

International Trade and Fisheries: Implications for Fisheries Management and Development of Small Vulnerable Caribbean States

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ABSTRACT

The Doha Round of WTO negotiations which were launched in 2001 established a mandate for negotiations on Fisheries Subsidies. Small vulnerable economies have specific concerns in these negotiations with regard to special and differential treatment, artisanal and small scale fisheries, jurisdiction (WTO vs FAO) and the potential of modalities on fisheries subsidies to shape the management of fisheries industries. Small states in the Caribbean attach an importance to fisheries that far exceeds the contribution of the sector to national GDP. International disciplines on fisheries subsidies must give due consideration to providing the requisite policy space for the achievement of development objectives of small, vulnerable economies. The absence of such space can have important ramifications with regard to the sustainable management and development of the use of regional fisheries resources.

KEY WORDS: Fisheries subsidies, fisheries management, small vulnerable economies, regional fisheries resources

El Comercio Internacional y la Pesca: Implicaciones para la Gestión en la Pesca y el Desarrollo para los Pequeños Estados Vulnerables del Caribe

Las negociaciones de la OMC en Doha lanzadas en 2001 establecieron un mandato para negociaciones en el ámbito de subsidios para la pesca. Las economías pequeñas vulnerables tienen preocupaciones específicas en estas negociaciones respecto a tratamientos especiales y diferenciales, artesanal y pesca de pequeña escala, jurisdicción (OMC vs. OAA) y la potencial de las modalidades para los subsidios en la pesca para forma la gestión en la industria de la pesca. Los pequeños estados del caribe ponen importancia en la pesca que sobrepasa la contribución del sector a PIB (Producto interior bruto). La regulación internacional sobre los subsidios en la pesca debe operar en una manera de estipular un espacio de la política requisito para lograr los objetivos del desarrollo de los pequeños economías vulnerables. La ausencia de tal espacio puede tener ramificaciones importantes respecto a la gestión sostenible y el desarrollo en el manejo de los recursos regionales de la pesca.

PALABRAS CLAVES: Subsidios para la pesca, gestión de la pesca, economías pequeñas vulnerables, recursos regionales de la pesca

INTRODUCTION

According to a report from the Advisory Board to the Joint Commonwealth Secretariat/World Bank Task Force on Small States (1999), the six independent OECS states all rank in the top 30 most vulnerable states out of a study involving 111 states (see Table 1).

The OECS fisheries sector contributes an average of 2.6% to GDP and provides employment for approximately 11,000 persons. Like agriculture, the actual contribution of fisheries to the economies of the OECS is underestimated as GDP figures do not capture the ancillary services associated with fisheries and the amount of production that is traded on the informal market. Fish and fish products contribute to domestic food security, rural development and have important linkages to the tourism sector.

The policy of OECS governments has been to facilitate the development of the sector through support programmes such as subsidy schemes and tax holidays, including import duty reduction on capital equipment, rebates on the duty paid on fuel and other tax exemptions (Wilson and Murray

2001). Subsidies to the fisheries industry are governed by the WTO Agreement on Subsidies and Countervailing Measures (ASCM). Provisions on subsidies are being negotiated based on the mandate set out in the Doha Ministerial Declaration of November 2001 and the subsequent Hong Kong Ministerial Declaration of December 2005. This paper sets out to discuss the implications of these negotiations for fisheries management and the development of the small vulnerable states using the case of the OECS to illustrate.

THE STATUS OF THE OECS FISHERIES SECTOR

Fisheries play an important and sometimes underrated part in the economies of the OECS Member States, providing full-time, part-time and seasonal employment, contributing significantly both to domestic food security and national GDP (Table 2).

Table 1. Relative vulnerability of independent OECS Member States. Source: World Bank/COMMSEC report (1999)

	Population	Export Dependence	Vulnerability to Natural Disasters	UNCTAD Diversification Index	Composite Vulnerability Index	Rank
Antigua and Barbuda	65	90.50	430.77	0.832	11.246	2
Dominica	71	50.33	261.97	0.769	8.122	12
Grenada	92	44.00	228.26	0.845	7.848	15
St Kitts	42	59.00	21.43	0.850	6.362	29
St Lucia	139	68.33	92.88	0.880	7.449	19
St Vincent	11	47.75	74.8	0.865	6.563	24

Table 2. Selected Indicators of the Contribution of fisheries to the economies of OECS Member States.

