

**UTILIZATION OF SUBSIDIES AND THEIR POSITIVE ROLE IN  
THE FISHERIES SECTOR**

Communication from Korea

**I. BACKGROUND**

1. Fisheries-related subsidization has been actively discussed in the Committee on Trade and Environment (CTE) since 1997. Papers submitted by Australia, Iceland, New Zealand, and the United States have valuably contributed to the debate.

2. Korea agrees that use of fisheries subsidies should not be made in such a manner as to have negative effects on the environment and sustainability of resources, nor should they distort international trade. Korea, however, is concerned that the discussion undertaken so far in the CTE is leaning towards the view that most subsidies in the fisheries industry are the main causes of the depletion of marine resources and the distortion of trade. Korea believes that Members in the CTE should take a more balanced view of the role of subsidies in the fishing sector. The CTE discussion should, therefore, take into consideration the positive role of subsidies in the fisheries sector.

3. Korea recalls that New Zealand pointed out in its submission (WT/CTE/W/134) that a necessary starting point for further analysis is the collection of all the relevant materials relating to the general state of subsidization in the fisheries sector. It also encouraged Members to share their national experiences in order to deepen the understanding of the issues underlying the discussions on fisheries subsidies. In response to that encouragement, Korea would like to share its national experience in the fishery sector, focusing on the positive side of subsidies in the sector, in an effort to help the CTE form a balanced view of the fisheries subsidies.

4. Following this background, this paper describes in Section II Korea's experience with the positive role of fisheries subsidies. Then, in Section III, a few elements are enumerated that Korea believes should be included in future discussions.

**II. KOREA'S EXPERIENCE**

5. The fisheries industry, despite its relatively small size, plays an important role in Korea's economy and way of life. Fisheries products provide 45 per cent of the protein content in the Korean diet. Production volumes reached 2,910,000 tons in 1999, with a trade volume of 1.5 billion dollars in exports and 1 billion dollars in imports. Three hundred and fifty thousand full-time workers are employed in the industry, and the consumption of fisheries products per person in Korea per year is 48 kilograms.

6. Various measures, including the TACs (total allowable catches), the fishing ground recess system under the "Fishing Ground Management Act," and the reduction of fishing business and the number of fishing vessels, are being undertaken in Korea. These measures are part of the effort to effectively cope with diminishing fishing ground as a result of new fisheries agreements with its neighbouring countries and the destruction of marine resource habitats caused by greater land contamination and land reclamation works. Aquaculture is strongly encouraged as an alternative to

fishing to overcome the production limit and conserve resources. Artificial reefs, the release of seeds and fingerlings, and marine ranching are a few examples.

7. On the other hand, a HACCP system and a system requiring the registration of fish-processing companies have been introduced for safety considerations. These systems, which aim at strengthening sanitary inspections, focus on improving transparency in the distribution of fisheries products and raising the value of these products as foodstuffs.

8. Korea has learned from its experience that fishery subsidies play a positive role in the formation of fishery resources in many ways, as described in the following paragraphs.

9. First of all, fisheries subsidies can contribute to the improvement of the marine environment and enhanced productivity of the coastal fishing grounds when they are used for the development of technology for enriching environment-friendly marine resources. Through subsidies, fishermen's income can be raised and the problem of decreasing catches caused by the contamination of coastal areas and reduction of fishing grounds can be effectively addressed. The Tongyoung marine district of Korea was designated as a target area for a project to remedy these problems. Sedentary species are being released, observing buoys and automatic sonic-based feeding machines installed, and artificial reefs planted. Studies aimed at developing technologies for improving the marine environment, expanding fishing grounds and enriching marine resources are also being undertaken.

10. Sedentary species, such as halibuts and other high value-added and quality species were purchased by the Government and released into fishing grounds. During the period from 1986 to 1999, a total of 590 million fish (2.5 billion won worth) were released into fishing grounds that were equipped with artificial reefs, as well as other coastal areas. As a result, catches were substantially increased by 1.5 - 3 times.

