



Can the WTO Reach a Deal on Banning Subsidies That Lead to Overfishing?

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Since 2001, member states of the World Trade Organization have held on-and-off negotiations on an agreement to end harmful subsidies to fisheries (https://www.wto.org/english/tratop_e/rulesneg_e/fish_e/fish_e.htm) that are contributing to the depletion of fish stocks around the world. The United Nations Food and Agriculture Organization estimates that in 2015, only two-thirds of the world's fish stocks were being harvested at sustainable levels, down from 90 percent in 1974. Although the WTO is close to an agreement, it won't meet a year-end deadline (<https://news.bloombergtax.com/international-trade/wto-punts-fisheries-deadline-to-2020-ministerial-conference>) proposed by the U.N. In an email interview with WPR, Daniel Skerrett, a postdoctoral research fellow with the Fisheries Economics Research Unit at the University of British Columbia's Institute for the Oceans and Fisheries, discusses how fisheries subsidies contribute to overfishing and why talks at the WTO have gone on for nearly two decades.



A protest against overfishing organized by the World Wildlife Fund, Brussels, Belgium, May 13, 2013 (AP photo by Geert Vanden Wijngaert).

World Politics Review: How much of an impact are fisheries subsidies having on the depletion of fish stocks around the world? What countries are the worst offenders?

Daniel Skerrett: The precise causes of overfishing are complex, with multiple pressures from climate change and marine pollution all contributing. But fundamentally, overfishing is the result of too many vessels catching too many fish. This is where the issue of fisheries subsidies comes in. Subsidies that artificially increase revenues or reduce costs allow fishers to make more profits than usual, which allows them to maintain levels of fishing above what is biologically and economically sustainable, which in turn motivates further investment in fishing capacity and incentivizes overfishing. Subsidies that lead to this perverse situation are considered “capacity-enhancing.” While it is difficult to discern the direct impact of capacity-enhancing subsidies on the depletion of fish stocks, it is clear that they provide the financial stimulus that makes overcapacity and overfishing more common.

Global fisheries subsidies totaled around \$35 billion in 2018, according to our research (<https://www.sciencedirect.com/science/article/pii/S0308597X19303677>), with capacity-enhancing subsidies contributing 63 percent of that sum. We used to look mainly at the “big five” contributors: China, the European Union, the United States, Japan and Russia. However, according to our updated estimates, this list should now include South Korea and Thailand. This “big seven” together provide over \$23 billion in subsidies annually—more than 65 percent of the global total.

This should come as no surprise, considering that they have vast fishing fleets and land huge amounts of fish. When their contributions to fisheries subsidies are adjusted to account for their large annual fishing hauls, their ranking among the world's "worst offenders" becomes less clear-cut. As such, it is important to look beyond the worst offenders in terms of absolute amounts of subsidies provided.

WPR: Why are some countries so reluctant to end this practice?

Skerritt: There are four well-trodden arguments in favor of fishing subsidies, all of which have been systematically rebutted by scientists.

Capacity-enhancing subsidies are needed to allow small players to compete with large fishing entities. This argument is fallacious because the playing field is too uneven to rectify through more subsidization. China alone provides \$7 billion in subsidies annually—more than the entire GDP of some small island states, like Barbados or the Maldives. Smaller nations simply cannot outspend a country like China, and trying to do so will lead to everyone losing. To truly level the playing field, agreements are needed that curtail capacity-enhancing subsidies.

These subsidies are important for alleviating poverty. This argument is self-defeating for several reasons. First, capacity-enhancing subsidies support overfishing, thereby eroding the resources that coastal communities depend on and actually exacerbating poverty. Removing these subsidies could result in more profitable fisheries. Second, fuel subsidies—the most common capacity-enhancing subsidy—are highly inefficient. Based on one estimate by the OECD, for every dollar spent on these subsidies, there is only a 10-cent increase in fisher income (https://www.oecd-ilibrary.org/agriculture-and-food/relative-effects-of-fisheries-support-policies_bd9b0dc3-en). Third, subsidies mainly support large-scale fleets in developed nations, not the small-scale fishers that support more livelihoods and ultimately provide more food worldwide.

Overfishing only affects national interests, so an international agreement to curtail subsidies is unnecessary. Many fish stocks are transboundary—they swim through multiple jurisdictions. International cooperation is therefore essential for their management. Furthermore, subsidies are mostly provided to large-scale industrial fleets that may operate across the world's oceans, including on the high seas. The effect of subsidies is therefore not restricted to the territorial waters of the providing governments.

A strong agreement is undesirable because further subsidies may be needed for potential future fishing expansion.

Given that more than 90 percent of the world's fish stocks are fully exploited or overexploited, it is unlikely that there is scope for expansion. In any case, if expansion does prove necessary, investment should come from the fishing sector itself—not from public funds.

WPR: What is the current status of negotiations at the WTO on an agreement to end harmful fisheries subsidies?

What are the prospects for an agreement being reached by the end of this year, the deadline set by the U.N.?

Skerritt: In December 2017, the WTO renewed its commitment to negotiate comprehensive and effective "disciplines," or rules that can be enforced to penalize members for harmful fisheries subsidies. Although negotiations had been ongoing since 2001, an ambitious deadline was set for the end of 2019. These negotiations aim to strike a balance between development and sustainability concerns, specifically the biological sustainability of fish stocks. This is what makes these negotiations so complex: The WTO is seeking agreement on biological effects, not trade effects. As such, existing rules and frameworks do not fully address the problem.

In November 2018, various proposals were synthesized into a single document that now guides negotiations at the regional and sub-regional level. The proposals vary in their ambition, from creating disciplines for subsidies provided to vessels involved in illegal, unregulated and unreported fishing, to the complete elimination of all harmful subsidies. Meaningful proposals and amendments have been filed throughout 2019, but, with the deadline fast approaching, some members are already talking about June 2020—when a meeting is scheduled of the Ministerial Conference, the WTO's highest-level decision-making body—as a more realistic deadline. Fundamental differences remain in many areas of the negotiations, so there is a lot of work yet to do before an agreement can be reached.

Negotiators have apparently made progress on rules for subsidies provided to illegal, unregulated and unreported fishing, and on subsidies for fishing overfished stocks. So having an agreement in place for those two issues by the end of this year, along with an outline of further rules to be decided at the 2020 Ministerial Conference, may be the best outcome we can expect. Failure to reach an agreement would be a huge setback for the WTO, calling in to question its broader ability to forge consensus on other multilateral issues going forward.

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