Country	Contribution to GDP (EC\$M)	% of Total GDP	Landings quantity (tonnes)	Employment	
				# per- sons	% fishermen
Antigua& Barbuda	21.8	1.8	653	1200	n/a
Dominica	8.84	1.6	1079	2891	94
Grenada	11.41	1.7	1260	1949	90
St. Kitts & Nevis	8.35	1.4	339	458	88
St. Lucia	8.76	0.8	1523	1957	91
St Vincent & the Grenadines	13.08	2.0	809	657	n/a

Current methods of evaluating the contribution of fisheries to the economies of the OECS Member States may overlook any incremental benefit of the export market, as well as support services to the industry. In fact, it may even be argued that in addition to the value added as a consequence of export markets, expenditure on the sector such as investment in infrastructure, marketing, subsidies and the like, could be seen as contributing to the overall value of the industry. From another point of view, employment in the fisheries sector must be considered to extend to, and include, persons other than those who catch the fish. These include “boat boys” (who clean fish for purchasers), vendors, truckers, and the like.

The status of OECS fisheries is typical of other emerging small fisheries in that the resources that are closest to shore or near-shore fisheries have been the most heavily exploited as this type of fisheries requires the lowest level of investment and is the most accessible to the fishers. These resources, due to their geographic location, capture technology, capital availability, and markets are coming under increasing pressure and in some instances already showing signs of collapse. The inshore shallow reef resources fall into this category. On the other hand, the exploitation of offshore pelagic and deep slope resources has some important implications. Demersal deep slope species are slow maturing and stocks are easily depleted, as has already been manifested in Grenada. The exploitation of larger pelagics (tunas, wahoo, dolphin and

sailfish) implies higher energy costs and the need for larger, more seaworthy vessels. In addition, the fishery for pelagic migratory stocks is by definition seasonal, with characteristic high and low periods, making financing more challenging both for the lending institution and the borrower. Politically and socially the issue is particularly poignant as such resources have traditionally supplied a large part of the domestic (non-tourist) market.

The demand for fish and fish products is growing in the OECS sub-region as a result of economic growth, population growth and changes in diet and consumption habits. In light of the growing stress on inshore resources, States are increasingly challenged by the difficulty of meeting their domestic demands for fish, even without the additional demands of the tourist industry. The development of tourism in the region has resulted in a level of demand which national fisheries have been unable to respond to completely and, consequently, fish imports have grown. A number of OECS Governments have put in place statutory entities with responsibility for guaranteeing a minimum and permanent market to fishers, thus reducing the marketing risk. Whether these State-marketing ventures are viable in commercial terms is debatable, and it is possible that if completely privatized, they might be forced to adopt very different operational and pricing strategies. Their continued operation is also subject to disciplines under the GATT Article XVII.

Stressed traditional fishery resources, national market demands, and growing imports have resulted in increasing

pressure for diversification of the fishery. This may have implications in the areas of technology, financing, processing, and resource management. This is against the backdrop of a lack of conclusive biological and catch/effort data on the resources in the sub-region, and limited capability of fisheries departments, making it difficult for resource managers to make confident decisions regarding the management and development of the fisheries.

OECS OBJECTIVES FOR THE FISHERIES SECTOR

The 2004 Development Charter of the Organisation of Eastern Caribbean States embodies the vision for the fisheries sectors of member states. In the Charter, OECS Member States express that they

“...are firmly of the view that fisheries can play a more important role in the economies therefore we undertake to accelerate the growth of the sector, by encouraging the use of applicable technologies for harvesting, processing, marketing and conservation of seafood and our marine resources.”

Thus, the Charter clearly articulates the vision for the OECS fisheries sector. The OECS Development Charter as well as the OECS Fisheries Management and Development Strategy and Implementation Plan both indicate strategic responses to the development imperative of the fisheries sector. They provide a framework for the further development and diversification of the regional fisheries sector, reflecting stakeholders' participation and fishers' safety with increased investment in sustainable production and marketing, resulting in social and economic well being of fishers and the wider community.

The objectives of the strategy are geared toward improving the national fisheries management framework within Member States; increasing accessibility to varied markets by the diversification, and improved quality, of fishery products; addressing the need to increase overall production by the fisheries sector; and dealing with issues which require regional action, or need to be facilitated by some regional agency.

Globally, the poor state of marine seas capture fisheries is believed (United Nations 2007d) to result from a combination of factors which have adversely affected the productivity of fish stocks. The factors contributing to the adverse effect on productivity include overcapacity and overfishing, illegal, unreported, and unregulated (IUU) fishing, unreliable fisheries data and statistics, harmful subsidies, and unsustainable fishing practices. This is

cause for concern, since it begs the question (*ibid.*) as to whether the provisions of the relevant international fisheries instruments are actually being implemented or whether the recommendations of various international conferences have been applied effectively.

OECS POLICY OBJECTIVES AND SUBSIDIES NEGOTIATIONS

The FAO defines fisheries subsidies as “government actions or inactions outside of normal practices that modify – by increasing or decreasing – the potential profits by the fisheries industry in the short-, medium- or long-term”. This could include a range of policy programmes such as investment grants, fuel tax rebates and the provision of landing site facilities. The extent to which developing and least developed countries utilize subsidies in the fisheries sectors is less documented than in developed or some middle-income countries.

