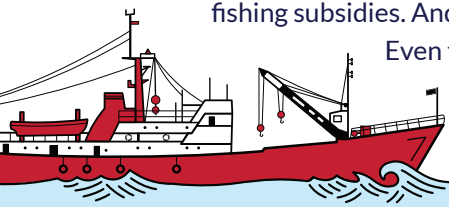


China's Fisheries Subsidies Propel Distant-Water Fleet

New study finds domestic fuel subsidies down, but government reporting less transparent

Many governments pay subsidies to the fishing industry to support economic activity, employment, and the food supply. But such subsidies can lead to unsustainable fishing by incentivizing harvest that would not be profitable in the absence of government support. In its 13th five-year plan for 2016–2020, the Chinese government acknowledged the need to reduce the environmental impact of fishing. New research—led by Tabitha Grace Mallory, Chen Hao, and Leng Danyan of the China Ocean Institute and the University of Washington—appears to confirm that China is enacting this policy. For example, it has reduced fuel subsidies, especially for the domestic fishing industry. However, the study also documents decreasing transparency in the public information provided on Chinese fishing subsidies. And it shows that subsidies now flow disproportionately to the distant-water fishing (DWF) industry.

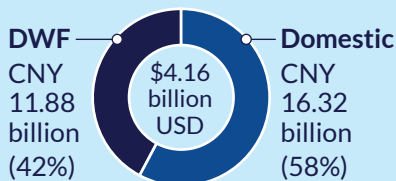


Even though this study focuses on China, it makes clear that all fishing nations need to report subsidies in a more transparent and standardized way if the international community is to track and curb harmful subsidies.

KEY FINDINGS

Distribution of China's Marine Capture Fisheries Subsidies

CNY 28.19 billion total



From 2014 to 2019, capture fisheries subsidies from China's central government declined from CNY 27.23 billion to CNY 20.26 billion.

However, several changes to data reporting over the last decade have reduced transparency. For example, in 2012, China stopped reporting the fuel subsidies given to DWF (beyond its territorial waters).

China provides its DWF industry an estimated CNY 11.88 billion in harmful subsidies, over half of which supports vessels operating on the high seas.

DWF fuel subsidies have decreased, but subsidies for the construction of DWF bases, which began in 2016, now make up 57% of direct subsidies supporting the DWF industry.

Indirect subsidies in the form of tax breaks and preferential loans account for 58% of total subsidies to the DWF industry.

RECORDS SHOW DECREASE IN FUEL SUBSIDIES ...

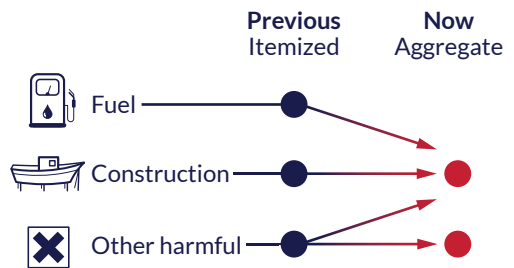


According to the 2019 estimated data, China has decreased its fuel subsidies to 40% of 2014 levels, as intended in the 2015 Ministry of Finance and Ministry of Agriculture "Notice about Adjusting Domestic Fisheries and Aquaculture Fuel Subsidy Policy in order to Promote Sustainable and Healthy Fisheries Development." That reduction comes predominantly from domestic fuel subsidies, which have decreased from CNY 24.20 billion in 2014 to CNY 9.20 billion in 2019. DWF fuel subsidies are estimated to have decreased from CNY 2.68 billion in 2011—when they were last officially reported—to approximately CNY 953 million in 2019.

... BUT REPORTING CHANGES MAKE THEM HARDER TO TRACK

Even though subsidies have decreased over time, so too has transparency. Subsidies funding used to be reported in detail in the annual fisheries yearbook but have only been reported in aggregate since 2016. Most subsidy programs are now subsumed under lump-sum payments to provinces, which have discretion to spend across categories and are not required to report back to the central level the breakdown of their subsidies spending.

Critical Items



... AND SUPPORT TO DISTANT-WATER FISHING REMAINS HIGH

China's subsidies policies continue to promote overcapacity in the DWF industry and do not match the reductions in domestic subsidies policies.

Although the DWF industry receives 49% of harmful subsidy funds, it only accounts for 22% of China's total catch. And even though fuel subsidies have decreased, the central government provided CNY 2.88 billion toward the construction of DWF bases.

Of the CNY 11.88 billion in harmful DWF subsidies, an estimated CNY 6.89 billion is going to high seas vessels and the remainder to vessels operating in foreign exclusive economic zones (EEZs). The study also found that indirect subsidies in the form of tax breaks and preferential loans now account for over half of DWF subsidies.

Flow of Harmful Subsidies

Harmful: CNY 24.07 billion

Beneficial: CNY 4.09 billion



CHINA'S SUBSIDIES COME THROUGH MANY AVENUES

China's central government provides most of the nation's fishing subsidies but gives provincial and other governments authority to distribute the majority of them through two programs, general transfer payments (GTP) and special transfer payments (STP).

In 2019, GTPs totaled CNY 11.7 billion, of which an estimated 79% went to domestic fuel subsidies. STP totaled CNY 8.6 billion—an estimated CNY 7.1 billion for fisheries development (considered harmful), including port construction and vessel improvements, and the rest for reducing the number of vessels (considered beneficial).