11. Artificial spawning habitats have been developed by releasing seeds every year since 1971 in 307,000 hectares of uncontaminated flat sea-bed areas where waters are less than 100 meters in depth. Within three years, these areas are producing catches two to three times more than other non-artificial reef areas.

12. The number of fishing vessels has been gradually decreased in consideration of the availability of fishery resources in the coastal and offshore areas. Further, regulations on the total tonnage of fishing vessels, periods permitted for fishing, fishing areas, fishing gears and methods, including the mesh size, have been strengthened to prevent over-catching. Through these efforts, fisheries resources have been noticeably restored.

13. In the context of implementing the UN Convention on the Law of the Sea, a management-oriented fisheries industry is being developed for the purpose of optimizing sustainable use and conservation of marine resources. Fisheries-related laws were revised in order to adopt the TAC system. Currently, a TACs pilot project is under way for four target fishes - mackerel, sardine, horse mackerel, and crab.

### **III. ELEMENTS FOR THE DISCUSSION OF FISHERIES SUBSIDIES**

14. Korea recalls that the Preamble of the Marrakesh Agreement establishing the World Trade Organization (WTO) stresses that trade relations among Members should be conducted in a manner that respects socio-economic aspects of human society and different levels of economic development as well as aim at the optimal use of the world's resources. Accordingly, Korea is of the view that when the subject of fisheries subsidies is discussed, an approach based on a comprehensive and balanced perspective as embodied in the Preamble should be adopted so that socio-economic policies as well as Members' different development levels are fully taken into consideration.

15. First, socio-economic aspects of the fisheries business should be considered. The fisheries industry is a source of economic security for the fishing community and supports the life of the community members. The industry plays an important role in conserving the marine environment and, through its function of job creation, prevents population inflows from fishing villages to urban areas. This is particularly important for such a country as Korea which suffers from over-population in urban areas. We believe that the WTO Agreements provide room for each Member to adopt necessary measures to address its socio-economic problems within a certain agreed limit.

16. Second, consideration must be given to the unique situation of the fisheries industry in each Member country. All relevant factors should be carefully studied, including the level of development of the fisheries industry in each country, the abundance or lack of fishery resources, a country's dietary tastes and consumption pattern of fisheries products, whether the country is a fisheries exporting or importing country and whether most of the country's fisheries industries are entrepreneurial or artisanal. Further, different tax burdens and interest rates among Member countries may be an element to be considered.

17. The WTO Agreements provide room for each Member to adopt necessary measures to address its socio-economic problems within a certain agreed limit. Most of the fishing communities in Korea are underdeveloped and mainly based on small households whose primary source of income is fishing. Therefore, subsidies in Korea have played a critical role in reshaping and revitalizing the entire fisheries industry, as well as the coastal communities, rather than prompting the depletion of resources and creating supply distortions in the market.

18. The current discussion in the Committee seems to be focusing only on the negative effects of subsidies, without defining first what exactly constitutes a subsidy. The lack of a definition of subsidies confuses, rather than clarifies, the understanding of fisheries subsidies. Therefore, the necessary starting point of discussion is to try to form a consensus on the definition of fisheries subsidies.

19. In addition, the competence and role of each forum should be respected and any duplication of work should be avoided. The relationship between subsidies and resources conservation is dealt with under the auspices of the FAO and its work should serve as an important guide for the discussion of this subject in the CTE.

#### **IV. CONCLUSION**

20. Korea's experience shows that some fisheries subsidies can play a positive role in conserving fisheries resources and improving the marine environment. Members should avoid rushing to conclusions on the effects of fisheries subsidies without fully considering all relevant factors. Both the positive and negative effects of fisheries subsidies should be considered in a balanced way. Only a comprehensive approach that takes into full account the socio-economic needs of the fishing industry, the unique domestic environment, and development needs of countries will lead to constructive discussion of the subject in the CTE.

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