



# United Nations Environment Programme

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ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

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## Workshop on the Impacts of Trade-Related Policies on Fisheries and Measures Required for their Sustainable Management Geneva, Switzerland 15 March 2002

### Chairman's Summary

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

11-13 Chemin des Anémones, CH-1219 Châtelaine, Geneva 10, Switzerland, Tel: +41.22.917.82.43; Fax: +41.22.917.80.76

E-mail: [etb@unep.ch](mailto:etb@unep.ch) URL: <http://www.unep.ch/etu>

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## 1. Introduction

- Overfishing of the world's marine resources is widely recognized as a growing threat to the sustainable management of the world's fisheries. According to the FAO report on the state of world fisheries (2000), 50% of world fishery resources are fully exploited, 15-18% are overexploited and 9-10% of stocks have been depleted or are recovering from depletion. Major interventions are required to restore stable stocks.
- The fisheries sector is of high importance to developing countries. Fish is a highly traded commodity: about one third of world production of fish is subject to trade. Trade liberalization in the fisheries sector, which increases the level of trade in fish and fish products, could be harmful to fish stocks in many areas. This is particularly the case if it occurs without compensating reforms in fisheries management systems to remove the perverse incentive of open access, common pool fisheries and without strengthening systems of monitoring and enforcement aimed at conserving fish stocks. If perverse incentives are removed, trade liberalization can however result in gains in economic welfare and development.
- In major fishing states, subsidies for new capacity (vessels and equipment) as well as operating support and access agreements to foreign fishing grounds secured by government payments have supported fishing efforts at levels significantly exceeding the reproductive capacity of local fish stocks. In the absence of appropriate management regimes, excessive government support policies and especially subsidies to the fishing industry have been shown to have a direct causal relationship with establishment or maintenance of overcapacity and depletion of fish stocks.

## 2. Aims of the workshop

- The workshop organized by UNEP in consultation with the WTO, FAO and OECD Secretariats, provided an open forum for participants from governments, intergovernmental and non-governmental organizations to address the impacts of trade-related policies on fisheries and discuss measures for sustainable fisheries management.
- The objectives of the workshop were to create a better understanding of the economic, environmental and related social effects of trade-related policies, including fisheries subsidies, and to explore approaches to reform current policies in order to contribute to the sustainable management of fisheries worldwide.
- The aim of the workshop was also to enable the transfer of substantive analysis and related discussions to the negotiations on fisheries subsidies that will take place in WTO Negotiating Group on Rules. As specified in the Doha Declaration these negotiations are an integral part of the overall mandate, and should be concluded by January 2005.
- The workshop was attended by about 80 participants, including 55 national trade and environment officials, representatives from intergovernmental organisations (WTO, OECD, FAO, UNCTAD APEC), the European Commission and about 20 NGOs.

## 3. National experiences

UNEP has conducted a number of country studies assessing the effects of trade and trade related policies on specific sectors. Recent studies focused on the fisheries sector in Argentina and Senegal. The studies revealed that developing countries which open their waters to foreign fishing fleets may lose more than they gain. Country research indicated clearly that the eventual costs, in terms of loss of income for local fishermen, environmental damage and the depletion of native fish stock can substantially outweigh the short-term financial gains generated from fishing agreements and foreign governments. In 2001, UNEP commissioned two more studies on the economic, environmental and related social effects of trade liberalization and trade-related policies, including fisheries subsidies, in Mauritania and Bangladesh. The objective of these projects is to help design reforms of current

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policies and to develop policy packages that contribute to the sustainable management of fisheries. The following results were presented:

