

Fisheries Subsidies and Trade Liberalization

Fisheries and marine ecosystems under pressure

Commercial fishing has depleted global fish stocks to dangerously low levels. According to the UN Food and Agriculture Organization, the majority of commercially valuable fish stocks is either overfished or is near its limits, entailing serious—sometimes irreparable—damage to marine ecosystems, and threatening the livelihoods of many fishing communities.

At the base of this crisis is a range of policies that have increased production and trade in fish.

Direct and indirect government subsidies, or access agreements to foreign waters, have supported fishing efforts that overwhelm the reproductive capacity of local fish stocks. Despite broad recognition of the crisis, world marine fisheries production has increased steadily while stocks continue to fall.

Can the WTO help?

At its Fourth Ministerial Conference in Doha, Qatar, in November 2001, the World Trade Organization (WTO) broke new ground by explicitly including fishery subsidies as part of the negotiating agenda. The negotiations will “aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries.” This is an important opportunity for progress, but pursuing it effectively demands a solid understanding of the environmental impacts of trade-related fisheries policies.

UNEP’s country case studies: the hidden costs of fishing subsidies and trade

UNEP began conducting country case studies in 1997, aiming to better understand the environmental and related social and economic effects of trade liberalization and trade-related fisheries sector policies. The studies also seek to develop policy recommendations for the sustainable management of fisheries. They are undertaken by policy research institutes in the respective countries—institutions that are familiar with local conditions, economic and environmental needs and

“Fish stocks in many developed country waters have been severely depleted as too many, often heavily subsidized fleets chase too few fish. As a result they are looking elsewhere for catches. It is vital that the unsustainable fishing of the past and the present is not exported to the developing world.”

-Klaus Töpfer, UNEP Executive Director

policy priorities—and involve a broad range of stakeholders, including government representatives. This ensures that the studies are founded on reliable national data and analysis and generate realistic and implementable policy recommendations.

To date, UNEP has undertaken six country case studies on fisheries. Focusing mainly on structural adjustment programs and government subsidies, these studies demonstrate that the short-term financial gain derived from trade-enhancing policies can be substantially offset by long-term costs in the form of loss of income and employment for local fishermen, environmental damage

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and the depletion of local fish stocks. The country studies have illustrated the need for careful responses to trade liberalization, including targeted subsidy reform as well as effective fisheries management regimes.

Bangladesh and Uganda: meeting foreign demand at the expense of national interests

The implementation of structural adjustment programs on the fisheries sectors of Bangladesh and Uganda brought enormous industry growth and economic prosperity as both countries capitalized on strong foreign demand for fish products. By 1998, inland shrimp aquaculture production in Bangladesh had grown to represent the fourth largest in the world with shrimp exports valued at US\$260 million—a 70 per cent increase from 1980. In Uganda, the fisheries sector evolved into the second largest national export producer with export values growing from US\$1.4 million in 1990 to US\$78 million by 2001.

However, the vast expansion of these export-oriented fisheries sectors has had devastating environmental and social consequences. In Bangladesh, irreplaceable mangrove resources were destroyed, soil and water salinity was increased, land productivity was reduced, and deforestation and landlessness have become major problems. Restoration costs of these damages were conservatively estimated at 30 per cent of the total revenues derived from shrimp aquaculture. The costs were equally apparent in Uganda, where 10 of 11 fish processing facilities were found to be illegally discharging raw, untreated waste into its waterways, and rising export demand had driven the price of Nile Perch beyond the reach of local inhabitants.

Argentina and Senegal: subsidies and declining fish stocks

The country studies on Argentina and Senegal tell a similar story. Government support measures applied to the fisheries sector were justified



*Fish in net
(UNEP).*

on the grounds that increased fish exports would help address the balance of payment deficit, unemployment and food security problems. In Argentina, domestic subsidies along with subsidies from other countries supporting foreign vessels' fishing in Argentine waters, joint international fishing ventures, and various payments to the Argentine government, dramatically increased fishing effort. Between 1985 and 1995, exports grew by 478 per cent and, during some periods, represented 90 per cent of all fisheries production. The subsidies in this case were directly responsible for fishing vessel overcapacity and overfishing. In 1997, the fishing of hake, the primary capture species, was found to be two times above the sustainable yield—a pattern mirrored for other species. By 1999, just two years later, total fish catch had fallen by 25 per cent as fish stocks were increasingly depleted.

