

ICTSD Project on Fisheries, Trade and Sustainable Development



Fisheries, International Trade and Sustainable Development



International Centre for Trade
and Sustainable Development

Policy Discussion Paper

FOREWORD

Trade in fish and fishery products has a real potential to advance socio-economic development around the globe. Fish trade has expanded tremendously in recent decades and has almost doubled in the past ten years. Exports flow primarily from developing to developed countries, accounting for up to three-quarters of merchandise exports in some countries. Fisheries provide a source of direct and indirect employment for 200 million people. The vast majority of these people live in the developing world where the sector is dominated by artisanal and small-scale fishing operations. The industry also plays a crucial role in advancing food security, supplying much-needed protein in some of the poorest countries as well as income necessary to purchase food.

This potential, however, has to be placed within the broader context of prevailing viability constraints that - if not addressed - will jeopardise the productivity and survival of the world's fisheries and the millions of people that depend on them for their livelihoods. With three-quarters of fish resources already under threat, this prospect is becoming a reality in some parts of the globe. Fish trade - where it provides an incentive for increasing fishing efforts beyond sustainable limits in the absence of an effective management regime - clearly exacerbates these pressures. Similarly, fisheries subsidies that have enabled industrial fleets to exploit fishing grounds around the world have significantly contributed to global fish stock declines.

Trade policy can provide a range of tools to help take advantage of opportunities while mitigating some of the pressures. Eco-labelling, for instance, could provide necessary market advantage to compensate for investments in sustainable fisheries. Well-targeted subsidies could foster development of poor fishing communities provided that they do not lead to unsustainable fishing efforts. At the same time, if not designed well, these tools can undermine sustainable development objectives by encouraging over-exploitation, unnecessarily restricting trade and jeopardising livelihoods. Market standards and the use of safeguards continue to prevent the poorest countries in particular from taking advantage of trading opportunities. Fisheries access agreements, where they do not include adequate catch limits and enforcement mechanisms, can lead to the long-term decline of fisheries resources at the expense of local fishermen.

To ensure that fish trade indeed delivers on sustainable development objectives, policy-making at the multilateral, regional and local levels will need to reflect and balance the varied priorities and concerns. To date, however, the policy debate has been characterised by a fragmentation of issues, actors and perspectives. While negotiations on regulating fisheries subsidies have attracted considerable attention at the WTO, other areas with a direct bearing on the fisheries sector - such as market access, non-tariff barriers, and measures taken under multilateral environmental agreements - remain neglected and understudied. Policy responsibilities for the various aspects of the fisheries-trade interface are spread across different ministries and institutions with limited coordination between them. At the same time, many stakeholders - among them those with the greatest stake and interest in the debate, including fishermen, traders, conservationists and fisheries analysts - are frequently not heard and effectively integrated in policy formulation.

As part of the ICTSD project on *International Trade, Fisheries and Sustainable Development*, this Policy Discussion Paper aims to help foster an inclusive and informed process for crafting multilateral, regional and domestic trade rules and policies in the fisheries sector that are supportive of sustainable development. To this end, the paper provides a comprehensive assessment of the complex set of trade policy issues and tools that bear on the sustainability and development of the fisheries sector. It does so through the lens of sustainable development: How will trade policy tools such as tariffs, subsidies, standards or eco-labelling impact on the pursuit of public policy objectives related to social development, employment and food security? Under what conditions

will these tools foster or undermine the long-term viability of fisheries resources? How will the use of the various policy tools influence countries' ability to secure export revenues and preserve the profitability of the fisheries sector?

This paper is not meant to be an academic exercise nor does it propose specific recommendations; rather, it aims to provide a framework for those making and influencing policies to better understand and analyse how key trade policy issues and tools in fisheries relate to and impact on their sustainable development objectives. By providing a comprehensive yet applied basis for debate and analysis, the paper endeavours to help bridge the divide between the different communities and enable dialogue among the different actors and areas. We would like to encourage our readers to take this document as a starting point for further analysis of their specific fishery and country contexts which will provide the necessary basis for identifying their interests and priorities towards integrated policies and negotiating positions in this area.

We hope that you will find this Policy Discussion Paper to be stimulating and useful reading.



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The final product is the result of the collective efforts of the persons involved. However, the ICTSD team assumes sole responsibility for its contents.

EXECUTIVE SUMMARY

Fisheries Trade, Sustainability and Development

The Food and Agriculture Organization of the United Nations (FAO) estimates that 75 percent of fisheries is significantly depleted, over-exploited or fully exploited (FAO, 2004a). A number of factors have contributed to these trends. Poor fisheries management and inappropriately designed subsidies to fishing industries have been widely recognised as key drivers of over-exploitation of fisheries resources by contributing to significant overcapacities of fishing fleets, particularly in developed countries.

At the same time, the demand for fish and fishery products continues to rise. Consumption of fish has doubled since 1973 and production has soared accordingly to meet the burgeoning demand (Delgado *et al.*, 2003). Developing countries account for a large part of both consumption and production, producing nearly three times as much fish as developed countries. Much of the growth has come from aquaculture production, which now accounts for almost a third of total production by weight (FAO, 2004a), while production from wild fisheries has slowed or stagnated despite growing investment in fishing capacity. As a result - and in contrast to most animal-origin foods - real prices of most fish and fishery products (not produced through aquaculture) have risen over the past 60 years.