Provincial governments provided about CNY 1 billion in 2019, almost all of it to support insurance premiums for fishing vessels. A final category of subsidies was indirect government expenditures, such as tax exemptions, estimated at CNY 6.9 billion. Two tax exemptions account for almost all of this total—one for the tax on corporate income and another for the import tax on catch caught by the DWF industry and brought back to China. Preferential loans through policy banks also provide an indirect subsidy.

BREAKDOWN OF CNY 28.19 BILLION (\$4.16 BILLION USD) OF CHINA CAPTURE FISHERIES SUBSIDIES, 2019

DIRECT SUBSIDIES: CNY 21.31 BILLION (\$3.15 BILLION)

Key ■ Beneficial ■ Harmful
■ Ambiguous ■ Aquaculture

CENTRAL GOVERNMENT SUBSIDIES (中央政府对渔业的财政投入): CNY 20.27 BILLION (\$2.99 BILLION)

General transfer payments, GTPs (中央下放到省级的一般性转移支付资金): CNY 11.66 billion (\$1.72 billion)

Spent at provincial and municipal levels: CNY 11.31 billion (\$1.67 billion)

- Production cost subsidies to fishermen (渔民的生产成本补贴)/fuel subsidies (渔船柴油涨价补贴): **CNY 9.20 billion (\$1.36 billion)**
- Aquaculture pond standardization, water recirculation construction, construction of other aquaculture infrastructures (池塘标准化和工厂化循环用水改造等水产养殖基础设施建设): **CNY 7.10 billion (\$1.05 billion)** [Not included in total]
- Fisheries resource conservation/stock enhancement (渔业资源养护/增殖放流): **CNY 1.00 billion (\$148 million)**
- Fishing ports and navigation beacons (渔港和航标建设): **CNY 580 million (\$86 million)**
- Fishing vessel reduction and industry transition (减船转产): **CNY 300 million (\$44 million)**
- Fishery and fishery administration informatization construction (渔业渔政信息化建设): **CNY 200 million (\$30 million)**
- Fishing moratorium subsidy (休禁渔补贴): **CNY 34 million (\$5 million)**

■ **Spent at central level: CNY 349 million (\$52 million)**

Special transfer payments, STPs (中央财政转移地方专项资金): CNY 8.61 billion (\$1.27 billion)

Fisheries development (渔业发展): CNY 5.64 billion (\$834 million)

- Construction of fisheries equipment and facilities (渔业装备设施建设): **CNY 4.69 billion (\$693 million)**
 - DWF bases (远洋渔业基地): **CNY 2.88 billion (\$425 million)**
 - Inland fishing ports, domestic (内陆渔港): **CNY 1.21 billion (\$179 million)**
 - Marine ranching (海洋牧场), domestic: **CNY 605 million (\$89 million)**

■ Utilization of international fisheries resources (国际渔业资源开发利用): **CNY 953 million (\$141 million)**

■ Fishing vessel reduction and industry transition (减船转产): **CNY 1.50 billion (\$222 million)**

Vessel decommissioning and renovation (渔船报废拆解、更新改造): CNY 1.46 billion (\$216 million)

- DWF vessel decommissioning and renovation: **CNY 773 million (\$114 million)**
- Domestic vessel decommissioning and renovation: **CNY 687 million (\$102 million)**

PROVINCIAL GOVERNMENT SUBSIDIES: CNY 1.04 BILLION (\$154 MILLION)

- Insurance premiums: **CNY 1.00 billion (\$148 million)**
- DWF catch transport: **CNY 40 million (\$6 million)**

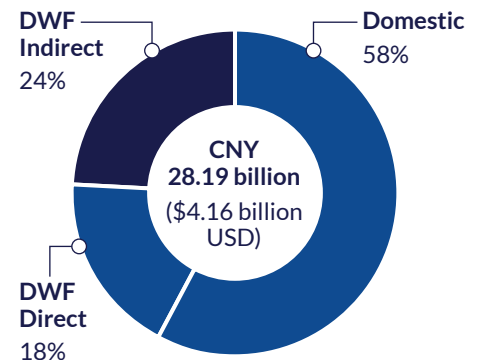
INDIRECT SUBSIDIES: CNY 6.88 BILLION (\$1.02 BILLION)

Tax exemptions: CNY 6.34 billion (\$936 million)

- Income tax exemption: **CNY 3.53 billion (\$522 million)**
- Catch import tax: **CNY 2.81 billion (\$414 million)**
- Gear import tax exemption: **0**
- Policy bank loan interest: **CNY 547 million (\$81 million)**

SIGNIFICANT SHARE OF INDIRECT SUBSIDIES TO DWF

Indirect subsidies in the form of tax breaks and preferential loans contributed a higher share of DWF support than direct subsidies.



DATA SOURCES

The researchers compiled their data mainly from primary-source Chinese-language materials. One key source was the China Fisheries Yearbook, which until 2015 provided details on fisheries subsidies programs. To account for missing data, the researchers made conservative estimates based on trends in the data that were available in other government publications, media reports, and academic literature. Exchange rate is CNY 6.77 = USD 1, an average over 2016-2020.

For more information on methods and future publication, visit: oceana.org/chinasubsidies

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