the need for technical assistance and capacity building for developing countries and LDCs so as to address potential constraints likely to arise in implementing agreed disciplines such as transparency and notification requirements.

Special and differential treatment is also an important issue of the fisheries negotiations in the WTO. In a submission prior to the 10th Ministerial Conference of December 2015, a group of countries (Argentina, Iceland, New Zealand, Norway, Peru

¹⁴ TN/RLW/272/Rev.1 (May 27, 2016)

and Uruguay) proposed that prohibition on subsidies for overfished stocks and vessels engaged in IUU fishing should be applicable across the membership including developing countries and LDCs.¹⁵

The European Union also submitted in October 2016 suggesting rules on fisheries subsidies.¹⁶ It calls for prohibition of subsidies that increase the marine fishing capacity, that support construction or importation of fishing vessels, subsidies for transfer of fishing vessels to another country and subsidies that benefit an operator engaged in IUU fishing. The submission supports some of the subsidies maintained by developing countries and LDCs provided appropriate reporting requirements are put in place.

The LDC group in a recent submission¹⁷ reaffirms the support for disciplining fisheries subsidies which contribute to overcapacity and overfishing, and elimination of subsidies to IUU fishing. The submission also supports transparency, but that it should not be burdensome for the LDCs. It calls for capacity building to develop their fishing capacity in a sustainable manner, assess and monitor stocks, and control fishing activities.

In the WTO fisheries negotiations there is general acknowledgement that subsidies that contribute to IUU, overcapacity and overfishing should be eliminated. Although agreement is yet to be reached on a number of other issues with regard to fisheries subsidies, these critical areas where there seems to be convergence provide a basis for a possible outcome in the foreseeable future.

Conclusion and Way forward

Restoration, protection and sustainability of oceans and marine resources is a priority for human wellbeing, especially in light of the overfished and depleted stocks currently prevailing. Addressing the issue of harmful subsidies is an important step in the efforts towards sustainable management of this critical natural resource. The Global Ocean Commission report proposed the following approach that would be helpful in resolving the subsidies issues:

- Full transparency and disclosure of all fisheries subsidies.
- Classification of fisheries subsidies in order to identify and distinguish the harmful ones.
- The immediate capping and phasing out of high seas fishing fuel subsidies.

Other suggestions have also been made to discipline subsidies at regional and global level, include the following:¹⁸

- A core group of countries adopting fisheries subsidies disciplines, for instance the Trans-Pacific Partnership agreement – if implemented – could provide a basis for multilateral adoption of the disciplines on fisheries subsidies.
- Borrow from the climate change negotiations approach, wherein countries would be allowed to declare the amount of capacity enhancing subsidies that they would voluntarily eliminate within a given period of time.

¹⁵ Elements for Effective Disciplines on Fisheries Subsidies in the Post-Bali Work Programme, Communication by Argentina, Iceland, New Zealand, Norway, Peru and Uruguay.

¹⁶ TN/RL/GEN/181 (October 20, 2016)

¹⁷ TN/RL/GEN/184 (December 22, 2016)

¹⁸ UNCTAD Trade and Environment Review 2016: Subsidies Weaken The Sustainability Of Global Fisheries While Increasing Inequality Among Fishers: U.Rashid Sumaila

- Establish multilateral disciplines built on areas of convergence in the WTO negotiations. The starting point could be to agree on a small package on issues such as prohibiting subsidies benefiting IUU fishing and those affecting overfished stocks.

All in all, the above approaches suggest means through which progress can be made in resolving the issue of harmful subsidies, towards effective and sustainable management of fisheries.

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