

## **Rescuing the Inexhaustible... (The Issue of Fisheries Subsidies in the International Trade policy)\***

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**Abstract.** The main causes of over-fishing are not biological or environmental, but rather economic overexploitation of the ocean's fishing resources. Since the problem is an economic issue, the response has to also be in the economic realm. Proper fisheries management and restrictions on fleets' capacity (including the issue of fishery subsidies) would be very effective. A retreat from the subsidies in fisheries would considerably contribute to the conservation and sustainable use of fish stocks. However, a full retreat from the subsidies in fisheries seems to be unrealistic. Consequently a compromise has to be made and appropriate restrictions are needed not to distort positive environmental-friendly trends in subsidizing and to protect the interests of the developing fishing states. The number of people employed in fishing industry is growing every year, especially in developing countries. This regime would require a strong coordination and co-operation of governments and international organizations.

### **Introduction**

Ocean fish numbers around 28,000 different types of species. This is more than the number of amphibians, reptiles, birds or mammals on the entire planet. It seems just innumerable... Nevertheless, humanity has succeeded in over fishing.

Many ocean fishes are ancient species that existed on the earth for more than 450 million years before the dinosaurs began roaming. For this reason alone, they deserve careful treatment and special protection. But besides this, fishes are such an essential source of protein and other nutrients in the human diet, as well as in the diets of multiple other animal and bird species, that their depletion seems almost unthinkable.

The international community has started to combat over fishing by different means and techniques: fishing of some species is totally prohibited, while for other species seasonal quotas, protection during the spawning season and minimum mesh sizes have been established (Tomasevich, 1971 p. 46).

Biological solutions like these have not worked out, however. This is not surprising, since the main causes of over fishing are not biological or environmental, but rather economic overexploitation of the ocean's fishing resources. Since the problem is an economic one, the appropriate response to it also has to be an economic one. Proper fisheries management and restrictions on fleets' capacity (including the issue of fishery subsidies) also would be very effective.

However, today's model of economic globalization presumes an open multilateral trading system functioning like clockwork. Is the restriction or abolition of fishery subsidies workable under today's economic circumstances? How should these issues be treated so as to not distort the global market, or ruin the already troubled fishing industry? What kind of legal frameworks should it have? This paper attempts to find some solutions to the foregoing problems.

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## 1. Environmental and economical background

### 1.1 Overfishing

Fishing is one of the oldest human professions. Since the Middle Ages, it has been an organized industry (e.g., the catch of herring in northern Europe). The 15th century was marked by the beginning of organized catches of cod on the Grand Banks of Newfoundland. In the 17th century whaling fleets put to sea. Excluding some particular concerns (e.g., in the 14th century in England, special trawls with a fine mesh (wondyrchoums) killed enormous numbers of fish), humanity was almost sure until the 19th century that the ocean's fish stocks were inexhaustible (Policansky, 1995 p. 652). Even in the 19th century, British biologist Thomas Huxley proclaimed the endless resources of fish in the ocean (Pearse, 1996 p. 12).

Since fishes were considered inexhaustible, access to them was entirely open and unregulated. Over time, this open access to the sea's resources became increasingly harmful. The lack of adequate management of the fisheries also contributed to the problem. The resulting overcapitalization and over fishing first led to such "global" decisions as revocation of such Grotius premises as "inexhaustibility of resources and insusceptibility to appropriation" (Knight, 1977 p. 27).

In the 20th century, not only easily accessible stocks of fish but also more elusive mammalian species (seals, otters, blue and right whales) declined. By the end of World War II, overfishing had become a critical problem.

Presently, around 60% of the major species are under threat: a fully utilized half of all species and an over fished quarter. The problem is even beyond one of "sustainability": it is already acute for the current generation, let alone for future generations. Biologists warn: in some cases the fishing stocks can never be renewed, since their over fishing could just remove the stock forever from the ecosystem.

Biologist Garrett Hardin called this over fishing problem the "tragedy of the commons". A resource that belongs to everyone and no one, the ocean's fish stocks have become a problem which everybody concerned, directly or indirectly, has to solve. This includes not only biologists and environmentalists, but the fishing industry as well. Ordinary consumers play a role too by buying threatened species at the grocery store.

