

The Impact of the EU-IUU Regulations on Trade Flows in Both During and Post Trade-Restriction Periods *

Keisaku Higashida[†]

Naoto Jinji[‡]

Morihiro Yomogida[§]

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Abstract

Illegal, unreported, and unregulated (IUU) fishing has been one of serious causes of the depletion of fish resource stocks worldwide for the past few decades. To cope with this situation, the EU enforced the regulation to prevent, deter and eliminate IUU fishing in 2010, which includes a trade restriction scheme. This study empirically investigates the effect of the trade restriction on bilateral trade flows using the structural gravity approach. We find that the trade restriction (i) has a negative impact on bilateral trade flows from the regulated to EU countries and (ii) may create trade diversion. Interestingly, the trade restriction can have either a positive or a negative impact on bilateral trade flows from the regulated to EU countries even after the removal of trade restriction depending on the degree of processing. Trade diversion also lingers after the removal. Moreover, we demonstrate that, because fishers and seafood processing firms in major fishing countries outside EU also incur the compliance cost, the restriction has a negative impact on trade flows of those major fishing countries.

Keywords: Fisheries management, process and production methods (PPM), illegal-unreported-unregulated fishing (IUU fishing), trade measures.

JEL Code: F13, F14, F18, Q22, Q27, Q28.

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[†]Corresponding author. School of Economics, Kwansai Gakuin University. Address: 1-155 Uegahara Ichiban-cho, Nishinomiya, Hyogo 662-8501, Japan. E-mail: keisaku@kwansai.ac.jp

[‡]Faculty of Economics, Kyoto University

[§]Faculty of Economics, Sophia University