

## Does trade always make the grade?

**Given the variety and complexity of fish resources and markets worldwide, it is not possible to generalize about the virtues of global trade**

About a third of the global fish production is believed to enter international trade and, in value terms, it amounts to US\$ 52 billion. According to the FAO Yearbook of Fishery Statistics, the developing countries increased their share of international trade in fish and fish products from 44 per cent in 1985 to 46 per cent in 1995 (declining from 51 per cent in 1994). In the same period, the share of low-income food-deficit countries (LIFDCs) increased from 14 per cent to 19 per cent.

Trade in fish and fish products is a significant activity for employment, income and foreign exchange for LIFDCs, which account for over 90 per cent of the global population of fishworkers. Most of these fishworkers are in the artisanal sector and are dependent on fisheries for their life and livelihood. The significance of international trade in fish and fish products is further enhanced by the fact that the net foreign exchange earning from seafood exports is one of the highest for these countries.

Although the fish caught by artisanal fishers is primarily for the domestic market, the income earned from exports is significant for their livelihood. The access to international market for fishworkers from the artisanal sector is, however, hampered by tariff and non-tariff barriers.

They also have to compete with the operations of large-scale and distant water fleets which have an unfair advantage over the artisanal sector because of several subsidies that are both hidden and open.

The pressures on the marine resources of one country in a particular region could be relieved if resources could move into the processing and retailing sectors of that country from another in the same region.

This is assuming that the latter has healthy fish stocks that are acceptable to the former. In several African countries, for example, fish can not move from one country to another due to high tariff barriers. If such barriers could be reduced, there could be greater intra-regional trade which, in addition to reducing pressures on national waters, will also generate new employment opportunities and benefit fish consumers.

Similarly, it is important to reduce import tariffs on processed fish especially from developing countries, so as to promote export of processed fish that could provide employment and income opportunities in many developing countries. Right now, the tariffs prevailing on processed fish in the European Union (EU) and the United States are very much on the higher side and act as a barrier to trade for several developing countries.

There are several instances of sanitary and phytosanitary measures and technical barriers to trade being used in a discriminatory manner against fish exports originating especially from developing countries. Certification programmes now contemplated by non-state parties, to unilaterally define and apply criteria for sustainable fishing practices from a Northern perspective, could further act as non-tariff barriers for exports from the developing countries.

### **Private initiatives**

The private eco-labelling initiatives intended to circumvent state machineries and now being developed under the auspices of the UK-based Marine Stewardship Council, could be to the disadvantage of fisheries in developing countries, including artisanal fisheries that produce fish for export to developed countries. Such initiatives can neither

prevent overfishing nor contribute to effective management of fisheries, especially the highly diverse artisanal fisheries in the developing countries.

**T**hese initiatives could also result in fishers in developing countries losing their autonomy with respect to the patterns of harvesting and disposal of their catch in the export market. Moreover, such attempts to have an elegant and universal definition of sustainability is next to impossible, given the diversity of fisheries and the state of poor knowledge in many parts of the world about the impact of fisheries on various stocks.

It is generally argued that subsidies given to the fisheries sector encourage movement of capital into a sector that is already overcapitalized; that they promote overfishing and that they represent misallocation of government financial resources. While this argument applies significantly to the fisheries of developed countries, especially to the distant-water fleet of EU, it has the following shortcomings in the context of developing countries:

First, it is based on the assumption that subsidies in fisheries sector are going primarily to harvesting and not to the processing or marketing sectors. While this may be the case in many developed countries, the situation that prevails in many developing countries may be

different. The actual situation, however, is not clearly known and needs to be studied.

Second, it is based on the assumption that fish stocks are generally depleted. While this may globally be true, the situation could be different in several countries, especially in the Indian Ocean region where resources may not be overfished.

Although the quantum of subsidies given to the harvesting sector is not really known in the case of developing countries, it could be safely assumed that most of the subsidies given to the harvesting sector goes to large-scale fleets that may not be economically viable without the aid of these subsidies.

The extent of subsidies to these fleets, mainly in the form of concessional credit for construction of fishing vessels and fuel subsidies, poses an unfair threat, in the form of competition for space and for resources, to the artisanal sector.

#### **Several examples**

There are several examples of such subsidized fleets overfishing especially ground stocks in different parts of the world (e.g. Thailand, Senegal, Ghana, and South Africa). The subsidies to the large-scale fleets distort trade. The products from the artisanal fisheries sector would have to compete with the products from the large-scale sector in the international export market.

The artisanal sector is often at a disadvantage because of its inability to compete with the subsidized fleets of large-scale fisheries which, because of these subsidies, are in a better position to sell at a cheaper price in the international market.

