First Explicitly Environmental Trade Agreement Offers Tangible Benefits for Pacific Island Countries

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First Explicitly Environmental Trade Agreement Offers Tangible Benefits for Pacific Island Countries

Stricter regulation of illegal and unregulated fishing is good news for the Pacific Islands - if the second phase of the agreement in not unravelled by just 2 countries!

Background

The recently ratified Agreement on Fisheries Subsidies (FSA, the Agreement) in the World Trade Organization (WTO) is a significant breakthrough for the marine environment and over 600 million people around the world, many impoverished, who make their living through fishing and related activities. It is also a timely boost for multilateral rules-based cooperation.

Following 20 years of negotiations, the FSA came into force on 15 September 2025. The first phase of the agreement, known as “Fish 1”, targets subsidies linked to illegal, unreported and unregulated (IUU) fishing, overfished stocks, and unregulated fishing on the high seas.

Fisheries subsidies have significantly contributed to IUU fishing causing the widespread depletion of fish stocks globally. In fact, Food and Agriculture Organization (FAO) research shows that the share of stocks fished at unsustainable levels has increased from ***10% in 1974 to over 35% in 2025***[1]. By establishing a range of binding disciplines to reduce subsidies and illegal fishing, the FSA will help to curb harmful subsidies and protect the livelihoods of fishing communities around the world.

For Pacific island countries (PICs), the WTO Agreement means fairer competition, much greater protection of vital marine resources and increased economic security for artisanal fishers and fish exporters. A new global Fish Fund has also been established to build the capacity of developing countries, including small island developing states, to implement the FSA, build the capacity of their local fisheries, and to strengthen government surveillance procedures.

However, many of the benefits could be undermined if just **2 countries** – Indonesia and the United States of America (USA) – stall the second phase of the FSA negotiations, Fish 2!

[1] Based on key findings from the 2025 FAO Report on "Review of the State of World Marine Fishery Resources".

The Problem with Subsidies

Wealthier countries have been responsible for the majority of harmful subsidies that enable large-scale industrial fishing around the world and in the Western and Central Pacific. **Annual global fishing subsidies are estimated at $35 billion, with roughly $22 billion considered harmful[2].** 65% of all support to fisheries presented a risk of encouraging unsustainable fishing in the absence of effective management, with 6 economies accounting for 85% of (reported) support: China (36.1%); (Japan (12.4%); the US (11.0%), Canada (0.7%); EU Members (8% collectively) and Brazil (6.4%)[3]. These subsidies fuel overfishing by making otherwise unprofitable operations, such as deep-sea or distant-water fishing, financially viable.

By heavily subsidising their fishing fleets in the Pacific Ocean, through a mix of government fuel subsidies, tax exemptions, financial support for vessel construction or access fees, the fleets of wealthier countries are able to process and export their catches at a much cheaper price than local Pacific island fishers can compete with. The subsidised fleets also target specific migratory species, such as tuna – a staple for many Pacific islanders and a key export for most PICs. While Pacific fish stocks, including tuna, currently remain healthy, increased subsidies will threaten their future sustainability in the region.

Average per capita consumption of fish across the Pacific ranges from around 50kg per person annually in Papua New Guinea (PNG)/Tonga to over 150kg per person annually in Kiribati and Tuvalu. By comparison, in New Zealand and Australia, it is about 25kg per person[4]. However, it is not just the dietary and food security significance of fish consumption to Pacific islanders that is vital, but also implications for employment and Pacific export industries.

Locally based, industrial tuna vessels in member countries of the Pacific Island Forum Fisheries Agency (FFA) employ around 26,000 people[5]. Additionally, hundreds of thousands participate in coastal subsistence fishing, with over 60% of households in some coastal areas relying on fishing for their livelihood[6].

Parties to the Nauru Agreement (PNA)[7] control a massive share of the world's tuna stock. Papua New Guinea accounts for about 18% of the global tuna catch, and along with the Solomon Islands and Fiji are significant fish exporters, with tuna canneries and processing facilities acting as important sources of local employment. Figure 1 below shows that many Pacific islands rely on marine animal exports.

Collectively PNA countries supply over half of the world's tuna catch, often selling fishing access rights and/or exporting directly[8]. Unfortunately, the subsidies of wealthier countries to their own fleets are contributing directly to the decline in fish stocks globally and in the Pacific through:

- overcapacity (building more boats, larger boats)
- overfishing (increased fishing effort)
- related IUU fishing that occurs.

