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COMMITTEE ON FISHERIES

SUB-COMMITTEE ON FISH TRADE

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REPORT ON TRADE-RELATED FISHERIES ACTIVITIES IN FAO

SUMMARY

This document presents an overview of some trade-related activities carried out by FAO considered to have an impact or relevance for the area of international fish trade. Some of these activities are described in more detail in other documents, in particular in COFI:FT/XI/2008/3 "Status and important recent events concerning international trade in fishery products", and in COFI:FT/XI/2008/8 "Review of market access requirements".

The paper is not exhaustive and the activities included have been chosen in order to illustrate FAO's work in a number of areas in relation to trade. The Sub-Committee is asked to provide comments and guidance for further work. The Sub-Committee is also invited to comment on the proposed modification of HS codes.

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BACKGROUND

1. *FAO's mandate is to raise levels of nutrition, improve agricultural productivity, better the lives of rural populations and contribute to the growth of the world economy.*
2. In recognizing the organization's role in contributing to the growth of the world economy, FAO's work supports the fostering of international trade in agricultural commodities, including fish and fisheries products. International trade plays a vital role in contributing to economic well-being since trade enables countries to utilize their respective economic resources more effectively, and at the same time, provides wider choices to consumers.
3. International trade in fish and fishery products is to a large extent driven by demand in Japan, USA and the EU. In fact, these three markets alone represent 72 percent of total world imports by value and 52 percent by volume. Their imports are supplied by a number of sources, from capture fisheries and from aquaculture by both developed and developing countries, giving the world's producers an incentive to produce, process and export. In the process, substantial economic activity is generated, thereby creating employment and foreign exchange earnings. In particular, since almost 80 percent of all fish production from capture fisheries and aquaculture now takes place in developing countries, trade allows this group of countries both to supply domestic consumers and to export to developed country markets as well as among themselves, in particular on a regional basis. At the same time, trade allows countries to diversify consumption, increase consumer choice and allow nutritional requirements to be filled, especially for those countries with no or limited fisheries resources.
4. Fish trade is therefore important also from a nutritional point of view, in addition to its contribution to economic activity, employment and as a generator of foreign exchange.

FAO ACTIVITIES RELATED TO INTERNATIONAL FISH TRADE

5. FAO's trade-related activities with relevance for fisheries are primarily carried out in the Fisheries and Aquaculture Department (FI). The Legal Office undertakes work in relation to fish and fishery products' legislation. In addition, the Economic and Social Development Department (ES) carry out analysis and capacity building activities on food commodity trade where specific inputs on fisheries issues are provided by the FI. An example of the cooperation between the FI and ES departments are the FAO initiative on Aid for Trade and the regular publication of Food Outlook: Global Market Analysis, for which ES is responsible for the overall coordination and delivery but where FI takes the lead on all fisheries specific issues.
6. In the 2006-2007 biennium, FAO continued its activities of capacity-building on international fish trade and food safety issues for developing and transition countries, in particular as they relate to the World Trade Organization (WTO) framework of global trade rules and the ongoing WTO negotiations. In this period, a number of regional workshops on relevant fish trade issues were organized in cooperation with the FISH INFONetwork and organizations such as the WTO, Organisation for Economic Co-operation and Development (OECD), the Commonwealth Secretariat, Southeast Asian Fisheries Development Centre (SEAFDEC), local fishery industry associations and Non-Governmental Organizations (NGOs). Work continued on the development of trade-related technical guidelines to the Code of Conduct for Responsible Fisheries.
7. FAO/FI has provided technical support to the ongoing WTO fisheries subsidies negotiations. This has included informally briefing WTO delegates on technical issues specific to the fisheries sector. Of particular interest was a description of the fisheries specific information FAO/FI receives, compiles and processes, as well as a discussion of the role FAO/FI could potentially play in the eventual implementation of new fisheries subsidies disciplines.