- The presentation of the case study on Mauritania revealed that following trade liberalization, increasing exports primarily of octopus and shrimp were channelled to European and Japanese markets, with the fishing sector accounting for around 54% of foreign exchange inflows. Increased trade and overfishing have significantly depleted octopus and serranid stocks, which have significantly fallen in 15 years, while sawfish have disappeared. Local direct employment in the artisanal octopus fishery dropped from nearly 5000 to some 1800 between 1996 and 2001. The study pointed to international fishing agreements being one of the primary causes. For instance in the shrimps fishery, these agreements have given foreign fleets the possibility of using more fishery intensive equipment (e.g. smaller mesh size) and are directly competing for fish and markets for fish products with Mauritanian producers. The study concludes that strict safeguards must be in place before fishing activities and access for foreign fleets are increased.
- The case study of Bangladesh revealed that trade liberalization has resulted in significant fisheries production and export growth, accounting for 3.3% of GDP in 1999 and that production in 2001 provided employment to over 917,000 people. An assessment of the Bangladesh fishing sector showed that subsidies to fisheries production are negligible, and that current production is below the estimated sustainable yield, suggesting the sector is not overexploited and that there is strong potential for additional investment and development that would benefit the general public's welfare. The study, however, warned that failure to provide an effective, complementary management system along with increased production could easily result in unsustainable fishing practices and rapidly declining fish stocks.
- The Uganda case study demonstrated that exports from fisheries has grown from a value of US\$1.4 million in 1990 to US\$78 million in 2001, employing over 1 million people in fisheries and other down stream sectors. While the annual average of 220,000 m tonnes of harvested fish is below Uganda's estimated marginal sustainable yield of 330,000 m tonnes, some negative effects of trade liberalization and inadequate government policies are becoming increasingly apparent in terms of decrease of catches, diminished food supply for local populations, decline in biodiversity, as well as increased water pollution due to untreated effluents by the fish processing and other industries. Recent developments to establish sustainable fisheries management systems by implementing policy recommendations developed in the earlier UNEP project completed in 1999, coupled with certain government sponsored projects, have laid the groundwork for establishment of effective conservation measures. Their long-term success, however, will depend on adequate funding and effective government enforcement.
- A study presented by Japan compared the case of bluefin tuna catches in the Western Atlantic Ocean, which are effectively regulated through International Commission for the Conservation of Atlantic Tuna (ICCAT) quotas, and the case of bigeye tuna catches in the Indian Ocean. It revealed that decreasing stocks of bigeye tuna is primarily a result of increasing catches made by non-members of the Indian Ocean Tuna Commission (IOTC). The rise in catch was a result of increased demand for bigeye tuna on the Japanese market; the increased prices in dollars due to the appreciation of the yen; and stable domestic tuna prices as a result of the yen appreciation. In order to curb increasing tuna catches, it was seen as necessary to regulate non-members, but given the difficulty in enforcement, trade measures against non-members may be required to address the problem.

#### 4. Role of International Organisations

- The WTO Secretariat explained that following the Fourth WTO Ministerial Conference in Doha, Qatar, fisheries subsidies have for the first time been explicitly included in the negotiating agenda. Paragraph 28 of the Ministerial Declaration, which refers to negotiations in the area of

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WTO Rules, provides that "... participants shall also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries..." Fisheries subsidies will be discussed in the negotiating sub-group, but it is too early to speculate on precisely the form these negotiations will take. Fishery products may also figure in the market access negotiations that include all non-agricultural products.

- The FAO reported that the Committee on Fisheries (COFI) at its 24th session had recommended that the FAO's work on subsidies for fisheries be closely coordinated with and complementary to the work being carried out by other IGOs and that FAO should take a lead role in promoting such cooperation. Accordingly, a meeting of IGOs, organized by FAO in May 2001, identified opportunities for further collaboration. A follow-up meeting could possibly take place later this year. The second Expert Consultation on the use of fishery subsidies recommended by COFI will take place, tentatively, from 3 to 6 December 2002 and will be followed by a Government Technical Consultation. FAO is of the opinion that the work on disciplining the use of subsidies would benefit from a better empirical understanding of the magnitude and exact nature of the impacts of subsidies.
- The OECD presented as its main data sources for financial transfers the "Review of Fisheries in OECD countries" (published every second year), the OECD study "Transition to Responsible Fisheries: Economic and Policy Implications" published in 2000, and an ongoing study on market liberalisation. Whereas revenue enhancing transfers from government budgets, cost reducing transfers and general services (fisheries infrastructure, management and research cost) are included as categories of financial transfers, regional and local transfers, non-budgeted transfers (through provisions in the tax law) and market price support are not covered. OECD presented a theoretical framework for analyzing the effects of trade and market measures according to the type of management regime on the resource supply.
- ICTSD (International Centre for Trade and Sustainable Development) emphasized the potential "win-win-win" scenarios of addressing fishery subsidies and the possible need for a differentiated treatment of subsidies in developed and developing countries, as well as other areas that need to be explored in the context of development needs. Other trade-related issues also offered considerable potential for both development and the environment, especially those related to market access. Intensified NGO / IGO cooperation would be especially important given the potentially narrow negotiating mandate and short time frame for agreement at the WTO
- WWF called for an integrated and innovative approach to the negotiations, urging that the fishery negotiations under the WTO treat environment and development as primary objectives. An overly narrow focus on "trade distortions" would work against securing "win-win-win" outcomes. WWF emphasized that some fishery subsidies can be positive from environmental and development perspectives. The challenge is thus to separate "good" from "bad" subsidies in terms of their impact on sustainable resource management and sustainable development. Recalling the cross reference under paragraph 32 of the "Trade and Environment" section of the Doha Declaration, the need for more transparency was also underscored by WWF.
- In the following discussion, it was recommended that future activities in advancing toward international agreement on reforms of trade-related aspects of fisheries management policies should be based on enhanced collaboration between relevant international institutions such as the FAO, OECD, WTO, UNEP and the regional fisheries management organizations, in accordance with their relevant mandates, ongoing work programmes and expertise.