Both biological and economic solutions are being applied to the over fishing problem. The question arises whether fisheries management should also be corrected from the economic point of view (Meany, 1986 p. 45). Should the free market system be restricted for environmental reasons?

The legal answers have already partly been found. The principle of the freedom of fishing on the high seas, declared in the customary law of the sea, had to be revised, or rather corrected, in light of overfishing. Arts. 61, 62 and 65 UNCLOS provide rather general rights and obligations of coastal states concerning their living resources in the EEZ. The main response is given in multilateral and bilateral treaties. The freedom of fishing was (and continues to be) restricted and subjected to specific conditions.

### 1.2 Fleets overcapacity

However, the main danger lies not in the open access to fish resources, but in the technological progress. Even whales were endangered only after the invention of the harpoon gun.

The freedom of fishing on the high seas (at least until the 20th century) and high prices for tuna, billfish, salmon and squid promoted high competition between states and, as a consequence, development of modernized vessels and more effective fishing methods. Governments, under these conditions of high competition, increased their fleets' capacity as much as possible, providing partial subsidies to their fishing industries.

This led to what we have now: fishing fleets that are "overbuilt" (Warren, 1994 p. 2). In other words, the amount of input money or capital oversteps the oceans' productive capacity. First, too many fishing fleets are catching too few fish (overcapitalization). Second, the new, more effective ways of fishing, like large-scale drift nets or advanced gear types and new technologies such as GPS, have drastically increased the fleets' capacity.

Natural checks on overfishing, such as the "self-renewal" of fish stocks, no longer help since fish no longer have time to reproduce their numbers (Peel, 1995 p. 1). Fisheries resources are finite—that's why proper management and certain restrictions upon catches are unavoidable if fish stocks are to be preserved at any level (Johnston, 1987 p. 3).

As far back as 1989, the available capacity of fishing fleets was already one-third more than what is needed to catch all the available fish. Currently, the fleets' harvesting capacity exceeds the amount of available fishing resources by far more than that. Today's capacity of the Canadian cod fleet alone is more than what is necessary to catch all the Atlantic cod stocks. According to the FAO's data, 4 million vessels constituted the world fishing fleet in 2004.

The current situation can be summarized as: the catching capacity continues to grow, the fishing resources continue to decrease. The threatening trends are having no significant effect on the fishing industry's practices: world fish harvests continue to rise at the expense of the more than three times overexploited fishing resources (even cod and herring).

Now humanity faces another challenge: how to reduce fleets (Iudicello, 1999 p. 70).

One of the primary solutions would be to reduce the fleets' capacity. However, its growth has been in many respects shaped by government subsidies. While the connection between overfishing and overcapacity is unquestionable, the role of government subsidies in overfishing is more questionable. Besides, 86% of the world's decked vessels operate in Asia, 1.3% in Africa and 0.6% in South America – all in developing countries. Restrictions on fisheries subsidies could be catastrophic for the economies of these regions.

In 1990, independent experts directly indicated the need to reduce fishing capacity by at least 40%. Even the EU's Multiannual Guidance Programme (MAGP) for 1987 – 1991 stressed the need (not in a mandatory manner), however on a smaller scale (a recommended decrease of 3% in gross tonnage). Yet, except for two "obedient" member states, all the rest actually increased their fleet capacities and related subsidies.

Overcapitalization brings only a short-term increase in profit to fleets. Inevitably, overfishing reduces the gains for all fishermen. Poor management practices also add to the environmental problem. Thus, a solution to the global problem of overfishing is essential not only for environmental reasons but for economic ones, since in any case—with or without subsidies—overfishing sooner or later hurts states' budgets.

## **2. Fisheries subsidies and international trade**

### **2.1 WTO development and mandate**

On 1 January 1995, GATT's successor – the WTO – was established to govern and regulate international trade as a successful result of the Uruguay Round of Multilateral Trade Negotiations (MTNs). A coherent system of global economic governance, together with the IMF and the World Bank, was finally in place (Wilkinson, 2000 p. 11).

The current mandate of the WTO is strictly trade-oriented (Article III, WTO agreement). The WTO was created explicitly for the administration and implementation of trade agreements, and as a forum for multilateral trade negotiations, settlement of disputes, and review of national trade policies.

