EXECUTIVE SUMMARY

This paper describes progress in projects that are currently funded by the Common Fund for Commodities. The Sub-Committee’s approval is also sought in relation to new projects that are being submitted for funding by the CFC. Members are requested to present further project ideas or profiles for consideration.

STRATEGY FOR INTERNATIONAL TRADE IN FISH AND FISHERY PRODUCTS

INTRODUCTION

1. The FAO World Conference on Fisheries Management and Development, Rome 1984\(^1\), approved under its Action Programme IV, a strategy for international trade in fish and fishery products\(^2\). During the ninth session of the Sub-Committee on Fish Trade in 2004, the representative of the Common Fund for Commodities (CFC) highlighted the need for a revised strategy that takes into account developments that have taken place over the last two decades. The rationale for a commodity strategy is to identify suitable measures (action plan) to enhance the structural conditions in markets and the long term competitiveness and prospects of commodities.

\(^1\) This Conference was the only world conference dealing with strategies and action programmes for fisheries development and management.

\(^2\) Full text of Action Programme IV is reproduced in Annex II.
The revised strategy in Annex I therefore follows the outline described in the CFC project manual and takes into account recent developments that affect international fish trade.

2. Following the adoption of The United Nations Convention on the Law of the Sea (UNCLOS) in 1982 and the subsequent extension of the Exclusive Economic Zones to 200 miles zones, the level of fish trade has increased significantly. The role of developing countries has expanded, accounting nowadays for nearly 50% (in value terms) of the world’s fish exports. The expansion in trade has resulted in more employment opportunities and better incomes in the developing countries’ fisheries sector. The net revenues from fish trade are also an important source of foreign exchange. However, this trade development has required developing countries to adapt to increasingly stringent trade requirements in the main importing countries, including sanitary and quality requirements, limited access to trade information, tariff and non-tariff barriers to trade, and tariff escalation. In recent years the role of aquaculture products in international trade has expanded and should be reflected in a strategy for international trade in fish and fishery product. Additional challenges for developing countries are the concentration of retail markets, the emergence of certification schemes for both wild and cultured fish, traceability requirements and risk assessment. The role of small-scale fisheries in international trade, as well as in intra-regional and domestic trade is gaining visibility, and this sector needs more consideration and assistance. The importance of fish trade for food security is yet another challenge.

SUGGESTED ACTION BY SUB-COMMITTEE

3. The Sub-Committee is requested to approve the revised strategy in Annex I and to give priority to the activities listed in the proposed action programme. Countries are encouraged to report on:
   - challenges facing their fishery export sector
   - measures required to improve the structural conditions in markets
   - measures required to enhance the long term sustainability of trade.
ANNEX I

COMMODITY STRATEGY

Profile of the commodity

1. Fish and fishery products are currently among the fastest growing food sectors. Increased supplies are primarily derived from rapidly growing aquaculture production, while supplies from wild fish stocks are expected to remain stagnant. For the coming decade, strong growth in global demand for fish is forecast.

2. Fish and fishery products are among the most traded food commodities with more than one third of production entering international trade. The total value of world exports was US$63300 million in 2003 and is expected to grow even further in coming years. It should be noted, that while trade expanded strongly in 1970s and 1980s, growth will be slower in the coming years.

3. Shrimp is the most important commodity with approximately 19% of international trade in value terms. It is interesting to note that this share has been stable over the past 20 years, despite the substantial increase in supply of shrimp products on the world market. Demersal species are another important product group with 12% of trade. Tuna is third with 9%. The relative importance of salmon as an export item has increased over the past years, to reach 9% in 2003, up from 5% in the mid 1990s, as a result of the fast growing salmon farming industry in Norway and Chile.

4. Significantly, one half of international fish trade by value originates from developing countries. Fish is an important earner of foreign exchange for these countries. Net revenues (export – import) for developing countries reached 18.3 billion US$ in 2003, which exceeds the foreign exchange earnings from commodities such as coffee, cocoa, bananas, rice and meat taken together.

5. In recent years, China has emerged as a key player in the fisheries sector, both in terms of production and trade. China is now, by far, the main producer of fish. In 2002, China also became the main world exporter of fish and fishery products. In addition, the country imports significant quantities to be processed before being re-exported.

6. Developed countries accounted for about 82% of the total value of imports of fish products. Japan continues to be the main importer of fishery products, but the share of Japan in total imports is declining. The United States, besides being the world's fourth largest exporting country, was the second largest importer. As a group, the EU is an important market for fish and fishery products. In 2003 it accounted for 40% of global imports.

7. Despite strong demand and limited supply of wild fish, prices have not increased in the past two decades. The relatively cheap fish coming from aquaculture kept prices stable. Improved fishing and fish finding technology have led to better efficiency of the capture fisheries.

8. A specific feature of fish trade is the wide range in product types and markets, and limited concentration of the fishing industry, very much to the contrary of other main commodities of animal origin. Small and medium enterprises are the norm in fish production and fish trade, especially in developing countries. Producers and traders in these countries are often in a disadvantaged position because of difficulties in obtaining reliable market information and because of regulatory impediments to market access.
9. The FAO Fisheries Department has assisted developing countries to facilitate and promote their participation in international trade. For over two decades, the FISH INFONetwork\(^3\) has also provided marketing information, and technical advisory services to developing countries.

