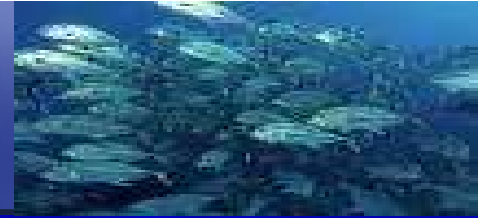




Division of Technology, Industry,
and Economics
Economics and Trade Branch



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:



© Matthieu Bernardon, IUCN

→ 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

Contribution of fish to animal protein supply (average 2003–2005)



Fish proteins
(per capita per day)



Source: FAO (2008). State of the World Fisheries and Aquaculture

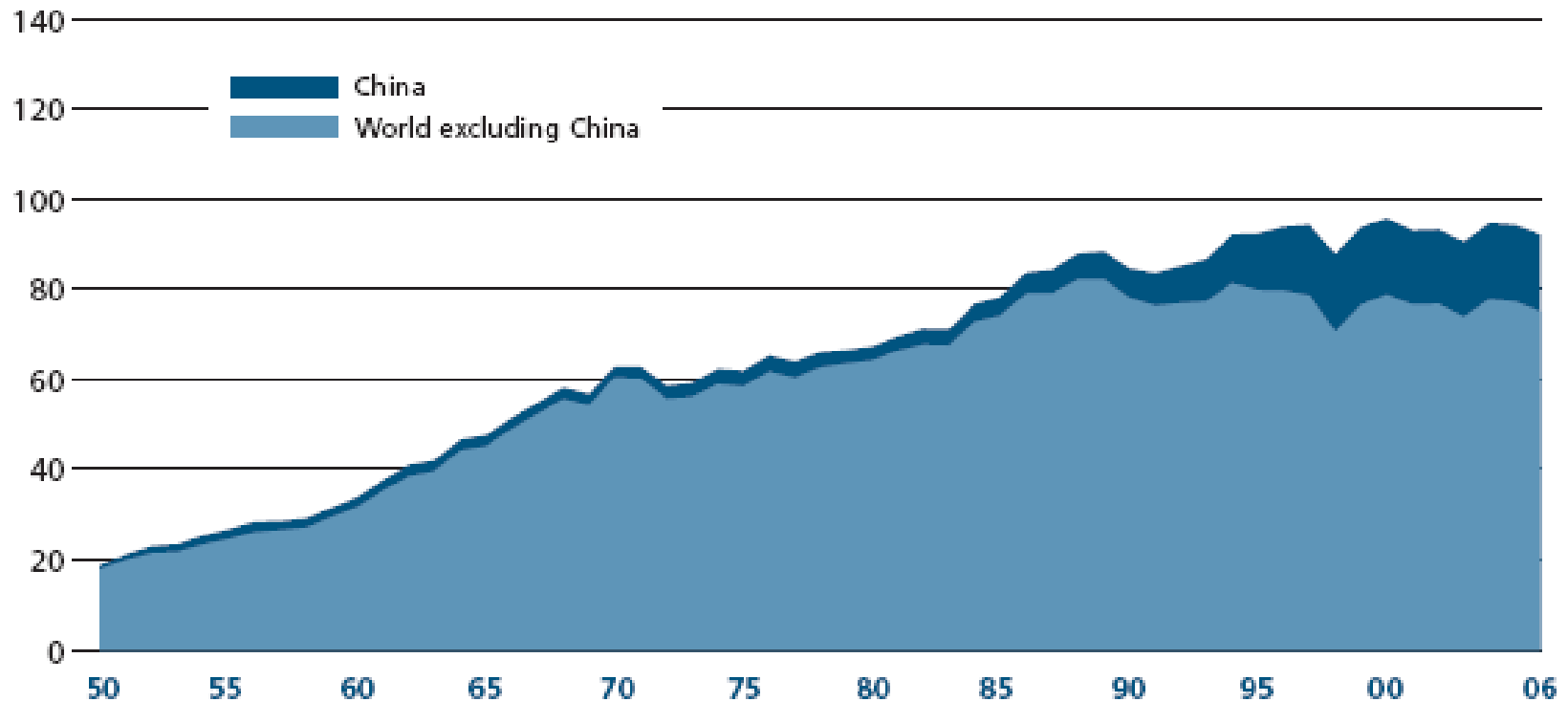


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Trends in Fisheries Production

