



Item 5 of the Provisional Agenda
COMMITTEE ON FISHERIES
Sub-Committee on Fish Trade
Sixth Session
Bremen, 3-6 June 1998
ISSUES OF INTERNATIONAL TRADE, ENVIRONMENT AND SUSTAINABLE FISHERIES DEVELOPMENT: FISHERIES MANAGEMENT, SUBSIDIES AND INTERNATIONAL FISH TRADE

INTRODUCTION

1. At present, there is an ample discussion in several international and regional fora about the link between subsidies and overfishing. During the last session of the Committee on Fisheries (COFI), it was urged that the issue of excessive fishing capacity and fishing effort leading to overfishing should be given special consideration by FAO and Member Countries. Many delegations also stressed that frequent use of direct and indirect subsidies in fisheries often aggravated excess capacity. Other delegations pointed out that the effect of subsidies cannot be systematically linked with fishing overcapacity ¹. In various other fora, the need to further investigate the magnitude of subsidies was stressed.

ACTIVITIES IN OTHER FORA

2. In his report to the United Nations Commission on Sustainable Development (CSD) at its fourth session, the Secretary-General listed the following among the actions required

for the implementation of Chapter 17 of Agenda 21 towards sustainable development of oceans and coastal areas: "governments are urged to reduce subsidies to fishing industry and abolish incentives leading to over-fishing"². One year later the CSD stated that there was an "urgent need for ... governments to consider the positive and negative impact of subsidies on the conservation and management of fisheries through national, regional and appropriate international organizations and, based on these analyses, to consider appropriate action"³.

3. At the regional level, the Fisheries Working Group of the Asia-Pacific Economic Cooperation (APEC) has decided to undertake a four-year study on trade and investment liberalization in fisheries, that will include the issue of subsidies⁴.

4. In April 1997, the Fisheries Committee of the Organization for Economic Co-operation and Development (OECD) agreed to study "government financial transfers that affect the transition to responsible fisheries". Member countries have been invited to submit to the secretariat information on governmental financial transfers, levels of fishing capacity and activity, and fish stock status. Based on that information, the OECD secretariat is expected to prepare a synthesis report by spring 1999. The study will analyze the relationships between government financial transfer, fishing capacity and activity, and fish stock status; it would not, for the time being, analyze the relationship between government financial transfers and international⁵.

5. In a note by the World Trade Organization (WTO) Secretariat submitted to the meeting of the WTO Committee on Trade and Environment⁶ (CTE), subsidies were identified as a widespread trade distorting measure and a measure that could undermine the sustainable use of fish resources. The note also indicated that the identification and quantification of subsidies in the fishery sector has not yet been fully undertaken. The CTE also issued a document entitled "GATT/WTO Rules on Subsidies and Aids Granted in the Fishing Industry"⁷, in which the rules are described with regard to prohibited subsidies, actionable subsidies and non-actionable subsidies. The document also includes a long list of notifications⁸ of fisheries related subsidies to the harvesting sector (51 notifications), to the ship-building industry (2), the industry engaged in processing and/or sale of wild-harvested fish (5) and other subsidies (26).

6. The last meeting of the CTE (Geneva, 19-20 March 1998) discussed the issue of fisheries subsidization based on the above papers. Delegations noted that subsidies in the fisheries sector was not the only cause of over-exploitation of fish stocks. Some delegations underlined that subsidies were not by definition dangerous for the environment and that some even have a positive impact. Other delegations highlighted the trade distorting effects of subsidies. There was consensus that more research was needed in this field, and that WTO should collaborate in this area of research with FAO and OECD.

ACTIVITIES CARRIED OUT BY FAO

7. FAO, in the framework of the Sub-Committee on Fish Trade, prepared a questionnaire on subsidies in 1997. The purpose of the questionnaire was to collect information on subsidies in the fisheries sector. In order to avoid duplication of work in the field of subsidies with those presently carried out by OECD and the United States National Marine Fisheries Service (NMFS), the study concentrated on the 20 major fishing and fish trading countries not yet covered by other studies. In view of the slow response to the survey, however, no final report could be produced in time for the current Session of the Sub-Committee. Only nine responses have been received out of 20 so far.

8. Estimates based on these response, combined with information on subsidies from FAO's GLOBEFISH data bank, would figure very low subsidies in the developing world: not more than US\$ 1 200 million/year, mainly in Asia. Subsidies in fisheries are practically unknown in Latin America and Africa. Summing up the reported subsidies including those studied by others⁹, some US\$ 7 billion can be identified for 1996. Even when allowing for a 100% under-reporting, the resulting US\$ 14 billion are far below the figure of US\$ 54 billion from previous FAO estimates (published in 1992 using figures of 1988/1989, when the former USSR subsidies were a major factor).

9. Still, if the total revenue from international trade (US\$ 53 billion) is compared with this hypothetical amount of subsidy, the latter is undoubtedly high and trade distortion may be considered to be significant.

ACTION SUGGESTED BY THE SUB-COMMITTEE

10. The Sub-Committee is invited to contribute information and may request FAO Members to report on any subsidies provided to the fisheries sector. The Sub-Committee might also wish to ask the Secretariat to conclude the study on subsidies, and specifically the analysis of their impact on international trade.

-
- 1 Report of the Twenty-Second Session of the Committee on Fisheries, Rome, 17-20 March 1997 (FAO Fisheries Report No. 562), paragraph 11.
 - 2 Protection of the oceans, all kinds of seas, including enclosed and semi-enclosed seas, and coastal areas and the protection, rational use and development of their living resources: Report of the Secretary-General (E/CN.17/1996/3), Section IV, paragraph 18.
 - 3 Report of the Commission on Sustainable Development on preparations for the Special Session of the General Assembly for the Purpose of an Overall Review and Appraisal of the Implementation of Agenda 21 (E/1997/60), paragraph 30.
 - 4 Summary Conclusions of the Seventh APEC Fisheries Working Group Meeting, 29-31 May 1996.
 - 5 OECD Fisheries Committee, Impact on Fisheries Resource Sustainability of Government Financial Transfers (AGR/FI(97)11), 5 September 1997.

- 6 Environmental benefits of removing trade restrictions and distortions: Note of the WTO Secretariat (WT/CTE/W/67), 7 November 1997.
- 7 WT/CTE/W/80
- 8 Under Article 25 of the WTO Agreement on Subsidies and Countervailing Measures, Members must notify any subsidy as defined in Article 1, paragraph 1, which is specific within the meaning of Article 2. The notification must include the form of the subsidy, its amount, its policy objective or purpose, its duration and statistical data permitting other Members to assess its trade effects.
- 9 Re-examining Subsidies in World Fisheries, by M. Milazzo (NMFS), in Report of Proceedings, Symposium on "the Inter-relationship between Fisheries Management Practices and International Trade", Wellington, New Zealand, 24-26 November 1996. Subsidies and Depletion of World Fisheries, case studies, World Wildlife Fund's Endangered Seas Campaign, Washington, DC, April 1997.