Fisheries and International Trade

Policy Brief 7

MRAG DFID

Key messages

- International trade in fish and fisheries products ('fish trade') was worth US$ 78 billion in 2005. Over half this trade originated from developing countries, and most was destined for the developed markets of the EU, USA and Japan.
- Fish trade benefits developing countries via export revenues, employment in the fisheries sector and food security through the ability to import dried, smoked and preserved fish products.
- Export revenues for developing countries are limited by demanding hygiene and sanitary regulations and high import tariff rates for processed products imposed by developed countries. Subsidies to developed countries' fishing fleets and processing sectors also make it difficult for developing countries to compete.
- International trade puts increasing pressure on fish stocks. For this trade to be sustainable, it must be coupled with effective resource management to ensure stocks are not overexploited biologically or economically.

This brief examines international fisheries trade and considers the implications for developing countries. It draws on the study carried out by MRAG, NRI and CRE 'The impact of EU commercial fisheries policies and practice on international fish trade', commissioned by the Commonwealth Secretariat with support from DFID. This brief is part of a series concerning fisheries and development issues produced by MRAG and DFID.

Fisheries and international trade

38 % of fisheries and aquaculture production is traded internationally. This trade was worth US$ 8 billion in 1976, US$ 58 billion in 2002 and US$ 78 billion in 2005. Half this trade (48 % by value) originates in developing countries and 72 % is destined for markets in the EU, USA and Japan (Fig. 1).

The most important species traded are shrimp (16.5 % by value in 2004), groundfish (fish living on or near the bottom of the sea such as cod, hake, pollock and haddock, 10.2 %), tuna (8.7 %) and salmon (8.5 %) [1]. An increasing proportion of fish products traded come from aquaculture, which accounts for over one third of global fisheries production. Most of this trade is regulated by the World Trade Organisation (Box 1).

China is the world's number one producer and exporter of fish products. It was responsible for 10 % of world exports by value in 2006 [2], much of which was re-exports (fish that has been imported, processed and exported again).

Figure 1: Major trade flows of fish and fisheries products. For inter-continental flows, only those worth over US$ 500 million per year are shown. Adapted from FAO (2007) [1].

Supermarket fish counter in the United Kingdom with seafood from all around the world including tuna, monkfish and shrimp. Photo courtesy of New England Seafood.

Fish trade can bring a range of benefits, but its potential impact on fish stocks, social equity and economic development must also be considered to minimise negative impacts and promote sustainable development.

Benefits of international fish trade

For developing countries

Developing countries obtain important foreign currency earnings from fish exports. Net revenues for developing countries from fish exports were US$ 20.4 billion in 2004, greater than those for other major commodities such as coffee, cocoa, sugar and tea combined (Fig. 2).

Although a food resource is being exported, these foreign currency earnings can contribute positively to food security by enabling the import of other foodstuffs [3]. They also promote economic growth and can be invested in other sectors such as health, education and infrastructure.

International fish trade also supports employment and income generation in the fishing, processing and export sectors. The extent of these benefits depends on the amount of value-added the country is able to capture. This may be through provision of port services, selling

high-value, high-quality forms of fish such as *sashimi*-grade tuna, or creation of products ready for retail.

For developed countries

Consumers in the EU, USA and Japan have a high per capita consumption of fish. Depletion of fish stocks in their own waters, and a preference for species such as lobster, tuna, shrimp and octopus, has led to a reliance on imports to satisfy demand. Fish imports are also important in supplying raw material for the processing sector, such as tuna canning factories in Spain, France and Italy, maintaining employment in this sector.

Controversial issues in fish trade

Tariffs and quotas

High tariffs in importing countries, especially for 'sensitive' processed products (such as canned tuna, frozen tuna loins for processing and canned or processed shrimp) make it difficult for exporting countries to capture value-added benefits. They tend to export fish in unprocessed or frozen form to avoid paying these high import duties. The huge increase in the value of developing country fish exports over the past 30 years has resulted from increasing volumes, rather than added value. However, African, Caribbean and Pacific (ACP) countries have benefited from 0 % import tariffs to the EU market and have gained a prominent position in the supply of processed fish products as a result (Box 2).

In turn, average import tariffs in developing countries themselves are much higher than in developed countries, as a way to generate revenue and protect local industry. Coupled with low purchasing power and low demand, this has limited the amount of south–south regional trade that takes place, with only 15 % of developing country fish exports being to other developing countries. However, this is likely to increase with the tariff reductions expected as a result of WTO negotiations (Box 1), increasing numbers of regional free trade agreements and increasing consumer spending power in developing countries.

Hygiene and sanitary standards

Developed countries impose strict food safety and animal and plant health measures (sanitary and phytosanitary or SPS) on products imported from other countries. For example, to export fish and fisheries products to the EU, vessels must carry a veterinary certificate and processing factories must be inspected and passed by a national competent authority accredited by the EU. These standards are generally a greater barrier to trade for developing countries than tariffs and duties are. The difficulties developing countries have in complying mean that fish may be imported to the EU through channels where controls are less stringent, which can also facilitate the import of illegally-caught fish.

