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An Assessment of Fishing Vessel Capacity on Subsidies, Non-Tariff Measures, and Sustainable Development Goals

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Introduction

- Fish is an important commodity that is traded globally and more than one billion people (at least partly) depend on producing, processing and trading fish for their livelihood **(FAO,2016)**
- The developing countries captures a greater share of the fisheries market as compared to the developed economies.
- For these countries, fish is not just used for human consumption but also adds to the **upstream** and **downstream values**.(**Kumar, 2017**).
- There is also a growing concern about the depletion of fisheries resources- World Bank (2017) that catches from illegal and unreported and accounted for as much as \$23.5 billion annually.

Cont.

- In relation to this, the goal of **SDGs 14.6** states that by 2020 members should prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing and also provide the effective special and differential treatment for developing and least developed (UNCC, 2015).
- In tandem with this, in 2017 in the 11th WTO MCC, members had agreed to work **towards a work programme** by 2019.
- Further, WTO has developed a consolidated text, where the members need to assess in order to ensure outcomes of the fisheries subsidies and it must be balanced and provide **equal policy** space for the developing countries too.

Fishery Subsidies-WTO Negotiations

- 2001- Trade and environment section of **Doha Negotiation**: Fisheries Subsidies rules were included.
- 2005 – **Hong Kong Ministerial Conference** –prohibition of certain forms of fisheries subsidies that contribute to overcapacity and overfishing must reduce or eliminated
- 2016: **SDG 14.6**
- 2017: **Mandates plus SDG 14.6**
- 2018: MC11: **No outcome**, but members agreed to work towards work programme with at least possible conclusion in 2019.
- 2019- **I don't know what will be the outcome.**

Subsidies and MTS

- Agreement on Subsidies and Countervailing Measures (ASCM), **Article 1 provides** three conditions for prohibition of a subsidy.
- **Financial contribution-**
 - (i) direct transfer of funds (such as grants, loans and equity infusion), potential direct transfer of funds or liabilities (such as loan guarantees);
 - (ii) government revenue that is forgone or not collected.
 - (iii) goods or services provided by the government, other than general infrastructure.

Some WTO Proposals

- EU (i) Subsidies that increase marine fishing capacity of a vessel or support
- (ii) subsidies that support the construction of fishing vessels
- (iii) subsidies for the transfer of fishing vessels to other countries through the creation of joint venture.
- **NZ, Iceland and Pakistan-**
- (i) IUU, fishing activities where stocks are not assessed or are assessed as overfished
- (ii) fishing activities on the high seas and waters of another member.

Comparative of Agriculture and Fisheries Subsidies Negotiation

Comparative	Agriculture	Fisheries
Feature	Resource: Input Material	Resource: Input Material
Subsidies Application	DS, FS Green, Blue and Amber Box Shifting	MA and Specific Subsidies ASCM
NTBs	SPS, TBT, Private Standards, Organic Certification for Exports Domestic level standards (Limited demand for Mutual Recognition).	CMM for Resource Extraction NTM for Exports including Catch Certification and Private Standards e.g MSC
Value Addition	Yes	Yes
Demand	Inelastic	Inelastic
Box Shifting	Occurred Policy space for Developed Countries	Attempts to apply the same with disciplines of Specifics and not on non-specifics
International Organization	Standard Setting Body, IPPC, Animal Health, FAO	None, but proposals seem to move in the direction of RFMO discussions, FAO role etc.