World capture fisheries production

Million tonnes



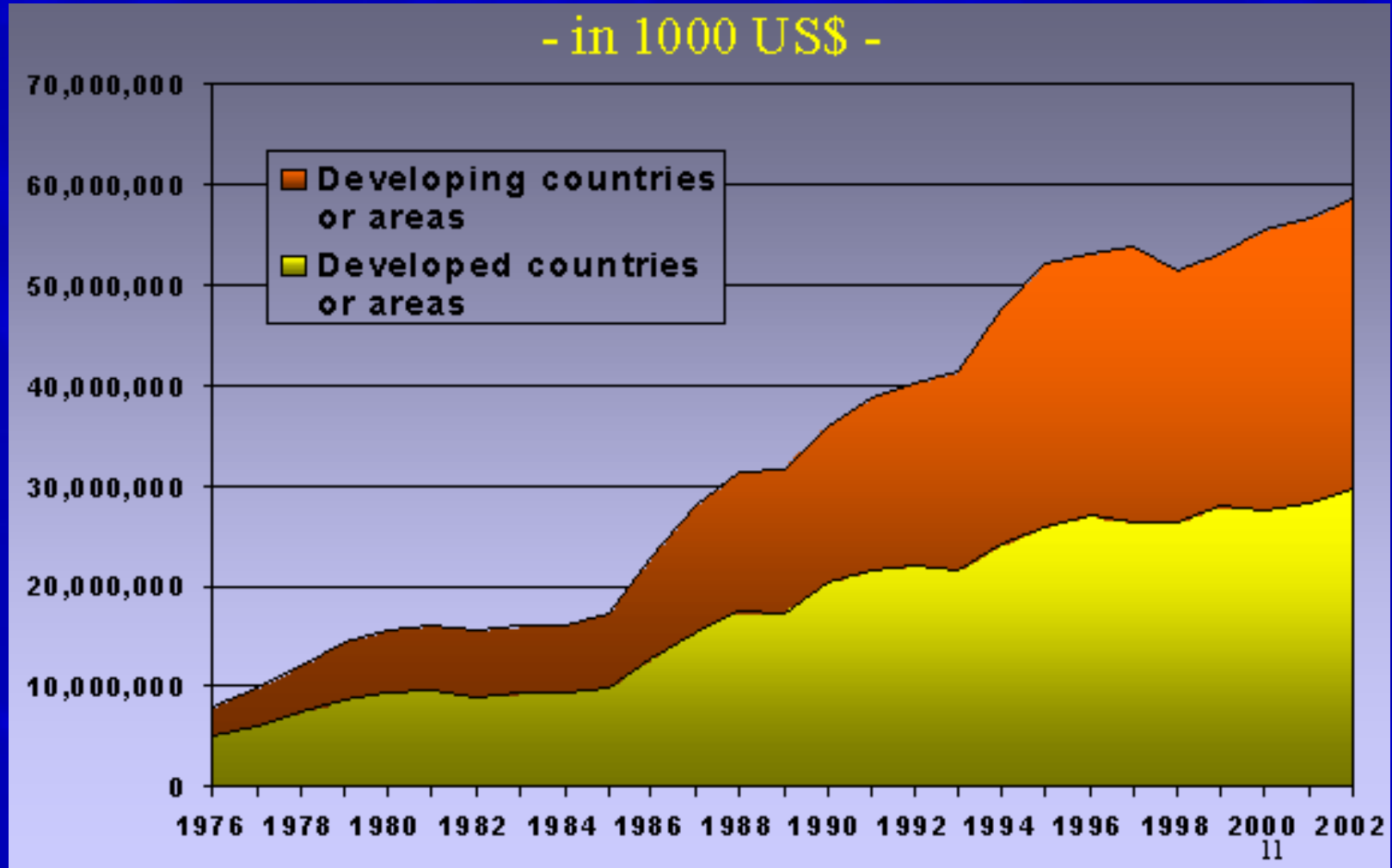
Source: FAO (2008). State of the World Fisheries and Aquaculture.



