



## SPECIAL FEATURE

### Highlights from the Pacific Tuna Forum 2023<sup>2</sup>

From 6-7 September 2023, the 8<sup>th</sup> Pacific Tuna Forum was held in Port Moresby, Papua New Guinea. This was the first in-person conference to be held since COVID-19 travel restrictions. The theme of this year's conference was '*Strengthening tuna sustainability and industry development in the 'Blue Pacific Continent' through increased innovation, partnership and participation*'. The conference was well-attended by industry, government and non-government participants from the Pacific region and beyond. The following summarises some of the key messages from over 30 presentations delivered during the conference.

**State of the tuna supply and the industry in the WCPO:** The Western and Central Pacific Ocean (WCPO) is the world's most productive tuna fishery, accounting for 54 per cent of total global catch (2.7 million mt), valued at USD 5.9 billion in 2022. Skipjack catches have stabilized over recent decades and totalled 1.7 million mt in 2022; yellowfin catches continue to increase steadily (721,000mt); bigeye catches have experienced a slight decline in recent years (141,000mt); and, albacore remains relatively stable, but tends to fluctuate (105,000mt). Key tuna stocks remain in a biologically healthy state (i.e. 50-60% depleted). However, some by-catch species are experiencing overfishing and/or are overfished, particularly oceanic whitetip, silky shark and striped marlin. In 2022, purse seine catch was 1.89 million mt; longline 230,000 mt and pole-and-line 169,000 mt; other gear types (troll, handline etc.) accounted for the balance. Purse seiners continue to target skipjack and yellowfin in the equatorial region with stable fishing effort and catch thanks to the Vessel Day Scheme (VDS). Since 2010, the purse seine fleet size has reduced from 273 to 236 in 2023. Around seventy per cent of purse seine catch is with fish aggregation devices (FADs), with 30,000-40,000 FAD deployments annually in the WCPO. Given concerns with by-catch, entanglement and marine pollution from lost/abandoned FADs, there is an increasing focus on FAD management. In the next several years, interesting developments are expected regarding a shift to non-entangling and biodegradable FAD designs and the implementation of FAD tracking and FAD recovery initiatives. The longline sector targets both tropical tunas (yellowfin and bigeye) and temperate tuna (albacore), with effort widespread through the WCPO; vessel numbers continue to decrease due to profitability constraints. While healthy stocks indicate WCPO's tuna fisheries are well managed, there is still considerable work to be done establishing harvest strategies in order to maintain stocks at desired levels.

Combating illegal, unreported and unregulated fishing (IUU) remains a key issue for Pacific tuna fisheries, with an estimated 192,186 mt of catch (USD 333 million) classified as IUU in 2021 (around 7% of total catch). Cooperative regional monitoring, control and surveillance (MCS) efforts have impacted significantly on the scale and nature of IUU fishing, with a marked reduction in recent years (i.e. reduction from 306,440 mt in 2016 (USD 616 million)). Misreporting accounts for the highest percentage of IUU incidents (89%); followed by unlicensed fishing (11%), non-compliance (3%) and post-harvest offences (3%). Going forward, strengthening MCS in the longline sector is a priority, particularly with respect to catch monitoring and validation and strengthened transshipment monitoring and control. Strong MCS efforts in FFA member EEZs also need to be mirrored on the high seas to address IUU fishing more effectively through the entire WCPO.

Climate change impacts are already observable in the Pacific Ocean and are likely disrupting current fisheries dynamics. Achieving net zero greenhouse gas (GHG) emissions by 2100 (and preferably by 2025) is more likely to contain re-distribution

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**While WCPO tuna stocks are healthy, more work needs to be done on harvest strategies**

of tuna biomass within WCPO. Conversely, partial reduction of GHG emissions or an increase by 2100 will result in significant redistribution of tuna biomass from PIC EEZs into high seas, resulting in significant losses of tuna fisheries-related revenue. Maximizing national and regional negotiation power will be key to achieving net zero emission.

**Investing in a sustainable and responsible tuna landscape:** The Pacific region participates in multiple nodes of the global tuna supply chain. A number of PICs have sizeable domestic fishing fleets, which continue to grow, largely due to joint venture and charter operations. In recent years, there has been notable expansion in the Nauru and Tuvalu fleets. Transshipment takes place in multiple ports, with Majuro handling the highest volumes. Almost 200,000 mt tuna is processed in the Pacific region, valued at USD 5.9 billion and generating 24,000 jobs. Efforts continue to attract legitimate onshore investment to Pacific shores. For example, Solomon Islands is seeking investors to establish a vertically integrated fishing and processing facility in Bina Harbour in Malaita province (150 mt/day) through a Public-Private partnership. PICs also engage in initiatives to boost market access and valorize benefits from their tuna resources, for example establishment of competent authorities to access the European tuna market; obtaining third party sustainable fishing and social accountability certifications; and establishing commercial partnerships (e.g. Pacific Islands Tuna Provisions-Walmart, Pacifical).

FFA has facilitated a 'landscape analysis' of the tuna sector and value chain to identify opportunities for innovation and value retention in the Pacific region. A lengthy list of 'innovation pathways' were identified and narrowed down to a short-list of five opportunities - health and wellness inputs (i.e. production of hydrolyzed protein powders from valorised tuna processing waste); fish meal production for aquaculture and animal feed; cold chain development; attracting and retaining Pacific Islands talent; and, developing cooperative initiatives to assist small businesses to vertically integrate, diversify and grown in scale (e.g. further develop vessel food provisioning capabilities, establish a second hand market for equipment, establish a Pacific food innovation hub).