Subsidies and IUU fishing not only limit the ability of local fish operators to compete, but 'foreign' fleets have much greater capacity to continue fishing in Pacific waters even when catch stocks are low or depleted. This means local fishers, whose livelihoods rely on fishing, face serious food shortages and loss of income – at a time when they are already battling the effects of climate change, storm surges and, more recently, increased fuel costs and shortages.

IUU fishing is a constant problem across the Pacific – lost revenue from license fees and depletion of stocks is estimated at USD333 million annually. Based on various maritime security analyses, **the main perpetrators in the Pacific Ocean are usually legally licensed, industrial-scale foreign fishing vessels** that violate their license conditions, as distinct from solely unlicensed boats. In fact, over 95% of IUU activity in the Pacific is estimated

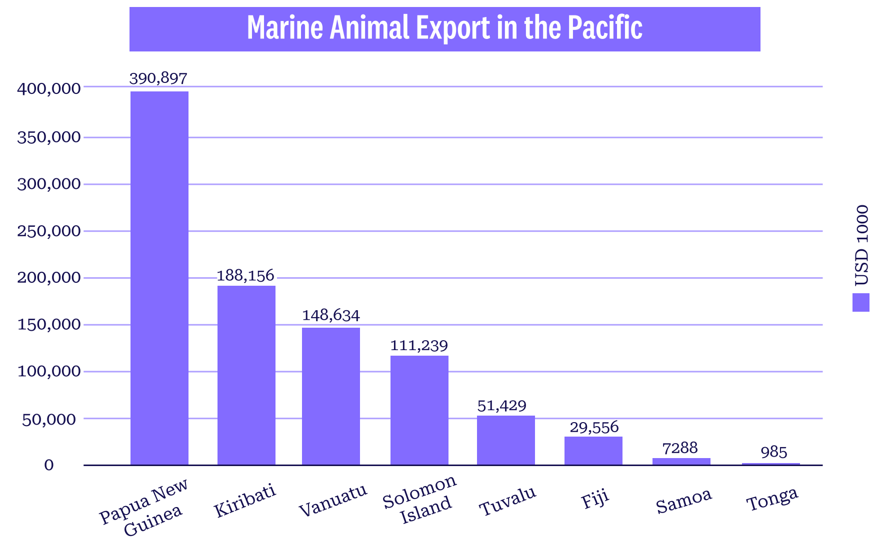
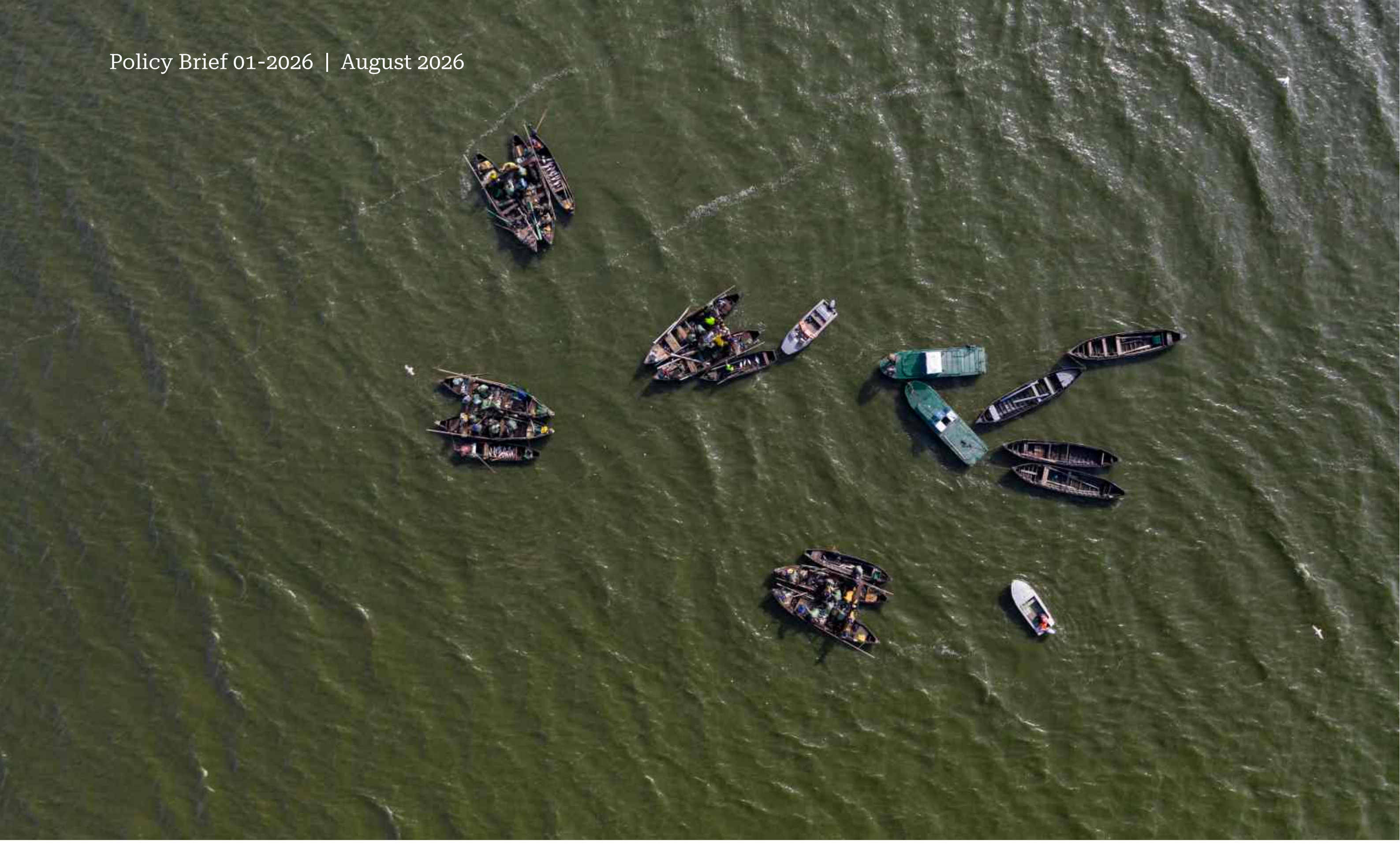


