

**SUBMISSION OF THE EUROPEAN COMMUNITIES TO THE  
NEGOTIATING GROUP ON RULES - FISHERIES SUBSIDIES**

**1. Introduction**

The European Communities have followed the discussion on this very important topic in the Negotiating Group on Rules with great interest. The Group has done much good work in highlighting the specific areas of concern on fisheries and indeed the position of most members in relation to these concerns. Perhaps not surprisingly, at this stage of the negotiations, less has been heard about specific solutions for the problems, which have been identified.

The purpose of this paper, therefore, is to take the process in the Rules Group further forward.

**2. The reform of the Community's Common Fisheries Policy**

In the course of the reform of its Common Fisheries Policy, the EC has made a clear choice to adjust the objectives of its fisheries policy to ensure a sustainable development in environmental, economic and social terms. This will be achieved, *inter alia*, through measures designed to ensure responsible and sustainable fisheries and aquaculture activities.

In this context, the EC has addressed the issue of overall fishing pressure (fishing effort) on the level of available resources, taking into account the social impact and the need to avoid overfishing. One of the outcomes of the reform process is the decision to take measures to reach a stable and lasting balance between the capacity of fishing fleets and the available resources.

Since this balance could only be achieved by capacity withdrawal, the Community measures for restructuring of the fleet will concentrate mainly on the scrapping of fishing vessels and the phasing out of public aid for fleet renewal by 31 December 2004. For the same reason, support measures for the equipment and modernization of fishing vessels are now limited to improve safety, product quality or working conditions or switch to more selective fishing techniques. However, such modernization must not increase the ability of the vessel to catch fish.

These policy adjustments have been made on the basis of the previous experience as regards the relationship between the effects of public aid on fishing capacity and the sustainable exploitation of fisheries resources.

**3. The problem of subsidies and overcapacity**

Overcapacity in the fisheries sector is one of the major factors that contribute to overexploitation of fisheries resources worldwide. This situation has become so serious that it constitutes a risk to the survival of several fish stocks. Over time, some types of subsidies have led to a considerable increase in fishing fleets both in terms of size and efficiency. We now face the situation where, for certain commercially important stocks, there is a complete mismatch between

fishing capacity and the amount of fish available. This has led to an excessive exploitation of these stocks, bringing them to dangerously low levels.

In particular, subsidies that encourage investment in fishing fleets not only work against the objective of achieving and maintaining fisheries resources at sustainable levels, they also produce negative economic effects in the fishing industry. These subsidies promote oversupply of capital by artificially reducing the costs and risks of investment. Public aid for the introduction of new fishing vessels also counteracts, reduces, or even removes the efficiency of subsidies destined to reduce the size of fishing fleets.

It is therefore evident that restoring and maintaining fisheries resources at sustainable levels will require that capacity enhancing subsidies are addressed directly to tackle the problem of overcapacity. The goal we must strive for is one which achieves a proper balance between all the various interests involved, be they environmental, economic or social.

Paragraph 28 of the Doha Ministerial Declaration, containing the mandate on, *inter alia*, clarification and improvement of disciplines on fisheries subsidies, makes an explicit reference to paragraph 31, on "Trade and the Environment". The "chapeau" of paragraph 31 reminds negotiators of one of the main aims of the negotiations, namely, to enhance "the mutual supportiveness of trade and the environment". Addressing those fisheries subsidies that have negative effects on fisheries resources will undoubtedly contribute to this objective.

These core principles are reflected in the Communities' new fisheries policy framework, adopted in December 2002. We strongly believe that these principles are universally applicable and should guide the Group when considering fisheries subsidy disciplines.

#### **4. The proposed solution**

WTO rules on fisheries subsidies should, as a matter of priority, be established in line with recognized subsidy disciplines under the Agreement on Subsidies and Countervailing Measures (ASCM). Below we set out the main pillars of future subsidy disciplines on fisheries as the EC envisages them.

##### *(i) Prohibition of capacity enhancing subsidies*

The following types of capacity enhancing subsidies should be prohibited:

- Subsidies for marine fishing fleet renewal (e.g. construction of vessels, increase in fishing capacity); and
- subsidies for the permanent transfer of fishing vessels to third countries, including through the creation of joint enterprises with third country partners.

The EC recognizes that a short transitional period could be needed to allow the fishing industry to adapt to the new situation.

