

Implications for WTO Agreement in Fisheries Sector- A Conceptual Framework

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Trade liberalisation by reduction of tariffs or the removal of non-tariff barriers including Quantitative Restrictions will have impact on the economy mainly through the influence on commodity prices. Imposition or reduction of tariffs will affect the relative commodity prices ie, price of each of the commodity in terms of other commodities. This relative change in prices can be for commodities belonging to the same sector like industry or agriculture or fisheries or between categories of commodities, for e.g., agricultural in terms of non-agricultural. The changes in relative prices will in turn have its influence on the relative profitability of taking up different enterprises, which will result in changes in enterprise combinations. Different enterprises will have different input use intensities or factor combinations and at times, the increased profitability of taking up some of these enterprises would make the entrepreneurs to overuse inputs like pesticides and fertilizers, or even over exploit the resources which in turn will have environmental as well as sustainability implications.

On the other hand, decreasing profitability of some of the enterprises for many years will cause the neglect of the enterprise or shift from the enterprise to more profitable ones. The increased risk or vulnerability to market fluctuations can also make the entrepreneurs to diversify their income sources. They may respond to these vulnerabilities either by consumption smoothing or income smoothing strategies or a combination of both. All these coping mechanisms will have implications on the output of the enterprise which in turn will affect or even lead to reduction in income entitlements of the households. Exorbitant prices due to some international phenomenon or higher side of volatile prices give wrong signals to the entrepreneurs to increase the production which ultimately end up in over production, market glut and price crash. All these have implications on the food security as well as poverty at the household, state and country levels. The implications will be varied for the producers and the consumers and also based on factors like whether the commodity is exported or domestically consumed.

The changes in production in turn will have effect on the prices of the enterprise or commodity/ commodities under question as well as the relative prices of other commodities or enterprises. The firm level output changes will also influence the income entitlements of families. The change in prices and income entitlements will have implications on pattern of the demand ultimately causing the trade pattern of the country to change. The trade liberalization policies along with the changes in the export-import pattern of the country would ultimately result in increase or decrease in tariff revenue of the government. The resulting variation in government revenue will affect the real investment in country. The ultimate result of all these changes will be evident as changes in output and growth of the economy. The changes in the revenue pattern of the government will also

affect the spending by the government on household or social welfare activities. All these will have implications in the household welfare. The implications of trade liberalization policies will be varied from country to country based on the policies of liberalization as well as the environment of implementation.

