

**KOREA'S COMMENTS ON THE SUBMISSION FROM
THE UNITED STATES (TN/RL/W/77)**

Submission from Korea

The following communication, dated 4 May 2003, has been received from the Permanent Mission of Korea.

1. At the last session (March 2003) of the Negotiating Group on Rules, the United States made a submission on the possible categorization and strengthened disciplines on fisheries subsidies. Korea wishes to make some comments in relation to this from the reflection on the status of the negotiation on fisheries subsidies.

2. With regard to the objective of the negotiation, the United States emphasized that it should be "to provide better disciplines on government programmes that promote overcapacity and overfishing, or have *other* trade-distorting effects."*[emphasis added]* As a caveat, Korea is not convinced that the mandate from the Doha ministerial – the clarification and improvement of WTO rules - has developed to warrant such goal. Aside from that, we would like to take note that the United States is correct in that this group should deal with trade-distorting effects, whatever the sub-topics are, be it overcapacity or overfishing.

3. The main thrust in the US paper, Korea perceives, is the introduction of a traffic light system, similar to that of the current SCM Agreement.

- (a) First, we would like to point out that this kind of suggestion is bypassing several important preliminary steps. Korea has raised a number of basic questions that are pre-requisites for advancing the negotiations, among others, whether fisheries subsidies cause resource depletion, whether it is particularly difficult to address the trade-distorting effects of fisheries subsidies by the current SCM Agreement, and whether and why we need a special classification scheme for fisheries subsidies only.¹ We do not believe that the answers to these questions were satisfactorily

¹ Other relevant questions include:

- Did Doha Ministerial Declaration mandate a sectoral approach for fisheries subsidies?
- Is the heterogeneous nature unique to fisheries?
- Is it difficult to identify "like products" for fisheries?
- Does the "economic structure" of fisheries industry make price effects of subsidies difficult to estimate?
- Is it difficult to estimate the "reference price" for fisheries products?
- Is it proper to discuss the environmental aspects of fisheries subsidies in the rules negotiation group?
- Are fisheries resources shared resources?
- Do fisheries subsidies limit non-subsidized participants' access to shared fisheries resources?

provided during the discussions thus far. The US approach is based on the unproven assumption that all these issues were resolved. Looking ahead without clearing these basic issues is as dangerous as building a structure on flawed foundation.

- (b) Second, the US classification method takes an odd approach that is deviated from the usual rule-making practice in the international trade area. Apparently, the United States borrowed the idea of traffic light system from the current SCM Agreement or the Agriculture Agreement. Members should note that the WTO Agreements are, after all, nothing but trade agreements. The criteria of the traffic light system of the WTO Agreements are trade-distorting effects of subsidies. Although the classification scheme envisaged by the United States appears to conform to the existing system, it has a mixed use of trade effects and environmental effects in the criteria of the classification. We reckon that this confusion has arisen from the problem that the negotiations on fisheries subsidies lack proper principles and definitions, which Korea has been arguing for the need to establish.

4. Lastly, Korea agrees with the United States that this negotiating group should explore ways to draw upon information from other organizations including FAO. Although the United States did not elaborate why, we believe it is due to the fact that this negotiating group is not equipped with necessary expertise in fisheries and accumulation of relevant researches. Therefore, we further view that discussion on resource depletion in an environmental aspect, in particular, is out of the scope of this group's work. The WTO is simply not the place to lay the ground work for the environmental effect of subsidies, nor can it responsibly create and enforce adequate disciplines on the subject.