**Global tuna trade and markets:** The global tuna market was valued at USD 41.06 billion in 2022 and is projected to reach USD 51.25 billion by 2023. Europe remains the largest market, accounting for 63% of consumption, followed by the United States. The Australian canned tuna market is also sizeable and is supplied mostly by skipjack caught in the WCPO which is processed mostly in Thailand (~40,000mt, valued at USD 291.5 million). Value-added, ready to eat formats are a growing segment in the Australian market (likewise in other developed markets). The Middle East and North Africa (MENA) market for canned tuna continues to grow for both domestic and imported brands (11,500-12,000 containers/years); this is historically a market seeking low-cost canned tuna options with less stringent quality specifications. Consumer demand in Asia for canned tuna remains relatively low, with fresh and frozen seafood preferred. However, Southeast Asia remains the world's largest processing and export base of canned tuna, importing over 900,000 mt of whole round tuna annually; Thailand continues to be the largest processor in the world handling almost 700,000mt per year. While consumers are becoming increasingly aware of environmental factors, price and taste are still the most significant factors driving their purchasing choices. Human rights and social accountability in the tuna supply chain are growing concerns, particularly crew working conditions on board fishing vessels. There is also greater focus on traceability to demonstrate regulatory compliance, transparent provenance and provide responsible sourcing assurances. For example, PNG's Fishing Industry Association (FIA) is partnering with the Global Dialogue on Seafood Traceability (GDST) to track the journey of tuna caught in PNG waters to the market in almost real time.

**Tuna processing in the WCPO generates 24,000 jobs; Solomon Islands is seeking to establish a second 150mt/day processing plant in Malaita**

The Pacific Islands can better harness and further develop trade opportunities through a number of avenues: increasing the scope of preferential trade agreements, particularly the EU-Economic Partnership Agreement; utilising public-private partnerships; diversifying into other markets (e.g. Japan, Middle East, China); growing engagement in environmental and social market-based standards; collaborating as a region; adopting bottom-up approaches; being proactive when opportunities present themselves; and, developing strong Pacific Island ‘champions’.

**Leveraging technological innovation and processing development for a safer, secure and sustainable tuna industry:** Electronic monitoring offers significant potential for strengthened at-sea monitoring, particularly for longline operations which tranship in high seas and have very low observer coverage rates. In many cases, e-monitoring data may be the only independent data source available to verify catch reports; it is also an invaluable data source for stock assessments, quantifying by-catch levels, monitoring interactions with endangered, threatened and protected species and at-sea chain of custody monitoring for sustainable fishing certifications. The first e-monitoring trials began in the Pacific in 2014. To date, eight PICs have been involved in trials, in which 72 vessels have participated and 600 trips’ footage has been reviewed. A number of challenges prevail, including overall cost and resource needs for trials and implementation, limited industry cooperation, crew privacy concerns, bad footage and extensive review time for long trips. Artificial intelligence presents an opportunity to reduce review time and associated cost (see below for a separate article regarding longline e-monitoring).

## FISHERIES TRADE

### WTO chair’s draft text on subsidies to overcapacity and overfishing yet to gather consensus; Fiji accepts 2022 Agreement

The Chair of the WTO Negotiating Group on Rules launched a draft text on disciplines on subsidies contributing to overcapacity and overfishing (OCOF), and related elements including special and differential treatment (SDT) and additional notifications and transparency.<sup>3</sup> Members had agreed at MC12 in 2022 to continue negotiating outstanding issues on OCOF, with a view to making recommendations by MC13, to be held in February 2024 in Abu Dhabi, United Arab Emirates.

The Chair’s text introduced the innovation of subjecting the largest providers of fisheries subsidies to enhanced disciplines. This move by the chair reflected the flurry of proposals advanced by members before the summer break (including by Fiji and the UK), which made clear that any meaningful solution to OCOF had to include *actual reductions* by the largest fishing nations, especially those with large industrial and distant water fleets. This view continues to receive majority support from WTO members, including in the week-long negotiation clusters in September, October and November. Indeed, the main opposition to this view comes from the distant water fishing nations (DWFNs) and the very largest subsidisers. The EU, Japan, South Korea, Taiwan, USA and China each continue to resist genuine efforts to reduce subsidies, including the relatively watered down proposals by the Chair in his draft text.

Even though the October and November ‘Fish Weeks’ saw members focus on line-by-line readings of the draft text, there are no open attempts by the more powerful members to address the remaining divergences. With the historic subsidisers such as the EU and East Asian countries showing reluctance to curb their behaviour on the

Price and taste are still the most significant factors driving consumer purchasing choices for canned tuna; environmental and social concerns are

The majority of WTO members seek to discipline the largest subsidisers, but the DWFNs reject attempts to reign them in

one hand, and large developing countries such as India pushing for maximal SDT on the other, it seems unlikely that the Chair will achieve a consensus in key areas by the December Fish Week. This is worrying for the Pacific Group as it wants a meaningful agreement, but also to avoid last minute brinkmanship at MC13 between the big players which will likely result in an unfair OCOF agreement, if any.

Meanwhile, Fiji submitted its 'instruments acceptance' of the 2022 Agreement on Fisheries Subsidies, which covers subsidies to fishing on overfished stocks and to IUU, as well as notifications. For the 2022 Agreement to become operational, two-thirds of WTO members will need to deposit their acceptance with the WTO. As of the end of October, 25 individual members and the 27 countries of the EU had done so.<sup>4</sup>

### USITC report reviews current Pacific-US economic relations, future opportunities and challenges

As part of the US's ongoing work to re-engage in the Pacific region, the US Trade Representative (USTR) requested a study on impediments and opportunities for US-Pacific economy trade and investment. The results of the study were recently released as a public report.<sup>5</sup> The report covers 22 Pacific island economies and provides overview, descriptions of trends in goods and services exports to the United States, investment from the United States in the region, as well as analysis of the use and utilization of the three forms of access to the US market: General System of Preferences (GSP) and trade preferences provided to the US Territories and Freely Associated States.

Pacific island economies primarily export extractive commodities to the global economy including natural gas, minerals and metals. Exports *specifically* to the United States centre on fishery and agricultural products including tuna, water, coffee and cocoa beans. Total value of goods exported to the US decreased slightly between 2017 and 2021, and tourism declined during the COVID-19 pandemic. In the post-pandemic period, goods and services exports have begun to recover. US investment in the region overall is very low and concentrated in Fiji and Papua New Guinea in tourism and extractive sectors, respectively.

Pacific island beneficiary developing countries were found to have a relatively low level of trade of GSP-eligible products, averaging USD 21 million annually during 2017-2021; US imports of GSP eligible products comprised only 6.2 percent of overall US imports from Pacific Island Beneficiary Developing Countries (BDCs). However, Pacific Island BDCs had a high *utilization* rate, measured as the percentage of GSP eligible products claiming GSP benefits upon entry to the United States. While it is positive that agricultural and fisheries products had high GSP utilization rates, a downside is that this success is in part because the lesser degree of processing for these products (and thus of value-added opportunities for PICs) mean that they meet the GSP rules of origin.

