

## ANALYSIS ON THE RELATIONSHIP BETWEEN FISHERIES SUBSIDIES AND OVER-EXPLOITATION OF FISHERIES RESOURCES

Submission by Japan

### I. INTRODUCTION

1. Japan stated in its submission (WT/CTE/W/222, TN/MA/W/15/Add.1) last December that the fisheries subsidies issue was being discussed at the Rules Negotiating Group in terms of trade distortion, however, this issue should also be discussed at the Regular Session of the Committee on Trade and Environment for the purpose of solving IUU fishing and over-capacity issues, taking into account the work of other organizations such as FAO and OECD. This paper is to reflect on the above-mentioned argument and to provide some analyses on the relationship between fisheries subsidies and over-exploitation, taking into account discussions in international organizations as well as those taking place within WTO. It aims at deepening understanding of members on this issue, and does not prejudice Japan's position in WTO.

### II. DISCUSSIONS IN INTERNATIONAL BODIES

2. The relationship between fisheries subsidies and over-exploitation has been analyzed by several international bodies. For example, the OECD conducted an analysis on possible effects of subsidies on resources as part of "Transition to Responsible Fisheries" in 2000. One of the main outcomes from the study is that possible negative effects of subsidies could be minimized if coherence is maintained between fishery management policies and transfer policies. This means, for example, that when a subsidy for vessel construction is provided to fishing vessels engaged in a certain fishery, it is necessary to restrict the total fishing capacity of the fishery by regulating the number of the vessels, the tonnage as well as the horse power of each fishing vessel, and so on. These regulatory measures can prevent over-exploitation from happening even with a subsidy for vessel construction. In other words, if a new vessel is built with subsidies, another vessel must be scrapped whose fishing capacity is equivalent to that of the new one.

3. The OECD also analyzed the impacts of subsidies on resources in the Fisheries Market Liberalization Study completed in 2002. This concludes that effects of subsidies on resources differ, depending on status of resources and management. This means, for example, that subsidies are least likely to affect resources adversely when the resources are under-utilized and proper fishery management exists, whereas they are most likely to affect resources when the resources are over-utilized under poor management. It also means that when the resources are under-utilized, subsidies may not cause negative impacts in a short term even when fishery management is not necessarily good.

4. APEC conducted a study on fisheries subsidies in 1999. It says that the impacts of subsidies are closely related to fishery management regimes, and therefore the impacts of subsidies cannot be discussed in isolation. The FAO also confirms that effects of subsidies on resources depend on fishery management and subsidies do not harm resources when fishery management is properly established.

5. These theoretical analyses suggest that there is a common understanding that "effects of subsidies on resources vary, depending on status of resources and fishery management".

### **III. EXISTENCE OF SUBSIDIES TO BE LISTED IN THE RED CATEGORY**

6. One WTO member recently indicated the expansion of prohibited subsidies as a possible means of strengthening disciplines on fisheries subsidies. A question is, however, whether there is any "red" subsidy from the standpoint of their resource impacts in the fishery sector. Based on the common understanding above, the answer to this question should hardly be "Yes". This is because "effects of subsidies on resources vary, depending on status of resources and fishery management" and there would be no subsidy that causes negative impacts on resources, regardless of status of resources and fishery management.

7. It is assumed that the establishment of "red" fisheries subsidies in terms of their impacts on resources is based on the premise that the stock status exploited by the fishery receiving the subsidies is bad and that the fishery management is also inappropriate. However, it should be noted that the stock status, fishery management regime, as well as impacts of fishery subsidies, differ among various types of fisheries. Furthermore, over-exploitation or over-capacity can happen even without subsidies when the fishery lacks an appropriate management scheme.

