

Current Use of Fish Subsidies

Trade and environmental
Implications

Introduction

- Colin Christy's 1992 estimate of \$52 b annually
- In theory
 - subsidies distort pricing mechanism
 - impact profitability
 - affect trade patterns
 - encourage over exploitation
 - make outcomes of open-access worse

International Concerns

- Production from capture fisheries leveling off
- In 1996 major stocks:
 - 44% fully exploited
 - 16 % over-fished
 - 6 % depleted and 3% recovering

International Concerns ...

- About 40% enters international trade
- Volume trebled since mid-1970s
- Export value of some US\$52 b
- Value of developing nations exports increased four-fold 1985-95
- Developing nations net trade surplus is about US \$17 b
- Trade important to both developed and developing countries

International Concerns...

- Little disagreement over subsidies leading to
 - stock depletion
 - unsustainable level of effort
- Move away from generic to specifics
 - policy tool to remove capacity
 - instrument to provide emp. and food security
 - “good” subsidies
 - governance of fisheries, etc

International Concerns ...

- Causation not yet established
 - impact on trade
 - depletion of stocks
- Submissions to WTO CTE
 - Iceland
 - principal contributor to over capacity
 - distort trade
 - serious environmental implications

International Concerns ...

- New Zealand
 - distortionary impact of trade
 - environmental impacts of excess capacity
 - limits ability of developing nations to develop
 - As % TLV: EU21% , Japan 32% and USA 27%
 - Variability across categories (% of total):
 - budgeted (1-26%)
 - unbudgeted (1-15%)
 - cross sectoral (2-61%)
 - resource rent (5-61%)
 - conservation (1-9%)

International Concerns ...

- United States
 - No doubt subsidies distort trade
 - Unsubsidized fleets at comparative disadvantage
 - Impacts have not been carefully studied and quantified
 - Worst environmental impacts in open-access fisheries

Economic Frameworks

- Generally a good range of models
- Simple models have been used to illustrate adverse impacts
- More “reality” leads to ambiguous results
- No lack of models for empirical work
- Obvious potential to apply econometric methods

Contemporary Studies

- Milazzo:
 - First comprehensive attempt
 - Budget subsidies (US\$3.5 b - 4.5 b)
 - Unbudgeted subsidies (US\$6.0 - 7.0 b)
 - Cross-sectoral subsidies (\$US 1.5 - 2.0 b)
 - Resource rent subsidies (\$US 3.0 - 7.0)
 - Total (US\$ 14.0 - 20.5 b) or 17 - 25% landed value
- Market price support & trade not included

Contemporary Studies ...

- OECD:
 - Comprehensive survey
 - Direct payments, cost reducing transfers, general services
 - Transfers in OECD countries 1997
 - Total US \$6.3 b (0.7 b direct payments), (0.7 b cost reducing), (4.9 b general services)
 - as % total landings 17% on average, range (1-90%)
 - Market price support & trade not included

Contemporary Studies ...

- Trade:
 - Very little done
 - Applied CGE modeling for Norway in context of WTO and various EU agreements
 - agreements shown to benefit fishing industry
 - enhance growth of highly processed goods and services

Contemporary Studies ...

- Fishing Agreements (EU)
 - Good case study material
 - over fished EEZ, excess capacity
 - EU effectively re-deployed 1,000 vessels
 - low licence fees a subsidy

Contemporary studies ...

- Vessel buyback programs (e.g. Korea)
 - Aimed at need to reduce capacity to achieve MSY
 - No evidence that buyback has led to stock recoveries
 - Fragile profitability remains

Summary and Appraisal

- Changing profile over time
 - 1950-1960s aim to develop fisheries
 - e.g. non-repayable grants, concessions on loans
 - 1970s change with extended jurisdiction
 - e.g. capacity enhancing
 - 1980-1990s capacity reducing
 - e.g. buy back
 - 2000 - general services ?
 - e.g. fisheries management

Summary and Appraisal ...

- Global subsidies in range of at least 17-25% of total landed value
- Huge variation across countries
- There appears to be a lack of studies on
 - impact on trade
 - impact on environment

Summary and Appraisal...

- Explicit budgeted subsidies should present no particular difficulties to WTO - SCM
- Challenges:
 - general services?
 - governance?
 - environmental outcomes?
 - foreign access agreements?