
□ ELIMINATING FISHING SUBSIDIES TO PROMOTE CONSERVATION

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A number of practices are responsible for overfishing, and payment of government subsidies to the fisheries sector is clearly one of them, according to Alice Mattice of the Office of the U.S. Trade Representative. Mattice argues in this article that World Trade Organization negotiations offer the best opportunity for imposing discipline on fishing subsidies.

In November 2001, trade ministers from more than 140 countries met at the Fifth Ministerial meeting of the World Trade Organization (WTO) in Doha, Qatar, to establish an ambitious agenda for new global trade talks. Among the decisions made in Doha was to begin negotiations that "aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries." The negotiations mark a considerable milestone for the WTO. For the first time, not only traditional trade concerns but also concerns for environmental conservation and sustainable development have played a major role in the launch of a trade negotiation.

The fisheries subsidy negotiations have broad support, not only from the United States and other developed countries such as New Zealand, Australia and Iceland, but also from a large number of developing countries — a reflection of the critical role the fisheries sector plays in supplying food and a source of livelihood for their people. The importance of the negotiations was recently underscored at the World Summit on Sustainable Development in Johannesburg, South Africa, where world leaders called for action on a number of fronts to maintain or restore world fish stocks to sustainable levels, including the elimination of harmful subsidies. It should be noted, however, that a limited number of key WTO members (notably Japan, Korea and, to a lesser degree, the European Union) continue to question the link between subsidies and harm to the environment and sustainable development.

THE SUBSIDIES PROBLEM AND WHY THE WTO IS ADDRESSING IT

There can be little doubt that overcapacity in the world fishing fleet is a major cause of the depletion of the world's fish stocks. Simply put, there are "too many boats chasing too few fish."

There has been some debate, however, concerning the contribution subsidies make to the problem. Overcapacity and overfishing have many causes, prominently including ineffective fisheries management regimes in many cases. Beginning in the mid-1990s, however, fisheries experts and intergovernmental organizations began increasingly to recognize the role of subsidies.

Shortly after the founding of the WTO, its Committee on Trade and Environment (CTE) — a non-negotiating body created to explore the environmental implications of trade — began discussions on the role government subsidies play in the fisheries sector. During the same period, the U.N. Food and Agriculture Organization (FAO) began to give considerable attention to the role of subsidies. The FAO in 1999 adopted a voluntary International Plan of Action on the Management of Fishing Capacity, which called upon FAO members to reduce and progressively eliminate subsidies contributing to overcapacity. Meanwhile, studies by other intergovernmental organizations, including the World Bank, the Organization for Economic Cooperation and Development (OECD) and the Asia Pacific Economic Cooperation (APEC) forum, attempted to estimate the levels of subsidies worldwide. Environmental non-governmental organizations such as the World Wildlife Fund also identified work on subsidies as a high priority and pressed for the WTO to address the issue.

While there are many gaps in the data and difficulties in interpreting them, widely accepted (and conservative) estimates place global fishing subsidies in the range of \$10 billion to \$15 billion annually — possibly more than 25 percent of the annual \$56 billion trade in fish. Subsidies at these high levels certainly exacerbate

management failures. Such subsidies operate to reduce fixed and variable costs, enhance revenues, and mitigate risks. They therefore encourage even more added effort and investments in overfished and depleted fisheries, which tend to predominate in the developed world.

Moreover, once a fishery is overfished, subsidized vessels turn to previously unexploited or uneconomic fisheries or go further offshore, often to the fishing grounds of developing countries. While these countries may wish to develop their own fisheries, they are hindered from doing so by overfishing on the part of subsidized distant-water fleets and by a lack of law-enforcement resources to effectively monitor fishing in their waters.

While the problem of overfishing and overcapacity is obviously a multifaceted one, the WTO is the body with the expertise on subsidies and the ability to impose binding disciplines on them. The WTO therefore has an important role to play in helping to address one part of the puzzle. At the same time, the WTO must remain within its core competency, and its efforts should be carefully coordinated with other fisheries work in the FAO, regional fisheries management organizations and other fora with appropriate expertise.

CURRENT ISSUES AND STATUS

The WTO Agreement on Subsidies and Countervailing Measures already prohibits certain subsidies (particularly those directly designed to promote exports) and establishes some controls over most others. However, the existing rules have not limited trade-distorting fishery

subsidies and clearly do not adequately address subsidies that can contribute to the actual depletion of the resource and consequent denial of access to producers from other countries. Nor are they well equipped to address problems with an exhaustible natural resource that migrates across jurisdictional boundaries. The negotiations now under way will seek to identify the gaps in WTO rules and suggest possible solutions.

One important issue in the negotiations will be to find ways to distinguish between harmful subsidies that contribute to overcapacity and subsidies that do not. Many government programs — such as those that support sound environmental conservation and well-designed "buy-backs" aimed at decommissioning fishing vessels — may help to eliminate overcapacity or overfishing.

Negotiations now under way in the WTO Negotiating Group on Rules are at a preliminary stage. The objective of proponents of improved rules is to suggest concrete ways to move forward by the time of the WTO ministerial meeting in Cancun, Mexico, in September 2003. The negotiations are scheduled to conclude in 2005. The United States continues its efforts to address overfishing concurrently on other fronts in the FAO, regional fisheries management organizations, and other appropriate fora. □