

SUBSIDIES IN THE FISHERIES SECTOR: POSSIBLE CATEGORIZATIONS

Submission from Argentina, Chile, Iceland, New Zealand, Norway, and Peru

The following communication, dated 7 February 2003, has been received from the Permanent Missions of Argentina, Chile, Iceland, New Zealand, Norway, and Peru.

I. SUMMARY

Some sort of breakdown of subsidy programmes by type is likely to be needed as a basis for future work on clarification and improvement of WTO disciplines affecting the fisheries sector. This paper outlines different approaches to classification of fisheries programmes that have been suggested by other organizations in recent years.

II. IDENTIFICATION AND CATEGORIZATION

At the November meeting of the Negotiating Group on Rules it was suggested that different positions had now been well aired and that it was time to start looking in more detail at the actual subsidies that were the focus of the mandate. Proposals would ultimately need to take account of the different types of subsidy in the fisheries sector. It was noted that work on identification and categorization has already been undertaken elsewhere and it was suggested that it would be useful for the Group to start looking at that material before turning its attention to WTO rules.

As a first step this paper surveys previous proposals for classification of fisheries subsidies. There is one important caveat. There are different views on the merits of various types of government programmes in the fisheries sector. And there are divergent views on whether or how particular programmes should be disciplined under WTO rules. It should therefore be emphasised that a reference in these lists to a particular type of programme does not signal a view on our part as to the status of that programme under current WTO rules, or whether and how the rules need to be improved. These issues are among those yet to be debated. Nor should the inclusion of these various classifications be taken as indicating our view on the approach taken.

There is another basic caveat: it should also be noted that the schemes listed below may take quite different approaches to the term “fisheries subsidies”.

III. PREVIOUS CATEGORIZATIONS

In recent years several organizations have suggested schemes for categorizing subsidies in the fisheries sector.

APEC

In 2000 APEC undertook a *Study into the Nature and Extent of Subsidies in the Fisheries Sector of APEC Member Economies*.¹ Among the requirements for the study were development of a comprehensive inventory of generic types of subsidisation employed globally in the fisheries sector, including multi-sectoral subsidies applying also to fisheries. On the basis of the inventory the report identified financial transfers in six categories or “modalities”:

- **Direct assistance to fishers and fisheries workers**
- **Lending support programmes**
- **Tax preferences and insurance support programmes**
- **Capital and infrastructure support programmes**
- **Marketing and price support programmes**
- **Fisheries management and conservation programmes**

The authors also suggested a further categorization of these programmes according to whether they would have the effect of increasing or decreasing fish stocks, and expanding or constraining fishing efforts.

OECD

A recent study of government financial transfers in the fisheries sector in OECD countries used the following categorization as a basis for its analysis²:

Fisheries infrastructure

Management, research, enforcement and enhancement

Access to other countries’ waters

Decommissioning of vessels and licence retirement

Investment and modernisation

Income support and employment insurance

Taxation exemptions

United States

A paper submitted to the Committee on Trade and Environment by the United States in 2000³ suggested categorising subsidies according to their economic/commercial impact. The two broad categories proposed were (a) cost-reducing subsidies and (b) subsidies that supported incomes and prices.

Under the two broad headings the paper listed 10 specific categories as follows:

¹ The study is available at www.apecsec.org.sg.

² See *Transition to Responsible Fisheries: Economic and Policy Implications*, Paris, OECD 2000.

³ WT/CTE/W/154

COST-REDUCING SUBSIDIES:

Commercially applicable research funding

Capital cost-reducing subsidies

Reduction of income and sales taxes

Risk mitigation

Government ownership and State trading if inconsistent with market terms

Assistance to shipbuilding specifically for fishing vessels

Foreign access payments and assistance to foreign fishing ventures

SUBSIDIES THAT SUPPORT INCOMES AND PRICES:

Price support programmes

Trade-promoting subsidies

Sector-specific social assistance programmes

The paper specifically excluded from the list government programmes for fisheries management, science, enforcement, and most publicly financed port and landings facilities, as well as government-funded programmes that facilitate the transition to sustainable fisheries.

FAO

The FAO held an Expert Consultation on Economic Incentives and Responsible Fisheries in Rome in 2000.⁴ The experts outlined four “sets of subsidies”:

- **Set 1 Subsidies are government financial transfers that reduce costs and/or increase revenues of producers in the short term.**
- **Set 2 Subsidies are any government interventions, regardless of whether they involve financial transfers, that reduce costs and/or increase revenues of producers in the short term.**
- **Set 3 Subsidies are Set 2 Subsidies plus the short-term benefits to producers that result from the absence or lack of interventions by governments to correct distortions (imperfections) in production and markets that can potentially affect fisheries resources and trade.**
- **Set 4 Subsidies are government interventions, or the absence of correcting interventions, that affect the costs and/or revenues of producing and marketing fish and fish products in the short, medium or long term.**

In addition to the “sets of subsidies” the experts defined “categories of subsidies” which are grouped under two broad headings: cost-reducing and revenue-enhancing subsidies. They suggested a further break-down under “trade” and “sustainability” headings.⁵

⁴ See WT/CTE/W/167/Add.1

⁵ For details of this break-down see: Report of the Expert Consultation on Economic Incentives and Responsible Fisheries, Rome: FAO Fisheries Report No, 638, 2000 as reported in WT/CTE/W/167/Add.1.

UNEP

A paper commissioned by the United Nations Environment Programme and published in 2002⁶ suggested a synthesis of the above approaches. The simplified categorization proposed in the UNEP paper comprised the following:

- **Fisheries management services**
- **Subsidies to capital costs including infrastructure**
- **Decommissioning and licence retirement**
- **Subsidies to access to foreign fisheries**
- **Subsidies to incomes**

The paper went on to suggest an elaboration of this classification in matrix form by including, for each category, reference to management conditions (eg conditions of access to the fishery, property rights to the resource, strength of output or capacity controls). That matrix is not reproduced here.

IV. CATEGORIZATION FOR THE PURPOSES OF THE NEGOTIATIONS

It is difficult to see how specific proposals for clarification and improvement of fisheries subsidies disciplines can simply address “fisheries subsidies” in an undifferentiated way (i.e. based on an aggregation of all support programmes in the fisheries sector). We should anticipate a need to look specifically at different categories of subsidy, their nature and impacts as well as their situation under existing WTO disciplines.

It is likely that some form of categorization will be needed for that purpose. The categorization schemes listed above may serve as a starting point for such a discussion. Note that in this paper we have reproduced only the classification schemes themselves. We have not included explanations of the objectives of the work and the basis for the categorization. These are available in the original papers listed in the footnotes.

⁶*Fisheries subsidies and overfishing: towards a structured discussion*, by Gareth Porter, UNEP/ETU/2001/6 (Vol. I).