

Reducing the Impact of Subsidies on Fishing Activity: Advances and Challenges

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SUMMARY This brief presents the evolution of global efforts aimed at curbing harmful fisheries subsidies since 2001, when the World Trade Organization (WTO) was entrusted with the task of facilitating an agreement among nations to address this issue. The journey has been lengthy and intricate, culminating in the groundbreaking global agreement reached in June 2022 to eliminate subsidies fueling overfishing. While securing this agreement is commendable, there remains substantial work ahead. Primarily, WTO members acknowledge that the June 2022 agreement represents just the initial step, and negotiations persist to fortify its foundations. Furthermore, any such agreement, including the one from June 2022, requires ratification by two-thirds of member states. Yet, the pace of ratification for the recently approved agreement has been slower than anticipated. Following ratification, the next significant challenge and opportunity lie in implementing the agreement. This task necessitates collective efforts from civil society, businesses, governments, and crucially, the engagement of concerned citizens worldwide.

Two thousand and one was the year the World Trade Organization (WTO) was given the task by the world community to craft an agreement to discipline harmful subsidies that lead to overcapacity and overfishing. We have seen some advances since then, including the passing of a first-ever accord on this issue, the WTO Agreement on Fisheries Subsidies, in June 2022.

The path to the June 2022 WTO Agreement was long and challenging, however; over 20 years passed with no agreement reached. Yet it was the 2001 WTO entrusted with role of disciplining harmful subsidies that paved the way for this first agreement, because it helped to focus the world's attention on the issue of overcapacity and overfishing and how certain types of subsidies (e.g., those for fuel) catalyze the overexploitation of vital fish stocks.¹ The mandate helped to generate research that produced useful insights, such as the way in which subsidies are increasing capacity on deep sea fish stocks,² thereby turning them into nonrenewable resources.³ It also made scientists, policy makers, and

civil society worldwide sit up and take the issue of harmful fisheries subsidies seriously. For example, researchers at the University of British Columbia (UBC) built a comprehensive and progressively improving global database of fisheries subsidies and conducted ecological-economic-social analyses in support of the WTO subsidies negotiations.⁴ This effort culminated in the publication of the UBC's first global subsidies database in 2006⁵ followed by updates in 2010, 2013, and 2019.⁶ These databases have become part of the global fisheries infrastructure, which continues to be used to support various studies by researchers throughout the world.⁷

THREE ADVANCES

The first significant advance seen since 2001 is therefore scientific: researchers have been building databases, conducting analyses, and drawing insights that provide information about the scope, magnitude, and types of subsidies provided by governments worldwide. For instance, we learned that globally about USD 35 billion are given as fisheries subsidies, and that of these subsidies, 60 percent are classified as harmful.⁸ We also determined that about 80 percent of the subsidies go to large scale industrial fishing fleets with the remainder going to the small scale coastal fishing fleets.⁹ These insights demonstrated that not only do harmful subsidies result in overfishing and the depletion of fish stocks, but they also undermine the social aspects of the United Nations Sustainable Development Goals, which include reducing hunger, ensuring gender equality, and eliminating poverty.

A second important advance in the effort to curb fisheries subsidies relates to the actions taken by inter-governmental and nongovernmental organizations (e.g., the Pew Charitable Trusts and Oceana) to ensure the implementation of targets set by United Nations entities such as the UN Convention on Biodiversity (CBD), which included subsidy prohibitions in its Aichi Biodiversity Targets, and the UN's Sustainable Development Goals (SDGs).

A third advance relates to the actions of regional trade organizations such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the United States–Mexico–Canada Agreement (USMCA), both of which have already committed to eliminating harmful fisheries subsidies.¹⁰ These agreements were vitally important for several reasons. Members of the CPTPP and the USMCA include important coastal fishing nations that consist of both developing and developed countries and large and relatively small subsidizing nations, as well as those countries with well-developed and not so well-developed fisheries management systems. These agreements show WTO members how to put together an agreement on disciplining harmful fisheries subsidies among a diverse group of nations. Another way these agreements may have helped WTO members to come to an agreement is that members of the CPTPP and USMCA regional trade organizations most probably helped to convince other countries that reaching an agreement is not as scary as it may seem, and that the potential economic, social, and ecological benefits of such an agreement are huge.

These three advances, after setback after setback at several WTO Ministerial Meetings, have ultimately led to an agreement. The relentless efforts of the then-chair of the Negotiating Committee, Ambassador

Santiago Wills,¹¹ and the current Director General of the WTO, Dr. Ngozi Okonjo-Iweala, have helped deliver an agreement two decades in the making.

WHAT THE WTO AGREEMENT COVERS AND DOESN'T COVER

The WTO Agreement on Fisheries Subsidies adopted in June 2022 covers only subsidies to marine wild fisheries. The rules in the Agreement apply to “specific” subsidies provided to marine wild fishing and fishing related activities at sea (Article 1). The agreement excludes subsidies to aquaculture, inland freshwater fisheries, and any onshore activity (including onshore processing). The Agreement prohibits three types of subsidies. First, Article 3 prohibits subsidies to fishing vessels and operators engaged in illegal, unreported, and unregulated fishing. Second, Article 4 prohibits subsidies to vessels fishing stocks that are in an overfished state, meaning that their level of biomass is below maximum sustainable yield levels. Finally, Article 5 prohibits subsidies to vessels that fish in the unregulated high seas. It also includes obligations to show particular caution in two instances: (1) when providing subsidies to vessels not flying the flag of the subsidizing member, and (2) when the status of fish stocks is unknown because they have not been assessed.