##### *(ii) Permitted fisheries subsidies*

Certain types of subsidies, however, are necessary in order to achieve the objective of reducing fishing capacity, and to mitigate negative social and economic consequences of the restructuring of the fisheries sector. These subsidies should be clearly defined in order to ensure that they are not used to circumvent the prohibition of the capacity enhancing subsidies.

The Community proposes that the following categories of fisheries subsidies should be considered permitted and therefore non-actionable:

- Subsidies to support the retraining of fishermen, early retirement schemes and diversification.
- Limited subsidies for modernization of fishing vessels to improve safety, product quality or working conditions or to promote more environmentally friendly fishing methods. However, any such modernization must not increase the ability of the vessel to catch fish.
- Subsidies to fishermen and vessel owners who have to temporarily stop their fishing activity, when stoppages are due to unforeseeable circumstances such as natural disasters, or in the framework of tie-up schemes linked to permanent capacity reduction measures in the context of recovery plans for overexploited fish stocks.
- Subsidies for the scrapping of vessels and the withdrawal of capacity.

(iii) *Revision*

Provision should also be made for the review of these lists of “prohibited” and “permitted” subsidies, both in terms of their operation and to consider whether they should be modified to further advance the ultimate aim, which is to match capacity to the available fish and so contribute to the sustainable exploitation of fishery resources. In this respect, the work of relevant international organizations, such as the FAO and/or international fisheries management bodies, could be taken into account.

## **5. The question of resource management**

We have no doubt that introducing such rules on subsidies will eventually lead to a reduction in overcapacity, and therefore also to reduction in over fishing. It must be emphasized, however, that fisheries subsidies are not the only cause of all problems in the fisheries sector. Adequate management of fisheries resources is the crucial factor to ensure that fish stocks are sustainably exploited. The Community has recently taken considerable steps to improve management. A comprehensive plan has been drawn up which includes multi-annual catch targets per stock with a strong enforcement element to ensure compliance.

Several international organizations (UNEP, OECD and FAO) are currently dealing with the question of the interactions between fisheries subsidies and fisheries management regimes. This question is of importance as individual subsidies exist, for the most part, in the context of a fisheries management framework. However, the Community has some doubts whether the Negotiating Group on Rules is well equipped to deal with such questions or whether other fora would be more appropriate for this purpose.

## **6. Special treatment for developing countries**

The concerns of developing countries also need to be addressed in this context, and the ASCM should make specific provision for this. Whilst the Community is of the view that the benefits of encouraging the sustainable exploitation of fisheries resources are global, more needs to be done to allow developing country members to achieve legitimate development goals. The European Communities is prepared to engage constructively in drawing up rules in the context of Article 27 ASCM which take special account of the distinct needs of developing countries in fisheries.

## **7. Transparency**

Increased transparency is *a conditio sine qua non* to deal effectively with the problem of fisheries subsidies.

In various meetings of the Committee on Trade and Environment and of the Committee on Subsidies and Countervailing Measures, Members have expressed concern on the very low number and the quality of the notifications. Other intergovernmental organizations working on this subject consider that the lack of information is one of the elements that hampers the progress in analysing the magnitude and the impacts of these subsidies. Finally, civil society has also pointed to the lack of information on fisheries subsidies at the WTO because of the poor record of Members in this regard.

It is therefore essential that improved transparency becomes one of the main objectives and outcomes of these negotiations.

To this end, the Community proposes that, *inter alia*, the following improvements to the present notification rules should be made:

- A subsidy programme meeting the terms of the “Permitted” subsidies would have to be notified to the WTO Committee on Subsidies and Countervailing Measures to fully qualify for this category.
- The Secretariat could keep a “scoreboard” of notifications per Member and per type of programmes. This “scoreboard” could be made publicly available.

## **8. Conclusion**

Strengthened rules on subsidies to fisheries are important to ensure sustainable development and a level playing field in the fisheries sector. As with most sector-specific subsidies, those given to fisheries have over time created overcapacity in the industry. This overcapacity has resulted, in many cases, in a mismatch between fishing capacity and available resources. Therefore, capacity enhancing subsidies should be prohibited after a short transitional period. This will lead to a reduction of fishing pressure and create conditions for environmentally, economically and socially sound fisheries and, thus, for the sustainability of the fisheries sector.

---