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Trends in Fisheries Exports

World exports of fish and fishery products



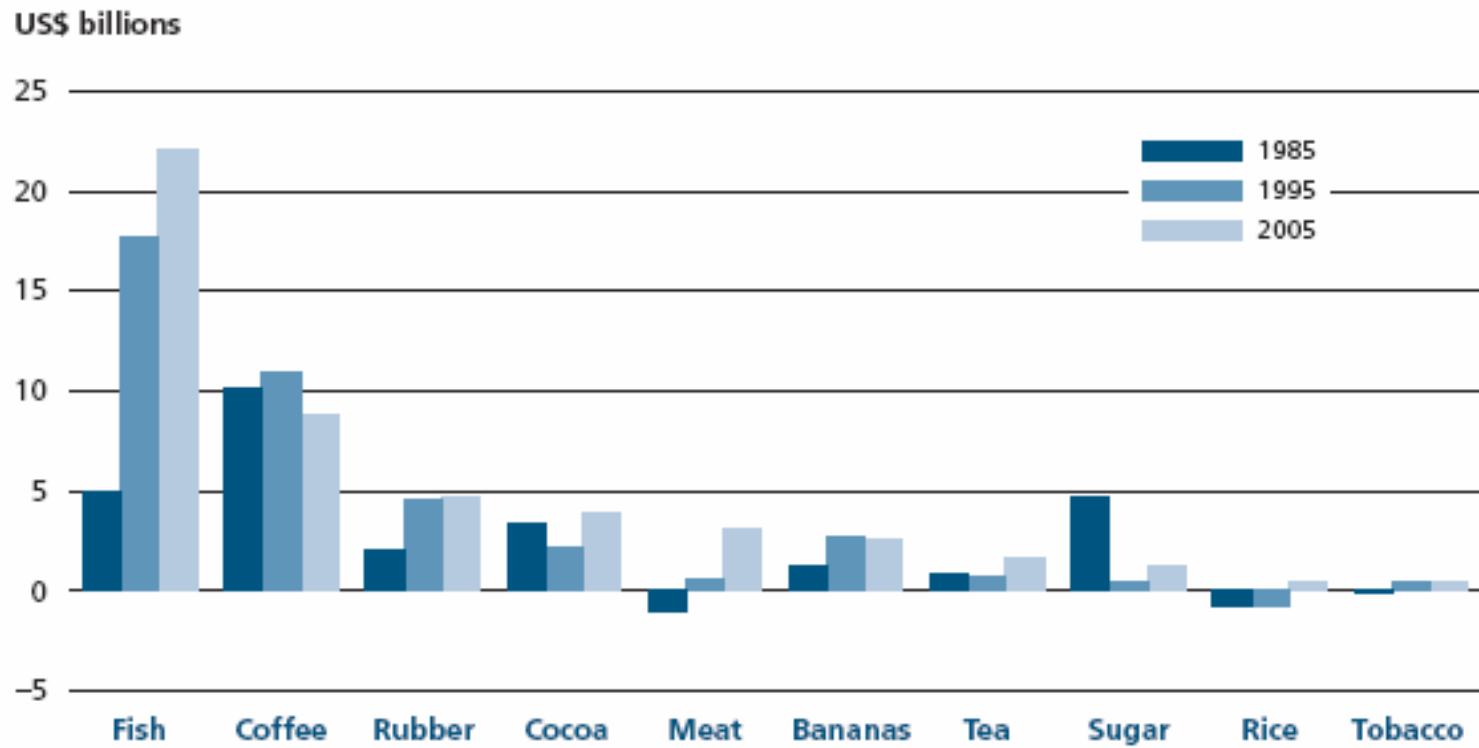
Source: FAO (2006). State of the World Fisheries and Aquaculture



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Importance of Fisheries Trade

Net exports of selected agricultural commodities by developing countries



Source: FAO (2008). State of the World Fisheries and Aquaculture.

