

## Executive summary

# Fishy networks:

Uncovering the companies and individuals behind illegal fishing globally



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## Executive Summary

**Fisheries resources are under immense pressure from overfishing, climate change and mismanagement of fish stocks, among other factors. UN Secretary-General António Guterres** called this an “ocean emergency”<sup>01</sup> with more than 90 percent of fish stocks fully exploited, overexploited or depleted, according to the UN Food and Agriculture Organisation (FAO) in an “continued increasing trend”.<sup>02</sup>

In this report, we focus on illegal, unreported and unregulated (IUU) fishing which is a key contributor to overfishing, accounting for as much as one-fifth of global fisheries catches. This represents USD \$10 billion to USD \$23.5 billion<sup>03</sup> every year, with overall economic losses estimated to be USD \$50 billion<sup>04</sup>, making it the third most lucrative natural resource crime after timber and mining.<sup>05</sup>

This global figure can also be compared to national level estimates, where Argentina’s authorities for example estimate losses between USD \$2 billion to USD \$3.6 billion in terms of IUU fishing catch per year, while Chile estimates its losses at USD \$397 million per year<sup>06</sup> and Indonesia at USD\$4 billion per year<sup>07</sup> equivalent to the country’s annual rubber exports.<sup>08</sup> Most countries do not publish loss estimates.

*IUU fishing is the third most lucrative natural resource crime after timber and mining*

*Despite the scale of IUU fishing however, strikingly very little is known about the real owners of vessels involved in this destructive practice, due to a shady web of financial secrecy and complex corporate structures surrounding these vessels.*

01 UN. UN Secretary-General declares an “Ocean Emergency” (28 June 2022) <https://unric.org/en/un-secretary-general-declares-an-ocean-emergency/>

02 FAO. 2020. *The State of World Fisheries and Aquaculture 2020. Sustainability in action*. Rome. <https://doi.org/10.4060/ca9229en>

03 Agnew, D.J., Pearce, J., Pramod, G., Peatman, T., Watson, R., Beddington, J.R. and Pitcher, T.J. (2009) ‘Estimating the worldwide extent of illegal fishing’, *PLoS ONE* 4(2): e4570 *Plos One Journal*. <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0004570>

04 Sumaila, U.R., Zeller, D., Hood, L., Palomares, M.L.D., Li, Y. and Pauly, D. Illicit trade in marine fish catch and its effects on ecosystems and people worldwide. *Science Advances* (26 February 2020). <https://www.science.org/doi/10.1126/sciadv.aaz3801>

05 Reid, A., Dury-Agri, J.R., Brush, A., Copeland, D. (4 June 2021) ‘The Role of Beneficial Ownership in Combating IUU Fishing’. *RUSI*. <https://shoc.rusi.org/blog/the-role-of-beneficial-ownership-in-combating-iuu-fishing/>

06 Torrico, G. South America plans regional response to squid overfishing. *China Dialogue Ocean* (13 January 2021) <https://chinadialogueocean.net/en/fisheries/15979-squid-overfishing-south-america-plans-regional-response/>

07 Orłowski, A. Indonesia’s explosive IUU policy is working, new report. *Seafood Source* (21 May 2018) <https://www.seafoodsource.com/features/indonesias-explosive-iuu-policy-is-working-new-report-says>

08 World’s Top Exports. <https://www.worldstopexports.com/indonesias-top-10-exports/>

IUU fishing is driven largely by expanding foreign distant water fishing (DWF) fleets from industrialised countries which, having depleted fish stocks in domestic waters, are moving further afield to meet the rising demand for seafood. Many of these DWF vessels engage in IUU fishing especially in global South countries which cannot effectively monitor their waters and enforce regulations, and are prone to corruption.<sup>09</sup>

Despite the scale of IUU fishing however, strikingly very little is known about the real owners of vessels involved in this destructive practice, due to a shady web of financial secrecy and complex corporate structures surrounding these vessels. Beneficial ownership information is “rarely, if ever, collected during the licensing or vessel registration process,” with only information on the legal owner being collected.<sup>10</sup> This report and other studies show how IUU operators use complex, cross-jurisdictional corporate structures such as shell companies and joint ventures, and flags of convenience, to mask the links to the owners,<sup>11</sup> meaning that fines are mostly applied to the vessel captains and crew, not the ultimate owners.

This report aims to shed light on this shady practice and those responsible, carrying out the largest analysis of IUU fishing ownership data to date. To achieve this, we identified nearly one thousand industrial and semi-industrial fishing vessels reported to be operating illegally from 2010 until May 2022, four times more than the IUU unified list from regional fisheries management organisations for that same period.

