Reforming Fisheries Subsidies

Maximizing the value of government investments in the fisheries sector through fact-based research and stakeholder dialogue
Reforming Fisheries Subsidies

THE ISSUE

Productive fisheries are vital to the livelihoods and food security of billions of people around the world. But the ability of our fisheries to provide jobs and nutrition is being threatened by an unprecedented crisis of overfishing and improper resource management. Fortunately, many governments and citizens in both developed and developing countries are becoming aware that something can and must be done. One key step is to ensure that when governments spend money on their fisheries sectors, they do so wisely and in ways that encourage healthy and profitable fisheries.

Today, governments around the world spend billions in support of their national fishing industries. Some of this public investment comes in the form of budgetary outlays for fisheries management, port infrastructure, and other public goods. But many governments also spend big money in direct subsidies to their fishing industries. In many cases—in both developed and developing countries—these fisheries subsidies are not well coordinated with resource management policies, or even with solid plans for economic and social development of the sector.

As a result, fisheries subsidies are often wasteful or counterproductive, contributing to excess fishing capacity and overfishing instead of strengthening long-term economic performance. In the globalized seafood marketplace, subsidies can also significantly distort competition, leading to unfair trade practices. In the past, these competitive imbalances have usually favoured wealthy developed countries. Increasingly, however, subsidies are distorting “South-South” competition, as emerging fishing powers race for fish stocks and export markets.

Subsidies reduce coastal developing countries’ ability to compete with subsidised foreign fleets often making it economically unviable for these countries to build up their own fishing industries. These impacts are particularly acute where distant water fishing fleets enter national waters under bilateral access agreements, out-competing national fishers and exploiting the coastal states’ resources often in the absence of adequate management and enforcement procedures.

Disciplining Fisheries Subsidies: An International Priority

Over the past 10 years, the reform of fisheries subsidies has steadily emerged as a priority international issue. At the 2002 World Summit on Sustainable Development in Johannesburg, the elimination of subsidies that drive overfishing was recognized as one of the top global priorities for achieving healthy oceans. And since 2005, negotiators at the World Trade Organization (WTO) have been working towards binding new international law to ban the most dangerous forms of fishery subsidies and to subject permissible fisheries subsidies to strict “sustainability criteria.”
Studies repeatedly reveal that national governments can benefit from careful review of their fisheries subsidies programmes and economic policies. The goal is not to eliminate subsidies, but to guarantee that they produce real and lasting benefits for fishing communities. Particularly where developing countries seek to strengthen their domestic fishing industries, it is critically important to link subsidies and other government expenditures with sustainable resource management and economic development strategies.

With a growing number of national governments beginning to review and reform their use of fisheries subsidies, WWF has launched a global project to support relevant research and encourage stakeholder dialogue. By working with governments, industry representatives, and local experts, WWF seeks to encourage fact-based, participatory approaches to improving the effectiveness of government spending in the fisheries sector.

**Integrated Policy Solutions**

Reforming subsidies doesn’t mean just cutting government handouts. Properly designed subsidies can play an important role in stimulating the transition to healthy and profitable fisheries. But this means examining not only the subsidies themselves, but also the surrounding resource management and economic context. Particularly when linked with innovative approaches – such as “rights-based management” to give fishermen a durable stake in the future of their fisheries – subsidies reform can be one part of the solution that integrates good science, good governance, and smart social policy.

**Asking the right questions**

To make the most of their expenditures in the fisheries sector, governments need to know the facts. Among the questions WWF can help policymakers answer are:

- What subsidies are currently being used domestically? Who is receiving them? Which fisheries are affected? What activities are being supported?

- How do current or planned subsidy programmes line up with national fisheries management goals and policies?

- What are the social and economic impacts of subsidy programmes? Are they maximizing welfare? Are they responding to the real needs of fishermen and fish workers?

- Are subsidies subject to adequate accountability and transparency? How can governments reduce administrative inefficiency and/or opportunities for corruption?

- How can subsidies and other economic policies be improved for the fisheries sector?
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The worldwide fisheries crisis

• Global marine catch peaked in 1996 at more than five times the catch in 1950.

• Fish stocks have been decreasing since 1974 and the Food and Agriculture Organization estimates that as much as 85 per cent of global marine stocks are now fully exploited, over-exploited or depleted1.

• The amount of large and valuable fish at the top of the food chain has dropped by 90 per cent since the onset of industrial fishing2.