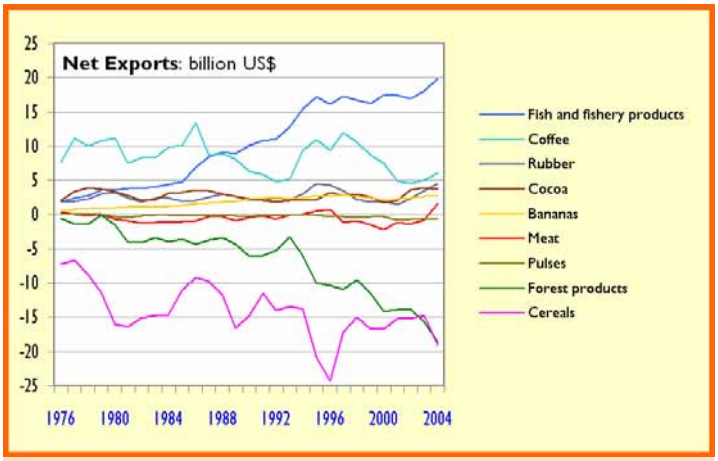

Figure 2: Net export revenues from fisheries, agricultural and forest commodities for developing countries, 1976–2004. Data sources: Fisheries - FAO FISHSTAT from Fisheries and Aquaculture Information and Statistics Service; Agriculture and Forestry - FAOSTAT.

Box 1: WTO issues and fisheries

International fish trade is governed by rules set out under the World Trade Organization (WTO). All important fish producing, processing and exporting countries are members of the WTO except Russia, which may join in 2008 or 2009.

The key issues in the current round of trade negotiations (the 'Doha Round') are fisheries subsidies, and the effect of import tariffs on market access. There has also been substantial work on non-tariff barriers to trade. WTO rules are also the driving force behind the change in trading arrangements between the EU and ACP countries to EPAs (Box 2).

Disciplines on subsidies: There have been calls for the prohibition of subsidies that contribute to over-capacity and over-fishing. The 'Friends of Fish' group (e.g. New Zealand, Chile, Iceland, Australia, USA) advocate banning all subsidies with certain exceptions, while the defensive Members (e.g. Japan, Korea, Taiwan) propose allowing all subsidies with specific prohibitions. The European Commission proposal is to ban subsidies that contribute to overcapacity (e.g. subsidies for vessel construction or renovation). At the same time, there is a need for 'Special and Differential Treatment' for developing countries, in particular for small-scale and artisanal fisheries.

Market access and import tariffs: Doha Round negotiations, if successful, are likely to lead to a general reduction of import tariffs for fish and fisheries products (negotiated under 'Non-Agricultural Market Access', NAMA). Asian exporters of fisheries products will benefit from lower tariffs in importing countries (e.g. EU and Japan), whilst the preferential access to the EU market that ACP countries currently enjoy (Box 2) will be correspondingly reduced.

Labelling and certification

Increasing interest in eco-labelling (certifying that products meet certain environmental criteria) and supermarkets' independent initiatives also pose challenges for developing countries. It can be difficult for them to meet the certification criteria, especially where there is a lack of management capacity and limited financial resources to manage fish stocks sustainably (see Policy Brief 5). However, with changing consumer demand and informed choice, certification of social, environmental and ethical aspects of production in particular has the potential to act as an incentive for better fisheries management by providing access to more lucrative markets.

Food security and livelihoods

International fish trade increases the price of fish on local markets, due to demand from exporters. It can also change the type of fish and shellfish available to local consumers (e.g. in Tanzania, octopus, once a cheap, locally-consumed food, has become a high-value export commodity [4]). Increasing prices and decreasing availability can adversely affect local traditional fish processors (often women who salt, smoke or dry fish) as prices rise.

Illegal fishing

International fish trade can result in illegally-caught fish entering markets and the EU has recently proposed a new Regulation on illegal, unreported and unregulated (IUU) fishing, with the aim of integrating measures to conserve stocks and to restrict the trade of illegal fish. For example, tightening supply chains to limit the potential for illegally-caught fish to enter the EU market will reduce profitability of illegal operations and ease pressure on fish stocks.

Impact on resources

Increasing consumer demand has continued to be met by increasing production, and in most cases management has not been strong enough to prevent this damaging fish stocks. This is likely to jeopardise the sustainability of fish trade unless parallel, effective management measures are put in place to control exploitation of the stocks.

The EU and international trade

The EU is the world's largest importer of fish and fisheries products and is increasingly dependent on imports for its fish supply, accounting for 39 % of global fishery imports and 25 % of exports by value in 2004 [5]. This has raised concerns that the EU's policies on import tariffs, fishing subsidies, access agreements and complex 'Rules of Origin' (RoO, which determine the import tariffs to be applied depending on where, how and by whom fish has been caught and processed) may have distorted international fish trade. However, the trade figures combine the trade statistics for each individual EU country and therefore include a substantial amount of trade *between* EU countries: 84 % of EU exports go to, and 50 % of imports come from, another EU country. Therefore, the distortion is not as great as is sometimes imagined.