The question of whether the WTO's mandate should be broadened is being actively debated. On the agenda for possible inclusion are policies for investment, competition, policies for controlling government corruption and labour standards (Blackhurst, 1998 p. 46).

Already, the preamble of the WTO makes a reference to "sustainable development"—defining the new goal or new direction in the WTO's activity. It also served as "a rationale for the formal creation" of the CTE. The position of environmental matters in world trade policy is therefore indisputable. Its importance becomes steadily clearer. Environmental clauses could be found in the WTO Agreement on Sanitary and Phytosanitary Measures and Agreement on Technical Barriers to Trade. The significance of environmental issues and sustainable development within the WTO was stressed once more in the Ministerial Decision on Trade and the Environment issued at Marrakech (Adamantopoulos, 1997 p. 81).

On the other hand, some attempts to link trade and other policy matters have already been unsuccessful, so the fear has been expressed that integration of environmental issues into the multilateral trade order is just "a repetition of past mistakes" (Roessler, 1998 p. 221). Today's preference of trade over the environment was perfectly shown in the tuna-dolphin dispute between Mexico and the U.S., tried by the GATT panel. The reason of protection of environment (or rather Mexico's environmentally incorrect policy on dolphins by the tuna harvesting) due to "extra-territoriality": the environmental exceptions under GATT are admissible only within domestic borders or jurisdiction. There was a concern that otherwise this

precedent would have allowed banning product imports only because of the differences between the environmental policy of the importing and exporting countries.

“Technically” environmental issues do not contradict trade issues. The WTO rules do not in any way disturb the environmental aims and policies. The only problem is to make the principle of equivalence between free trade and environmental protection a reality. It is obvious that it is impossible to liberate the trade and protect the environment at once. Such close linkage between environmental and trade issues could rather lead to the manipulating of both of them in the “international bargaining”.

The creation of the WTO Committee on Trade and Environment (CTE) was a clear recognition of the trade implications and interrelationship with the environment and a big step toward sound and sustainable trade policies. In 1997 – 1998 CTE repeatedly grappled with the question of whether fisheries subsidies negatively impact fish stocks and whether such subsidies require for special treatment.

The Uruguay Round clearly puts the issue of fisheries’ subsidies under the WTO scope of activity and included under the coverage of the Agreement on Subsidies and Countervailing Measures (SCM) (by the way not applicable for agriculture).

## **2.2 WTO and fisheries subsidies**

### **2.2.1 WTO Doha round**

Since May 1997 the issue of the fisheries subsidies was raised within the WTO CTE. The CTE dealt with this matter for several years. The global character of fisheries and increasing concerns around subsidies in this industry placed this issue on the agenda of the following round of WTO negotiations. In November 2000, the WTO held its Fourth Ministerial Conference in Doha (Qatar).

The Doha WTO round started general negotiations on the disputable issues of the Agreements on Implementation on Subsidies and Countervailing Measures. Paragraph 28 of the Doha Ministerial Declaration contains the mandate on clarification and improvement of disciplines on fisheries subsidies. It was agreed there to launch negotiations on WTO’s role on the issue of fisheries subsidies.

After this conference WTO Negotiating Group on Rules, under the authority of the WTO Trade Negotiations Committee has been dealing with the questions of subsidies in fishery. However, the Doha round does not give a special mandate or authorization to the WTO Members to develop special disciplines on fisheries subsidies. It would be the first step out of the trade-oriented WTO mission.

The environmental issues, as previously mentioned, are not an empty space for the WTO. However, now they are rather generally proclaimed then concretely implemented. The consideration of such environmental issues within the WTO would be not only a great move towards sustainability, but even a historic step for the WTO.

### **2.2.2 Fisheries Subsidies**

Overfishing and overcapacity led to the situation in the fishing industry, where revenues in this industry are exceeded by costs. In this case it would be logical to presume that fishermen should start to leave the fishery (Cunningham, Dunn, Whitmarsch, 1985 p. 98). However, it is not necessarily true. For the increase of the fishermen’s income government support could be provided. This support is usually referred to as subsidies. In fisheries they are granted per unit weight of fish landed. The rates of subsidies differentiate depending on the type of fish, its geographical location, the type of fishing vessel or fishing gear, and time of year chosen for the catch (Mollett, 1986 p. 60).