**M**oreover, the externalities of indiscriminate large-scale fishing operations are borne by the society at large, and this also acts as a hidden subsidy to the large-scale sector, thus further distorting trade.

The operation of distant-water fleets in third countries under fisheries agreements-which essentially is export of subsidized fishing capacity-often clashes with the export potential of fish and fish products of developing countries. This is because of the impact of distant-water fleet on the fisheries of third countries, in terms of competition for space and for resources, structurally similar to the impact of large-scale fisheries on artisanal fisheries. This, in turn, negatively affects the livelihood interests of coastal fishing communities.

The subsidized distant water fleet in the waters of third countries have been criticized for causing negative impacts on the resources of the developing countries and for distorting trade. In Mauritania, for example, it has been pointed out that the operations of foreign fishing vessels under fisheries agreements, including those with the EU and the Peoples Republic of China, have overfished the local cephalopod stocks. Further, the highly efficient and locally beneficial domestic cephalopod fleet, using primarily artisanal technologies, is put at a disadvantaged position.

Moreover, the tariffs imposed on the export of processed fish and shellfish to discourage landing, processing and exporting from developing countries where the fish is actually harvested, deprives developing countries of enhancing employment opportunities in the labour-intensive fish processing industry. This deprives especially LIFDCs from crucial employment and income opportunities in the coastal areas. Many artisanal fisheries in the tropical belt are dependent on high-priced shrimp

production, and face competition not only from destructive trawling operations but also from brackish water aquaculture operations. Many of the environmental and natural resources costs of shrimp aquaculture operations are borne by society, and amount to hidden subsidies to the aquaculture industry.

As a result of these hidden subsidies including, for example, unpriced use of land, water and ecologically sensitive ecosystems (mangroves and wetlands), the aquaculture industry can sell shrimp at a cheaper price in the international market and discriminate against those artisanal fishers, who use passive and environment-friendly fishing techniques.

In capture fisheries, however, subsidies may be required to create an incentive for fishers to shift to more resource-friendly fish harvesting methods. Subsidies may also be required to develop fisheries for certain underexploited stocks, so that pressure on certain overexploited stocks could be removed. There are also certain social situations where subsidies are warranted in fisheries, as, for instance, to help the coastal population to overcome the vagaries of a civil war (for example, in Mozambique) or famine (for example, in Senegal).

Considering the poor opportunity cost of labour in fisheries in many developing countries, fishery resources play an important role in alleviating rural poverty. Fish is not only a source of food, but also an important source of livelihood. Therefore, the sustainable utilization of fishery resources should be in the best interests of governments and fishing communities, who are primarily dependent on fisheries for their life and livelihood. This, however, is not the case in most LIFDCs.

#### **Enormous pressure**

Trade in fish and fish products seems to put an enormous pressure on fisheries resources and their utilization in a sustainable manner. This is particularly so in the case of international trade in sedentary and demersal stocks (for example, *beche de mer*, trochus, giant clams, lobster and shrimp). In several countries, for example, resources that have little or no domestic market but with


good international demand have been overfished.

**L**iberal trade regimes do seem to play a role in exacerbating overfishing of some of the most vulnerable and valuable stocks. In the absence of effective and enforced fisheries management systems, the market signals, especially those emitting from the export market, seem to have an overriding influence on resource exploitation.

State policy, while efficient at the level of promoting revenue-earning activities like production for the export market, is woefully inadequate when it comes to revenue-expending activities, like fisheries management. This asymmetry needs to be addressed. There is surely a need to redirect present subsidy policies towards facilitating improved fisheries management and monitoring, control and surveillance systems.

Even if price distorting subsidies are removed in pursuit of liberalized trade regimes, it would still be difficult to say that this would automatically lead to less capital moving into the fisheries sector, less fish being caught, and greater adoption of sustainable fisheries management systems. It can not be generalized that trade in itself is good, as long as regulatory frameworks are absent or deficient. Studies need to be done to show the impact of trade on renewable

resources like fish stocks, before arriving at any conclusion.

Unless efficient and purposive fisheries management programmes are put in place, it would be quite meaningless to leave fish mainly to the dynamics of trade. In countries with poor fisheries management policies and programmes, perhaps the only way to protect the right to life and livelihood of economically disadvantaged coastal communities, is to have some restrictions on trade until a proper management system is put in place. This would certainly help reap the benefit of a renewable resource to its optimal best. 

This paper was submitted by ICSF to the WTO Symposium of Non-Governmental Organizations on Trade, Environment and Sustainable Development Geneva, Switzerland, 17-18 March 1998