Nevertheless, it is likely that the EU's policies have distorted fish trade somewhat; ACP countries have benefited from the trading arrangements through preferential market access (Box 2). To qualify, fish from ACP countries had to meet complex RoO: be caught by an EU- or ACP-owned and flagged vessel, with 50 % of its crew members from the EU or ACP. Many ACP countries do not have their own fishing vessels, so they must enter into access agreements to allow EU vessels to fish in their waters, in order to obtain 'originating' fish that qualify for 0 % duty to the EU (although RoO have been improved in the Pacific under the EPA, Box 2).

These agreements (Fisheries Partnership Agreements, FPAs — see Policy Brief 6), which provide access for EU

Processing factories such as this one in Vietnam bring employment and value-added benefits to the host country. Photo by: U.K.Kleih.

Box 2: ACP countries, EPAs and fish trade

The fisheries sector plays a key role in the economy of many ACP countries. Namibia, Senegal and Tanzania are major exporters of unprocessed fisheries products, whilst Seychelles, Côte d'Ivoire, Ghana and Mauritius export substantial quantities of processed products, in particular canned tuna. At the same time, some ACP countries also import unprocessed fish — Nigeria imports small pelagics such as mackerel for domestic consumption and Seychelles imports tuna for canning and export.

Until the end of 2007, ACP countries benefited from preferential market access to the EU under the Cotonou Agreement. This benefit was particularly pronounced for 'processed' products (such as frozen tuna loins, canned or processed tuna, shrimp and molluscs) on which other countries paid tariffs of 20–24 %, with the result that ACP countries supplied 12 % (by value) of unprocessed and 33 % of processed fish imports to the EU in 2003 [7]. ACP countries are particularly concerned with the EU reducing its general import tariffs as a result of WTO negotiations (see Box 1). This will cause '**preference erosion**', reducing the relative benefit that ACP enjoy over countries paying full import tariffs. The ACP are already losing their share of the EU market in an increasing market, supplying 22 % of processed fish imports to the EU in 2005 [7].

The Cotonou trading arrangements between the EU and ACP countries were not compatible with WTO rules, since they were not reciprocal nor offered to all developing countries. As a result, the EU is negotiating **Economic Partnership Agreements** (EPAs) with six regional ACP groups (Caribbean, Pacific and four groups in Africa). As of January 2008, 35 ACP countries had signed a full or interim EPA across the six regions (42 had not signed) and will benefit from 100 % duty and quota free access to EU markets. These full and interim EPAs comply with WTO rules and came into force on 1 January 2008. Countries that have not signed are covered by Everything But Arms (for LDCs) or GSP (for non-LDCs). Details of the agreements differ across regions: the Pacific gained improved Rules of Origin for fisheries products, allowing Pacific ACP countries to purchase fish from vessels of any nationality for processing; Eastern and Southern Africa can export up to 10 000 t of tuna of any origin to the EU. Negotiations continue on certain issues and with countries not yet ready to sign, and the interim EPAs will be negotiated to full EPAs during 2008.

vessels to the waters of third countries, also have an impact on trade. Fish caught under FPAs may be transhipped or landed directly to an EU port and thus never enter trade statistics. This may reduce the potential value of exports from these countries by up to 20 % [6]. In other cases, such as the Seychelles, trade figures are inflated because local landings by EU vessels are registered as an 'export' from the EU to Seychelles.

Maximising the benefits

International fish trade can bring substantial benefits to developing countries, which can be maximised through increasing the added value they are able to capture. For this, the whole supply chain, from harvesting (supply) to markets (demand) must be considered. There are a number of risks and challenges that need to be overcome:

- Developing countries must be able to meet the standards and criteria set by importing countries and retailers, for both mandatory and voluntary requirements;
- Large and especially small-scale producers in developing countries may need extra support to be able to comply with international trade standards, and to access international markets in an era of increasing consolidation of the food retail sector;
- Increasing fish exports should not result in increased prices on local markets, and traditional fish processors' livelihoods should be protected (and/or social protection mechanisms be in place);
- Fisheries resources must be effectively managed for fish trade to be sustainable and continue to provide benefits in the longer term;
- Environmental and sustainability issues in aquaculture production must be taken into account, as most future increases in the volume of fish trade are likely to come from aquaculture.

Priorities for future work

Future priorities include:

- Supporting developing countries in building institutional capacity to more effectively manage and trade their fisheries resources, including through knowledge transfer and training;
- Supporting developing countries in complying with sanitary and hygiene standards imposed by importing countries;
- Supporting the removal of subsidies that promote overfishing;
- Exploring the potential for branding, labelling and certification to add value to developing countries' fish products and exports;
- Using market-based mechanisms to tackle over-fishing and illegal fishing.

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For more information:

Further information about fisheries and development issues can be obtained from the UK Department for International Development (DFID) and Marine Resources Assessment Group (MRAG) Ltd.

Department for International Development:

More information about DFID's work can be found on the website:

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