Insular possessions – primarily American Samoa's production of canned tuna for the US market – represent by far the highest value of export to the US mainland of the three modes of access. Canned tuna from American Samoa averaged USD 351 million annually during 2017-2021. Trade with the FAS under the Compacts of Free Association had very low value of covered products (USD 1.4 million annually) and little preference utilization.

**An accelerating number of members has now formally accepted the 2022 Agreement on Fisheries Subsidies**

**PICs eligible for GSP benefits have success in utilizing preferences, but overall volumes and values remain small**

**Preferential access have been of very little benefit to the Freely Associated States**

The analysis identified seven goods sectors and two service sectors with potential for increased exports to – and in some cases, investment from – the United States: fish, nickel, spices, virgin coconut oil, cocoa, kava, coffee, tourism and business process outsourcing. Renewable energy was also identified for its investment potential from the United States. Many Pacific islands economies are already working to develop value-add strategies in these sectors and to compete with larger economies that provide similar goods and services in the global economy.

While fisheries exports from the region are already well established, the analysis highlights adjustments to existing supply chains that would allow for export of higher value products from the region as an area with growth potential. Demand for fresh and frozen seafood in the US is growing and Pacific economies could help to fill this need with supply chain modification and investments. The report also specifies potential for increased exports of canned tuna and farmed fish products as well, but does not specify what investments or changes would enable this growth.

The report also highlights initiatives and technical assistance that the US could provide to engagement PIC-US trade relations including: climate change adaptation and resilience, reducing land rights insecurity, infrastructure development, and expansion of information and communication technology. It also recommends other areas that are ripe for enhancement of US engagement: technical training to help exporters navigate and comply with US market access requirements, updates to preferential market access programs, and support for implementation of the WTO Agreement on Fisheries Subsidies.

## FISHERIES REGULATION

### US withdraws proposal to expand Seafood Import Monitoring Program

The US's main import tool to combat illegal, unreported and unregulated (IUU) fishing and misrepresented seafood in the US market is the Seafood Import Monitoring Program (SIMP), coordinated by NOAA Fisheries. SIMP is primarily a screening tool to trace products entering the US market and it uses the International Trade Data System – the US government's single data portal for all import and export reporting – to trace specified species back to the point of harvest or production. SIMP currently applies to 13 types of seafood products, including the following tuna species: albacore, bigeye, skipjack, yellowfin and bluefin tuna.

In December of 2022, the US government proposed to expand the number of species to which SIMP would apply and to make additional program modifications and improvement. NOAA proposed modifications to: clarify the responsibilities of the importer of record; amend the definition of importer of record to more closely align with the U.S. Customs and Border Protection (CBP) definition; amend the language requiring chain of custody records to be made available for audit or inspection to add a requirement that such records be made available through digital means if requested by NMFS; clarify the Aggregated Harvest Report criteria; and, clarify the application of SIMP requirements to imports into the Pacific Insular Areas. It opened the proposed changes for a public comment period, which closed in March of 2023.<sup>6</sup>

Bumble Bee Seafood supported the expansion of the program to more species, highlighting that tuna species that are not a part of SIMP (e.g. bullet and frigate tuna) are routinely imported as 'bonito' to avoid the high duties on skipjack tuna, only to be labelled and sold as light meat tuna once it is in the US. Bumble Bee argued

*A range of fisheries and aquaculture products are seen as having potential for increased export, but pathways are unspecified*

*Following public feedback, NOAA has withdrawn a proposal to expand SIMP*

that the new rule would help level the playing field between companies importing SIMP covered tuna and those companies importing tuna-like species that are not subject to SIMP.<sup>7</sup> Environmental NGO The Nature Conservancy (TNC) expressed support for the changes and urged further regulations to ensure data submissions are verifiable to increase compliance with SIMP requirements, such as supporting further e-monitoring requirements on vessels. To support its points, TNC highlighted the growth in e-monitoring commitments in the tuna sector, which has targeted the listed tuna species under SIMP. Environmental NGO Oceana also seems to strongly support the expansion: for its public comment, it simply attached its reported titled *No Questions Asked: Nearly 60% of US Seafood Imports Escape Scrutiny*.<sup>8</sup>

In contrast, the National Fisheries Institute (NFI) – the principal trade association for the US commercial seafood supply chain – commented that it could not support any element of the proposal. NFI highlighted the new rule’s potential to violate US obligations under the World Trade Organization’s Technical Barrier to Trade Agreement (TBT), potential for increase compliance costs, and the potential to create import challenges for new species with complex supply chains, among other concerns. NFI objected specifically to including more tuna species under SIMP, arguing that there is not sufficient evidence that the additional species are at risk of IUU activities.

NFI was not alone in its concerns and there were over 2,000 public comments on the proposed changes. Following review of public comments, NOAA decided to withdraw the proposed rule, stating that in response to the extensive public feedback, it will instead conduct a broad review of the program to explore ways to enhance and strengthen its overall impact and effectiveness. It indicated that it would continue to engaged and seek input from SIMP stakeholders as it undertakes the review.<sup>9</sup> In the meantime, SIMP will continue to function in its current form and capacity. This means that there are no changes to SIMP requirements for those in the tuna sector.

## FISHERIES MANAGEMENT

### EU purse seiners to resume fishing in Kiribati waters<sup>10</sup>

The European Union and Kiribati signed a new protocol to their sustainable fisheries partnership agreement (SPFA) on 2 October 2023. This enables four European Union-flagged purse seine vessels operating in the Western and Central Pacific Ocean to resume fishing in Kiribati’s exclusive economic zone (EEZ) for five years. The signing of the new protocol follows an eight-year hiatus, after the last protocol expired in September 2015 and was not renewed; EU vessels cannot fish in a third country’s waters unless a valid fisheries protocol is in place, which serves as an implementing arrangement for SFPAs. The EU heralds its SFPAs as a ‘benchmark for good fisheries governance’, given they include provisions relating to resource conservation and environmental stability, as well as fishing access; they include a social element promoting human rights.