**Prospects and Potential of Commodity**

10. Commercial aquaculture is a relatively recent development, compared with the development of livestock husbandry. Production technology is quickly progressing from its infant phase and production costs are rapidly declining. Species, such as tuna, that were considered too costly to produce only a few years ago, are now becoming economically viable. At the current growth rate, it is possible that within two decades, aquaculture will overtake wild fish production. Aquaculture production concentrates in developing countries, which currently account for more than 90% of total cultured fish production.

11. In aquaculture, production can be planned in response to market demand and does not depend on fishing seasons. However, sustainable development of aquaculture requires careful consideration of environmental issues such as destruction of mangrove areas, pollution of drinking water, and changes of hydrological aspects, as well as consumer protection from abusive use of antibiotics or parasitic diseases in subsistence aquaculture. These issues can be prevented through the use of Good Aquaculture Practices and Good Hygienic Practices.

12. The capture fishery sector has been characterised by concerns related to resource use, sustainability, and over fishing. The presence of contaminants (heavy metals, dioxins) and biotoxins in some wild fish catch constitutes also concerns for the consumer. On the other hand, the increase in awareness of the well documented health benefits of fish from wild capture will continue boosting demand.

**Challenges to the commodity’s market structure**

13. Many developing countries have managed to adapt to increasingly stringent trade requirements in the main importing countries, including product quality, control on antibiotics, and implementation of HACCP plans in processing plants. New requirements are traceability of fishery products and risk assessment for fishery products. In the case of bivalves, monitoring programs are a pre-requisite for any export of live bivalves to the main markets.

14. Additional burdens, but also potential opportunities for the industry, include the concentration of retail markets and the increase in certification schemes for both wild and cultured fish. The role of small-scale fisheries in international trade, intra-regional and domestic trade is gaining visibility. This sector needs more consideration and assistance. Producers in developing countries are often small-sized enterprises, which have only limited access to reliable trade and market information. The importance of fish trade for food security is yet another challenge.

15. Despite the WTO agreements, tariff and non-tariff barriers to trade are still a problem for fishery products. Tariff escalation continues for many species and products, making it difficult to produce value added products in the country of origin, rather than exporting raw material for further processing.

**Action Programme**

16. Developing coastal states have reaped significant benefits from fisheries and trade development in recent decades. However, obstacles still prevent developing countries from

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\(^3\) **GLOBEFISH** (Coordinating Unit), **INFOPECA** (South and Central America), **INFOFISH** (Asia and Pacific region), **INFOPECHE** (Africa), **INFOSA** (Southern African sub-office of INFOPECHE), **INFOSAMAK** (Arab countries), **EUROFISH** (Eastern and Central Europe), **INFOYU** (China).
maximizing the returns from international in fish and fish products as many of them export mostly unprocessed products. One recurrent reason for this situation has been tariff escalation. Tariffs on processed products are, however, decreasing. This provides an opportunity for an increase in exports of value added products. The transfer of value addition technologies, know-how and investment capital to developing countries is needed to allow this development to take place. The end result can be the generation of further employment opportunities, better incomes and hard currency earnings from processing and value-addition. The successful development of a value added industry requires the establishment of reliable marketing and distribution networks and meeting market access requirements related to safety, quality and traceability.

17. Underpinning the international trade in fish and fishery products is a healthy resource base. Without effective and robust fishery management regimes in place, international trade in fish and fishery products will not be sustainable.

18. The following principles and guidelines\(^4\) should be taken into account when examining ways for promoting international trade of fish and fishery products and for seeking more equitable distribution of benefits from international trade in fish and fishery products while assuring sustainable usage of fish resources:

1. Efforts should be made to raise the quality of export products to levels required by import markets and to promote the implementation of quality standards at the national level, as agreed in the FAO/WHO Codex Alimentarius Commission and under the WTO SPS agreement.

2. The production of value added products in developing countries should be promoted through assistance in technology transfer, matching of buyers and sellers, creating confidence among all players and promoting joint-ventures.

3. Regulations which create barriers to trade should be regularly reviewed and, where appropriate, should be modified, harmonized or eliminated through bilateral or multilateral negotiations. Tariffs should be reduced as appropriate, including the reduction or elimination of tariff peaks and tariff escalation.

4. Information on the market situation and trends should be dynamic, reliable and easily accessible to all stakeholders in international trade, including the small-scale sector.

5. The role of small-scale fisheries in international trade should be strengthened, giving their products fair access to all forms of distribution, including large-scale supermarket chains, through an improved and shortened value chain and more equitable distribution of benefits. The creation of suppliers’ marketing associations should be promoted.

6. Growth of trade in fish and fishery products between developing countries should be promoted, through reduction of import tariffs and other obstacles to trade, thus increasing their participation in trade. The introduction of trade preferences at a regional level encourages the exchange of products between developing countries, and non-tariff barriers should be eliminated.