We then analysed the vessels’ beneficial owners and ultimate owners and shareholders at the time of the reported offenses, using the S&P Lloyd’s Global IHS Markit dataset,<sup>12</sup> cross-checking the vessel data with Moody’s Orbis database, considered the largest dataset of companies in the world, and supplemented with ownership data from government agencies and reputed organisations such as Greenpeace.

This report connects the issue of IUU fishing to fighting hunger, as 820 million people depend on fish for their livelihoods, many of whom live in global South countries, already impacted by Covid-19 and the global food crisis brought about by the war in Ukraine. Fish consumption accounts for a sixth of the global population’s intake of animal proteins, and more than half in countries such as Bangladesh, Ghana, Indonesia, Sierra Leone and Sri Lanka.<sup>13</sup>

IUU fishing also impacts climate change since this phenomenon is causing fish to migrate to more temperate waters, impacting the fish stocks in the parts of the world around the tropics which are most food insecure and more dependent on artisanal fishing for protein, and are most affected by IUU fishing.<sup>14</sup>

*This report aims to shed light on this shady practice and those responsible, carrying out the largest analysis of IUU fishing ownership data to date*

09 Kelman, J.H.C. “Why Climate Change and State Subsidies Will Collide to Create Fishery Conflict.” *Journal of Strategic Security* 13, no. 4 (2019): 96-108. DOI: <https://doi.org/10.5038/1944-0472.13.4.1869> Available at: <https://digitalcommons.usf.edu/jss/vol13/iss4/7>

10 Horn, P., Fiore, G. Better Tracking of Vessel Ownership Needed to Fight Illegal Fishing. Pew Charitable Trust (20 September 2020) <https://www.pewtrusts.org/en/research-and-analysis/articles/2021/09/20/better-tracking-of-vessel-ownership-needed-to-fight-illegal-fishing>

11 Copeland, D., Utermohlen, M., Brush, A. (10 December 2020). Spotlight on: The Exploitation of Company Structures by Illegal Fishing Operators. TMT. <https://www.tm-tracking.org/post/illegal-fishing-operators-exploit-company-structures-to-cover-up-illegal-operations>

12 IHS Markit <https://ihsmarkit.com/index.html>

13 FAO. 2020. *The State of World Fisheries and Aquaculture 2020. Sustainability in action*. Rome. <https://doi.org/10.4060/ca9229en>

14 Kelman, J.H.C. “Why Climate Change and State Subsidies Will Collide to Create Fishery Conflict.” *Journal of Strategic Security* 13, no. 4 (2019): 96-108. DOI: <https://doi.org/10.5038/1944-0472.13.4.1869> Available at: <https://digitalcommons.usf.edu/jss/vol13/iss4/7>

## Key findings

1. **Individual shareholders were found for only 16.7 percent of vessels reported to be involved in IUU fishing, revealing the ultimate beneficial information gap in the sector.** We were also able to identify the companies behind only 43.3 percent of the detected IUU vessels, which are often shell companies or shady joint ventures, despite using the most robust data sources available.
2. **Developing countries lose billions of dollars in Illicit Financial Flows due to IUU fishing. Africa alone where half of all IUU vessels were located, loses USD \$11.49bn every year from this practice.**<sup>15</sup> The most affected sub-region is West Africa, where 40 percent of the global IUU fishing took place with a loss of up to USD \$9.4bn in Illicit Financial Flows.
3. **Top 10 companies own 23.7 percent of total vessels involved in IUU fishing for which the beneficial owners were identified, with some linked to tax havens, highlighting the high concentration of this practice.** Eight of these companies are from China led by China's Pingtan Marine Enterprise Ltd. which is incorporated in the Cayman Islands and listed in the Nasdaq, followed by the China National Overseas Fisheries Corporation Ltd. (CNFC) which is state-owned. In the top 10 list there is also a company from Colombia and another from Spain. Spanish tuna giant Albacora SA emerges as Europe's largest IUU fishing company and has received millions of dollars in EU and other subsidies despite its vessels being fined millions of dollars for IUU fishing.
4. **One-third of detected IUU vessels were flagged to China, followed by Ghana, South Korea, Italy, Taiwan and Indonesia. 8.76 percent of detected IUU vessels carry flags of convenience, including Panama, Liberia and Cayman Islands which have lax controls and low or no effective taxes.** The use of Ghanaian flags is particularly concerning given its widely reported use as a cover by mainly Chinese vessels to continue operating in this West African country and avoid fisheries controls through opaque joint ventures. In terms of regions, 54.7 percent of detected IUU vessels were flagged to Asian countries, 16.1 percent to Latin American countries, 13.5 percent to Africa and 12.8 percent to Europe.

