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TAXES AND CHARGES ON FISHERIES SHOULD SUPPORT FISHERFOLK'S RIGHT TO FOOD

An interview with Giovanni Occhiali by Jones Thomas Spartegus

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"If those in the fisheries industry are not paying the required charges and fees, they are foregoing a contribution that would directly support the sustainability of their practices [...]. This makes it more likely that the resource will be overharvested, resulting in fewer fish – and implications for artisanal fisherfolk's livelihood and their fish consumption, which is an important dietary component for them."

What are the main challenges in the taxation of the fisheries sector?

Allow me to begin with two brief clarifications. I'll be using the word "taxes" in its broadest sense in this interview, understood as a compulsory payment by private individuals to government entities. Technically (and often theoretically) speaking, much of what is levied on the fisheries sector consists of charges or fees, rather than taxes. These payments are made in return for a specific service, for example, fisheries management. Secondly, my research has focused on Africa, and in particular, on fisheries taxation as part of a broader program of environmental taxation.

One key challenge in fisheries taxation is determining the right tax rate to achieve the overarching goal of fisheries taxation, which is to contribute to the sustainable management of fisheries resources. Fisheries taxation as much as environmental taxation, in general, is not applied to generate revenues but to change the behaviour of specific actors. Taxation can be either on fishing effort (a general term to measure the value of resources going to fishing activities, amount of fuel, hours spent on the sea, etc.) or the catch itself. Setting the right tax rate requires detailed knowledge of actors, fishing techniques, fish stocks, used gears, target species, and market species, etc., much of which is uncertain. What's more, collecting all the data is extremely costly Even if determined, it is often politically unfeasible to implement because the government would need to charge so much that fishing actors cannot or will refuse to pay.

So, the revenues generated by industrial fishing are not taxes per se. Can you elaborate a bit on the revenues from industrial fishing?

Industrial fishing fleets generate the bulk of existing revenue from the fisheries sector. In the case of Africa, however, most countries have not gained as

much as they could from the agreements they make with foreign nations that send industrial fishing fleets into their waters. In fact, their contributions to state coffers have been relatively low – only one-eighth of what small Pacific Island nations earn from similar agreements. This is because Pacific Island nations negotiated as a "block" rather than individually, and also because many African fishing agreements do not specify catch limits for particular species, and even when they do, African states often lack the surveillance capacity to monitor actual catches. In theory, therefore, they could extract significantly more revenue from fisheries agreements.

The European Union (EU), for example, is one of those parties with which these African countries enter into fishing agreements. Although the EU has strict sustainability clauses for fishing in its own waters, when it enters into fishing agreements with African countries, all the criteria such as sustainability, best practices, fish stock and quotas are overlooked. The structure of these fisheries agreements is quite problematic. It is said that the EU is considered most transparent in its fishing agreements; with other nations, it is harder to verify the exact terms of their agreements.

Now allow me to return to your initial question. Charges from fishing licenses and levies are fiscal contributions but they are not technically taxes. When we look at taxes 'proper', we are examining taxes on profitability. Industrial fishing is quite profitable: fleets register with tax authorities, pay VAT, and pay corporate income taxes. However, they can avoid significant amounts of taxes because of their economic structures, which are often comparable to those of multinational companies – they may have a flag of another country, making avoidance an issue.

Good distinction between taxes proper and taxes profitability. Can you explain taxes "proper" and taxes "profitability" of artisanal fisheries in Africa? First, one must bear in mind that there is no general definition of exactly who qualifies as artisanal fishers. The category tends to be defined in contrast with the industrial sector, which is characterized by high-capital investments, with boats worth millions of dollars, equipped with significant technology, and capable of staying at sea for months at a time if needed. Conversely, artisanal fisherfolks rely on more traditional fishing techniques, but are themselves very heterogeneous – some use non-motorized dugout canoes, others fiberglass vessels with multiple engines and so on.