The new protocol provides EU purse seiners with up to 160 fishing days annually in Kiribati waters; it also includes a provision enabling vessel owners to purchase additional fishing days, so long as there is sound scientific evidence demonstrating favourable tuna stock status to support additional fishing effort. This aligns the protocol with Kiribati’s and WCPFC’s purse seine fishing effort management scheme, where a limit is placed on the number of days fished. Previous protocols were based on a catch management regime, with a lump sum financial contribution paid in exchange for a reference tonnage (i.e. 15,000 mt). The five-year protocol is expected

*SIMP will continue to operate in its current form, there are no changes for players in the tuna sector*

*Resumed purse seine fishing under the EU-Kiribati SPFA will generate €18 million in access revenue for Kiribati over five years*

to generate € 18 million in fisheries access revenue for Kiribati; €2 million of which will be allocated as sectoral support to assist Kiribati's Ministry of Fisheries and Marine Resources Development (MFMRD) to *inter alia* implement sustainable fisheries policies, bolster artisanal fishers' livelihoods, strengthen monitoring, control and surveillance and meet food safety standards. Fishing can commence under the new protocol once Kiribati and the European Union complete their respective procedures for adoption. The text of the agreement will also then be made publicly available.

Notably, the first EU fisheries agreement to be established in the Pacific was with Kiribati in 2003. Currently, the EU has thirteen SFPAs in force with third countries globally; 2 of which are in the Pacific (Cook Islands, Kiribati). The EU also has two dormant SFPAs in place in the Pacific, with no implementing protocol in force – Federated States of Micronesia (FSM) (protocol expired in 2010) and Solomon Islands (protocol expired in 2012).<sup>11</sup> It is understood that one of the contributing factors to these protocols not being renewed was the EU's reluctance at the time to acknowledge the PNA's Vessel Day Scheme (VDS) and shift from a catch management regime to an effort management regime in SFPAs. With the EU now recognizing the VDS, this may provide an incentive for FSM and/or Solomon Islands to revisit the possibility of negotiating a new protocol and once again activating the SFPAs.

### Progress on e-monitoring driven by interlaced national, industry and eNGO efforts

To date, RFMOs have made few inroads into electronic monitoring requirements. Though there has been some progress – such as the IOTC's development of electronic monitoring guidance on minimum standards for e-monitoring that serve as a stepping stone toward more observer coverage<sup>12</sup> – RFMOs have not been able to drive e-monitoring forward. Despite this, industry and individual governments are making voluntary e-monitoring commitments and installations in anticipation of more comprehensive requirements on the horizon. E-monitoring is becoming particularly salient in the longline sector, where space onboard for human observers is limited, but market demands for comprehensive monitoring and transparency are growing.

These moves are being driven in part by retail sustainability standards and Marine Stewardship Council requirements for improving transparency and data collection in the tuna supply chain. For instance, US big-box retailers Walmart and Sam's Club will require tuna suppliers to source exclusively from vessels that have 100 percent observer coverage (electronic monitoring or human observer) and fisheries not conducting high seas transshipment, unless the transshipment activity is 100% observed.<sup>13</sup> Likewise, updated MSC standards include a new 'evidence requirements framework tool', which guides the ways assessors evaluate the quality of information being submitted to certify a fishery and which will require effective monitoring systems in place to demonstrate independent observation of catch. The MSC states: 'The new requirements recognise that objective data collection is a vital characteristic of an effective monitoring system, and as such MSC certified fisheries will also be required to have independent observation of their catches.'<sup>14</sup> For longline vessels with limited space on board, this means that electronic monitoring systems are likely the most viable option to meet such requirements.

Industry actors are also taking action and making commitments around e-monitoring both to comply with market imperatives and to increase their own operational efficiency. Leading Korean fishing firms – Dongwon Ind., SAJO, Silla, and Dongwon Fisheries – are also participating in a government pilot project on electronic monitoring, with each firm agreeing to support the application of the new MSC

**Retail requirements for transparency and updated MSC evidence requirements are pushing the use of e-monitoring**



Standard.<sup>15</sup> Tri Marine now has e-monitoring on board a number of client longline vessels operating in the Atlantic Ocean via a partnership with FlyWire. Tri Marine aims to gather data that will improve the company's operations (e.g. reducing fuel consumption and improving performance on social audits), comply with data reporting mandates from national government and international management bodies, and enable them to participate in international data collection projects being undertaken by non-state bodies. Flywire reports that the partnership has helped it to reduce the costs of hardware as well.<sup>16</sup> Thai Union has committed to 100 percent electronic monitoring on the water: this commitment means that they are working with suppliers – rather than walk away from those not yet able to comply – to be able to meet this goal by a target date of 2025.<sup>17</sup> Vertically integrated trading company FCF has announced a partnership with Satlink to improve fishery dependent data collection, installing electronic monitoring systems on several vessels participating in FCF's Fisheries Improvement Projects. The FCF project aims to ensure that vessels are cooperating with RFMO and domestic regulations, and aligns with FCF sustainability targets.<sup>18</sup> FCF recently announced that it has launched into a second phase of the project which will focus on data collection and analysis with an aim to guide policy management, resource management and conservation strategies.<sup>19</sup>

At the national level, the Solomon Islands is looking to electronic monitoring to enhance fishery controls and has been working with Satlink to do so.<sup>20</sup> In 2020, the firm installed its electronic monitoring system on Solomon Islands longline fishing vessels. After several years of use of the system, the government has commissioned Satlink to provide technical support for e-monitoring systems and to update the fisheries management centre, where Satlink will train a local administration team. The Solomon Islands Government sees the move as a part of its strategy to preserve the sustainability of its fishing activity and resources: the sector accounts for 18% of GDP and is second in economic importance only to forestry. The aim is to detect underreporting of stated species and identify practices handling endangered, threatened and protected species, with an overarching goal of enhancing profitability and added-value from the sector.