Fishing subsidies are used by all countries with a fishing industry (McDorman, 1999 p. 510). The world leaders in fishing subsidies are Canada, US and EC. Not only domestic fishing could be subsidized. Sometimes governments also support the fishing in foreign waters.

Subsidies favour certain activity by means of corresponding government policy. Subsidies could look like tax breaks, lending preferences, grants or even research and development or marketing. Subsidies can also take the forms of costs reductions, like reduced costs for fuel, reduced or absent fees for use, outright grants, employment support or support of competitiveness in foreign markets. For example, fuel, bait, ice and other inputs prices or taxes can be reduced or special grants for the improvement of safety could be provided. EU used such forms of subsidies as re-deployment agreements with other countries. A number of African states received not only an access to the European vessels, but also special grants and fees.

As a result of subsidies, Canada's Northwest Atlantic offshore fleet increased its capacity more than 18 times. The subsidies of the EC fleet in 70s and 80s for its modernization doubled the gross registered tonnage, tripled its engine power and caused major declines of major fish species in EC waters.

Since the fees for the use of a public resource are reduced or eliminated, the level of their consumption increases. Even if the revenues are lower than costs, the catch continues. The prices are decreasing and demand is increasing. Subsidies strongly promote the use of technologies for the fishing vessels, leading to the overcapacity and overexploitation of fishing resources ("too many boats are chasing too few fish"). This negative result of subsidies is proven not only for the fishing resources. The forests have also been overused because of the subsidies.

Economic theory also proves that in the absence of proper sustainable fisheries management, subsidies promote fleets overcapacity.

The final negative result of the fisheries' subsidies was demonstrated by the following example. The subsidizing of a fishing fleet with the aim of its expansion and modernization since the 1960s in Canada finally caused depletion of the populations of Atlantic cod towards the end of the 1980s. Canada was competing with Europe in catches by distant-water trawlers. Because of that competition, Canada introduced the direct grants and low-interest loans for construction of new and modernization of old vessels. The amount of large trawlers increased, and finally exceeded the capacity needed for catch of the annual quota five times. The depletion of the fish stocks (including cod) eventually caused the "financial ruin" of the fleet. The Canadian government was forced to intervene again with assistance and supporting programs and payments.

The Atlantic Fisheries Adjustment Program (AFAP) in 1990 of the Canadian government was aimed to reduce the number of fishermen, to develop the new fisheries and new kinds of activities for fishing communities. For laid-off plant workers, even special funds and new jobs were provided. A bit later even a moratorium on cod fishing and emergency assistance payments to fishermen and fish plant workers were introduced. The Northern Cod Adjustment and Recovery Program (NCARP) purposed to reduce the number of fishermen by means of early retirement payments and purchasing fishing licenses. However, fishermen just waited out the moratorium rather than seek other lines of work.

The EU is one of the largest "subsidizers" of the fisheries sector. Within the EU (\$2.2 billion of fisheries subsidies per year), Denmark, Spain and France lead in the subsidizing of fisheries industry. The EU subsidizes its fisheries under the Financial Instrument for Fisheries Guidance (FIFG) with structural assistance to the fisheries and provides for special payments for fishing access to the waters of third countries. In addition, the EU itself subsidizes fisheries industry. Member states subsidize their fleets independently (State aid), however only after the Commission's approval. EU subsidies take the form of mostly non-capital grants and collective projects supporting local fisheries management and environmental-friendly initiatives.

Economically, these subsidies are not justified, since almost all of the subsidized vessels within the EU would be profitable without subsidies. However, as a result of these subsidies, the EU is one of the largest importers of fish products and the EU waters are extremely over fished. Indeed, most of the endangered fish species are also within the EU waters.

In the course of time, the harmful impact of the subsidies has been more or less officially recognized. Even the reverse subsidy programs were launched to decrease the fishing capacity of fleet: some vessels were scrapped, while some fishing licenses were bought back. These programs were, however, insufficient in range and effectiveness. For example, the EU started to reduce its fleet in 1983, but continued to subsidize the construction and modernization of vessels.