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<sup>15</sup> We consider IUU fishing to constitute an IFF in all cases as it fits the definition of IFFs according to the UN SDG 16.4.1. This mainly focuses on two pillars of both corruption and illicit markets, as well as tax abuses and tax evasion by corporate actors and wealthy individuals in terms of statistical methodologies for measuring IFFs.





## Recommendations

Encouragingly, financial secrecy linked to environmental crimes generally is an issue that has been gaining attention in the past few years. The High-Level Panel for the Sustainable Ocean Economy (The Ocean Panel) has identified ownership and financial secrecy as a key driver of IUU fishing, and it endorsed key transparency recommendations to put an end to this illicit activity. In its report on Africa's Blue Economy,<sup>16</sup> It found that ownership transparency is part of the solution towards ending IUU fishing in Africa which is one of the most affected regions by the this illicit trade.

In addition, the G7 Climate and Environment Ministers' Communiqué released in May 2021 welcomed "discussions by Finance Ministers on strengthening beneficial ownership transparency to better tackle the illicit financial flows stemming from illegal wildlife trade (IWT) and other illicit threats to nature."<sup>17</sup> The United States, EU, and Japan which are all part of the G7 represent 55 percent of the global seafood market,<sup>18</sup> and could through greater supply chain transparency and due diligence both at home and in source countries make a big difference in ending the trade. Also, the Financial Action Task Force's (FATF) Illegal Wildlife Trade report emphasised the need to uncover those ultimately owning companies linked to environmental crimes.<sup>19</sup>

However, the fisheries sector is lagging behind financial transparency. The FATF does not regard fisheries as an extractive industry, and no serious steps are being taken to put an end to the financial secrecy shielding those ultimately involved in IUU fishing, ensuring higher standards on high-risk sectors such as fishing. Similarly, the World Trade Organisation agreed in June 2022 to cut

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16 Widjaja, S., Long, T., Wirajuda, H. Illegal, unreported and unregulated fishing and associate drivers. The Ocean Panel. (2020) <https://oceanpanel.org/publication/illegal-unreported-and-unregulated-fishing-and-associated-drivers/>

17 G7 Climate and Environment: Ministers' Communiqué, London, 21 May 2021. <https://www.gov.uk/government/publications/g7-climate-and-environment-ministers-meeting-may-2021-communication/g7-climate-and-environment-ministers-communication-london-21-may-2021>

18 White House. Memorandum on Combating Illegal, Unreported, and Unregulated Fishing and Unregulated Fishing and Associated Labour Abuses. (27 June 2022) <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/06/27/memorandum-on-combating-illegal-unreported-and-unregulated-fishing-and-associated-labor-abuses/>

19 FATF Money Laundering and the Illegal Wildlife Trade (June 2020). <https://www.fatf-gafi.org/media/fatf/documents/Money-laundering-and-illegal-wildlife-trade.pdf>

subsidies to companies involved in this practice,<sup>20</sup> but lack meaningful ways to implement this without greater public reporting on the vessels and their beneficial owners engaged in this illicit trade.

Unfortunately, these announcements fall short by not including specific proposals to end financial secrecy in the fisheries sector, suggesting a lack of political will to resolve this crisis. Therefore, we call for the following transparency reforms to be urgently adopted:

- **Public beneficial ownership registration** should be required when requesting a fishing licence, fishing authorisation, joint ventures or registration to their flag. This can be achieved by including fisheries in national beneficial ownership registries in all jurisdictions, with information made available to the public to end the use of shell companies.
- **Fisheries should be included as an extractive industry** in key initiatives including the Extractive Industry Transparency Initiative (EITI) and other global and regional initiatives concerning regulation and transparency of extractive industries. No threshold for beneficial ownership registration should be applied as fisheries is a high-risk sector.
- **Supply chain due diligence** requirements should be extended across supply chains and to IUU fishing and other fisheries-related crimes as part of wider due diligence requirements on products natural resource crimes, allowing for barring companies and vessels engaged in IUU fishing from lucrative export markets.
- **Governments should publish an up-to-date list of IUU vessels** allowing the use of fines and sanctions on the companies and real owners. This list should be also collated internationally under IMO-FAO auspices, allowing institutions focusing on fisheries management and Illicit Financial Flows to work together.
- **Improve monitoring capacity by coastal state governments** by supporting their coast guards with help of external development assistance, requiring automatic vessel monitoring and vessel Automatic Identification Systems to be enforced.

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20 Tipping, A., Irschlinger, T. WTO Members Clinch a Deal on Fisheries Subsidies. IISD (17 June 2020) <https://sdg.iisd.org/news/wto-members-clinch-a-deal-on-fisheries-subsidies/>