Assessment of Subsidies as Trade Policy Tool

Focus of the Study

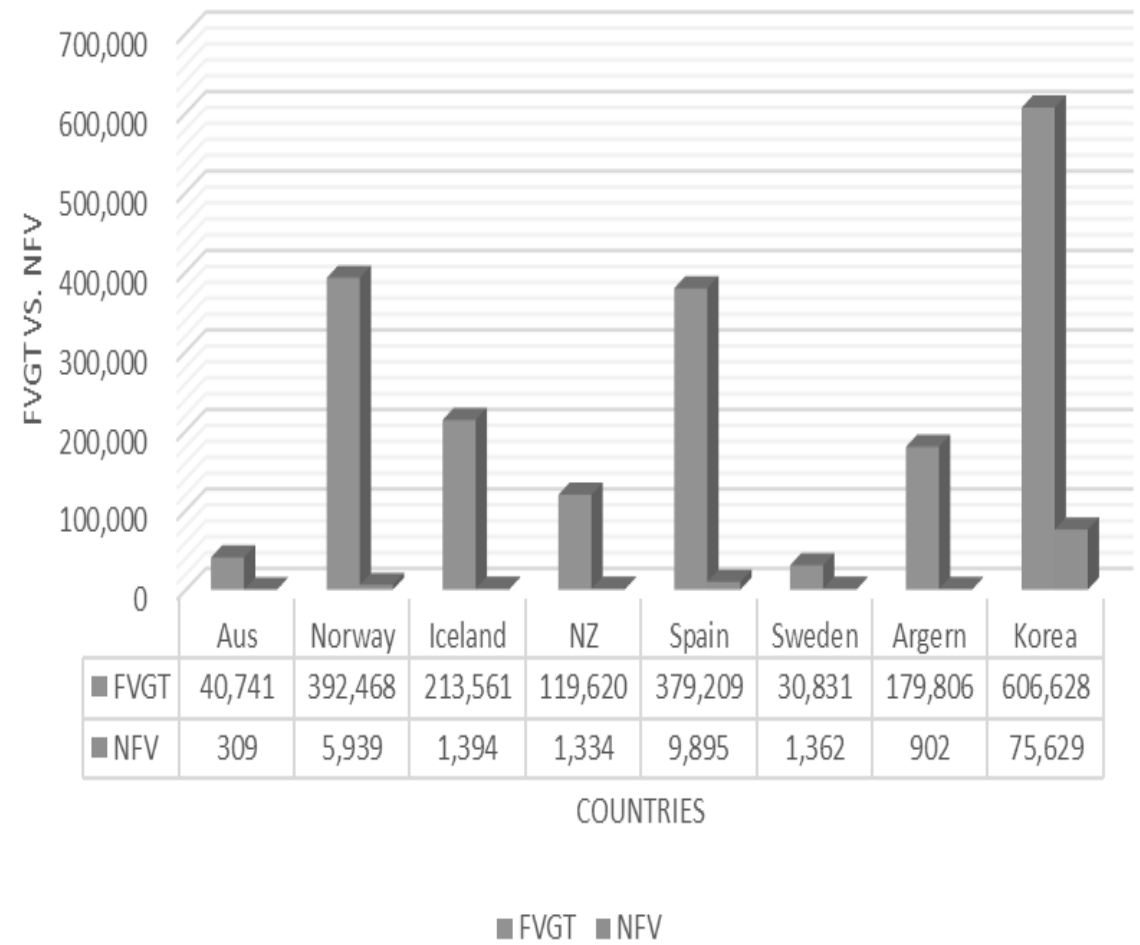
- Members have been discussions on fisheries subsidies in relation to IUU, Overfishing and Overcapacity (SDG 14.6 and WTO mandates).
- However, the paper aims to assess the impact of vessel capacity on fisheries subsidies and NTMs as well as other important areas.
- Method used: Panel Data Analysis using the OECD countries.
- **Why the OECD:** Most of the ambitious proposals are from these member countries. Also the friends of fish group initially proposed disciplines on fisheries subsidies negotiations in 2001.
- Furthermore, these countries have vessel capacity to fish in the oceans.