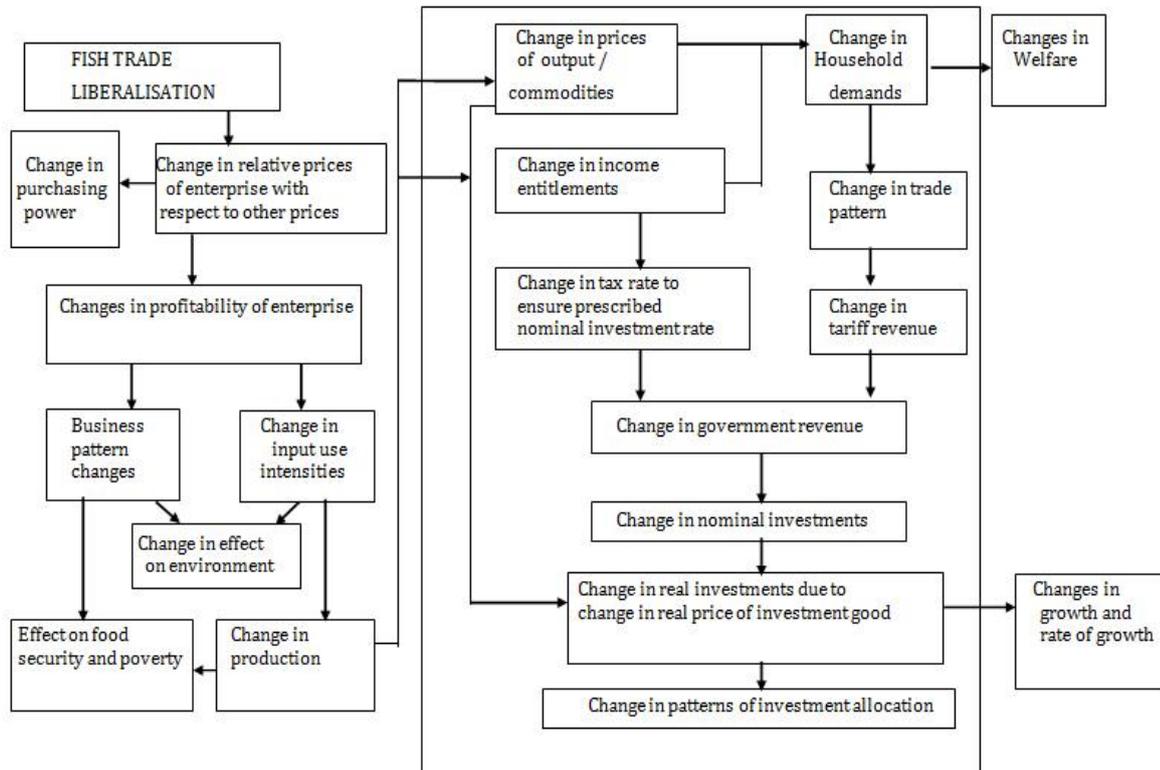


Fig 4.1 Conceptual Frame Work of Trade Liberalization and Its Impact on Fish and Fish Products

The Major WTO Agreements having Implications on Fisheries Sector

- Marakkesh Protocol to the general Agreement on Tariffs and Trade (GATT 1994)
- Agreement on Sanitary and Phyto-Sanitary Measures (SPS)
- Agreement on Technical Barriers to Trade
- Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade (Anti-dumping)
- Agreement on import Licensing Procedures
- Agreement on Subsidies and Countervailing Measures
- Agreement on Safeguards

The most important ones are

Agreement on Sanitary and Phyto-Sanitary Measures (SPS)

This agreement is intended to safeguard interest of a country in the crucial area of health and hygiene. As per the agreement, the application of the SPS measures should be on the basis of scientific justification or on risk assessment so as to prevent using it as an instrument of protection. The signatories are also encouraged to apply internationally recognized standards but are at liberty to apply stricter standards. The agreement is based on the pillars of harmonization, equivalence, transparency, scientific judgment and risk assessment. But there are growing apprehensions about the application of the SPS measures as non-tariff barriers with the purpose of shielding the domestic producers from international competition and also for preventing processed products from developing countries from entering the domestic market, resulting in trade distortion. Even some of the restrictions are introduced just on the basis of public activism from interested parties. Some classic examples of the case are the EU import ban on the pretext of cholera, Australia's ban on the import of salmon, EU import ban of shrimp from Bangladesh, US and EU ban on Indian processed shrimp on grounds of poor sanitary conditions and pre-clearance inspections. Japan and EU have very demanding SPS standards. The costs of compliance to these standards are substantial and even if the exporters or the firms have these compliance mechanisms the payback period will be very high and the scale of operation may not be to the level of recovering these costs. This has severely affected their economic viability and competitiveness in the international market.

Agreement on Technical Barriers to Trade (TBT)

This agreement divides technical requirements into two categories: technical regulations and technical standards. While both of them are product technical requirements, compliance with technical regulation is mandatory whereas compliance with technical standards is voluntary. Both are extensively used in fisheries and cause distortions in trade. Some of the examples of the cases involving TBT are labeling disputes over canned sardines between Canada and the EU, the US testing procedures for imported sea food taking more time than the shelf life of the product, the Eco-labelling of fishery products and the obligation that such labeling should not violate TBT requirement

India's Stand on Fisheries Subsidy

India's objective has been to make real the Hong Kong mandate in that "appropriate and effective special and differential treatment for developing countries and least developed countries should be an integral part of the fisheries subsidies negotiations, taking into account the importance of this sector to development priorities, poverty reduction and livelihood and food security concerns. Prohibition of subsidies causing excessive fishing effort and negatively impacting fisheries resources can and shall be reconciled with the important role of fisheries in the economic development of developing countries. Provision of subsidies to low income resource poor or livelihood fishing activities, by fish workers on an individual or family or association basis or micro enterprises or boat owners shall not be prohibited. On the issue of small scale, artisanal fisheries, India along with the like-minded countries brought forward a definition based on the socioeconomic criteria, inspired by the Article 6.2 of the Agreement on Agriculture. In the procedural part India has always questioned the stand of developed countries for not bringing the fishery subsidy part into the general subsidy discussions. The question is whether the original intention of these countries are really to address trade distortions caused by subsidies or to bring in non-related trade issues to subsidy discussions.