8. FAO convened in 2007 a workshop for policy makers and industry representatives on Opportunities and Challenges of Globalization in the Fisheries Sector jointly with the OECD. The aim of the Workshop was to bring together representatives from both developed and developing countries to discuss opportunities and challenges arising from the process of globalization and to identify policy insights and lessons with respect to the different elements of the value chain.

9. Participants in the FAO-OECD workshop saw globalization in the fisheries sector mostly in a positive light as a creator of opportunities in the sector. The main concern is how benefits can be more equally shared along the value chain, in particular between developed and developing countries, but also within the countries themselves. Further, workshop participants addressed the issue of private standard development with the recommendation that these should be monitored to ensure they do not create unnecessary barriers to trade.

10. In May 2007, FAO organized the First Conference on Global Trade in Aquaculture in Qingdao, China, in cooperation with the Bureau of Fisheries of China's Ministry of Agriculture, INFOYU and INFOFISH. The Conference brought together 400 stakeholder participants representing governments, producers, feed manufacturers, retailers, food-service and civil society. The Qingdao Conference recognised the crucial role of aquaculture in supplying fish and fishery products to world consumers and highlighted a number of crucial parameters in securing a sustainable long-term development of the sector.

11. In February 2008, FAO convened a Consultative Industry Forum (CIF) with the support of the City of Bremen in which industry representatives discussed the impact of the "carbon footprint" in the fishery sector, i.e., the need to restrict carbon dioxide emissions as they can lead to global warming. Participants focused on how industry can adapt to emerging demands from regulatory authorities on both global and national levels as well as respond to emerging consumer concerns related to carbon emissions, energy efficiency and to long-distance transportation.

12. Other examples of ongoing work by FAO with relevance for international, regional or domestic fish trade include:

- strengthening of national capacity in trade policy, legislation, quality assurance and safety, risk assessment and traceability through a number of regional and national workshops and consultations in cooperation with local stakeholders and relevant international institutions;
- improving fish utilization in Africa through better smoking technologies and programmes for more accurate assessments of post-harvest losses in artisanal fisheries. Future work will include formulation and implementation of effective loss-reduction strategies and dissemination of best practise in Asia, Africa and South America;
- virus risk assessment in cooperation with the World Health Organization (WHO) through the organization of expert meetings;
- the impact of free trade agreements on international fish trade;
- development of price indices for fishery commodities;
- salmon by-product proteins;
- market chains of high-volume low-price farmed species in Asia and impact on food security;
- risk benefit analysis of fish consumption;
- the impact of fish trade on domestic and international food security, and the linkages between fish trade, fisheries management and long-term resource sustainability;
- certification and labeling of fish and fishery products including organic aquaculture;
- studies of retail structure and the impact on developing country exports; and
- organization of the global FAO conference in October 2008 "Securing Sustainable Small-Scale Fisheries: Bringing together responsible fisheries and social development", where post-harvest issues and the impact of international demand on the small-scale sector will be addressed.

AID FOR TRADE

13. The Aid for Trade initiative was conceived at the Hong Kong WTO Ministerial meeting in December 2005 as a mechanism for mobilizing and channelling additional resources for building trade-related capacity of developing countries, and in particular least-developed countries (LDCs). This follows from the recognition that supply-side capacity and trade-related infrastructure need to be built and strengthened for these countries to benefit from the WTO and other trade agreements.

14. The initiative was elaborated in 2006 by a task force created by the WTO Director-General. Subsequently in 2007, the WTO together with regional development banks and governments organized three regional reviews on Aid-for-Trade in Africa, Asia and Latin America and the Caribbean regions. These regional reviews culminated in a Global Review of Aid for Trade in Geneva on 21–22 November 2007.

15. FAO has been providing trade-related assistance to Members for decades and expanded the work programme on trade considerably after 1995, following the implementation of the Uruguay Round Agreement. In April 2007, Aid for Trade was discussed by the Committee on Commodity Problems, followed by a Special Event during the Conference in 2007. Aid for Trade was also an important agenda item at the meeting of the Director Generals of the WTO and FAO in October 2007.