Subsidies are an important policy tool used by developing countries for the development of the sector. They are generally in the form of direct transfers, cost-reducing transfers, and supply of general services. OECS governments have facilitated investment in the sector through programmes which have given concessions including import duty reduction on capital equipment, rebates on the duty paid on fuel and tax exemptions. Across Member States, these subsidies vary in their degree, the inputs that are covered, and the method of implementation. Subsidies for infrastructure are often in the form of bilateral or multilateral development projects.

Fish and fish products are commonly subsumed under the chapeau of agriculture. The Uruguay Round of GATT negotiations which led to the establishment of the WTO, excluded fish and fish products¹ from the Agreement on Agriculture and as a result, these are categorized with industrial products. In the WTO, there are no modalities specific to fisheries subsidies, therefore the existing rules are embodied in the Agreement on Subsidies and Countervailing measures (ASCM). According to the ASCM, subsidies are characterized as being of two types: prohibited and actionable². Prohibited subsidies are subsidies that are granted conditional on export performance or on the use of domestic products over imported products. Actionable subsidies are subsidies that have adverse effects on another country's interests in that country or in its export markets. The agreement also introduces the concept of specificity meaning that the subsidy would only be available to an enterprise, industry, group of enterprises, or group of industries in the state.

The mandate for WTO members to negotiate rules on fisheries subsidies was set out at the Doha Ministerial

¹This includes products of HS code 03, 051191, 121220, 150410, 150420, 1604, 1605, and 230120.

²Prior to 2000, a third category, called non-actionable subsidies existed but these ceased to exist based on the provisions of Article 31.

Conference of November 2001 (see Annex I). WTO members have committed to a process of “clarifying and improving” WTO disciplines on fisheries subsidies, “taking into account the importance of this sector to developing countries” and also with regard to the link between trade and the environment. Annex D of the Hong Kong Ministerial Declaration of December 2005 notes that there is broad agreement on the need to strengthen fisheries subsidies disciplines, including through the prohibition of certain forms of subsidies that contribute to overcapacity and over-fishing. The Declaration also commits members to fisheries subsidies negotiations that prohibit subsidies which contribute to overfishing and overcapacity. The intention is that these negotiations will result in disciplines that are transparent and enforceable and incorporate special and differential treatment (SDT) for developing and least developed countries (LDCs).

The main debate is regarding the “thin green line” i.e. the separation between trade and the environment. It is contended that the disciplining of subsidies on the basis of overcapacity and over-fishing are beyond the scope of the WTO. Developing countries, in particular, those that define themselves as being small and vulnerable, have also argued for the consideration of the developmental purposes of such subsidies, particularly in the case of small-scale fisheries.

Since November 2001, no less than fifty (50) submissions had been made on fisheries subsidies. Negotiations on this issue have reached the point where a separate Annex to the ASCM had been drafted to address the specific concerns of members regarding the treatment of fisheries subsidies.

The general debate on fisheries subsidies has centred on the development of enhanced disciplines that balance the attendant environmental concerns of the fisheries industry and the developmental objectives of developing and least developed countries.

THE CASE FOR SUBSIDIZING FISHERIES IN SMALL VULNERABLE STATES

Fisheries activities in small vulnerable coastal states largely fall under one of three categories: revenue generation from access fees for distant water fleets, domestic and foreign fishers operating for export in the EEZ and territorial sea to supply canneries, loining facilities and domestic processing facilities or artisanal fisheries within the territorial sea for the domestic and export market.

The multifunctional nature of the fisheries sector mandates that policy measures that support the survival of the sector be safeguarded. As part of the SVE group of countries in the WTO, the OECS have argued for a special carve-out for the policies of these countries that will allow their use even in the context of the development of specific disciplines on subsidies to the sector. The line being pushed has been for special and differential treatment for SVEs mainly through the protection or safeguarding of the

right to use subsidies for developmental purposes.

The policy measures used by the OECS states to support fisheries are threatened or can be impacted by proposed subsidies disciplines as in the context of the definition of a subsidy in the ASCM, many of the programmes typically used by the OECS would be threatened. Fuel rebates, infrastructure, and duty exemptions on capital equipment, which are critical support programmes used by developing countries, face the threat of elimination. Coupled with this, development assistance is not adequately treated by the ASCM.

CONCLUSION

Small vulnerable economies have specific concerns in these negotiations with regard to special and differential treatment, artisanal and small scale fisheries, jurisdiction (WTO vs FAO), and the potential of modalities on fisheries subsidies to shape the management of fisheries industries. International disciplines on fisheries subsidies must give due consideration to providing the requisite policy space for the achievement of development objectives of small, vulnerable economies. The absence of such space can have important ramifications with regard to the sustainable management and development of the use of regional fisheries resources

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