

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Elimination of Trade Distorting and Environmentally
Damaging Subsidies in the Fisheries Sector

Communication from New Zealand

The following communication, dated 27 July 1999, has been received from the Permanent Mission of New Zealand.

Proposal

1. That, as part of the upcoming negotiations, a work programme should be initiated to develop WTO commitments and disciplines directed at the elimination of subsidies that distort trade in fish products and impact adversely on the conservation and sustainability of global fish stocks. Action in this regard would have important trade, environment and broader sustainable development benefits.

Background

2. World's fisheries are facing a crisis, with the main reason being overfishing in the absence of effective fisheries management regimes. The immediate cause of the problem is fishing effort far in excess of what the resource can sustain. The underlying factors are excess capacity, government transfers which encourage excessive investment and effort, and the absence of effective management regimes.

3. With developing countries accounting for over half of world trade in fish and fish products, subsidies in this sector have an impact not only on the environment but also on development and trade. This is an issue the WTO must address in the new negotiations to be launched at Seattle. In this regard New Zealand welcomes the proposal from Iceland contained in WT/GC/W/229.

4. Subsidies have been identified as a major cause of excess fishing capacity.¹ Many studies undertaken over the last decade have confirmed and clarified this linkage. The linkage is direct and clear. Subsidies of various types have encouraged investment in fishing industries. This has taken capacity beyond levels that fish stocks can sustain. There are now "more fishing vessels which are more powerful and able to make larger catches".² Pressures to achieve a return on this investment have, together with operating subsidies, encouraged excessive effort. Subsidies prop up the

¹ FAO, Fisheries Department, *Marine Fisheries and the Law of the Sea: A Decade of Change*, 1993.

² Downes and Van Dyke, *Fisheries Conservation and Trade Rules: Ensuring that Trade Law Promotes Sustainable Fisheries*, Greenpeace and CIEL, 1998.

profitability of fishing fleets that would otherwise not be economically viable while at the same time undermining global efforts to move to a more environmentally sustainable regime.³

5. The scale of the subsidies going into fishing industries is immense and explains why pressures on fish stocks have become so acute. A study published recently by the World Bank has estimated that a total of US\$14-20 billion of subsidies are being granted each year to the fisheries sector, with at least half of this amount provided by OECD countries alone.⁴ These subsidies represent 20-25 per cent of fisheries revenues. According to the World Bank analysis, environmental subsidies account for at most 5 per cent of all subsidies provided worldwide in this sector.

6. The fact that fish is such a heavily traded commodity means that the nature and scale of subsidies in this sector present a number of important issues for the multilateral trading system. In particular:

- Subsidies offered by industrial nations have a large and distortionary impact on this trade.
- The environmental impact of overcapacity and heavy overfishing which are driven by trade-distorting interventions is an important issue in terms of trade and environment principles.
- Subsidised fishing by wealthier nations limits the ability of developing countries to develop their own sustainable fishing industries with the benefit of full access to markets and true market prices. Corrective action is necessary in order to restore productivity of these industries.⁵

7. The problem of overfishing has attracted close scrutiny in a range of international fora, including the FAO, CSD, OECD, UNEP, UNCTAD and APEC. The Rome Declaration adopted by the FAO Ministerial Meeting on Fisheries in March 1999 highlighted the concern that so many of the world's major marine fishery resources were subject to overfishing, destructive and wasteful fishing practices and excess capacity, resulting in reduced yields and economic returns. There was extended debate this year in the Commission on Sustainable Development on the specific issue of subsidies to fishing industries. The OECD Ministerial Meeting in Paris in May 1999 called for further examination of the impacts of government financial transfers on fishery resource sustainability, including over-fishing.

8. Within the WTO, the issue of subsidies in the fisheries sector has in recent years attracted close attention in the Committee on Trade and Environment. In 1998 the Secretariat produced, at the Committee's request, a detailed paper which describes existing WTO rules and offers an overview of fishing industry subsidies notified under Article 25 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement).⁶ As agreed at the Committee's June 1999 session, this paper is currently being further updated. It is, however, becoming increasingly apparent that notwithstanding the important developments in disciplining subsidies agreed during the Uruguay Round in the SCM Agreement, the ongoing use of various fisheries related subsidies on a significant scale continues to pose a significant threat to sustainable development, given the trade distorting and environmentally damaging effects arising from such measures. The Seattle Ministerial offers an excellent opportunity to address this situation.

³ WWF's Endangered Seas Campaign, *Subsidies and Depletion of World Fisheries: Case Studies*, April 1997.

⁴ Earlier studies by the FAO concluded that subsidy levels were probably higher than this.

⁵ Steenblik and Munro, *Current International Work on Subsidies in Fisheries: A Survey*, October 1998.

⁶ WT/CTE/W/80 of 9 March 1998.

9. The WTO has a clear mandate to address trade-distorting measures, such as subsidies, and an expertise for elaborating disciplines in this area. Accordingly, in the context of the negotiations launched at Seattle, and taking account of activities in FAO and other relevant international fora, the WTO should work to build on existing disciplines by developing specific commitments aimed at securing elimination of fish subsidies that distort trade and impact adversely on the conservation and sustainability of global fish stocks.