Likewise, earlier in 2023, Ghana announced a commitment to achieving 100 percent transparency via e-monitoring in industrial fisheries operating within its EEZ by 2025. The commitment illustrates the network of actors involved in bringing such a commitment to the fore.<sup>21</sup> Thai Union has processing operations in Ghana. As noted above Thai Union has committed to 100 percent on-the-water monitoring of its international supply chain and has been working on this in collaboration with the fishing vessels that it sources from in Ghana. The initiative is also being supported by the US Agency for International Development's 'Feed the Future Ghana Fisheries Recovery Activity' project as well as The Nature Conservancy, the eNGO that has been supporting e-monitoring progress in recent years.

Overall, these initiatives suggest that e-monitoring is becoming an increasingly common tool and is particularly important in the longline context. While eNGOs continue to press for further coverage, industry, market actors, and national governments are developing programs. It will remain to be seen if RFMOs begin to table and agree on measures for their use, particularly in the high seas.

*Industry actors  
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with  
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organisations  
and eNGOs*



## TUNA INDUSTRY

### China's seafood processing sector allegedly tainted with forced labour; US to respond with punitive trade measures<sup>22</sup>

A two-part investigation by Outlaw Ocean and the *New Yorker* magazine into China's seafood industry has found that China's distant-water squid fishing fleets and on-land seafood processing sector are both tainted with forced labour.<sup>23</sup> While forced labour at sea is relatively well known, the presence of forced labour in the seafood processing sector is garnering media attention. This is likely because of the high volume of processed seafood that is imported into America from China, including fish that is caught in the United States but sent to China for processing before returning to US markets. The US Government has begun to respond in various ways. Meanwhile, coming under pressure, some seafood companies have terminated their business relationships with the Chinese processing companies named in the report, while others have reiterated their commitment to not procuring and selling seafood produced with forced labour.<sup>24</sup>

The first part of the investigation focussed on China's distant-water squid fishing fleets.<sup>25</sup> Workers were denied timely medical attention because of the long duration of the fishing trips. The report also found a high prevalence of 'beriberi', a disease caused by deficiency of Vitamin B1, likely related to the absence of nutritious food on board. The prevalence of this fatal disease 'has a history in prisons, asylums, and migrant camps' and is a telling sign of the conditions on board these vessels.<sup>26</sup> These types of conditions have been reported extensively over the last eight years, including on squid fleets, where mainly Indonesian crew gave testimonies of harsh working conditions, physical and mental abuse, restriction of mobility and withholding of wages.<sup>27</sup>

The second part of the series moves onshore to investigate China's seafood processing companies in Shandong Province, one of the country's major export-oriented processing hubs.<sup>28</sup> The prevalence of forced labour was determined by uncovering the presence of workers from the Uyghur ethnic minority group of people. It is known that Uyghur workers are regularly transferred from rural areas in Xinjiang province to factories in Xinjiang and mainland China under state-sponsored labour transfer programmes. Labelled as poverty alleviation programmes by the Chinese state, members of various ethnic minority groups are forcibly moved from their home regions in north-western China into the Han-populated mainland. The harshest form of this movement is to 'Re-education camps', to which the UN estimates over a million Uyghurs have been moved since 2016, 'where they have been subjected to torture, beatings, and forced sterilizations'.<sup>29</sup> While labour transfers are seen as less coercive than the camps, research into the labour transfer programmes shows that they aim to 'civilise and forcibly assimilate ethnic minorities', especially Turkic minorities like Uyghurs into the Han-majority area.<sup>30</sup>

The official statistical yearbook of China stated that at least 2.86 million people had been a part of these labour transfer programmes.<sup>31</sup> However, their presence in the seafood processing sector had remained unnoticed.<sup>32</sup> Private 'social audits' are supposed to detect forced labour and are paid for by US and European brands and supermarkets to monitor their supply chains. But perhaps due to the self-reporting involved in many of these audits, Chinese seafood processors reportedly do not admit to having Uyghur workers in their factories. The Outlaw Ocean investigation, in contrast, found that during the period of such audits Uyghur workers were posting photos of themselves at these factories on social media. The larger issue however is that social audits are designed to identify forced labour and other labour abuses as they occur in employment and working conditions and do not cover the Chinese state-sponsored labour transfer programmes. The investigation team uncovered

Outlaw Ocean  
investigation  
reiterates  
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in squid fisheries  
and in onshore  
export-oriented  
processing

that since 2018 over a thousand Uyghur workers had been transferred from Xinjiang to Shandong to work in at least ten large seafood companies. During this period, the report states that nearly 47,000 tonnes of seafood was bought by major U.S. and Canadian importers from these companies.

The US has several trade-related laws to combat forced labour. Section 307 of the US Tariff Act, 'prohibits the importation of merchandise mined, manufactured, or produced, wholly or in part, by forced labor'.<sup>33</sup> On the issue of the Chinese state's treatment of Uyghur people, the US passed the Uyghur Forced Labour Protection Act (UFLPA) in 2021. Under this Act, imports of items that are either produced in or by the people of the Xinjiang Uyghur Autonomous Region (Xinjiang) of the People's Republic of China (PRC) 'are presumed to be made with forced labour and are prohibited from entry into the United States'.<sup>34</sup> In June 2022, a National Security Memorandum (NSM) on Combatting Illegal, Unreported, and Unregulated Fishing and Associated Labour Abuses called for greater interagency cooperation to embolden the efforts to curtail the importation of seafood produced with forced labour, cooperation that is key to operationalising the legislations in this case.<sup>35</sup>

Federal authorities in the US are being urged to act under existing domestic laws to tackle forced labour. The Congressional-Executive Commission on China (CECC) held a briefing on the matter and has written to the US Department of Homeland Security asking for them to act immediately under the UFLPA and the Tariff Act.<sup>36</sup> They have urged the DHS to issue Withhold Release Orders for all seafood processing facilities in Shandong and Liaoning provinces, which would result in the detaining of these seafood shipments when they hit US territory. The CECC also recommends placing the companies named in the investigation on the Entity List of the UFLPA whereby the import of their seafood into the US would immediately cease. Further, to specifically address the death of an Indonesian worker aboard one of the Chinese vessels investigated by Outlaw Ocean, a legal petition has been filed by the US non-profit Human Trafficking Legal Centre with US Customs and Border Protection to stop the import of all squid caught by the vessel.