Demand for Fish Resource Extraction

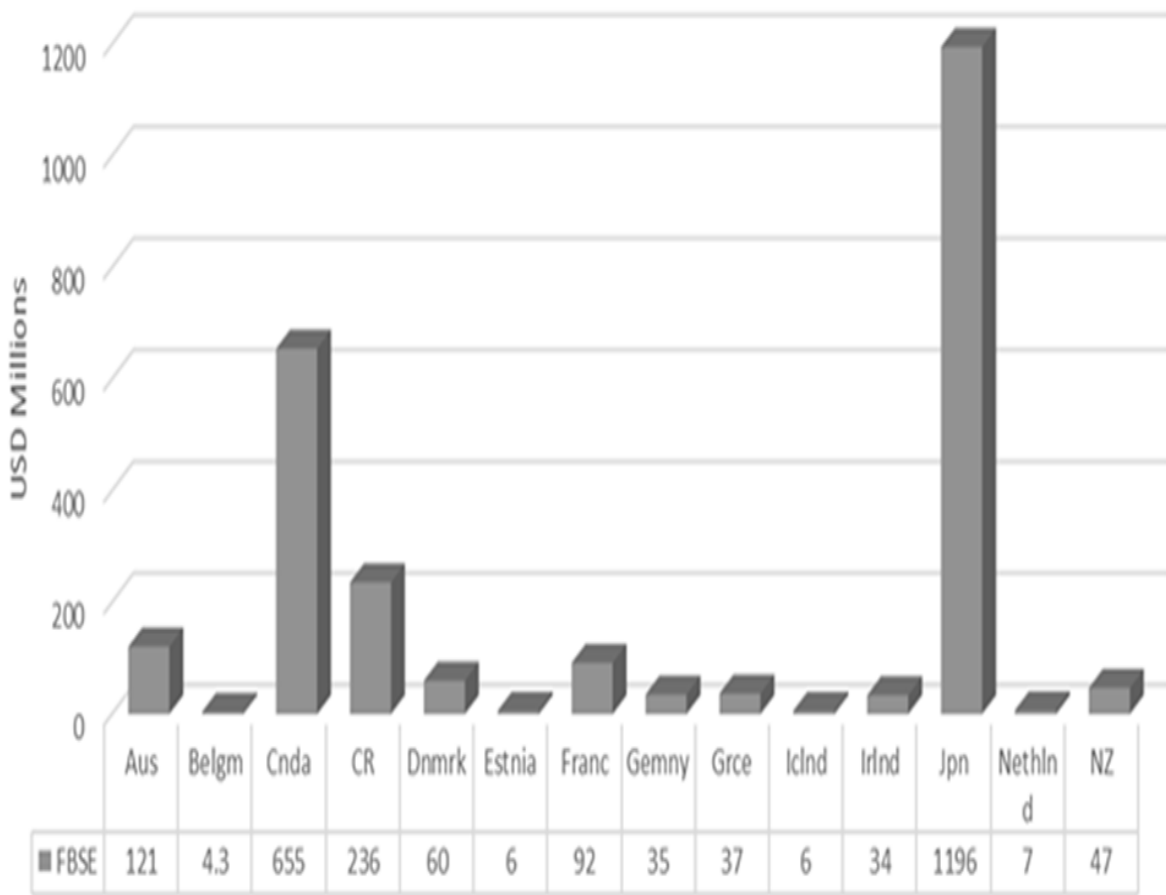
- The capacity of fishing vessels in selected developed countries measured in **gross tonnage**- the greater the number of vessel with higher gross tonnage owned by a country, the greater the capacity to extract fisheries resources (i.e. demand for license to fish).
- The higher the **budgetary support to the fisheries sector**, the greater is the assistance provided for the development of the sector, and thus the greater is the demand for the fish resources.
- The more advanced the fishing technologies owned by countries, the greater the demand for the fish resources.

Demand for Fish Resource Extraction

Fishing Vessel Capacity by Country



Fisheries Budgetry Support Estimate



Findings & Policy Implications - Subsidies and Vessel Capacity

- Our study shows that both direct and **indirect subsidies** do contribute to the FVGT of these countries.
- Only the selected countries with high vessel capacity will be dominant players in the market with the retention of indirect subsidies.
- “As a result, the overall effect of the SDGs will be derailed when assessed in terms of food security and poverty alleviation and elimination of fisheries subsidies in 2030” (Kumar et al., 2018).
- Hence, focus must on strong discipline for direct and indirect subsidies on those countries that have high vessel capacity, as opposed to other areas which are not in the jurisdiction of the WTO such as “**fish stocks in overfished conditions**”.

