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# Note

## **Fisheries Subsidies Negotiations**

Issues of interest to Least Developed Countries (LDCs) and Small Developing Countries

### **Summary**

The WTO fisheries subsidies negotiations, revived following the adoption of SDGs, can help the sector make a more sustainable contribution to development. However, a fair agreement should acknowledge the low impact of subsidies provided by small developing countries, who should be protected through special and differential treatment. This note reviews the proposals currently on the table and identifies elements which could promote fishery diversity, livelihood sustainability and food security in small developing countries.

## Introduction

The population of the world is climbing rapidly and accordingly, the demand for fish is increasing too. Around 120 million people are employed in the fisheries sector and around 90% of them work in small-scale fisheries. Of those 120 million employees, 97% also live and come from developing countries (UNCTAD, 2017). In terms of societal and gender development, women now make up to 15% of about 60 million people found in artisanal and subsistence fishing universally. They are now being recognized as an important component to the economic growth of both LDCs and small developing countries. Additionally, fisheries licenses also function as a crucial source of income for both LDCs and small developing countries, for example, in Kiribati, the revenue from fisheries licenses reached \$US86 million, making it around 43% of the overall government revenue (South Centre, 2017).

Although the benefits of fish are clearly evident, the fisheries sector is experiencing high levels of exploitation and misuse. There exist a wide range of institutional, regulatory and environmental issues plaguing the industry. With respect to the environmental issues, universal fish catches peaked at 130 million tonnes in 1996 but are declining at around 1.2 million tonnes per year (Conor, 2016). Along these lines, whilst the market demand for tuna continues to be rising, its population levels are at an all-time low. Popular tuna species such as albacore, bigeye, bluefin, yellowfin, skipjack are being overfished with around 41% of their stocks currently being overfished at an excessive level (FAO, 2016). A lack of transparency in the industry also means that the distribution of illegal fish is at an all-time high. Whilst international fisheries laws such as the United Nations Convention on the Law of the Sea and the 1995 FAO Code of Conduct for Responsible Fisheries (FAO, 2017) do exist to govern

the sea and fishing industry, there is an enormous breakdown in their regulations and implementation. As a consequence of the issues and concerns raised, the need for a fresh and effective solution on fisheries developed at the World Trade Organization (WTO).

## Doha Round / Hong Kong Ministerial Conference

In 2001, at the Doha Ministerial Conference, Members of the WTO agreed to improve the regulations on fisheries subsidies and emphasized the importance of the sector to developing countries. In 2005, the Hong Kong Ministerial Conference led to a broad agreement that fisheries subsidies which generate overcapacity and overfishing should be prohibited (Ebrahimi and Govea, 2017). Paragraph 9 of the Hong Kong Ministerial Declaration Annex D, clearly calls for members to remember their commitment at Doha, and strengthen fisheries disciplines. Transparency, as well as special and differential treatment (S&DT) in fisheries negotiations, should also be taken into consideration towards LDCs and developing countries as they are vital for their development, poverty reduction, livelihood and food security. Under these circumstances, the Hong Kong mandate fundamentally changed the direction of fisheries subsidies negotiation. The focus was moved from arguing about the negotiation itself to pinpointing the types of subsidies that needed to be prohibited and the nature of special and differential treatments, which was to be granted to developing countries (South Centre, 2017).

## The Sustainable Development Goals (SDGs) 14/target 6

Although the WTO negotiations on fisheries have dragged on for a long time, the implementation of

the United Nations Sustainable Development Goals (SDGs) has created a renewed impetus in arriving at an agreement. The SDGs recognized that fisheries are an important resource that can contribute significantly to food security, economic growth and development (Mukiibi, 2017). Accordingly, by July 2017, seven (7) proposals on fisheries have been submitted by the following Members and groups: New Zealand, Iceland and Pakistan; The EU; Indonesia; The ACP Group; Argentina, Colombia, Costa Rica, Panama, Peru and Uruguay; The LDC Group, and Norway. The seven proposals thus focus primarily around SGD 14, which wants to “conserve and sustainably use the oceans, seas and marine resources” for suitable development. A special emphasis is put on SGD 14 target 6, which states that by 2020, certain forms of fisheries subsidies which contribute to overcapacity and overfishing should be prohibited. The elimination of subsidies that contribute to illegal, unreported and unregulated fishing should also be enforced and appropriate special and differential treatment should be

apportioned to developing and least developed countries (South Centre, 2017). Consequently, all the stated members and groups, which have submitted proposals hope for an agreement on fisheries subsidies to be realized at the next Ministerial Conference (MC11) in December 2017 at Buenos Aires, Argentina. To this degree, the points identified by SDG 14/target 6 should not be ignored, but play an integral part in the negotiation process.