16. It appears evident that Aid for Trade will continue to remain high on the global development agenda, requiring the involvement of not only the WTO and development banks but also the UN and other specialized agencies such as the FAO. Given the importance placed by the initiative on supply-side capacity, significant parts of FAO field programmes would qualify under the initiative giving FAO an obligation to collaborate and be an active partner in operationalizing the initiative.

17. It is the intention of the FI Department to seek additional resources to carry out fisheries specific Aid for Trade activities in cooperation with other FAO Technical Departments and with the WTO, as well as with other interested parties. Fisheries specific activities are necessary, because of fisheries specific issues such as fishery subsidies, import requirements for fish and fishery products in terms of quality and safety, labeling and traceability requirements. In addition, FAO is mandated to provide capacity-building on fish trade-related activities on a global level, giving FAO and the Sub-Committee on Fish Trade not only an important role in following the issue's impact on the sector, but also a responsibility in ensuring that the needs of potential beneficiaries are addressed.

SPECIFIC ONGOING PROJECTS

18. The project “Strengthening capacity on aquaculture health management in Bosnia and Herzegovina (TCP/BIH/3101)” aims to increase the effectiveness and efficiency of the State Veterinary Office in aquatic animal health management in order to support sustainable and safe aquatic production through the implementation of international aquatic animal health and food safety standards. Specifically, the project aims to improve and strengthen the institutional capacity of veterinary administration and inspection, laboratories and producers on aquatic animal health management to support the growing aquaculture industry and for better compliance with aquatic animal health and food safety and quality requirements for international trade.

19. The project “Improvement of the domestic markets for seafood in the Latin America and Caribbean Region (TCP/RLA/3111)” covers Belize, Brazil, Colombia, Costa Rica, Dominican Republic, Honduras, Mexico, Nicaragua, Uruguay and Venezuela. The overall objective is to increase food supply in the region through more and higher quality fish products for the domestic market. This is being done by improving the knowledge and awareness of domestic marketing, by

setting sustainable and simple standards for the value chain of fishery products, and increasing the availability of up-to-date market information. National institutions responsible for fisheries marketing in the participating countries are, together with INFOPECA, responsible for the execution of the project.

20. The option for developing countries to receive technical assistance from FAO through Unilateral Trust Funds (UTF) is now increasingly being used also in the fisheries sector. In addition to the projects mentioned in the following paragraphs, FAO is also pursuing similar activities with China and with Chile.

21. The project "Fisheries Management in Uruguay (UTF/URU/025/URU)" is funded and executed by the Government of Uruguay with FAO providing technical assistance. The main objective is a more sustainable development of the fisheries and aquaculture sector in the country. The project includes components for strengthening the institutional structure of the National Directorate of Aquatic Resources, building capacity in the fish processing and marketing sector, improving laboratory facilities, implementing a management system for aquatic resources, re-organizing the artisanal fisheries and developing the aquaculture sector.

22. The project "Capacity-building to enhance positive impacts of WTO accession on the fisheries sector and alleviate coastal poverty" TCP/VIE/3102", FAO in collaboration with national authorities of Viet Nam seeks to increase institutional capacity of national, regional and local stakeholders to comply with the responsibilities and implications following WTO membership with regard to fish and fishery products. The project will seek to support ongoing efforts to create an improved environment for investment and growth in processing and marketing of fish and fishery products for international exports.

THE FISH INFONETWORK

23. The FISH INFONetwork (FIN) operates in the post-harvest sector of fisheries and aquaculture, including trade and marketing. In addition to the dissemination of price, marketing and technical information, the services are focusing on project work, trade-related capacity-building and improving industry competitiveness in international markets. FAO is mandated to coordinate and strengthen the FIN members' capacity to deliver marketing information and technical services, and FAO is providing support and technical assistance for this purpose. FAO organized a coordination meeting in March 2008 to exchange information between the FIN members and FAO regarding implemented and future activities; to share experiences about strengths, weaknesses and challenges; and to identify synergies and areas of common interest, which can be facilitated by FAO.