Figure 1 - Marine Animal Export in the Pacific
Source: FAO and WTO Fish Fund 2026

[2] Adam, D, 'Majority of fishing subsidies harmful' based on Marine Policy Journal, 2020, Dialogue Earth
[3] According to the OECD Review of Fisheries 2025
[4] The Pacific Community, SPC, "Fisheries in the Economies of PICs", Benefish Study 4, 2023, pp16
[5] Tuna Fishery Report Card 2025 - Final.pdf
[6] Pacific Data Hub, sourced March 2026
[7] The Parties to the Nauru Agreement bloc include *Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands, and Tuvalu*
[8] Pacific at the Centre of a Changing Global Tuna Trade, New FFA Report finds – Pacific Islands FFA



to be carried out by vessels that hold valid licenses but fail to report their full catch or violate regulation conditions.

What can the FSA do?

At a recent webinar on Fisheries Subsidies facilitated by the Institute for International Trade[9], Ambassador Mere Falemaka, Permanent Representative of the Pacific Islands Forum to the WTO, highlighted how the FSA can help the Pacific Islands and other smaller island nations as follows:

1. *By prohibiting subsidies to fishing on the unregulated high seas, the Agreement is an additional tool to combat IUU fishing, complement fisheries management efforts and support sustainability of stocks, including migratory stocks (tuna).*
2. *The FSA establishes new forms of protection where management measures have not previously existed and includes important transparency and monitoring provisions.*

The Ambassador highlighted the fact that fisheries are a key sector for socio-economic development, including livelihood, food security, poverty reduction and job creation for most island nations. This is why the Pacific Island Forum Leaders endorsed fisheries conservation as a priority in the 2050 Strategy for the Blue Continent[10] highlighting the need to balance the sustainable use of marine resources with the preservation of marine ecosystems and the eradication of illegal fishing.

Ambassador Falemaka highlighted that the FSA supports the realisation of Sustainable Development Goal 14.6 and includes appropriate and effective support (called Special and Differential Treatment in WTO language) to address the development interests of developing countries and Least Developed Countries (LDCs). This includes the establishment of a new Fish Fund to support capacity building to implement the FSA and establish regulatory controls.

The new Fish Fund

The Fish Fund[11] will help developing countries and LDCs meet their commitments under the FSA, provide technical support, and assist countries to integrate fisheries related elements into their existing subsidy policies and practices. Access to the Fish Fund is available to all PICs that are Parties to the Agreement.

The Fish Fund has a Steering Committee composed of eight donors and eight beneficiaries, who decide on resource allocation based on applications received and recommendations provided by a Technical Subcommittee made up of representatives from the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, the World Bank, and the WTO.