## Proposals at play

Below in the table is a summarized overview of the 7 fisheries negotiation proposals, with special emphasis on those areas that are of interest to small developing countries and LDCs. These include calls for the prohibition of subsidies to Illegal, Unreported, and Unregulated (IUU) fishing/overfishing; transparency; technical assistance/capacity building; and S&DT treatment.

**Table 1: Current Proposals on Fisheries Subsidies**

<b>Members</b>	<b>Stated Proposals</b>
<b>New Zealand, Iceland, Pakistan</b>	<ul style="list-style-type: none"> <li>● Prohibition of subsidies provided to IUU fishing</li> <li>● Prohibition of subsidies to fishing activities where stocks are overfished and not assessed</li> <li>● Appropriate S&amp;DT/capacity building for developing and least developed Members</li> <li>● Enhanced notification requirements to enable effective monitoring, surveillance and enforcement.</li> </ul>
<b>Argentina, Colombia, Costa Rica, Panama, Peru, Uruguay</b>	<ul style="list-style-type: none"> <li>● Prohibition of subsidies to any fishing vessel or operator of a fishing vessel engaged in IUU fishing</li> <li>● Prohibition of subsidies for fishing that negatively affect stocks that are in an overfished condition</li> <li>● Implementation of a cooperative scheme that helps developing and least-developed country Members in acquiring capacity building, for instance, technical assistance in order to fulfil their commitments</li> <li>● Notifications, such as programme name, legal authority for the programme etc.</li> </ul>
<b>European Union</b>	<ul style="list-style-type: none"> <li>● Prohibition of fishing vessels involved in IUU fishing</li> <li>● Prohibition of fishing subsidies outside the territorial sea that negatively affect targeted fish stocks, in an overfished condition</li> <li>● Developing and least developed countries to grant or maintain subsidies if the following conditions are met: no target on fish stock that are in overfished conditions etc.</li> <li>● Notifications that include: programme name, the status of the fish stock targeted by the vessel benefitting from the subsidy etc.</li> </ul>
<b>ACP Group</b>	<ul style="list-style-type: none"> <li>● Prohibition of subsidies provided to vessels or operators engaged in IUU fishing</li> <li>● Prohibition of subsidies to fishing vessels and fishing of targeted fish stocks that are in an overfished condition</li> <li>● Developed countries and developing countries to provide technical assistance and capacity building to developing countries, in particular, LDCs and small, vulnerable economies (SVEs)</li> <li>● The operationalization of disciplines that do not hinder the ability of developing countries and LDCs to develop and diversify their fisheries sector</li> <li>● Notification requirements that are not burdensome on developing countries especially LDCs.</li> </ul>
<b>LDC group</b>	<ul style="list-style-type: none"> <li>● Prohibition of subsidies provided to any vessel or operator engaged in IUU fishing</li> <li>● Prohibition of subsidies to fishing stocks that are in an overfished condition</li> <li>● Fishing activities related exclusively to artisanal and small-scale fisheries for the livelihood of the fishermen and their families to continue</li> <li>● Targeted technical and capacity building to be given to LDCs and developing countries in the implementation of an agreement</li> <li>● Notifications to include: programme name, fleet capacity etc. however, notification requirements should not apply to LDC Members.</li> </ul>
<b>Indonesia</b>	<ul style="list-style-type: none"> <li>● Members not to grant or maintain subsidies relating to illegal, unreported and unregulated fishing</li> <li>● Developing country members to be allowed to grant or maintain fisheries subsidies to their artisanal fisheries activities</li> <li>● Developed country members to provide technical assistance to developing country members in order to initiate, implement, and enforce compliance.</li> </ul>
<b>Norway</b>	<ul style="list-style-type: none"> <li>● Members not to grant or maintain subsidies of any kind to vessels, owners or operators engaged in IUU fishing</li> <li>● Members to ensure that a fishing vessel does not appear on the IUU vessel list of the Regional Fisheries Management organization before granting a subsidy</li> <li>● Members to ensure that a fishing vessel has not operated in waters under the jurisdiction of any Member without the permission of that Member (WTO, 2017).</li> </ul>

## Areas of interests to small developing and LDCs

With the 7 proposals being put forward on fisheries subsidy negotiations at the WTO, some areas of interests have developed for LDCs and small developing countries. There is now a growing need for their interests to be acknowledged and recognized in the negotiation process, in order to ensure a fair and balanced agreement. These areas of interests are thus highlighted below.