On Overcapacity and Exports

- The correlation is negative- developed countries with high vessel capacity may catch the fish, but it would be for domestic consumption. Additional demand met by imports from developing countries.
- The some of the proponents are strongly advocating for generally accepted standards, which could even lead to acceptance of private standards for sustainability and product certifications
- These standards may be **used as a disguise to impede imports from developing countries.**
- Given that most fish caught by the domestic vessels are for the domestic market, the imposition of strict private standards would be a way to protect its own national interests.
- Hence, recognizing the SDG 14.6, members must ensure that any fisheries environmental standards do not become a disguised restriction to fisheries trade from developing countries.

Overcapacity and National Landing on Domestic Ports

- As the vessel capacity increases the national landing on domestic ports decreases.
- This could be because most of the catch may be landed into foreign ports of other countries as these vessels are from distant water fishing nations, or joint venture processing and FDI in other countries, or perhaps the Port landing charges and fees may be lower in foreign ports.
- Some members are demanding that in order for the developing countries to grant or maintain fisheries subsidies, apart from other standards, the developing countries must adhere to the **Port State Measures Agreement (PSMA)**.
- Members in the negotiations should therefore discuss the implications of a uniform application of Port Standards and disciplines on fisheries subsidies and the burden of such implementation on developing countries in particular the LDCs.
- The developing and LDCs that earn revenue from Port landing and processing of raw fish into value added products would be severely affected.

Vessel Capacity and NTMs

- The relationship is negative. Because as these countries have high vessel capacity, the cost of compliance for the NTMs is thus low.
- Secondly, the NTMs are related to onshore processing as opposed to that of fisheries resource extraction.
- The cost of compliance for these countries is relatively low in relation to the large vessel capacity and cost per unit of catch if they remove the onshore subsidies.
- This would result in imposition of **supply chain certification**. “At present the EU and the US impose unilateral measures in relation to IUU.

NTMs and SDGs

- Negative relationship between VC and NTMs
- Because as the onshore processing and exports of fisheries in the developed countries increase, with high returns on exports, at firm level the cost of compliance for NTMs is low.
- However, for developing countries, with low vessel capacity, the removal of fisheries subsidies would deter the fishermen from these countries to fish.
- The cost of compliance for NTMs for these developing countries is likely to be high at individual firm level.
- As an outcome, this will lead to adverse effect on **food security and poverty alleviation** thus affecting the attainment of SDGs by 2030. (Kumar et al., 2018).

Vessel Capacity & PHT (post-harvest technology)

- Negative relationship. This is because the PHT is linked to onshore processing and exports.
- Demanding for disciplines on fisheries related activities including onshore activities.
- Countries with high vessel capacities would be the ones that would be able to minimize the cost from the harvesting processes.
- However, for developing and LDCs, this would further add the burden of additional marginal cost and investment.
- However, as a **special and differential treatment provision, technology transfer** is a critical element in creating a balance of social sustainability for these countries.

Remarks

- Fisheries subsidies negotiations is complex.
- A direct elimination of fisheries subsidies will not have the desired outcome of achieving the SDGs.
- The major producers of marine capture are LCDs and Developing countries.
- The developed countries with the large fishing capacity need to reduce its fishing capacity which can then be allocated or transferred to the developing countries with the priority given to LDCs.
- Technology transfer in fish and aquaculture harvesting and processing should be prioritized. Such **technologies are required to address the concerns of the export standards** in the fishing sector largely(Kumar et al., 2019).
- The PSMA can also be coined as a standard measure in the form of a non-tariff measure for port standards.

- Thank you for your patience.