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## Indonesian Fisheries Subsidy

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### **Background:**

*Overcapitalisation of the global fishery resources is a major threat not only to sustainability of marine resources, but also to food security, livelihoods and economies (Tipping & Irschlinger 2020). WTO negotiations on fisheries subsidies were launched at the Doha Ministerial Conference in 2001. WTO (2002) defined Fisheries subsidies as ‘government actions or inactions that are specific to the fishery industry and that modifies by increasing or decreasing-the potential profits by the industry in the short, medium or longterm.’ The creation of fishery subsidies disciplines has been called for because some fishery subsidies have been criticized as threats to sustainability of the marine resources which contribute to many problems including overfishing, overcapacity, illegal, unreported and unregulated (IUU) fishing.*

### **WTO (2002) classified Fishery subsidies into four main categories:**

**Category 1: Direct financial transfers-** includes all direct payments by the governments to the fishery industry (for example investment grants)

**Category 2: service and indirect financial transfers-** any other active and explicit government intervention but which is covered in Category 1(for example tax and duty exemptions)

**Category 3: interventions with different short and long-term effects-** government interventions that have a negative economic impact on the industry in the short-term but ultimately result in long-term benefits (for example environmental protection programmes)

<sup>1</sup>. Students from Australia who take part in the ACICIS internship program at the Indonesia for Global Justice 2021

**Category 4: lack of intervention-** lack of government intervention which do not imply a cost to the government and their value to the industry is implicit (for example lack of management measures)

The Eleventh Ministerial Conference did not achieve substantive outcomes in negotiation regarding fishery subsidies due to a lack of a common viewpoint on the effect of subsidies and conflict of interest between participants.

### **Fishery subsidies can be classified into the following three categories based on the effects**

(Sumaila et al. 2019):

1. **Beneficial subsidies:** investments in the promotion of fishery resources conservation and management (*for example fishery management*)
2. **Capacity-enhancing subsidies:** programs that currently or have the potential to encourage fishing capacity to develop to a point where resource exploitation exceeds the maximum sustainable yield (MYS), effectively resulting in the overexploitation of natural capital assets (*for example fuel subsidy*).
3. **Ambiguous subsidies:** subsidies having the potential to lead to either sustainable management or overexploitation of the fishery) resources, really depend on situations (*for example vessel buyback*).

#### ***Sustainable Development Goal (SDG) 14.6***

By 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, and eliminate subsidies that contribute to IUU fishing, and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the WTO fisheries subsidies negotiation.

#### ***Key Components of the WTO Fishery Subsidies negotiations:***

- Prohibition of Subsidies to IUU fishing
- Prohibition of Subsidies Concerning Overfished Stock
- Prohibition of Subsidies to Overfishing and Overcapacity

## Fishery in Indonesia

According to Notohamijoya, Wiyata & Billah (2019):

- The current estimation of Indonesia fishery resources annually is 12.54 million tons.
- Fish and seafood are leading sources of protein for Indonesian population, taking up to 52% of their protein intake.
- Small scale fishery accounts for nearly 90% of Indonesia fishing vessel ownership.
- 80% of the total Indonesian fishermen are living below the poverty line.
- Special and Differential Treatment: Indonesia is proposing to retain fishery subsidies as measures to alleviate poverty.
- Dominated by small scale fisheries, the structure of Indonesia fishery is not considered as damaging to the environment.
- A balance between small scale fishermen's welfare and the protection of environment is the key to ensure the success of fishery subsidies.
- An effective fishery management is required in Indonesia as currently large scale fishermen are more likely to enjoy fishery subsidies than small scale fishermen due to lack of transparency.

### Effect on Small Scale Fishery

According to PANG (2020):

- Fishermen in Small scale fishery are not protected or supported.
- Compliance and procedural issues may lead to unintentional breaches.
- It is difficult in distinguishing actual IUU fishing from traditional, informal, small scale fishing that often takes place in developing countries.
- Fishing stock assessment are burdensome on developing countries.
- Greater clarity is needed for provision on flag state.
- Prohibiting subsidies on capital cost and operational cost slows down the development of fisheries sector in developing economies.
- Decision making power in resource management will be taken away from local communities.
- The current proposals for Special and Differential Treatment are not sufficient.
- It is important to ensure that there is sufficient carve-out to allow small scale fishermen's access to necessary subsidies to lower capital and operating costs for the development of their communities.

*Reference:*

Notohamijaya A, Wiyata, A & Billah M 2019, *Sustainable fisheries subsidies for small scale fisheries in Indonesia*, ICESD.

Pacific Network on Globalization (PANG) 2020, Big impacts for small scale fishers.

Sumaila, U, Ebrahim, N, Schuhbauer, A, Skerritt, D, Li, Y, Kim, H, Mallory, T, Lam, V & Pauly, D 2019, 'Updated estimates and analysis of global fisheries subsidies', *Marine Policy*, vol.109, no.130695.

Tipping, A & Irschlinger, T 2020, WTO negotiations on fisheries subsidies: What's the state of play? GSI policy brief, International Institute for Sustainable Development.

WTO 2002, A fishery subsidies guide, viewed 15 January 2021, A FISHERIES SUBSIDIES GUIDE (fao.org).

*More readings on Fishery Subsidies:*

Visit WTO at World Trade Organization - Home page - Global trade (wto.org)

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