### Prohibition of subsidies to IUU fishing and overfishing

The amount of fish to be found in our waters are declining at a very fast pace and subsidies that lead to IUU fishing are amongst the reasons for this. Around 57% of fish stocks are at a fully exploited level with 30% being overexploited, exhausted or recovering. Consequently, IUU fishing results to around 11 to 26 million tonnes of fish caught or US\$10-22 billion in illegal and prohibited revenue (The World Bank, 2017). Additionally, global fisheries subsidies have been estimated to be around \$35 billion (Sumaila, 2017), with developed countries contributing about 65% to this amount and approximately 60% to overfishing and overcapacity (UNCTAD, 2016). Evidently, the problems of overcapacity and overfishing are being caused mostly by the developed countries as the governments of LDCs and small developing countries do not possess the financial means to compete or contribute towards the issue.

Along these lines, whilst it is in the interest of everyone to come to an agreement on prohibiting IUU and overfishing subsidies at MC11, the situation of LDCs and small developing countries

has to be taken into consideration as they have not and are not significantly causing or contributing to the issues mentioned above. Their small-scale fisheries and fish subsidies are providing food and jobs to their local communities and not creating negative outcomes.

### Transparency

Any type of an agreement that might be reached at MC11 will become binding and mandatory. For instance, if an agreement is reached on notifications, WTO Members would be required to monitor and provide information such as programme name, kind of subsidies provided, amounts granted etc. (WTO, 2017). Whilst it is necessary and important that there exists a level of transparency, LDCs and small developing countries would not be able to provide these monitoring requirements as they do not possess the financial, human or information resources needed to realize such outcomes. As such, any agreement needs to consider their position and instead provide them with necessary capacity building and flexibilities in obligations, in order for them to implement agreements.

### Special and differential treatment

At the WTO, there exist unique provisions that permit Members to treat LDCs and small developing countries more favorably than other Members. These unique provisions include giving them “longer time periods for implementing Agreements and commitments, measures that increase their trading opportunities, provisions requiring all WTO members to safeguard their trade interests, support in order to help them build the capacity to carry out WTO work, handle disputes, and implement technical standards, and provisions related to LDC Members” (WTO,2013). Along these lines, an

agreement with a focus on S&DT is crucial for the fishing sector in LDCs and small developing countries and should, therefore, be a fundamental part of fisheries subsidy negotiations at MC11.

Although calls for the prohibitions of subsidies in IUU fishing and overfished stocks should apply to all Members, any new agreement, on the other hand, should permit and acknowledge that LDCs and small developing countries need flexibility in order to develop their fisheries sector and acquire increased benefits from their resources (Mukiibi, 2017). In spite of this, any agreement should also ensure that taking S&DT into consideration does not result in creating a “blank cheque”, which would encourage LDCs and small developing countries to overfish and overstock (ICTSD,2011).

## **Technical assistance and Capacity building**

Assistance in technical and capacity building is crucial for LDCs and small developing countries as they do not possess the required resources needed to provide notifications, technical information and data. Assessing overfished stocks, for example, requires human resources, data collection, information on catches made, etc., and as a result, assistance from developed and developing countries is vital in ensuring that they can gather and provide all the information required. Under these circumstances, any agreement needs to take into consideration that technical and capacity building assistance are needed by LCDs and small developing countries in order for them to comply with any obligations.

## **Conclusion**

There is certainly an urgent need for a way forward in the fisheries sector and the adoption of the Sustainable Development Goals has created an opportunity to improve and tackle the negative impacts of fisheries subsidies. The WTO subsidies negotiations coupled with the SDG objectives can create a positive inclusive agreement, where each Member position is valued. However, because LDCs and small developing countries do not have the resources or contribute greatly to the problem of fisheries subsidies, any future agreement should, therefore, focus on impartiality, fairness and demonstrating inclusion on all fronts. Impartiality would also mean an agreement that focuses on providing special and differential treatment to LDCs and small developing countries in order to protect them. Special and differential treatment is critical for them as they should stand to benefit considerably from new rules, which can promote their fishery diversity, promote their sustainability, improve their food security and improve the livelihood of citizens employed in the fisheries sector.

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