As pressure grows on US federal authorities to act, it is likely to also trigger responses from China. Thus far, the Chinese Overseas Fisheries Association has re-audited the suspected processing plants and concluded that no conditions of forced labour are present.<sup>37</sup> The Chinese processing sector has blamed the reporting as being irresponsible and fabricated.<sup>38</sup>

## Seafood mergers and acquisitions slow in 2023 but remain important to tuna

Mergers and acquisitions (M&As) are a constant feature of the corporate landscape in any industry, and the seafood industry is no exception. For example, IntraFish reporting in 2022 covered the closing of 83 M&As or joint-ventures in 2022 compared to 65 in 2021. But 2023 appears to be emerging as an even slower year as high interest rates make the financing of deals less attractive.<sup>39</sup> Nonetheless, a number of deals covering important segments of the global tuna industry are on the table. The following highlights some current deals that may effect the global tuna industry.

The buying and selling of companies in M&As can be triggered by a variety of factors, including responding to intra-industry or intra-segment costs or competition, engaging in financial extraction (e.g. leveraging low debt ratios), and funding the breaking into completely new industries.

*US considers wide ranging trade sanctions against targeted companies; while Chinese industry denies wrongdoing*

Rising costs are making some less competitive firms more attractive for buyers. According to Tri Marine's general manager for trading in Asia, Chris Hsu, Taiwan's tuna vessel owning segment in particular is ripe for consolidation. This is because of long-standing dispersed ownership, where even at the top of the pack, 12 firms own 81 vessels.<sup>40</sup> Compared to other industries, this is a low level of corporate concentration. However, smaller entities can have cash flow weaknesses, making them vulnerable to slow payment terms. Exposure to financial risk makes smaller firms potential acquisition targets, at a low price.

Chris Hsu also points out that some retailers like Wal-Mart chose to engage in direct relations with vessels for strategic reasons, such as securing supply that complies with sustainability requirements. This may trigger increasing consolidation as big buyers prefer to reduce transaction costs by dealing with a smaller number of firms. At the same time, suppliers – in this case vessel owners – may engage in competitive to M&As to create synergies in cost structures (e.g. consolidating back-off functions).

In Spain, Worldwide Fishing Company (WOFCO) is actively seeking fishing vessel acquisitions to strengthen its sourcing and expand growth, including the purchase of a number of tuna vessels. For example, it is one of three firms poised to buy the Spanish fishing firm Fandicosta, which ran into inflation-driven difficulties making it impossible to service its debt.<sup>41</sup> WOFCO is also reported to be seeking to buy the French-firm Sapmer's remaining purse seiners.<sup>42</sup>

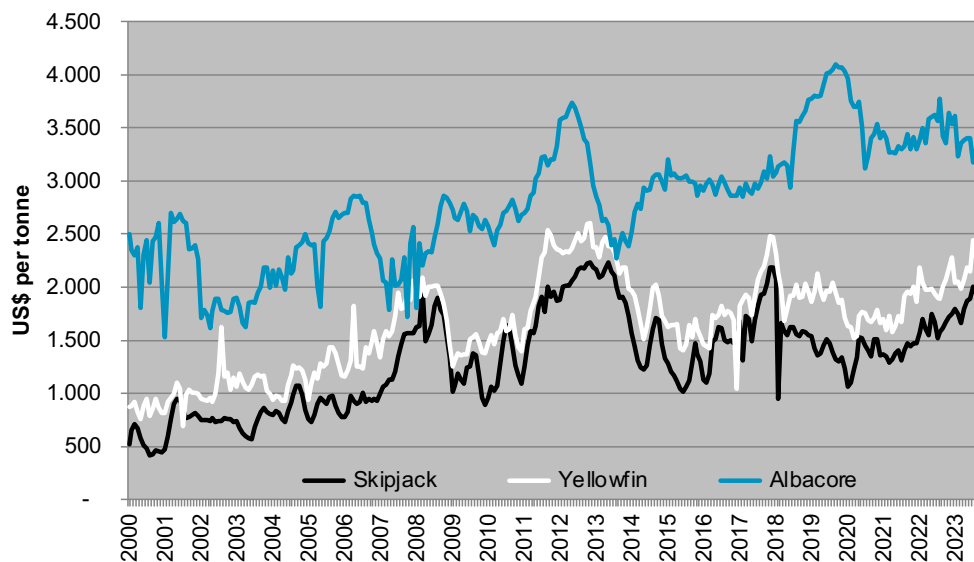
Shifting to the branded segment of the industry, Mitsubishi is actively seeking to sell off its Princes business for a minimum of GBP 600 million (USD 770 million), which it has owned since 1989.<sup>43</sup> A summer of strong sales has created a bidding war among (undisclosed) interested parties is pushing the price closer to GBP 700 million. The Princes Group owns a wide portfolio of product types and brands spanning canned protein (including tuna), soup, fruit, juices, Italian cooking ingredients, and edible oils. From a financial perspective, this offers opportunities to a new owner to break up the distinct businesses and brands and sell them off.<sup>44</sup> As such, the Princes seafood brand may once more be on the market in the medium term future.

Finally, a very different strategy is to sell off ownership (shares) in order to raise funds for M&As. For example, Dongwon – the owner of Starkist, the US leading shelf-stable tuna brand – is mulling an initial public offering (IPO) to raise cash to break into a new industry segment, global shipping, via the purchase of HMM for USD 3.7 billion.<sup>45</sup> Formerly known as Hyundai Merchant Marine, HMM is South Korea's largest shipping firm, and the world's number 8 container liner in 2022 by carrying capacity.<sup>46</sup>