Since the end of the 80s, the negative effect of the fisheries subsidies has become a focus of concern at the government level, and more detailed analyses have been conducted. In 1993, the FAO finally published worldwide estimations for fishing subsidies. Studies showed that the revenues out of fishing industry were less than operating costs, by about \$22 billion. The costs of depreciation, return on investment, servicing of debt on the vessels themselves, not considered during the study, would constitute additional \$10 billion. Apart from the expensive overcapacity of the fishing fleet and subsequent low market price of the fishing vessels (out of the specialized use of this kind of vessels), partly these losses were caused by subsidies. These are disturbing results...

Fisheries subsidies undermine not only the sustainability of the fishing resources. They also significantly undermine the efforts of effective fisheries management, simultaneously damaging the environment and distorting the trade. The practice shows that the introduced subsidies "settle down" and



become almost irremovable. Governments provide for insufficient information on fisheries subsidies or even make it confidential. This makes it difficult to estimate real impact of subsidies on fisheries sector.

The subsidizing of the fishing fleet continues. The attempts to reduce it face strong political opposition especially from the side of the lobbying sectors of the food industry. The problem with subsidies is that government grants also are able in some cases to reduce fleets capacity. Environmental subsidies, applied by the EU, Japan, Canada, and the United States, try to eliminate the harmful results of the overfishing and fleets overcapacity (e.g. buying back of vessel and fishing permissions, fishermen retraining programs etc.)

Withdrawal of subsidies in fisheries would considerably contribute to the conservation and sustainable use of fish stocks. However, a full retreat from the subsidies in fisheries seems to be unrealistic. The appropriate restrictions have to be made reasonable not to distort positive environmental-friendly trends in subsidizing and to protect the interests of the developing fishing states. The number of people employed in the fishing industry is growing every year, particularly in developing countries. Around 80% of fisheries subsidies of the developing countries are caused by their wish to preserve this employment.

### **2.2.3 WTO legislative basis**

Governmental subsidies distorting international trade, in general, were one of the most intractable problems in the development of international trade law (Thomas, Meyer, 1997 p. 150). From the economic point of view, subsidies lead to the misallocation of economic resources: overproduction and hindered market on the one hand, and deficient governmental budgets on the other hand.

Governmental subsidies are used to lower the producers' production costs. They establish an artificial price advantage. Not only trade, but also international division of labour (Siebert, 2000 p. 139) could be negatively impacted or distorted. Governmental economic aid could be an unfair advantage especially considering the competition between developed and developing countries which transforms in such a way in a struggle "against the treasuries of foreign governments". One disputes further whether disciplines on the granting of subsidies should be introduced and whether the effective remedies together with the countervailing duty would help or, on the contrary, further distort the trade.

As for legislative basis, fisheries subsidies are regulated only by the general subsidies rules of the WTO Subsidies Agreement (the SCM Agreement). Special WTO provisions are still lacking. The issue of subsidies within the WTO is regulated by the Agreement on Subsidies and Countervailing Measures adopted during the Uruguay Round. The core idea behind the original version of this Agreement (the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the GATT or the Subsidies Code) is inadmissibility of harm or harm threat to the trading partners as a result of the government subsidies to a domestic industry.

The only existing definition of the term "subsidy" is contained in the WTO's Agreement on Subsidies and Countervailing Measures. This is due to the lack of the consensus concerning the definition of the subsidy. Article 1 of the SCM Agreement provides for a two-part test to prove whether a subsidy takes place here. A government or a public body makes a financial contribution. A benefit from it must thereby be bestowed on the recipient of the contribution.

A traffic light approach has been chosen: prohibited subsidies corresponding to the red light, and permitted and non-actionable: green light. Some subsidies are not prohibited under the Agreement, however if they bring detrimental effects, an action may still be taken against them ("yellow light" or "slow down"-approach). Against the prohibited or actionable subsidies injuring the Member State one of the remedies is available: dispute settlement process or imposition of the countervailing duty after the appropriate investigation procedure.

The SCM Agreement decides that such types of subsidies as research and development funding, subsidies to disadvantaged regions within a country and subsidies to adapt existing facilities to new environmental requirements do not distort trade. The issue arising is whether a special legal treatment is needed to the fisheries subsidies. Can the existing SCM Agreement be applied to them? The dispute settlement system of the current SCM Agreement could be applied to the fisheries subsidies. Or an issue of fisheries subsidies should be specifically addressed in this Agreement?