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## 5. Addressing Key Concerns

### Working definition of the term “subsidy” in the fishery sector

An important aspect of sustainable fisheries management is the issue of fisheries subsidies. Reaching an agreement on a working definition of “subsidies” is a necessary step toward bringing them under a discipline for both environmental and trade purposes. The workshop discussion highlighted the following considerations relating to the term “subsidy”:

- It is necessary to identify ways in which governments can provide more transparent information on the financial transfers they provide to the fisheries sector. WTO notification of subsidies is very patchy and incomplete, for both developed and developing countries. This is in part due to the absence of a clear definition of subsidies. Agreement on a working definition would improve transparency of subsidies by clarifying what categories of subsidies must be reported on by governments.
- The possibility of using the existing definition of “subsidy “ in the SCM Agreement was discussed. The SCM agreement defines a subsidy in specific terms as a "financial contribution provided by, or at the direction of, a government" that confers a "benefit" (WTO, 1995). It further specifies that, in order to be considered a subsidy, such a contribution has to involve one of the following: (i) direct transfer of funds or potential direct transfer of funds or liabilities; (ii) forgone or uncollected revenues that would otherwise be owed the government; (iii) provision of a good or service to a firm or industry other than general infrastructure; or (iv) any type of income or price support.
- Despite limitations of the existing definition, some participants suggested establishing sector-specific clarifications on this definition, e.g. by including indirect but explicit subsidies. Others felt that it will be difficult to establish such a clarification and referred to the failure at the Uruguay Round to reach a pluri-lateral agreement on sectoral definitions of subsidies. The focus should, however, be on subsidies that are identifiable. The options to include in the definition, the failure to charge the costs of fisheries management services to the fishing industry, or the failure by governments to enforce adequately sustainable fishing practices were considered by the majority of participants to be impractical.

### Linkages between subsidies, conditions of management and fish stocks

Appropriate criteria and methodologies for establishing linkages between subsidies, overcapacity and over-fishing are necessary to determine which subsidies are harmful to fisheries resources and which are not. There is general agreement on the importance of establishing a categorization of subsidies that reflect differences in their effects, taking into account that some government support measures can have positive social impacts. The following considerations regarding linkages were discussed:

- There is benefit in establishing parameters that include whether the fishery is open access, whether property rights have been allocated to fishers and the type of catch control that exists. The theoretical framework presented by the OECD Secretariat analyses the effects of trade and market measures according to the type of management regime on the resource supply.
- It was emphasized that subsidies are not the only cause of overfishing. Appropriate fisheries management regimes are also necessary to address this problem.
- Some participants expressed the view that explicit but indirect subsidies are often embedded in international fishing agreements which provide financial compensation for access of distant

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water fishing fleets of the country. Analysis of such agreements suggests that they could encourage and facilitate overfishing in the waters of developing countries. These subsidies are among those that might be prioritised for reform by the international community.

- Whereas identifying the linkages between subsidies, management and fish stocks will provide valuable general information, case-by-case approaches will be required in order to develop applicable local solutions.
- The difficulty of disentangling the impacts of subsidies and the impacts of management conditions, especially for an open-access resource, was highlighted. Questions were raised on the need – as well as the feasibility – of quantifying the effects of subsidies, as there is already quite conclusive research indicating that there are negative impacts that need to be addressed. More work should go into policy application questions rather than technical methodological work.
- It was emphasized that the discussion on fishery subsidies should not be limited to the negotiations in the WTO. Membership of and compliance with international and regional fisheries management agreements are equally important.

