



## The Fate of the WTO and Global Trade Hangs on Fish

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The World Trade Organization (WTO) is struggling to maintain its relevance. Protectionism has been rising for more than a decade as a growing number of countries have openly flouted WTO rules. Many are having second thoughts about the wisdom of allowing China into the organization, where it retains special developing-economy rights that help shield its domestic economy from foreign competition. Recent trade agreements have been bilateral or regional, undermining the WTO's purpose of maintaining a global trading order. In the wake of the coronavirus pandemic, impediments to trade are only expected to grow.

This sorry state of affairs in the global trading order is mirrored in the lack of progress in the only major global trade negotiations still actively underway—WTO talks intended to impose discipline on fisheries subsidies, which have led to depleted fish stocks in the world's oceans. These talks have been going on for nearly two decades, have missed yet another deadline, and seem to be in limbo.

The obstacle standing in the way of a meaningful agreement is not just the reluctance of countries to give up subsidies. It also does not help that a deal requires unanimous approval of every clause and stipulation by all 164 WTO member countries—including landlocked ones without a marine fishing fleet, such as Hungary, Mongolia, and Mali. At the root of the fisheries problem, however, lies the WTO's own preferred negotiating approach: As long as the WTO continues to approach trade using two different sets of rules—one for developed countries, the other for developing ones—the fisheries talks are all but certain to continue to produce only irreconcilable conflict.

Fish do not respect territorial boundaries. Overfishing, which continues to deplete fish stocks worldwide despite decades of attempts to make fishing sustainable, is by definition a global problem requiring a global solution. An estimated 37 percent of all the seafood produced in the world is traded internationally—which makes the WTO the logical forum to take the lead in finding a solution.

More than 3 billion people depend on fish and fish products—including shrimp and other seafood—for about 20 percent of their animal protein consumption. Since the 1960s, global per-

capita fish consumption has more than doubled, while the absolute total has more than quadrupled. Many of the people most dependent on fish live in the poorest and least-developed nations. At least 140 million people depend on fishing for their livelihood, and the demand for fish has been growing with a rising global population. We now eat more fish than beef.

But subsidies for fisheries continue to create overcapacity in fishing fleets, spur illegal fishing, and contribute to the degradation and depletion of wild fish stocks. Total subsidies amount to \$35 billion annually, or approximately 30 to 40 percent of the value of all fish landed by marine vessels worldwide. The largest part of these subsidies—22 percent—consists of fuel subsidies, which make it cheaper for fishing vessels to range ever farther beyond their own coastal waters into the global commons of the high seas.

It's not just fuel subsidies that encourage unsustainable fishing. Some countries provide subsidies to construct and purchase new vessels, free facilities to land fish, and subsidies to buy, transport, or store fishing equipment. Each of these subsidies make it less costly and more profitable to fish, thereby encouraging more fishing than there would be without subsidies. There is also another, more ambiguous category of subsidies which, if used properly, can help manage fish stocks, but which increase fishing in other contexts. For example, when governments buy back fishing licenses, it can reduce fishing by taking vessels out of service—but these subsidies are ineffective if the licenses are subsequently resold, or if the vessels taken out of service are only smaller, older ones with very little catch.

The Global Ocean Commission has estimated that 60 percent of all fisheries subsidies directly encourage “unsustainable, destructive and even illegal fishing practices.” Illegal fishing practices include fishing by unregistered vessels, in another country's exclusive economic zone in violation of regulations, and in international waters when it breaks international agreements or the laws of the country under whose flag the vessel operates. China, in particular, has been under fire for illegal fishing practices, both with respect to other countries' exclusive economic zones as well as the open seas.

Late last year, the WTO talks were inching toward success on a subset of the issues on the table—specifically, new rules to eliminate subsidies for illegal, unreported, and unregulated fishing, and to prohibit certain other subsidies for fishing of stocks mutually recognized as being overfished, such as Atlantic cod, Alaska pollock, and Argentine hake. However, subsidies that contribute to overcapacity and overfishing more generally—not focused on a small number of specific stocks—have been much more difficult to address, and remain the main obstacle to an agreement. This is troubling because, as the United Nations Food and Agriculture Organization has reported, “the percentage of stocks fished at biologically unsustainable levels increased from 10 percent in 1974 to 33.1 percent in 2015.”

At the center of this impasse are the five main providers of fisheries subsidies: China, the European Union, the United States, South Korea, and Japan. These five WTO members account for 58 percent of all global fisheries subsidies. If they can agree, then other members of the WTO will be much more likely to move toward the consensus needed for a global agreement.

Here as elsewhere on the WTO agenda, a key sticking point is a lack of consensus on how the rules under consideration should apply to countries at different stages of development. The WTO has traditionally had two sets of rules for developed and developing countries, but the fisheries talks demonstrate exactly why this binary approach no longer works: A division into these two groups blurs large differences between various developing countries, and, by holding some countries to a lower standard than others, would reduce the overall benefit from any new rules.

In fisheries negotiations, as elsewhere in the WTO, China lies at the heart of the dispute, and perfectly illustrates how a blanket application of “special and differential treatment” for developing countries in trade no longer makes sense. For instance, in 2016, China ranked first in the world with just over 14 percent of the total share of world exports of fish and fish products. Yet China remains one of the most ardent defenders of “special and differential treatment” for itself and all other developing countries, regardless of their stage of development.

Strong arguments can be made that small-scale, artisanal, and subsistence fishers in developing countries could safely be granted some subsidies. The reality, however, is that nearly 85 percent of all fisheries subsidies, including those paid by China and many other emerging countries, go to large-scale industrial fleets. These fleets are the cause of virtually all overfishing, and are where fisheries subsidies must be cut—no matter whether the subsidies are granted by a developed or a developing country.

Reaching global agreement to limit fisheries subsidies is not just essential for preserving fisheries and the world’s marine fishing stocks. Because it can only be resolved if one of the WTO’s core problems—its blanket distinction between two groups of countries—is addressed, it is also a crucial test for the future of the WTO. Progress on fisheries would be a sign that the world has a chance to preserve—and perhaps even strengthen—the global, multilateral trading order at a time when so many forces are arrayed against it.

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