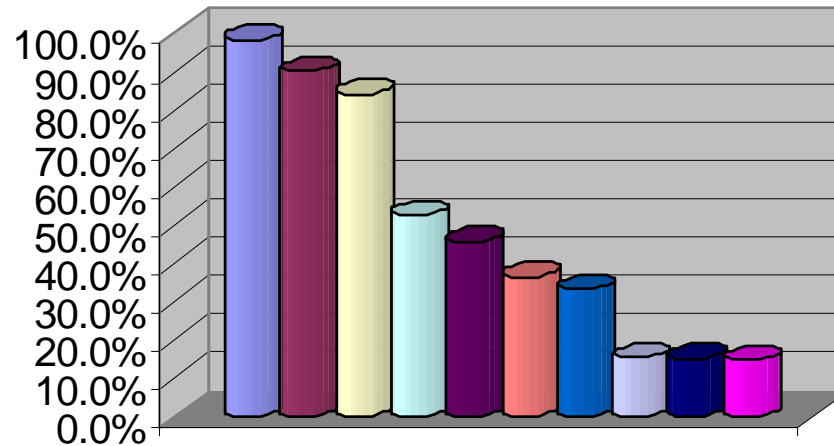


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Importance of Fisheries Trade

The relative importance of trade in fishery products in 2006

**Fishery exports
as a percentage
of total
merchandise
exports**



1
Top 10 countries

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

FAO Fisheries Statistics

[ftp://ftp.fao.org/fi/stat/summary/a7ybc.pdf](http://ftp.fao.org/fi/stat/summary/a7ybc.pdf)

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



© Bénard/Andia.fr/Still Pictures

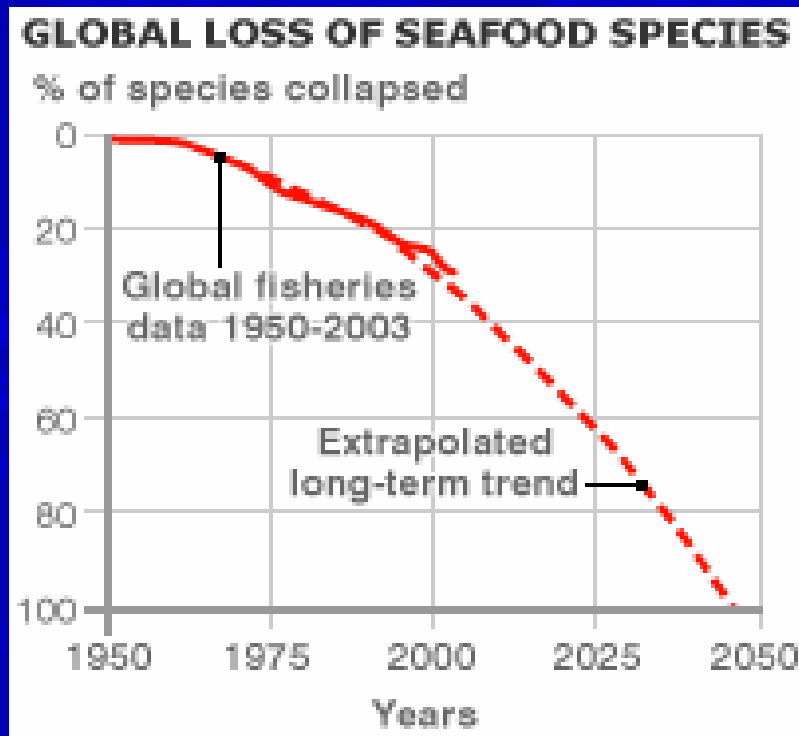


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State of Fisheries

- 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

Economic Impact of Fisheries Loss

The loss of potential economic benefits in the global fishery, due to fish stock depletion and over-capacity, is estimated at ***US\$ 50 billion per year***