### **IV. CONCRETE CASES**

8. A case of skipjack tuna can be one of the examples showing how the effects of subsidies change owing to the status of stocks or management. The production of skipjack tuna used to be less than 200 thousand metric tons in 1950s, which has increased and reached 1.89 million metric tons in 2000 (please see the attached figure). Regional fishery management organizations such as ICCAT (International Commission for the Conservation of Atlantic Tunas), IATTC (Inter-American Tropical Tuna Commission) and IOTC (Indian Ocean Tuna Commission) report that the stock status of skipjack tuna is fairly good with high reproduction potential and that production can be further increased. These facts indicate that the reproduction capacity of skipjack tuna is sufficiently strong that it is possible to even increase the production, while the limited demand is suppressing the production. Assuming that there is no substantial change in the current supply-demand situation and the oceanographic condition, which may affect the reproduction, skipjack tuna can be regarded as a case referred to by OECD and others, i.e., fisheries subsidies are unlikely to cause over-exploitation when the stock is in a healthy condition.

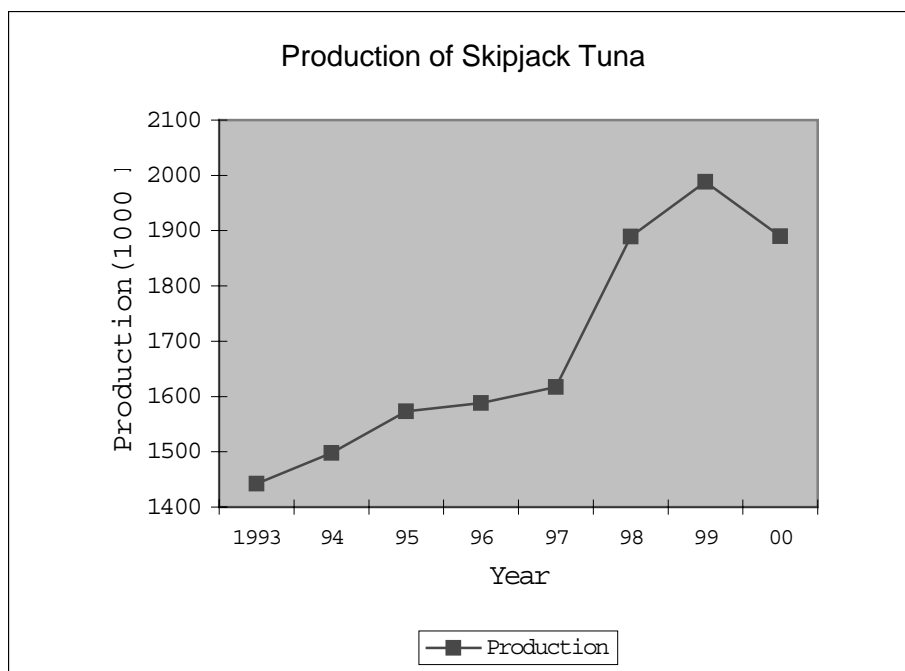
9. Next, a case of the purse seine fishery in the Eastern Pacific Ocean (EPO) can be given as an example of over-capacity or over-exploitation even without subsidies when there is not good management. The IATTC has been implementing conservation measures on yellowfin tuna and bigeye tuna in EPO. The IATTC has been concerned about the over-capacity in the purse seine fishery since 1998. The IATTC secretariat confirms that the current fishing capacity of the purse seine fishery, measured in the total fish hold capacity of purse seine fishing vessels, is 210 thousand cubic meters, well surpassing the recommended level, i.e., 158 thousand cubic meters.

### **V. CONCLUSION**

10. As these cases indicate, the possible effects of subsidies on resources change between different resource status and fishery management regimes. Also, lack of effective fishery management brings over-capacity even without subsidies. From the standpoint of responsible fishing countries, it would be unfair that these varying situations are ignored and certain fisheries subsidies are automatically prohibited. Japan wishes to know if there is any subsidy which causes damage on resources under any condition regardless of resource status and fishery management. Also, it is important for the Members who demand more discipline on fisheries subsidies to present

and scrutinize cases of over-exploitation and investigate whether the main cause of the over-exploitation is subsidies.

11. Japan considers it important for CTE to continue discussion on possible impacts of fisheries subsidies on resources, taking into account the work of the FAO and OECD.



Source: FAO statistics on fishery production and commodities

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