There are 2 types of grants provided by the Fish Fund: Category 1 Projects, to assist developing countries Parties to the Agreement to undertake studies and

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[9] 'WTO Fisheries Subsidies Agreement and Fish Fund Webinar', facilitated by the Institute for International Trade and supported by DFAT Australia, 19 February, 2026

[10] Pacific Island Forum Secretariat, '2050 Strategy for the Blue Pacific Continent', 2022

[11] WTO Fish Fund, Homepage | Fish Fund

initial assessments about how to implement the Agreement; and Category 2 Projects, which are for more complex activities, including to address needs and gaps identified through Category 1 assessments.

Grants already underway include support for the upgrade of a national fisheries management systems with relevant staff training; surveys and analysis to map out and assess overfished stocks; and analysis of fishing vessel activities by updating regional IUU vessel lists. In the Pacific, Tonga has been granted support from the Fish Fund to undertake a needs assessment on its readiness to implement the FSA and **so there is ample room for other Pacific Island WTO Parties to tap into the Fish Fund.**

Pacific island country support for the FSA

The FSA entered into force in 2025 when 116 out of 166 WTO Members ratified the Agreement, including WTO members Fiji, Tonga, New Zealand and Australia. Samoa has also ratified the FSA in March 2026. **To their credit, Pacific WTO Members played an active role as did Australia and New Zealand in the negotiations of the FSA.** Fiji was particularly concerned with protecting artisanal fishers, transparency of subsidies being granted, and obtaining technical assistance and capacity building provisions.

However, the FSA still needs to be ratified by the Solomon Islands, PNG and Vanuatu, so they too can reap the benefits. At time of writing, it is understood these countries are all working through national processes to ratify the Agreement, which is good news. Vanuatu has completed its domestic procedures for ratification and their trade minister is expected to deposit the instrument of acceptance soon.

A key message resounding from Fijian and Tongan trade officials, and from Ambassador Falemaka, was the importance of other Pacific island countries 'getting on board' as soon as possible in order to enhance the regional voice of the Pacific in WTO negotiations around Fish 2.

What of smaller non-WTO Pacific island countries?

From Kiribati to Niue, the call for greater involvement in fisheries management also extends to non-WTO PICs. While directly binding on WTO Members only, the FSA benefits non-WTO Members, especially small island developing nations, by helping improve ocean health, reduce distant-water fleet pressure, curb IUU fishing and support the livelihoods of small-scale fishers.

Although the Fish Fund is only accessible to Parties to the FSA, PICs that are not yet WTO Members can access capacity building support for sustainable fisheries through other trade and development assistance. Australia's Aid for Trade program, for example, in financial year (FY) 2024-25, comprised 21.5% of Australia's Official Development Assistance (ODA) (approx. AUD1.087 billion), consisting of a range of support for economic security and resilience. To its credit, Australia funds the Pacific Islands Forum Fisheries Agency and the

Pacific Community to deliver vital sustainable fisheries management services, and supports Pacific island countries to address IUU fishing, including by providing patrol boats through the Pacific Maritime Security Program[12].

Fish 2: Blocked by the national self-interest of two countries

But here's the thing. There are additional, important fisheries subsidies provisions still to be negotiated. The original FSA (Fish 1) came with the provision that there would be ongoing negotiations on overcapacity and overfishing modalities, including further development of appropriate special concessions and capacity building support for developing countries and LDCs. This next phase of provisions is commonly referred to as 'Fish 2'.

And Fish 1 has a sunset, or **termination clause that could put the entire treaty in jeopardy[13].** Article 12 of the Agreement stipulates that if WTO Members fail to reach agreement by 15 September 2029 on the outstanding disciplines on subsidies that contribute to **overcapacity** and **overfishing,** then the FSA will be terminated.

Two WTO Members have opposed Fish 2 provisions, which means there is the potential for the FSA to be terminated if Fish 2 disciplines are not adopted within 4 years ... or unless otherwise decided by the General Council of the WTO. The deadline for concluding Fish 2 negotiations is **15 September 2029** ... and the clock is ticking!

Indonesia and India – bot major fishing powers – were the only two among the 10 highest producing fishing nations to not ratify Fish 1. Indonesia and India are the world's second and fifth largest fishing nations, respectively, together accounting for almost 15% of global marine capture[14].

India and Indonesia have argued that Fish 2 infringes on state sovereignty in violation of the United Nations (UN) Convention on the Law of the Sea, which grants states authority over activities within their Exclusive Economic Zones. **A claim rejected by the vast majority of WTO members and contradicted by Article 11 of the FSA, which explicitly preserves the jurisdictions, rights and obligations of Members under international law, including the Law of the Sea.** These two countries, initially appeared to be focused more on their short-term national interests to maximise their freedom to subsidise and minimise the impact of FSA disciplines on their own activities[15].