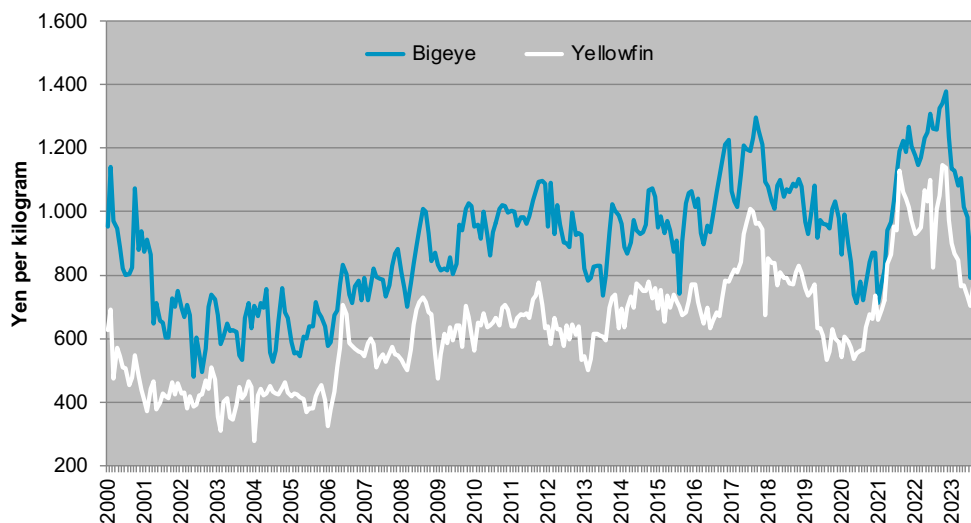
*M&As in European and Taiwanese tuna fishing fleets are on the cards, while the parent firms of Princes and Starkist engage in sell offs to raise cash*

## TUNA PRICE TRENDS<sup>47</sup>

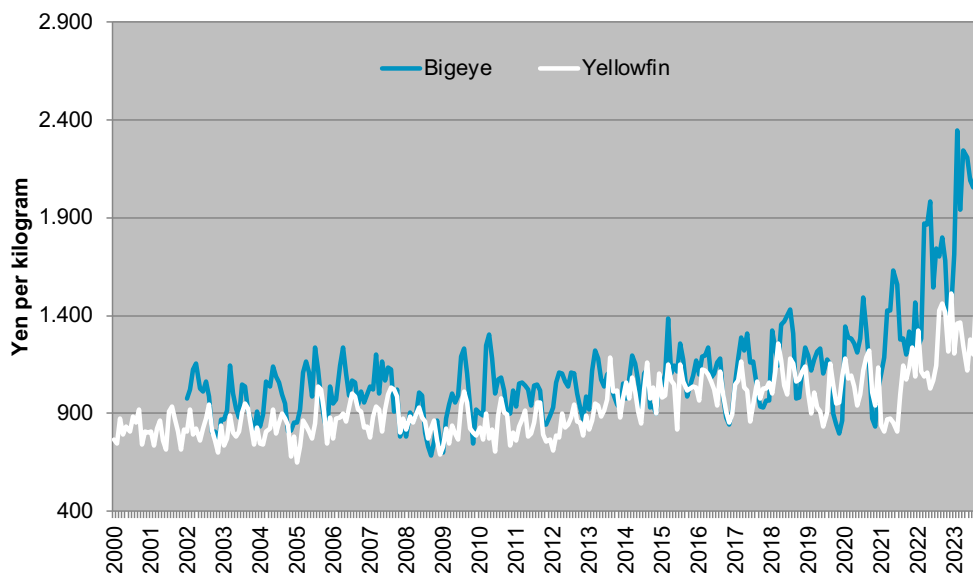
### Bangkok canning-grade prices to September 2023<sup>48</sup>



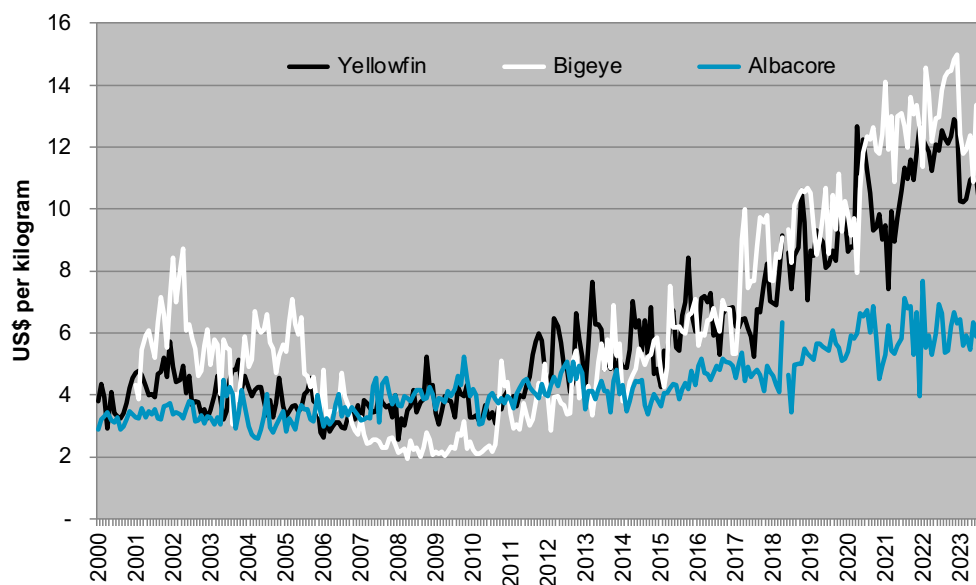
### Japan frozen sashimi prices (ex-vessel, Japanese ports) to September 2023<sup>49</sup>



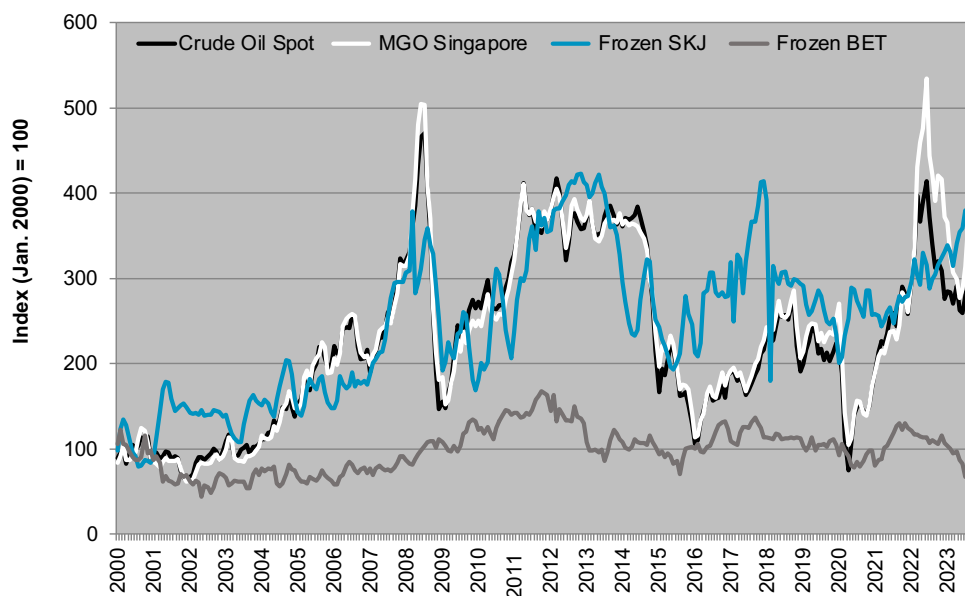
### Japan fresh sashimi prices (origin Oceania) to September 2023<sup>50</sup>