#### **2.2.4 WTO strategy on fisheries subsidies**

The WTO is now looking for a “win-win” solution to protect the environment and preserve the interests in fisheries of especially developing states.

At present, the WTO tries to develop the general approach to the issue of fisheries subsidies. One disputes whether one has to establish traffic-light approach or impose a broad-based prohibition.

Under a more detailed consideration, one distinguishes between the “no need” approach, the “traffic light” approach and the “special and differential treatment” approach.

Countries actively subsidizing their fisheries (Japan, South Korea, Canada) chose the “no need” approach. According to this approach, the fisheries industry does not need any special regulation. Furthermore, special treatment could rather lead to the fragmentation of the WTO subsidies regime and even possibly of the entire WTO system. Besides, the supporters of this approach doubt that overfishing was partly caused by the subsidies. They propose the cross-sectoral modification of certain provisions in the present SCM Agreement is admissible.

The “traffic light” approach permits some subsidies (green light), prohibits some of them (red light) and makes some a subject to a complaint on the basis of their adverse trade effects (yellow light or “slow down” approach). “Friends of the Fish” (Australia, Chile, Ecuador, Iceland, New Zealand, Peru, Philippines and the United States), EU, China follow this approach. Representatives of this approach clearly define subsidies, which could be harmful and should be prohibited. For example, the U.S. proposes to prohibit subsidies directly promoting overcapacity and overfishing, or have other direct trade-distorting effects. Chile chooses more detailed approach and lists all kinds of commercial subsidies, which directly geared toward lowering costs, increasing revenues, raising production (by enhancing capacity), or directly promoting overcapacity and overfishing. EU prohibits “capacity enhancing subsidies”. Environmental-friendly subsidies supporting retraining, retirement of fishermen, safety improvement subsidies, subsidies promoting better quality or working conditions, more environmentally friendly fishing methods and subsidies for the scrapping of vessels and the withdrawal of capacity are permitted.

New Zealand proposes to prohibit all subsidies causing overcapacity and overfishing, as well as other trade distortions. According to this approach the subsidizing country has to notify an amber light subsidy, otherwise it has to prove that this subsidy did not cause trade injury.

The “special and differential treatment” approach favours and makes some exclusion for small vulnerable developing coastal states by developed or more advanced developing countries.

The broad prohibition of subsidies would be difficult to achieve. In general, fisheries subsidies are supported by the strong lobby of fishing (and even food) industry. Besides, subsidies promoting the reducing of the fleets’ capacity seem to be a reasonable measure in this situation. The position of the “no need” approach seems to be also not very stable, since the conditionality of the overcapacity, overfishing and fisheries subsidies is more or less acknowledged. Probably, the traffic light approach would be the chosen path for the legal regulation in this field. However, the sphere of the prohibited subsidies expects to be one of the most controversial issues, prolonging the development of WTO disciplines of fisheries subsidies.

Another controversial issue is whether the existing SCM Agreement is appropriate to deal with the fisheries subsidies or a special treatment is necessary. The matter of subsidies in the fishery sector also gets complicated by the fact that the disclosure and notification of fisheries subsidies are very poor. All fishing countries apply them. The effectiveness of the complaint under the existing SCM Agreement is rather doubtful. Not depending on the following legal destiny of fisheries subsidies, WTO rules on this matter have to comply in generally with the SCM Agreement.

### **3. The role and participation of other international organizations**

However, the WTO reaction will not be sufficient to solve the problem of fisheries subsidies. The cooperation of states and other international organizations both at the international and national levels would be necessary.

The existing international fisheries commission designed to deal with fisheries conservation, management and scientific research don’t fulfil their predestination on a full extent and represent rather some kind of “user clubs” (van Dyke, Zaelke, Hewison, 1993 p. 231). But others like FAO, OECD, APEC, UNEP etc. put their efforts into this issue. At least the joint development of data and methodologies and research on the environmental and trade implications of fisheries subsidies will be necessary. In part, they are already

carrying them out. The FAO analyzes the issue of the fisheries subsidies, overfishing and overcapacity. 1999 International Plan of Action on the Management of Fishing Capacity contained the call to the FAO Members to reduce or even eliminate harmful subsidies. OECD studies the issue of governmental financial transfers (GFTs) in fisheries and their impact upon it. The APEC is also analyzing the fisheries subsidies in light of the SCM Agreement application.