7. Continued and strengthened support should be given to the FAO’s Fisheries Department and to the FISH INFONetwork to implement projects designed to promote exports of fish products from developing countries.

\(^4\) This document should be read together with the Technical Guidelines on article 11.2 and 11.3 of the CCRF reproduced in COFI:FT/X/2006/4.
8. Regular consultations, involving stakeholders, should be held to improve cooperation at the regional and global levels between exporters and importers in order to ensure that international trade, intra-regional and domestic trade, effectively contribute to fisheries development.

9. Attention should be given, with the support of FAO and other international and regional organizations, to the development of fair and transparent trade, including the harmonization of inspection procedures and regulations. The existing network of fish inspectors in Latin America and Africa should be strengthened and further networks in other regions should be created.

10. Further attention should be given to the harmonization of certification schemes, preparing simplified requirements for all producers and buyers.

11. Steps should be taken to coordinate the activities related to trade promotion of interested international, regional and civil society organizations such as inter alia FAO, along with the FISH INFONetwork, the Common Fund for Commodities (CFC), the United Nations Conference on Trade and Development (UNCTAD), the WTO, the World Health Organization (WHO), the United Nations Industrial Development Organization (UNIDO), the International Trade Centre (ITC), and the Organization for Economic Co-operation and Development (OECD).

Identification of Beneficiaries

19. Beneficiaries of this Action Programme are both the producers in developing countries, but also consumers at the other end of the value chain, in both developed and developing countries. Small-scale fisher, small-scale fish farmers, processing companies, exporters and associations in developing countries are the main target beneficiaries. Women play an important role in the fisheries sector in developing countries, thus they will be among the main beneficiaries of this Action Programme.
STATISTICAL ANNEX

Fish Exports (1976-2003)

Developing countries: net exports

2003 fish trade
1. The new ocean regime has already stimulated changes in the pattern of international trade in fish and fishery products. In terms of access to raw materials, both developed and developing countries with distant-water fleets have either lost the freedom of entry to grounds where they previously fished or now pay licensing or other fees. Thereby their competitive position is affected.

2. At the same time, structural changes in the pattern of international trade in fishery products have become evident among developed countries. Such trade may be further expanded by increased marketing possibilities in exchange for fishing opportunities. Obstacles still remain, however, which prevent developing countries from reaping full benefits from international trade in fishery products. These obstacles include difficulties in maintaining the level of product quality and quantity demanded by the export market, limited trade information and contacts, tariff and non-tariff barriers, restriction of exports to raw material rather than finished products, low shares in trade-related services and the legal or extra-legal sanctions that impede observance of the principles of international law recognized in the Convention on the Law of the Sea. There are also possible conflicts between the achievement of national nutritional goals and the objective of increased foreign exchange earnings through expansion of export trade in fish which should be resolved by establishing priorities at the national level. At the same time, a well-developed domestic market helps to reduce the high risks associated with an industry based exclusively on export markets.

3. The following principles and guidelines should be taken into account when examining ways of promoting international trade in fish and fishery products on the basis of equity and mutual benefit, and of seeking more equitable distribution of benefits from international trade in fish and fishery products:

   (i) Information on market situations and trends should be permanent and dynamic to help reduce unforeseeable fluctuation in markets and to contribute to a climate of general confidence and security in fish trading.

   (ii) Efforts should be made to raise the quality of products to the levels required by export markets and to promote the implementation of quality standards at the national level, as agreed under the aegis of the FAO/WHO Codex Alimentarius Commission.

   (iii) Export operations should be diversified with regard to markets and products and should aim at increasing exports of final products rather than raw material. FAO may extend help in the transfer of technology needed for this purpose.

   (iv) Regulations which create barriers to trade should be regularly reviewed and, where appropriate, should be modified, harmonized or eliminated through bilateral or multilateral negotiations. In addition, regulations that impose commercial sanctions on countries that apply measures based on the exercise of their rights of sovereignty should be eliminated.

   (v) Growth in intra-regional trade in fish and fishery products between developing countries should be promoted, thus increasing their participation in trade. The introduction of trade preferences at a regional level might encourage the exchange of products between developing countries.

   (vi) Continued and strengthened support should be given to existing and proposed regional services designed to promote exports of fish products from developing countries through market information and provision of technical advice.
(vii) Regular consultations should be held to improve cooperation at the regional and global levels between exporters and importers in order to ensure that international trade effectively contributes to fisheries development.

(viii) Attention should be given, with the support of FAO and other international and regional organizations, to the development of criteria for fair trade, including the harmonization of inspection procedures and regulations.

(ix) Steps should be taken to coordinate the activities related to trade promotion of interested international and regional organizations such as FAO, along with its regional bodies, the United Nations Conference on Trade and Development (UNCTAD), the General Agreement on Tariffs and Trade (GATT), the International Trade Centre (ITC), the Organization for Economic Cooperation and Development (OECD), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Action Committee for Seafood and Freshwater Products of the Economic System for Latin America (SELA), the South Pacific Forum Fisheries Agency (SPFFA), and the Latin American Integration Association (ALADI).