Fish are also one of the world's most highly traded commodities. Almost 40 percent of fish output by value is traded internationally - primarily from developing to developed countries - with an export value of US\$ 63 billion in 2003 (Emerson, 2005). Seafood is now one of the most traded commodities in the world (FAO, 2004a). In the developing world, exports of fishery products make up 20 percent of their agricultural and food-processing exports - more than tropical beverages, nuts, spices, cotton, sugar and confectionary combined (World Bank, 2004). Expected increases in prices for fish and fishery products could have potentially significant ramifications for the availability of fish for food use as well as fishmeal, which provides an important source of livestock feed in some countries.

International fisheries trade can play an important role in the development strategies of many developing countries, and it is the cornerstone of many fishing communities throughout the world. For developing countries, the fisheries sector is a major source of export revenue, a key dietary input and an important provider of local livelihoods. Nearly a billion people worldwide depend on fish as their primary source of dietary protein (Schorr, 2004). Further, small-scale fisheries form a significant part of the fisheries sector (though their actual contribution to total capture fishery products remains difficult to estimate) (FAO, 2004b). In the past several decades, bilateral fisheries access agreements between developed and developing countries have emerged as a critical part of trade-relations between developed and developing countries. While these agreements have the potential to help build capacities in developing countries and maintain fishing communities in developing countries, they can also fuel over-exploitation of fisheries resources in developing country national waters by distant water fleets that are provided access under the agreement while reducing the competitiveness of the local industry.

The fisheries sectors in many of the poorest countries often face serious obstacles to expanding their participation in international trade and diversifying production and exports towards value-added processed products. These barriers include tariff escalation, stringent standards, countervailing measures and rules of origin requirements in export markets as well as domestic supply-side capacity constraints. In addition, fisheries subsidies in

developed countries have contributed to market distortions, reducing developing countries' ability to compete with subsidised fleets and often making it economically unviable for poor countries to build up their own fisheries industries.

Trade liberalisation in the form of subsidy cuts and reduced tariff escalation may promote more efficient use of fisheries resources, reduce trade distortions, enhance market access for developing countries (particularly for processed fishery products) and thus increase incomes and employment opportunities. On the other hand, while some countries may gain from expanding fisheries trade, some portion of their populations, or other countries, may not reap any benefits, or indeed, may be made worse off. There are fishing communities that fear the impact of expanded trade on their livelihoods, culture, local development and food security.

Alongside these considerations exists a debate about the environmental impacts of expanding fisheries trade. On the one hand, expanding international trade may further strain the sustainability of fish stocks and the marine environment where resources are not effectively managed or regulated. Moreover, some trade laws and policies may impede efforts to reduce pressures that drive overfishing. The global market does not currently contain feedback loops that ensure that environmental costs and sustainability concerns are recognised and internalised. There is, for example, no automatic mechanism within the trade system for constraining trade at points where it is clear that the scale of trade and production are out of proportion to the availability of the fisheries resources. Some argue that growth in aquaculture production and trade could mitigate some of the pressures on the resources and provide opportunities for expanding domestic industry. To be sustainable, however, the sector will need to address livelihood considerations, including the likelihood of market concentration at the expense of small-scale industries and the environmental impacts, such as pollution from aquaculture pens or the use of wild fish as fishmeal and oil for use as feed in aquaculture production.

On the other hand, the opportunity to generate profits and foreign exchange from increased trade could be one way to focus the minds of some countries on the need to ensure sustainability as a way to safeguard long-term economic opportunities. In some instances, trade measures have been proposed as possible avenues to address some of the drivers of fish stock depletion, including the use of import controls, traceability systems and labelling schemes which take into account developing countries' capacity constraints to implement and comply with such measures.

Purpose and outline of this Policy Discussion Paper

Fish stocks, the marine environment, and the fishing communities and industries that rely upon them, face unprecedented challenges. Despite the enormous economic and environmental issues at stake, the linkages between international trade, fisheries sustainability, environmental protection and socio-economic development remain poorly understood and inadequately addressed. At present, international discussions of the challenges that arise at the nexus of trade, fisheries and sustainability are spread across a vast array of international organisations, international and regional agreements on environment, trade and fisheries, regional fisheries management organisations and other international processes.

This policy discussion paper identifies three broad public policy objectives relevant to policy-making in the fisheries sector: (i) profitability and the generation of export

revenue; (ii) resource sustainability and environmental protection; and (iii) socio-economic development, including employment, livelihood and food security and coastal development. When engaging in discussion of trade policy, it is vital that policy-makers recognise and address the interplay of these three sets of objectives. While opportunities for synergy may arise, there may also be times when compromise and trade-offs must be accepted.

To advance towards better outcomes for sustainable development, this policy discussion paper aims to provide policy-makers, scientists, advocates, journalists and those engaged in the fishing industry with an overview of the key linkages, tensions and policy debates at the intersection of fisheries and international trade. The paper does not advocate a particular perspective or make recommendations; rather it endeavours to highlight different views and options for policy-making. It should be seen as a starting point for debate that provides a conceptual framework for further in-depth analysis on specific policy areas and how they should be addressed in particular country and fishery contexts.

The paper proceeds in two parts. Organised around the three broad public policy objectives outlined above, **Part One** reviews the key economic, environmental and social factors that influence the management, harvest, production and trade of fisheries resources, calling attention to emerging trade trends and the precarious state of fisheries resources. **Part Two** reviews the key trade-related areas of international policy debate relevant to the fisheries sector: tariff liberalisation; safeguards and anti-dumping; standards and other non-tariff barriers; ecolabelling; subsidies; access agreements; and trade-related measures to promote fisheries management and environmental protection. Each of these chapters follows a similar format, identifying the policy issue at hand, the relevant background, the key policy debates and tensions, and the relevant international processes. The paper concludes with a summary of the linkages between trade policy issues and sustainable development priorities, and a set of proposals for further research.