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Trade and fisheries subsidies[†]

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Abstract. Many renewable resource sectors are heavily subsidized and yet the resources are also seriously depleted. World Trade Organization members included subsidies in a key renewable resource sector (fisheries) in the Doha round of trade negotiations, which subsequently stalled. This paper develops a simple model to show why prospects for a deal on fisheries subsidies may be difficult. Typically international spillover effects create incentives among exporters to negotiate reductions in subsidies: one country's subsidy worsens other exporters' terms of trade. These incentives may not exist in fisheries for 3 reasons. First, open access fishery supply curves are backward bending and so if fisheries are depleted, subsidies raise prices (by reducing sustainable harvesting) and improve other exporters' terms of trade. Second, ecological constraints put an upper bound on sustainable harvesting. This means that subsidies that increase employment may have no effect on output and hence generate no international spillover effects if resources are well managed. And third, even if governments were compelled to reduce fishery subsidies, there may be no spillover benefits to trading partners because of policy substitution: governments would be motivated to weaken other regulations targeting the fish sector.

Keywords: trade agreements, fisheries, renewable resources, subsidies, transferable quotas

JEL- Classification: F18, F53, Q22, Q27

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