

## ASEAN and Fishery Subsidies: Outlining a Regional Vision

*by Magnus Torell*



### technical consultation

As part of its work on fisheries subsidies, the FAO Fisheries Department, in collaboration with various ASEAN countries, will develop case studies through which the environmental, economical and social impact of subsidies can be analysed empirically. This is part of the preparatory work for the proposed 2004 International Technical Consultation, which for the ASEAN region will focus on Indonesia and Thailand.

In response to the process to develop a common ASEAN view on subsidies within fisheries to be presented in the international venues, and more specifically in preparation for the FAO International Technical Consultation, a Regional Consultation on Fisheries Subsidies was organised by ASEAN – SEAFDEC in Bangkok, Thailand, 9 – 10 October 2003.

In preparation for the meeting, all ASEAN Member Countries were requested to complete a questionnaire on available subsidies within their fishery sector. Almost all countries responded. The responses gave a range of examples on subsidies in use, rather than a complete list of implemented subsidies. Another insight from the

questionnaires is that continued work needs to be done on definitions, and specifically on distinctions between types of subsidies that are acceptable and those that are not.

Two documents were essential as a basis for the Regional Consultation: “The Conclusions and Recommendations of the FAO Expert Consultation on Identifying, Assessing and Reporting on Subsidies in the Fishing Industry” (Rome, 3-6 December 2002) and the “WTO Negotiating Group on Rules: Note by the Chairman on Compilations of Issues and Proposals Identified by Participants in the Negotiating Group on Rules” (22 August 2003). The WTO document is interesting in that it presents an idea on how subsidies might be categorised as prohibited (‘red light’), permitted (‘green light’) and possible, given notification and that negative aspects cannot be shown (‘dark amber light’). It should be noted that the FAO and WTO categories are not adopted norms, but merely reflections of ongoing processes with inputs from various parties.

### FAO and WTO categories and types of subsidies



## Introduction

Questions about subsidies to fisheries in Southeast Asia are important, and also at times highly sensitive. Subsidies are ever more controversial in the global context as well, something apparent from the World Trade Organisation meeting in Cancun earlier this year. Fisheries have a particular importance in terms of trade and national development in ASEAN countries, since a large share of international trade of certain fish commodities originates in Southeast Asia.

Closely connected to concerns about subsidies in terms of international trade and sustainable development, questions about subsidies are also high on the agenda of both ASEAN and SEAFDEC. In the Resolution and Plan of Action adopted during the Millennium Conference, ASEAN Member Countries were requested to assess the impact of government subsidies on fisheries, particularly in terms of the needs of small-scale fisheries in the ASEAN region and sustainable fisheries. Collaboration with international organizations such as the Food and Agriculture Organization of the United Nations (FAO) and the World Trade Organization (WTO) was advised.

### **The ASEAN position on**

## **subsidies**

At the 25<sup>th</sup> session of the Committee on Fisheries (COFI), organized by FAO in February 2003 in Rome, it was concluded that an International Technical Consultation would be held in 2004 to consider the effects of subsidies on fisheries resources. A large number of developing countries called for caution when appraising the role of subsidies in fisheries, as recognized in the special notes of the report. These countries stressed that attention needed to be given to the impacts of subsidies on the economic and social dimensions of sustainable development. In particular, they emphasized that subsidies could be used as an instrument for economic policy aimed at stimulating sustainable growth of national fishery sectors, at reducing and alleviating the poverty of fishing communities and households, and at enhancing food security, among other goals.

**“A large number of developing countries called for caution when appraising the role of subsidies in fisheries”**

### **From regional to international**





*Participants to the ASEAN-SEAFDEC Regional Consultation on Fishery Subsidies*

The Members of the Working Group on Regional Fisheries Policy compiled information from the questionnaires into a matrix, with categories and types of subsidies listed in the WTO and FAO documents. Results were presented by the Working Group to the Consultation. The matrix turned out to be a good basis for discussion on how the types of subsidies listed for the FAO relate to the WTO's 'traffic light' system. It gave a good background to discussions on the relevance of suggestions presented in the WTO document for the ASEAN Region.

**“There seems to be a common understanding that subsidies leading to overcapacity and IUU fisheries should be avoided”**

Participants in the Regional Consultation also received two comprehensive presentations about ongoing processes within the FAO and WTO respectively. Even so, matters related to subsidies remain unclear, and in many cases sensitive. There has been no systematic discussion on subsidies within fisheries management authorities, and participants conspicuously noted that fisheries management authorities from the ASEAN Region were not well represented at the WTO meetings. To clarify an ASEAN vision on fishery subsidies, the major part of the Consultation came to focus on comparing different types and categories (FAO and

WTO related) to determine the ‘colour’ under which they might be classified.

### **An ASEAN vision of fishery subsidies**

Two major concerns were discussed by Member Countries. One related to the environment, with inputs associated to overcapacity and illegal, unreported and unregulated (IUU) fisheries; the other related to trade, with issues related to more or less direct or indirect trade benefits, causing trade distortions in various ways.

There seems to be a common understanding that subsidies leading to overcapacity and IUU fisheries should be avoided. Where fleets are being modernised or renewed, it is understood that the use of subsidies is justified if based on appropriate environmental and management criteria.

Questions related to trade are harder to handle, especially if seen from the perspective of a fisheries management authority whose major responsibility is to work towards improved management and sustainability of aquatic resources. Two categories listed under the WTO ‘dark amber light’ were seen to be crucial to the development situation of ASEAN Member Countries

today. These two ‘dark amber light’ categories are: (1) subsidies of a social nature, the final purpose of which is to resolve problems affecting small-scale fisheries, for the benefit of coastal communities and with a view to improving quality of life; and (2) subsidies relating to fisheries management, including research and administration and other measures, the sole purpose of which is to ensure the sustainability of hydro-biological resources and their environment.

**“it is seen as critical to work in conformity and complementarily with the categories and standards being developed by international bodies”**

As these categories are in principle central to how government funding should be applied in ASEAN Member Countries, suggestions were made to see these categories of subsidies moved into the ‘green light’ segment. This would give further emphasis in terms of developmental and environmental necessities, while at the same time easing requirements of notification, threats of having to sit with the ‘burden of proof,’ and so on.

## **The way forward**

The consultation did not go into details on requirements for ‘notification’ of subsidies, or on what these notifications should contain, nor was the issue of ‘burden of proof’ with respect to the appropriateness of specific subsidies discussed in detail. Even so, it was plainly noted during the conclusions that these issues will be very important for future meetings. From this perspective, it is seen as critical to work in conformity and complementarily with the categories and standards being developed by international bodies. For example, it would be impractical if a project on coastal development assistance, within the criteria of a ‘good’ project for the Region, would be found to be included within the WTO’s red categories. It is also important that types and categories worked out under the WTO are consistent with similar types and categories under FAO.

Recommendations were made by various organizations, notably the FAO, OECD, and WTO, to revise and update lists, categories and typologies. The process within ASEAN and SEAFDEC – to which this consultation has contributed – will at the same time continue to facilitate and develop a common ASEAN platform with regards



to fisheries subsidies.

### **About the author**

Dr. Magnus Torell, a Swedish national, is employed with support from Sida, Sweden, as a Senior Advisor to SEAFDEC. Before joining SEAFDEC in 2003 he was for seven years with ICLARM (now the World Fish Centre). He came to ICLARM from Sida, in Stockholm, employed as a Senior Programme Officer for eight years. He holds two academic degrees, one in Law and one (PhD) in Economic Geography.