However, India has since withdrawn its concerns and recently deposited its instrument of Acceptance for the FSA on 20 July, 2026. India has now cited the benefits of protecting the livelihood of small-scale fishers, the removal of harmful subsidies and India's credibility as a responsible seafood exporter as some of the key reasons for ratifying the Agreement.

The USA was an early ratifier of the FSA, supporting the Agreement in April 2023 and advocating for strict disciplines on subsidies contributing to overcapacity and overfishing. Sadly, there has been a change of tune under the Trump regime. Their position now appears ambiguous. On the one hand there are statements from the USA pushing for more ambitious and comprehensive disciplines to be established, but on the other, it has taken a more cautious stance that may stall negotiations.

What needs to be done?

There is a pressing need for renewed international commitment to ensure that the WTO's multilateral rules support the effective implementation of the Sustainable Development Goal (SDG) 14.6 (prohibit certain forms of fisheries subsidies) by concluding Fish 2 negotiations, infusing the FSA with greater coverage and enforceability.

Australia, the Pacific islands, and New Zealand need to advocate strongly for the 'Blue Pacific' and will be supported by most WTO Members. **The two remaining Pacific island WTO Members, PNG and the Solomon Islands, yet to ratify the FSA should do so as soon as is possible** to amplify the Pacific's voice and influence in Fish 2 negotiations. Non-WTO Pacific island states can also voice support through various regional organisations, such as the Pacific Island Forum Secretariat, the FFA, the PNA, and PACER Plus.

Diplomatic pressure should be brought to bear on Indonesia to follow the lead of India in support of sustainable fisheries and artisanal fishers. **These small-scale fishers dominate the marine capture sector, accounting for an estimated 95% of Indonesia's total national fishery production.** Indonesia needs to join with India as a responsible seafood exporter.

Indonesia remains concerned that Article 11.3 of the AFS – which preserves Members' rights and obligations under international law, including the law of the sea – is still insufficiently clear and is seeking an explicit reference to United Nations Convention on the Law of the Sea (UNCLOS) in Fish 2. Hopefully this matter can be resolved through negotiations in the near future.

Diplomatic pressure also needs to be mounted on the USA, who says it is still committed to supporting a meaningful outcome and does not agree with Indonesia's stance on UNCLOS. China, and other major users of fisheries subsidies, have to date been fully supportive of the FSA and Fish 2, increasing their regional popularity and diplomatic outreach. It is arguably in the

[12] Pacific regional fisheries assistance | Australian Government Department of Foreign Affairs and Trade
[13] Fitt, E, 'Talks to reduce funding for overfishing remain stalled at WTO meeting', 2 April, 2026 Mongbay
[14] Hopewell K, 'India and Indonesia undermine WTO fisheries agreement' East Asia Forum, January 2026
[15] Hopewell K, 'India and Indonesia undermine WTO fisheries agreement' East Asia Forum, January 2026

interests of the USA to do likewise and rebuild its flagging credibility in the region.

The WTO Chair of the Negotiating Group on Rules, which covers FSA negotiations, has recently released a timetable to resume "Fish Week" negotiating clusters from September this year. The USA is likely to update their current position in more detail then, and hopefully will recognise both the importance of the FSA both for the Pacific and globally, as well as the now almost total consensus in support of its implementation by WTO members.

At the end of the day, the implications of the FSA go beyond fisheries. Not only is this the first WTO Agreement focused on environmental sustainability, but it is also one of only two multilateral outcomes successfully concluded at the WTO since the collapse of the Doha Round in 2011.

At the recently concluded 14th WTO Ministerial Conference (MC14) in Cameroon, governments from across the world pledged to re-ignite stalled Fish 2 negotiations and finalise the second part of a long-sought agreement to curb harmful fishing subsidies by mid-2028. So, there is room for cautious optimism. The fact that this pledge was adopted by consensus hopefully reflects a significant commitment by all WTO Members to continue the momentum to conclude Fish 2. The FSA needs to be fully implemented, and Fish 2 negotiations finalised and ratified by all 166 WTO Members.

This Agreement is of significant economic and environmental benefit to the Pacific Islands, the Asia-Pacific region and globally. It reinforces – in these turbulent times – the value of global trade rules. Finalising this Agreement through Fish 2 will reinforce the fact that global cooperation, not narrow-minded nationalism, is the only way forward for a more sustainable and equitable planet.

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