In Senegal the case study revealed that subsidies, along with bilateral fishing agreements and preferential trade agreements, were largely responsible for steadily diminishing annual catches. The trade-related policies that most harmed the fisheries were:

- non-reciprocal advantages under the Lomé Agreements authorizing Senegalese fish products to enter the European market with the exemption of custom duties;
- export subsidies of 25 per cent ultimately applied to all fish products; and
- fishing agreements that gave a number of foreign fleets access to Senegalese waters and fish stocks.

Environmental consequences have been severe, including major falls in deep lying fish stocks—stocks that are particularly valuable in economic terms, given the high price they command in European markets. The focus on export-oriented fisheries growth has also harmed other domestic interests, impacting on both food security and artisanal fishing.

Fish school (UNEP).



“The new round of WTO talks offers a golden opportunity to marry trade liberalization with poverty reduction and environmental safeguards.”

-Klaus Töpfer, UNEP Executive Director

Mauritania and Bangladesh: working to apply sustainable practices

Ongoing country studies in Mauritania and Bangladesh examine the impacts of current fishing practices, and aim to design policy reforms that contribute to the sustainable management of fisheries. In Mauritania, trade liberalization has resulted in significant development of the fishing sector, which has strongly fueled economic development. Fish exports of primarily octopus and shrimp to European and Japanese markets account for more than 50 per cent of foreign exchange flows, as well as roughly 25 per cent of the state budget. In environmental terms, however, the enormous growth in exports has devastated fish stocks off Mauritania: over-fishing has significantly depleted octopus and other harvested species, while sawfish have effectively disappeared.

The Bangladesh study shows more favourable prospects for the fisheries sector. Government support has been limited to some incentives given to the export sector rather than to local fishing activities. As a result, domestic fleet size and production facilities have been kept within sustainable levels, and even leave room for increased exploitation. Increased fishing could generate employment and increase foreign exchange earnings for one of the world’s poorest countries. However, the study warns that failure to provide effective, complementary safeguards could result in unsustainable fishing practices and rapidly declining fish stocks.

Formulating sustainable policy solutions

The country projects show trade-related policies transforming small domestically focused fishing communities into export-oriented industries of major economic importance. The environmental and social costs of rapid expansion, however, include significant negative impacts on fish stocks, biodiversity, food security and livelihoods. These impacts can seriously offset the economic gains from fishing activities and exports.



Traditional fishermen (UNEP).

It was recommended in UNEP's last workshop that UNEP conduct further country or regional studies assessing impacts of trade and subsidies and designing policy solutions, with a focus on open-access, unregulated and over-exploited fish stocks. Future work will also be needed to compile experiences and best practices of communities dependent on artisanal fishing, which, in many countries, are crucial elements of the local economy and culture.

Need for multi-stakeholder approach

In its work on fisheries, UNEP coordinates closely with relevant organizations, including the FAO, WTO, OECD and regional fishery management organizations. UNEP also brings together international, national and local policy-makers, experts, NGOs and intergovernmental organizations to analyze the effects of fisheries subsidies and to develop policies for sustainable fisheries management. The workshops organized by UNEP in 1997, 1998, 2001 and 2002 have been open to all stakeholders, and have led to candid exchanges and innovative approaches to policy reform.

UNEP also financially assisted a considerable number of developing country officials and NGO representatives from the fisheries, environment and trade sectors to take part in these workshops. They are now arranged back-to-back with WTO meetings, allowing developing country delegates to participate in those meetings as well.

Next steps for sustainable fisheries management

It was noted above that sustainable management of fishery resources was set to become the subject of formal WTO negotiations. UNEP has a key role to play in informing the WTO negotiations to achieve this end, and will continue to provide open fora for all countries and stakeholders on these issues.

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