LEGAL OFFICE

24. The Legal Office of FAO (LEG) works on a number of issues that have a direct or indirect relevance for fisheries trade, in particular in relation to national food legislation which address SPS and TBT issues and in capacity-building in relation to the status of negotiations in WTO rules on disciplining fisheries subsidies and tariff liberalization. This work is an integral part of LEG's work in assisting national governments in capacity-building and drafting new legislation. This includes bringing existing legislation into concordance with international requirements on food safety, food quality and aquatic animal health issues with a view to fulfil a country's obligations under their WTO accession agreements.

FAO'S WORK ON CUSTOMS CODES FOR FISH AND FISHERY PRODUCTS

25. The Harmonized Commodity Description and Coding System (HS) falls under the World Customs Organization (WCO) and is used as a basis for the collection of customs duties and international trade statistics by more than 200 countries, with over 98 percent of the merchandise in international trade classified in terms of the HS. It comprises about 5 000 commodity groups, each identified by a six digit code. About 130 six digit codes cover fish and fishery commodities (mainly grouped in HS chapters 03 and 16). Since its introduction and general adaptation in 1988, the HS classification has undergone periodic reviews in light of changes in international trade flows and composition. In January 2007, an updated version of the HS was released and the next one is expected for 2012.

26. As is well-known, fish is a widely traded product with a positive effect on global food security but good management of fisheries is essential for its long-term sustainability. Reliable and detailed trade statistics are therefore important to monitor the fishery sector. Trade statistics must for this purpose be precise and show as far as possible the specification of the species. However, the present HS codes for fish and fishery products do not provide sufficient details on the level of processing of the traded products or on the classification of species originating in developing countries or in the Southern hemisphere. Many of these species are therefore recorded in generic groups.

27. The need to improve the HS classification for fish and fishery products has been expressed by several FAO members and in 2003, the 25th Session of the Committee on Fisheries (COFI) instructed FAO to work on the improvement of the HS classification for fish and fishery products. This request was reiterated by the 9th and 10th Sessions of COFI Sub-Committee on Fish Trade in 2004 and 2006. The 9th Session asked FAO to prepare a proposal of revisions to be submitted to WCO and agreed on the need to enlarge the present HS classification by introducing a division between commodities of farmed or wild origin, plus the introduction of several species and product forms which are at present classified in generic categories of the HS classification.

28. On 30 March 2007, FAO submitted to WCO a joint proposal for the amendments of the codes related to agriculture, forestry and fishery products. With regard to fisheries, the proposed FAO modifications aim to improve the quality and precision of fish trade data. The proposal introduced about 90 new commodities (species by different product form). The main objective was, within the limits of the available codes, to try to reorganize the classification according to main groups of species of similar biological characteristics. An improved specification for species and products form, other than those familiar to the North Atlantic producers, was introduced to enable better monitoring of trade and more meaningful economic analysis. The choice of the species added was based on their present and future economic importance as well as on the monitoring of potentially endangered species. Due to limits in the availability of free codes in the HS, it was not possible to create a division of species by "capture fisheries" and "aquaculture" origin, except for salmonoids and shrimps and prawns, species for which aquaculture now has come to play an important role as supplier of products entering international trade.

29. FAO recommended WCO to suggest to member countries to introduce as far as possible a division between commodities of farmed or wild origin in their national classifications (generally based on the HS classification at six digits, to which countries add a certain number of digits). This division is necessary in view of the increasing importance of cultured products in fish production as well as in fish trade. Traceability and consumer information are additional reasons for the clear division in custom codes between cultured and capture products, as well as stock protection, management of fisheries and Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) considerations.

30. The revision of the HS is a complex and lengthy process. At present, the FAO proposal is being considered by the Harmonized System Review Sub-Committee of the WCO, of which FAO attended the 35th (May 2007) and 36th (November 2007) Sessions and will attend the 37th Session (May 2008). In November 2007, the FAO proposal was subjected to an initial review by the WCO Sub-Committee and handed over for further consideration to the May 2008 meeting to provide Contracting Parties more time to undertake national detailed review by their industry and interested government agencies.