→ Cumulative global loss of net benefits from inefficient global fisheries
1974-2007: *US\$ 2 trillion*

World Bank, FAO, 2008: “The Sunken Billions – The Economic Justification for Fisheries Reform”

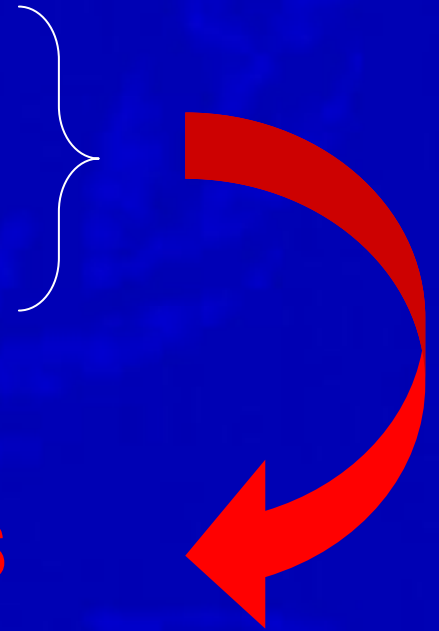
Main Contributors to Overfishing (1)

Main contributors to overfishing:

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



Enhanced by
SUBSIDIES



Main Contributors to Overfishing (2)

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



© Oceana



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Main Contributors to Overfishing (3)

Potentially Harmful Subsidies

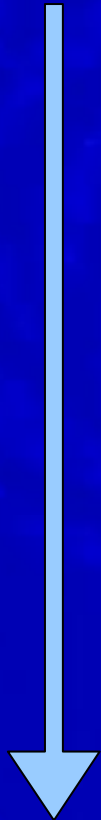
	Effective Management			Catch Controls			Open Access		
	Over-capacity	Full capacity	Less than full	Over-capacity	Full capacity	Less than full	Over-capacity	Full capacity	Less than full
Fisheries Infrastructure	NH	NH	NH	H	H	NH	H	H	NH
Management Services	NH	NH	NH	NH	NH	NH	NH	NH	NH
Access to Foreign Waters	NH	NH	NH	H	H	NH	H	H	NH
Decommissioning	NH	NH	—	PH	PH	—	H	PH	—
Capital Costs	NH	NH	NH	H	H	H	H	H	H
Variable Costs	NH	NH	NH	H	PH	PH	H	H	PH
Income Supports	NH	NH	NH	NH	NH	NH	NH	NH	NH
Price Supports	NH	NH	NH	H	H	PH	H	H	PH

NH = Not Harmful
 PH = Possibly or Probably Harmful
 H = Harmful
 — = Not Applicable

Source: UNEP (2004), *Analyzing the Resource Impact of Fisheries Subsidies: A Matrix Approach*, Geneva

Fisheries Subsidies Reform – the WTO (1)

Progress on fisheries subsidies in the WTO*

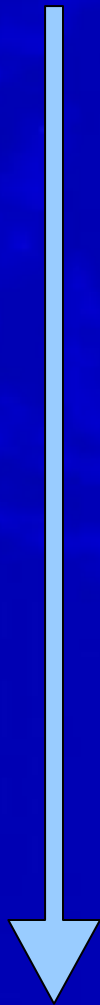


1990s	Studies by FAO, UNEP and others reveal contribution of fisheries subsidies to overfishing
1998	Civil society and “Friends of Fish” begin calling for WTO action on fisheries subsidies
2001	WTO Doha Mandate to clarify and improve WTO disciplines on fisheries subsidies
2002	World Summit on Sustainable Development calls for successful conclusion of WTO fisheries subsidies negotiations as a top priority for achieving sustainable fisheries

** Several International Organizations and NGOs - including UNEP, OECD, FAO, WWF, ICTSD and Oceana - provided technical input and fora for informal discussion throughout this process.*

Fisheries Subsidies Reform – the WTO (2)

Progress on fisheries subsidies in the WTO*



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

Fisheries Subsidies Reform – the WTO (3)

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?



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