Additionally, a crew member and a boat owner may both be classified as artisanal, but their power relations are clearly very different. Similarly, there is likely to be quite some significant variation from country to country, and even within countries. This is because most "taxes" paid by artisanal fisherfolks go to subnational governments – city councils, county or state

governments each of which can institute their own level of fees and charges. While research on this topic is limited, it shows that artisanal actors often must obtain licenses from and then pay fees to a plethora of bodies. In Kenya, for example, these include beach management units, county governments, the Kenya Fisheries Service and the Kenya Maritime Authority. They are, however, less likely to be paying taxes "proper" to the central government: many are not formally employed, so no taxes are withheld from their salaries; raw produce, such as fish, is usually exempt from VAT; and the overall level of income, at least of most crew members, is likely to be below the tax threshold.

This is why sector-wide registration campaigns for artisanal fisherfolks do not make much sense: many simply will not have much to pay. It is therefore better to focus on those actors within the sector that are more likely to have some tax potential: boat owners and fish aggregators, which often operate as middlemen between the artisanal sector and more formalized entities such as hotels and restaurants.

How about subsidies? How do subsidies play a role in the promotion of industrial fishing?

Industrial fishing fleets from high-income countries receive disproportionately large subsidies, mostly for activities such as high- sea fishing or fuel cost. For distant water fishing nations these will eventually change when World Trade Organization (WTO) agreements enter into force. Although it is yet to take effect, subsidies to Illegal, Unreported, and Unregulated (IUU) fishing, to fleets fishing in high seas, and to those targeting overfished stocks, will be forbidden. Banning fishing subsidies that contribute to overcapacity – which leads to overfishing –is the objective of ongoing negotiations. China is the world's largest provider of industrial fishing subsidies, followed by high income countries. However, despite the WTO agreement, countries will likely continue to facilitate industrial fishing through bilateral agreements and prioritize their operations over the territories of artisanal fisherfolks.

Giovanni, you said initially that fisheries taxation is about changing the behaviour of specific actors. If fishing actors avoid taxes, how does this avoidance affect the governments' ability to uphold human rights, particularly of fisher peoples?

In my view, mostly in an indirect way. Here, the above distinction between taxes and charge/fees is useful. If those in the fisheries industry are not paying the required charges and fees, they are foregoing a contribution that would directly support the sustainability of their practices – there will be less funds to assess the status of fish stock, to monitor catches of prevailing fishing gears, etc. This makes it more likely that the resource will be overharvested, resulting in fewer fish – and implications for artisanal fisherfolk's livelihood and their fish consumption, which is an important dietary component

for them. I think this is the main channel through which this should be analyzed. In theory, these charges should not be used for any other purpose than fisheries management, so their impact on government abilities to do anything should be viewed only through the lens of their impact on fisheries management.

However, in practice this is seldom the case - local governments use this revenue to fund other services they should be providing. But it would be odd to assess how evasion of management fees impacts the provision of services they should not have been directed to in the first place. This issue affects both industrial and artisanal players – the latter likely predominate in sheer numbers of unlicensed fishers, the former in terms of volume of unreported catches. Given the difference in observed fee levels between industrial and artisanal fisherfolks, in terms of avoided or evaded contributions, there is good ground to believe that industrial players prevail. It takes a small number of trawlers to match the catch of many dugout canoes.

On the other hand, if players in the industry don't pay their general tax contributions – whether taxes on their profit, import duties for their gear, or VAT for fish filleted on the vessels – they are taking funds away from the government purse which could be used for a variety of different uses, including social schemes that can be beneficial to the wellbeing and fulfilment of the human rights of fisher peoples. As mentioned before, it seems highly likely that fisheries are net fiscal receivers across most countries in the world – so, if the sector does not contribute its fair share, governments may be less inclined to allocate public funds to its management. This could have a similar effect to that of not paying sufficient for management fees – poorer management makes the sector less sustainable, reducing its viability and directly affecting fisherfolk livelihoods. One might argue that in this case the effect is broader - taxes are by definition not paid in exchange for a specific service, but to support the general working of the country. Thus, less tax revenue means fewer well-functioning schools, hospitals etcetera – all of which also affects the services accessible to already marginalized fisherfolk. But this is the general case against tax evasion; there isn't much specific to fisheries. Here, both artisanal and industrial actors bear responsibility – though through different channels: artisanal actors likely straight-out evade, industrial actors avoid, as they are often structured in a way akin to a multinational company.

Thank you for sharing your insights, Giovanni.

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