### US imported fresh sashimi prices to September 2023<sup>51</sup>



## Crude oil, canning-grade frozen skipjack (SKJ) and frozen bigeye (BET) price index to October 2023<sup>52</sup>



<sup>1</sup> Prepared for the FFA Fisheries Development Division by Dr Elizabeth Havice, University of North Carolina at Chapel Hill, Professor Liam Campling, School of Business and Management, Queen Mary University of London, and Mike McCoy, independent consultant, all Consultant Fisheries Trade and Market Intelligence Analysts, Fisheries Development Division, FFA. Desktop publishing by Antony Price. The authors would like to thank FFA for their input on an earlier draft of this briefing. The contents of this briefing (including all analysis and opinions) are the responsibility of the authors and do not necessarily reflect the positions or thinking of the FFA Secretariat or its Members.

<sup>2</sup> This article summarizes key points from numerous presentations delivered during the 8<sup>th</sup> Pacific Tuna Forum. The programme and list of presenters is available at: <https://ptf.infofish.org/>. Individual presentations can be sourced directly from the Infofish Secretariat.

<sup>3</sup> RD/TN/RL/174, 4 September 2023. 'Draft disciplines on subsidies contributing to overcapacity and overfishing, and related elements'.

<sup>4</sup> WTO 2023. Members submitting acceptance of Agreement on Fisheries Subsidies.

<sup>5</sup> US International Trade Commission 2023. *US-Pacific Island Trade and Investment: Impediments and Opportunities*, Publication Number 5463, Investigation Number 332-593. September 2023.

<sup>6</sup> Magnuson-Stevens Fishery Conservation and Management Act; Seafood Import Monitoring Program. A proposed rule by the National Oceanic and Atmospheric Administration. 28 December 2023. Available at: <https://www.federalregister.gov/documents/2022/12/28/2022-27741/magnuson-stevens-fishery-conservation-and-management-act-seafood-import-monitoring-program>

<sup>7</sup> All of the public comments referenced here are available at the NOAA website: [regulations.gov/docket/NOAA-NMFS-2022-0119/comments](https://www.regulations.gov/docket/NOAA-NMFS-2022-0119/comments)

<sup>8</sup> Colleen Sullivan and Marla Valentine, no date. *No Questions Asked: Nearly 60% of US Seafood Imports Escape Scrutiny*. Oceana.

<sup>9</sup> NOAA 2023, 'NOAA Fisheries withdraws proposal to expand Seafood Import Monitoring Program', *National Oceanic and Atmospheric Administration News & Features*, 14 November.

<sup>10</sup> EU-DG MARE 2023, 'EU and Kiribati agree on a new fisheries protocol to their sustainable fisheries partnership agreement', 3 October 2023.

<sup>11</sup> EC 2023, Sustainable Fisheries Partnership Agreements (SFPAs).

<sup>12</sup> 'IOTC adopts "global first" electronic monitoring standards', *Undercurrent News*, 15 May 2023. Resolution 23/08 On Electronic Monitoring Standards for IOTC Fisheries, *Indian Ocean Tuna Commission*.

<sup>13</sup> 'Walmart and Sam's Club announce updated seafood policy', *Supermarket News*, 16 June 2023; Christine Blank 2023. 'Walmart, Sam's Club strengthen tuna-source requirements', *Seafood Source*, 20 June.

<sup>14</sup> See The MSC Evidence Requirements Framework. Available at: <https://www.msc.org/standards-and-certification/developing-our-standards/the-fisheries-standard-review/projects/effective-fisheries-management-systems>

<sup>15</sup> 'Electronic monitoring and the MSC Standard 3.0 in Korea's largest tuna fisheries', *Ocean Outcomes*, 31 July 2023.

<sup>16</sup> Cliff White 2023. 'Tri Marine advances electronic monitoring initiatives for Atlantic tuna vessels', *Seafood Source*, 3 August.

<sup>17</sup> Louis Harkell 2023. 'Thai Union 2030 sustainability goals require "supplier engagement"', *Undercurrent News*, 16 August 2023.

<sup>18</sup> 'FCF wishes to enhance data collection in the distant water fishery industry through the use of electronic monitoring systems', *FCF Press Release*, 27 March 2023.

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- <sup>23</sup> 'China: The superpower of seafood', *The Outlaw Ocean*, October 2023.
- <sup>24</sup> 'China: USA, Canadian & European brands respond to risk of Uyghur forced labour & migrant worker abuse in seafood supply chains by cutting ties; incl. cos. responses', *Business and Human Rights Resource Centre*, 23 October 2023.
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- <sup>26</sup> Urbina 2023a.
- <sup>27</sup> Liam Campling, Elizabeth Havice and Mike McCoy 2022. 'Mitsubishi named as largest importer of tuna fished by Chinese IUU vessel', *FFA Trade and Industry News*, 15(6): November-December.
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- <sup>33</sup> U.S. Tariff Act (19 U.S.C. §1307) 1930.
- <sup>34</sup> Uyghur Forced Labor Prevention Act (P.L. 117-78) 2021.
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- <sup>46</sup> Alphaliner Top 100 Shipping Companies (Updated 04 Oct 2022)
- <sup>47</sup> All databases are provided by the Fisheries Development Division at FFA.
- <sup>48</sup> Customs Department, Thailand. [http://www.customs.go.th/statistic\\_report.php?lang=en&show\\_search=1](http://www.customs.go.th/statistic_report.php?lang=en&show_search=1)
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