31. In the two sessions of 2007, many representatives of the Contracting Parties to the HS Convention expressed their gratitude to the FAO Secretariat for submitting the proposal and reported their interest in it. Others stated that the substantial volume of the amendments proposed was likely to create problems with their implementation and would have a significant impact on the statistics of both international trade and domestic production, on the basis of the WTO negotiations and various HS-based instruments. Considerable reprogramming of databases would be required and more detailed technical knowledge by customs officers on fish and fishery products would be needed.

32. Very strong reservations were expressed by some major importing countries with regard to the introduction of separate subheadings for products obtained from capture fisheries and those from aquaculture indicating that it would be very difficult to distinguish between the two categories of products without laboratory analysis. These countries were thus concerned that the proposed amendment could impact negatively on trade facilitation. Due to the fact that these strong objections were likely to create serious problems for the approval of the entire FAO proposal, it was decided to withdraw the proposed split for capture and aquaculture origin for salmonoids and shrimps and eventually to propose it again at the next review cycle of HS.

33. The Sub-Committee is invited to comment on the proposed modification of HS codes. Member countries are requested to promote the change in classification codes for fish and fishery products with the respective custom administrations, in order to favour the improved classification of fishery products entering international trade.

PROGRESS WITH THE REHABILITATION AND RECONSTRUCTION OF FISHERIES IN TSUNAMI-AFFECTED COUNTRIES

34. The Indian Ocean earthquake and tsunami of 2004 caused a significant human tragedy and severe damage to infrastructure in 14 countries around the Indian Ocean. Fishing and coastal communities were particularly exposed with significant damage to infrastructure and productive assets.

35. FAO responded swiftly, providing relief and rehabilitation assistance in the area of agriculture, fisheries and forestry. During the 26th session of COFI and the FAO Ministerial Conference on Fisheries (12 March 2005) members were advised on the response by FAO and the damage inflicted on countries. Members highlighted “the need for FAO to play a key role in collaboration with other organizations in assisting the governments of affected countries, including through the coordination of fisheries rehabilitation activities and the provision of technical assistance”.

36. Members were informed of the progress during the 27th session of COFI and the Sub-Committee on Fish Trade during its Tenth Session was briefed on the impacts to the sector and future assistance needs. FAO’s response to the emergency ranged from damage and immediate needs assessments to coordination and networking. With the support of donors FAO has implemented emergency projects with a combined budget of over US\$80 million. FAO’s role after such a natural disaster is to restore local food production, to reduce dependency on food aid and subsequently to provide long-term assistance for rehabilitation and recovery.

37. In the area of post-harvest, FAO's activities include the development and strengthening of fish inspection services, alignment of domestic standards at regional and international levels, stimulating regional and export marketing and improving quality. FAO has also worked with national and local governments and partners on construction standards and operations for landing sites for domestic fish marketing facilities (both for wholesale and retail sales).

38. The provision of inputs, infrastructure, policy advice and the development of standards must be supported by capacity-building and awareness-raising. Again, FAO has provided extensive capacity-building to stakeholders at all levels from communities (fishers and small-scale processors) throughout the market chain to traders and processors (including private sector), government agencies (fisheries departments, extension officers) and regional/global organizations.

39. Working with governments and stakeholders in the affected countries, FAO supports long-term recovery through the development of strategic action plans addressing key post-tsunami issues for the sector (including fish marketing and trade). A broad range of initiatives, in the form of projects and programmes have been developed and implemented, which either address fish trade issues directly (e.g. development of a fisheries marketing information system in Aceh), or as part of broader livelihoods or management based programmes (e.g. as part of the regional fisheries livelihood programme covering six South-East Asian countries).

SUGGESTED ACTION BY THE SUB-COMMITTEE

40. The Sub-Committee is invited to comment on FAO's trade-related activities, contribute own experience and provide guidance for further work. The Sub-Committee is further invited to comment on the proposed modification of HS codes.