#### Special Treatment of Developing Countries

The particular conditions, needs and priorities of developing countries, and small-scale fisheries within them, must be taken into account in policy development. The following issues were addressed regarding special treatment of developing countries:

- Developing countries, and especially LDCs, need to be given special treatment with regard to subsidy reduction or elimination. This could take the form of allowing a multi-year phase out period for developing countries and a temporary and/or conditional exemption from disciplines on certain types of fisheries subsidies.
- It is important to distinguish between those fisheries and sectors that already suffer from overcapacity and those that could sustain greater exploitation. Developing countries' with fishing zones having still under-exploited fish stocks should be exempt from disciplines on fisheries subsidies that contribute to overcapacity, as long as the necessary policies for sustainable management and regular review of such exemptions are in place.
- Certain types of subsidies in developing countries going to small-scale, inshore or artisanal fishing fleets should be permitted. Subsidies oriented towards health, safety, food security and environmental objectives of local communities in developing countries, can make important contributions to their attaining social objectives, and sustainable development more generally.
- Programmes of capacity building for developing countries, in particular for artisanal fishing, would be very useful. Too often local fishing communities are both unaware of efficient practices as well as established "codes of conduct".
- A redirection of those financial support measures that lead to over-exploitation of fish stocks in developed countries towards fisheries infrastructure in developing countries, and especially LDCs, could enable them to exploit their valuable marine resources in a sustainable way.
- Donor funds must also be more closely tracked to ensure that they are appropriately channelled to enhance capacity for the sustainable management of fisheries, including better fishing practices, marketing, processing and complementary associated industries.

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## Other trade-related issues

Trade liberalization could result in overfishing if inefficient or ineffective fisheries management systems are in place. Regarding this issue, the following considerations were made:

- Addressing fisheries subsidies was emphasized as an area that could yield “win-win-win” scenarios (for trade, environment and development).
- It was emphasized that a holistic, integrated approach should be adopted in assessing the impacts of current policies of trade and fishing agreements on fisheries.
- There is a need to consider the local impacts of trade liberalization on developing countries and their national producers, which are frequently unable to compete in international markets and to better understand and recognize the effects of international trade and other macroeconomic factors, e.g. exchange rates, on fishermen. It was emphasized that the benefits of trade accrue often to exporters and are not always passed on to fishermen.
- Improved access of developing country processed fish products to developed country markets would contribute to the conservation of resources, reducing spoilage and waste of fresh fish products.
- While great value is derived from individual country studies, there remains a need to understand them in a global context taking into account varying levels of welfare and development.
- It was suggested that sustainable fisheries management and subsidies issues should also be looked at through the frameworks of multilateral environmental agreements, e.g. CITES.

## 6. Options to move forward

- Policy reforms should integrate environmental, social, economic and trade objectives to ensure long-term sustainability of entire fisheries resources and marine ecosystems, while minimizing negative social and economic impacts.
- The Fourth WTO Ministerial Conference held in Doha in November 2001 gave new impetus to this discussion by agreeing to clarify and improve disciplines on fisheries subsidies in the new round of negotiations. It is however important to recognize that the discussion and negotiations will benefit from the processes in other fora, including FAO, OECD and UNEP as well as work of NGOs and civil society.
- It was generally agreed that UNEP’s workshops provided an important forum to discuss trade and subsidies, and their environmental, economic and social effects, while also offering policy recommendations that together could provide input into inter-governmental discussions. UNEP was encouraged to continue such work.
- Further work addressing the linkages between trade, fisheries subsidies and fisheries resource sustainability would be useful to guide progress towards a potential reform of fisheries policies worldwide.
- It was suggested to bring in WTO officials responsible for administering the SCM Agreement together with fishery economists and environmental and social scientists to discuss, in particular, definitional difficulties with fishery subsidies. Regional work, bringing together trade negotiators to form positions on fisheries, was also proposed.
- In regard to trade-related issues in sustainable fisheries management, including fisheries subsidies, the need for further country studies and best-practice documents for impact assessments and development of policy packages was highlighted.

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- It was suggested that future studies in the fisheries sector should prioritise subsidies that are applied to open-access, unregulated and/or over-exploited fish stocks, which are considered to be more susceptible to negative effects from fisheries subsidies and have a clear effect on trade, resources supplies as well as the social and environmental side.
  - Future work, in both the form of case studies and further analytical work, will need to address the experiences of communities dependent on artisanal fishing, which in many countries are crucial elements of the local economy and culture, and have achieved sustainability. Differences between subsidies that have clear negative impacts on trade and sustainability and those that provide for local livelihoods and possibly have positive environmental and social impacts need to be clearly recognized.
  - An international forum or workshop focusing on formulating international policy for fisheries subsidy reform in developing countries would be helpful.

7. Final remarks:

- The Chairman explained that despite the obvious relevance of the topic, UNEP does not have observer status to General Council of the WTO or to the Special Session on WTO Rules in which negotiations on fishery subsidies are taking place. He also raised the issue of additional funding that will be required if UNEP is to continue its work on fishery subsidies.
- The meeting concluded with an expression of thanks to all participants and by acknowledging the financial support of the Packard Foundation and the Japan Seafood Import Consultative Group which also enabled broader developing country participation in the meeting.