## Conclusions

The 1982 UNCLOS provides for the exclusive sovereign right to manage fisheries resources up to 200 nm from the shoreline to the coastal state. The Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks (Fish Stocks Agreement) adopted in 1995 obliges states to conservation and sustainable management of fish stocks.

Consequently, more or less states themselves are responsible for their politics with the subsidies in fisheries. However, separate national efforts on reducing or elimination of fisheries subsidies won't bring too much. In opposite, it would rather reflect the fisheries management slogan of David Cushing 'sink every other boat but mine'. Or if one rephrases Stephen Cunningham (1985), what *one country loses, immediately gains the other one*. In other words, each coastal state is interested in protection of his own fish stocks. Any other country tries to reduce this protection fence as much as possible. If one state stops to increase its fleet's capacity, his place will be sooner or later be occupied by the other one until the global international regime is developed. In addition, a couple of nations are not able to find a common solution on the global issue of fishing. During the UNLOSC III, some participants even proposed to abolish the freedom of fishing and establish "the species approach to fisheries management".

This regime requires not only the coordinate work of governments and international organizations. The significant contribution of universities, fishermen, scientists is "a must".

If economy is a help to biology, why can't biology be of help to the economy. The overfishing problem could be (in part) solved by the farming of fishing resources. Moreover, the statistics shows that over 15 000 fish species are still not identified. Perhaps, nature will help humanity. Environmentalists stress that the proper fisheries management could assist almost totally to eliminate the harmful impact on the environment.

Over one half of the world trade in fish and fish products belongs to the developing countries. Paragraph 28 of the Doha Ministerial Declaration makes an express reference to the importance of fishing sector to the developing countries. It is not occasional. The fishing industry means work for 36 million people each year only in primary sectors. Before taking any concrete decision on the reduction or abolition of the fisheries' subsidies, one has also to consider them.

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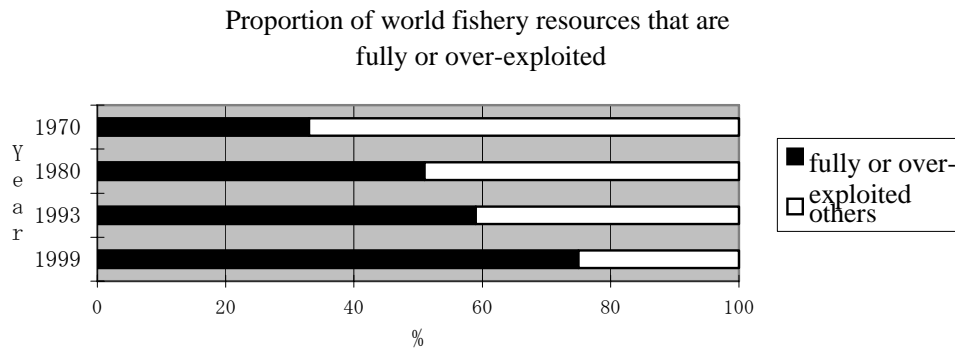
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**Appendix**

**Table 1. Types of subsidies** (Based on the information from Iudicello, 1999 p. 61)

TYPE OF CAPITAL	ACTIVITY	EXAMPLES	IMPACT
Direct income	Support	Price supports, grants to remove vessels temporarily from a fishery	Support the economically marginal kinds of fishing
Producers' variable costs	Reduction	Fuel tax exemptions	Attraction of investments into the industry
Capital	Facilitation of use	Low-interest loans, loan guarantees that reduce the risk of commercial loans, tax concessions on investments	Attraction of investment into a fishery, especially when the support of commercial banks is in question
Government charges for exploitation of a public resource	Depreciation	Favorable (or even absent) charging of foreign and domestic fleets for access to the fisheries	Promotion of existing and bringing in of new fishermen
Costs of subsidiary activities	Reduction	Subsidies to the shipbuilding industry (lowering of costs for vessel construction), fish ports or fish-processing facilities	Benefits fishing fleets indirectly

**Scheme 2. Fishery resources.**



Source: Review of the State of World Fishery Resources, FAO 1997, The State of World Fisheries and Aquaculture, FAO 2000