Global production and trade

• Trade in fisheries is an important source of employment, income, food security and foreign currency for many coastal communities, particularly in many developing parts of the world.

• Fish exports give developing countries more hard currency earnings than exports of coffee, bananas, rubber, tea and rice combined.

• Today China remains by far the largest fish producing country with a production of 47.5 million tonnes in 2008 (32.7 and 14.8 million tonnes from aquaculture and capture fisheries respectively)3.

• Other major producing countries have been reporting regularly increasing catches in the last 10 years, despite well known cases of local overfishing and natural disasters4.

• Farmed seafood is increasingly meeting the demand for fish protein and humans now eat more farmed than wild seafood5.

• 44.9 million workers are employed in the fisheries and aquaculture sector globally, 95 per cent of whom are in the developing world6.

Reforming Fisheries Subsidies

Fisheries subsidies
• Worldwide fishing capacity is far above sustainable levels, yet subsidies are widely recognised to promote larger, more powerful fleets and to maintain or increase fishing effort when it would otherwise be unprofitable to do so.
• 60 per cent of global fisheries subsidies, or US$16 billion, support unsustainable fishing practices. These subsidies are equal to about 20 per cent of the value of total marine catch.7
• If properly designed, subsidies can have beneficial impacts such as financial support for improving fisheries management and research.
• Harmful subsidies such as financial support for boat construction and modernization and fuel equipment directly promote overfishing and overcapacity.
• Major subsidizing countries include Japan, the US and the EU. Developing countries are increasing their subsidies, often in an effort to create and operate fleets that reach stocks beyond overfished coastal waters.

The need for better fisheries management
• The World Bank estimates that marine fisheries could provide US $50 billion more in economic benefits each year if well managed.8
• Poor management and overcapitalization of fisheries are the drivers in depleting fish stocks, threatening the health, employment and prosperity of billions of people around the world that rely on fisheries for food and jobs.
• Transforming fisheries management from short-term exploitation to long term sustainability is essential for the economic and social well-being of communities around the world.
• Innovative tools like rights based management and fleet capacity reduction schemes nested with multi-annual management frameworks can address this problem and help maintain economically and ecologically viable fisheries.
• The key is reforming subsidies that expand capacity into support for effective fisheries management.

Mexico has witnessed a number of significant institutional changes since the nineties which have deeply influenced both the state of fisheries resources as well as the sector’s incomes. The key reform challenges faced by the Mexican fishing sector were the lack of institutional stability, a degree of legal uncertainty surrounding the sector, the disparate nature of the industry (ranging from a modernised commercial tuna and shrimp fleets to artisanal subsistence fleets) and the conflict between resource users. The reforms they undertook were successful in improving the institutional structure of the governance arrangements for the sector, coordination amongst government agencies and strengthening the legal framework surrounding the access of commercial fishers. The government also pushed better targeting of subsidies and vessel buyback programmes to help facilitate support for reforms. Although the vessel buyback programme did not resolve the conflict over resources between commercial and artisanal fleets, it did engender a momentum for reform and is expected to lead on to further reform efforts (OECD. Fisheries Policy Reform: National Experiences, 2011).
At the WTO, apart from finishing the work on fisheries subsidies as soon as possible in the Doha round of negotiations, there are positive opportunities to make a real difference even without further negotiations. These include:

- **Increasing transparency and reporting on fisheries subsidies:**
  - Specifying content of fisheries subsidies notifications to include information about sustainability conditions in affected fisheries.
  - Including a review of fisheries subsidies design, implementation and reform processes and outcomes in the Trade Policy Review Mechanism (TPRM) of individual WTO members.

- **Maintaining and increasing active involvement of the WTO Secretariat in technical assistance and capacity building activities,** especially in developing countries seeking to undertake subsidies reforms (see box below).

- **Promoting and participating in technical work to develop analysis of key issues, such as fuel subsidies in the fisheries sector.**

**Proposal for a new mechanism for technical assistance related to economic reforms to the fisheries sector**

Technical assistance can and should play an important role in global efforts to reform the use of fisheries subsidies and help improve fisheries management. WWF is working with the World Bank, FAO and the WTO to explore how such a mechanism can best be advanced to assist and build capacity to rationalise public investments in fisheries at the national level. The assistance, upon a country’s request, can include helping assess the current and potential performance of the fisheries sector, costing out reform pathways, helping generate advanced thinking on fisheries subsidies reforms and facilitating access to funding sources to undertake the reforms identified.

