Comment

Say yes to good subsidies

According to *Encyclopaedia Britannica*, a subsidy is a direct or indirect payment, economic concession, or privilege granted by a government to private firms, households or other governmental units in order to promote a public objective.

In the fisheries sector, depending on the 'public objective', subsidies would include grants, loans and loan guarantees to invest in fishing units; foregone government revenue in the form of tax rebates on fuel, and rebate on import duties on inputs like outboard motors, goods and services, other than general infrastructure, like fish-landing centres and fishing harbours. Export subsidies specific to the fisheries sector also exist.

In the post-colonial phase of history, many coastal developing countries have been using subsidies as a financial instrument to develop their fisheries in order to promote employment, income and food security, as well as to enhance foreign exchange earnings from seafood exports. These subsidy programmes received a further boost in the post-UNCLOS era, when coastal States acquired jurisdiction over living and non-living resources up to 200 nautical miles from their seaboard.

Until the early 1980s, subsidies went mainly to relatively larger vessels that were involved in capture fisheries for the export market. Since then, subsidies have been chiefly earmarked for the small-scale artisanal fisheries sub-sectors, mainly to offset the negative impact of large-scale bottom trawling on coastal, artisanal, small-scale fishers. The total subsidies granted to the fisheries sector in developing countries, including those for the artisanal, small-scale as well as the large-scale, industrial sectors, are, however, lower in magnitude than those prevailing in OECD countries. In the case of Sri Lanka, India and Senegal, for example, subsidies to the harvest sector, excluding harbours and fish-landing centres, would amount to 1.5 to 3 per cent of the total landed value of fish. This is significantly lower than the 17 per cent of the landed value of marine capture fisheries products, reported as the subsidy level in the OECD countries.

Clearly, therefore, the overcapacity and overfishing in the fisheries of several developing countries cannot be attributed to subsidies; these occur *despite* lower subsidies. Rather, they are mainly related to open-access regimes and an indiscriminate response to market signals.

Some people argue that there are no 'good' subsidies. We disagree. There are 'good' subsidies and 'bad' subsidies. Good subsidies are those that can bring about better control over the input of fishing effort and the output of fish; encourage participatory management regimes; introduce equitable property rights (which sufficiently recognize the characteristics of artisanal, small-scale fisheries); lead to effective monitoring, control and surveillance systems; relocate fishers from overcrowded inshore waters to labour-scarce fisheries or non-fishing activities; contribute to protecting fish habitats; and help build up an information base.

Subsidies, needless to add, are one among several means to an end, not an end in itself. If equity and sustainability could become the 'public objective', then transparent, well-targeted and suitably designed subsidies could be an effective tool to achieve these goals.