Each of the prohibitions described contain nuanced clauses¹² dealing in particular with provisions on several issues, including special and differential treatment for developing countries, transparency, and institutional issues. These clauses are particularly relevant for developing countries and vessels that operate on the high seas. For example, artisanal fishers who target fish within 12 nautical miles off their coasts are given a two-year grace period within which WTO members cannot enforce the prohibition of subsidies to IUU (illegal, unreported, and unregulated) fishing fleets.

We have an agreement on subsidies now, so what next? Signing the agreement is just a first step. For the agreement to go into force, two-thirds of WTO members will have to ratify it. As of October 24, 2023, the total number of WTO members that have formally accepted the Agreement stands at 52—nearly half of what is needed for the Agreement to come into effect. Once ratification is achieved, the agreement will go into force, and then it will be time for implementation. It is worth noting that successful implementation of the prohibitions will urgently require (1) more transparency via comprehensive reporting of subsidies, (2) more effective monitoring and apprehension of IUU fishing vessels, and (3) information on which fish stocks are overfished both within country waters and on the high seas.

CONCLUSION

A few final points to conclude. First, the Agreement ratification process is very slow. To speed up the process, individuals, sustainability-minded fishing and other companies, and nongovernmental organizations (NGOs) and civil society in general need to mobilize and put pressure on our leaders to quickly ratify the agreement they signed on to. Organizing at the grassroots level will be crucial in achieving “Infinity Fish,” that is, the idea that if we manage resources wisely, we can continue to have fish forever, generating infinite benefits.¹³ Second, the WTO itself recognizes that the June 2022 Agreement is just the

beginning. It needs to be strengthened in several ways before it can have the intended effect: cessation of the overfishing that results from the provision of harmful subsidies.^{14,15}

ABOUT THE AUTHOR

Rashid Sumaila is a professor of ocean and fisheries economics in the School of Public Policy and Global Affairs at the University of British Columbia, Canada, and director of the Fisheries Economics Research Unit at the university's Institute for the Oceans and Fisheries. Sumaila specializes in bioeconomics; marine ecosystem valuation and the analysis of global issues such as fisheries subsidies; illegal, unreported, and unregulated (IUU) fishing; and the economics of high and deep seas fisheries. He received his bachelor of science degree with honors from Ahmadu Bello University, Nigeria, and his PhD from the University of Bergen, Norway. Sumaila has worked on fisheries and natural resource projects worldwide. He has provided expert advice to several countries. Sumaila is corecipient of the 2023 Tyler Prize for Environmental Achievement as well as the 2023 Albert I Grand Medal in Science from the Oceanographic Institute of Monaco. His recent book is *Infinity Fish: Economics and the Future of Fish and Fisheries* (Academic Press, 2021).

ABOUT THE SERIES

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NOTES

1. U. Rashid Sumaila et al., “Updated Estimates and Analysis of Global Fisheries Subsidies,” *Marine Policy* 109 (November 2019).
2. U. Rashid Sumaila et al., “A Bottom-up Re-estimation of Global Fisheries Subsidies,” *Journal of Bioeconomics* 12, no. 3 (August 2010): 201–25.
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4. Gordon Munro and U. Rashid Sumaila, “The Impact of Subsidies Upon Fisheries Management and Sustainability: The Case of the North Atlantic,” *Fish and Fisheries* 3, no. 4 (December 2002): 233–50; Colin W. Clark, Gordon R. Munro, and U. Rashid Sumaila, “Subsidies, Buybacks, and Sustainable Fisheries,” *Journal of Environmental Economics and Management* 50, no. 1 (July 2005): 47–58; U. Rashid Sumaila et al., “Fuel Price Increase, Subsidies, Overcapacity, and Resource Sustainability,” *ICES Journal of Marine Science* 65, no. 6 (April 2008): 832–40.
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7. Christopher Costello et al., “Ambitious Subsidy Reform by the WTO Presents Opportunities for Ocean Health Restoration,” *Sustainability Science* 16, no. 4 (September 2020): 1391–96.
8. Sumaila et al., “A Global Dataset on Subsidies to the Fisheries Sector.”

9. Anna Schuhbauer et al., “The Global Fisheries Subsidies Divide Between Small- and Large-Scale Fisheries,” *Frontiers in Marine Science* 7 (September 2020).
10. U. Rashid Sumaila et al., “WTO Must Ban Harmful Fisheries Subsidies,” *Science* 374, no. 6567 (October 2021): 544.
11. Wills put forward a decent draft agreement, which was negotiated and agreed upon at the June 2022 WTO Ministerial Meeting that took place in Geneva.
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13. U. Rashid Sumaila, *Infinity Fish: Economics and the Future of Fish and Fisheries* (Amsterdam: Elsevier, 2021).
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