In the European Union – the ongoing policy reform taking place in the Common Fisheries Policy (2009-2012) and the preparations for the next EU Budget period (2014-2020) provide an unparalleled opportunity to reform EU fisheries subsidies which has far reaching ramifications not only for EU fishing fleets fishing in European waters but also beyond.
At the country/regional level - through a combination of policy relevant research, stakeholder capacity building, partnership with key local institutions and NGOs and local advocacy, WWF is engaged in tangible reform initiatives in national fisheries subsidies programmes and improved fisheries management practices linked to sectoral economic reforms.

These national subsidy reform projects are currently being undertaken in Brazil, China, Indonesia, Mexico, South Africa and several countries in the Western Indian Ocean such as Kenya, Tanzania, Mozambique, Madagascar, Mauritius, Seychelles and Comoros.

More specifically, in these Western Indian Ocean countries WWF along with local partners are undertaking analytical and advocacy work on the subsidies of foreign fleets operating in the Indian Ocean and their impact on the national fishing industries.

“Fisheries management is costly and difficult, consuming not only time but also human and scientific resources. But that should be no excuse for not requiring such management.”

Statement on the negotiation on fisheries subsidies in the WTO by the governments of Argentina, Chile, Colombia, Ecuador, Mexico and Peru (TN/RL/W/234) 17 July 2008
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WWF’S POSITION ON REFORMING FISHING SUBSIDIES IN THE WTO

New WTO rules should:

- Include a **broad prohibition on fisheries subsidies** that directly contribute to fishing capacity and effort

- Ensure that **subsidies not covered by the broad prohibition are subject to effective limits and conditions** that ensure subsidies will not be granted where fleets are larger than available fishing resources, where stocks are already subject to overfishing or where fisheries management does not meet minimum international norms. These limits and conditions will be particularly important in the case of developing countries which will be exempted from employing many of the subsidies that will fall under the broad prohibition. Meaningful disciplines must apply to all Members, particularly major subsidising countries, whether developed or developing.

- Put an **end to the dangerous lack of transparency** that characterises most subsidy programmes today by requiring governments to disclose the details of their fisheries subsidies and by making subsidy reporting obligations enforceable under the WTO law

Norway’s experience of undertaking a successful fisheries subsidies reform programme

The origins of Norway’s fisheries subsidies can be traced as far back as the 1920s when measures to increase economic efficiency and profitability were introduced as part of the country’s industrialisation policy. Subsidy measures included aid to vessel construction and modernisation, infrastructure, expansion into processing and price support. While varying in response to resource availability and market conditions, they trended upwards reaching a high point in the early 80s when they amounted to at least 70 per cent of the value landed in the industry. As in the case in many other countries, the economic crisis provided the impetus for reform.

While there was an increasing pressure on stocks, it was not until this was translated into severe impacts on the profitability of key fleet segments that the decision to undertake significant reform was made.

From the late 80s, a strong government-stakeholder collaboration undertook a sequential approach to implement a comprehensive structural adaptation and efficiency improvements which included phasing out of harmful subsidies over the years coupled with allocating rights with responsibilities, thus modernising the Norwegian fishing industry whilst maintaining coastal or regional development (UNEP. Fisheries Subsidies, Sustainable Development and the WTO, 2011).
Key documents on experiences of subsidy reforms undertaken in different parts of the world:


UNEP (2011) Fisheries Subsidies, Sustainable Development and the WTO. UN Environment Programme

http://go.worldbank.org/MGUTHSY7U0

http://wwf.panda.org/about_our_earth/all_publications/?107481/Smart-Investments-in-the-fishing-sector

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WWF is one of the world’s largest and most experienced independent conservation organizations, with over 5 million supporters and a global Network active in more than 100 countries.

WWF’s mission is to stop the degradation of the planet’s natural environment and to build a future in which humans live in harmony with nature, by: conserving the world’s biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

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The fisheries and aquaculture sector globally employs 44.9 million workers, 95 per cent of whom are in the developing world.

The World Bank estimates that economic losses in marine fisheries from poor management amount to US$50 billion annually.

Globally, fishing subsidies that lead to overfishing total about US$16 billion, equivalent to roughly 20 per cent of global marine catch.

The FAO estimates that as much as 85 per cent of global marine stocks are fully exploited, over-exploited or depleted.