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FISHERIES-TRADE RELATED REGULATION

Philippine processing sector struggles through WCPFC closures, inks broader cooperation with the EU

Since January 2010, tuna processing plants in General Santos, Philippines, have laid off nearly 1,000 tuna industry workers. Philippine industry and government officials indicate that fishing bans imposed at the WCPFC have generated fish shortages in the plants and generated layoffs and the need for financial assistance for affected workers.² The WCPFC has approved closure of two pockets of international waters between Pacific island EEZs and implemented temporal closures of purse seine fishing on fish aggregating devices (FADs).³ The Philippine government has indicated that it will submit a petition at the annual WCPFC meeting in December in an effort to overturn the bans and ease the strain on its domestic tuna industry.⁴

Woes in General Santos have proved an opportunity for smaller-scale fishing fleets and emerging processing sites in other parts of the Philippines. The Eastern Visayas office of the Bureau of Fisheries and Aquatic Resources is marketing the region's good fishing grounds, highlighting the 20,000mt of catch off of Eastern Samar in the past year, and encouraging tuna processors in General Santos to set up canning and post-catch operations. The Philippine Fisheries Development Authority has allocated funds to establish a fish port in the region.⁵

In the meantime, the Philippines has negotiated a Partnership and Cooperation Agreement (PCA) with the EU. Negotiations were successfully completed in June 2010 and the countries anticipate signing the agreement in the coming months. The agreement inks the legal framework for the countries to cooperate on political issues, trade and investment, justice and security, migration and economic and development issues. The PCA is not a free trade agreement. While it enhances cooperation in various trade matters, it does not include specific trade concessions by either party, though it would facilitate a free trade agreement, should the EU and Philippines seek to negotiate one.⁶

In 2009, the Philippines exported US\$253 million worth of canned tuna, 57 percent of which landed in the EU market. The EU had implemented a tariff quota scheme that allowed the Philippines to export 9,000mt of canned tuna with a 12



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percent tariff, but the scheme ended in June 2008. Today, canned tuna from the Philippines pays a 21 or 24 percent tariff to enter the EU market.

FISHERIES MANAGEMENT AND DEVELOPMENT

Operation Island Chief indicates IUU fishing is in decline in the WCPO

During August, a surveillance operation, 'Operation Island Chief 2010' was coordinated by FFA's Regional Fisheries Surveillance Centre in an effort to deter IUU fishing in the WCPO. Pacific patrol vessels, US Coast Guard vessels and US Navy aircraft surveyed waters and boarded tuna fishing vessels operating in the waters of PNG, FSM, Palau, Marshall Islands, Nauru, Kiribati and the United States. During the operation 350 fishing vessels were monitored, 99 vessels were sighted and 20 boarded. Two vessels were identified as fishing illegally in high seas areas under the jurisdiction of WCPFC.⁷

The Coordinator of Operation Island Chief, Martin Campbell indicated that there was a significant reduction in the number of vessels conducting illegal activities observed during the surveillance operation, which is also consistent with observations made by FFA's Regional Fisheries Surveillance Centre. This indicates that ongoing regional efforts to deter illegal, unreported and unregulated fishing in WCPO waters are proving to be successful.

The loss from IUU fishing in the Western and Central Pacific (WCPO) region has been estimated to be in the vicinity of 21-46 per cent of reported catch and is valued at US \$0.7 - \$1.5 billion.⁸ Catch from the EEZs of Pacific Island Countries (PICs) represents around 45 per cent of the total value of catch from the WCPO.⁹ Hence, the total value of IUU fish caught in PICs waters could be in the order of US \$300-700 million annually.

Taiwan admitted as a full member of IATTC

In August 2010, Taiwan became a full member of the Inter-American Tropical Tuna Convention, the oldest of the tuna regional fisheries management organizations (RFMO). As a full member, Taiwan will have the right to invite new members to participate in IATTC and to propose amendments to the Convention. The Taiwanese Ministry of Foreign Relations stresses that the status change is important because in a time

The Philippines and the EU have negotiated a Partnership and Cooperation agreement, but it is not a free trade agreement

Operation Island Chief indicates that IUU fishing in the WCPO is in decline



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when international management of tuna stocks has become increasingly restrictive, full participation guarantees Taiwanese rights to catch offshore tunas and enables the Taiwanese government to protect the rights of its fisherman making high-value bigeye and yellowfin catches in the Convention area.¹⁰

Taiwan first joined IATTC as an observer in 1973 and was upgraded to a cooperating fishing entity under the name 'Chinese Taipei' in 2003. In peak years, more than 90 Taiwanese vessels operate in the Eastern Pacific, yielding an average combined annual catch of 10,000-20,000mt, valued at upwards of US\$62.5 million.¹¹ IATTC is the second RFMO in which Taiwan has gained membership. In 2004, Taiwan became a full member of the Western and Central Pacific Fisheries Commission.¹² In the past, despite having one of the world's most important distant water fishing fleets, Taiwan has been barred from full participation on account of not being politically recognised by powerful governments such as China.

FISHERIES TRADE AND DEVELOPMENT

India's seafood exporters face economic and regulatory challenges

Despite the increase in India's seafood exports by over 30 percent during the last five years, the Seafood Exporters Association of India (SEAI) said that the number of seafood processing units and exporters shrunk 70 percent. Numbers have fallen from approximately 1,700 seafood processing and exporting units in operation to 500 at the end of 2009. Among these 500 only about 100 are actually active.¹³ With regulations and quality controls imposed by some importing countries increasing (see below), the number of rejections has gone up in recent years. Processors and exporters without a long-term commitment to the sector exported sub-standard products and this has reportedly harmed the international reputation of the industry. Despite this, seafood exports from India grew by 30 percent between 2005 and 2009. Combined with the decline in the number of exporters, this indicates a growing degree of concentration occurring in the sector.

Indian seafood firms are focusing on the EU market – almost one-third of the volume and value of India's total seafood exports – due to the slowdown in demand in US and Japanese markets. The anti-dumping duty imposed on Indian shrimp exporters by the United States has also motivated the industry to diversify. This has begun to pay rich dividends as sales to China and Southeast Asia have accelerated to almost 13

Taiwan has been admitted to IATTC as a full member; the Taiwanese government stresses that full participation guarantees fishing rights for the fleet

The number of Indian seafood processors has declined while exports rise and are increasingly diversified



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and 10 percent respectively of India's total seafood exports.¹⁴ Frozen fish rose to 30 percent of seafood export volumes and 15 percent of the value during 2009, second only to shrimp and overtaking cuttlefish and squid, while ribbonfish exports to China increased by 50-60 percent in unit value.

Not satisfied with the residue monitoring and testing methodology employed by India, the EU is considering testing up to 20 percent of seafood imports from India.¹⁵ This action has been triggered by the recurrent rejection of cultured scampi exports to the EU, which could be a major barrier to Indian exporters and give an advantage to competitors if the testing process results in delays in delivering product to EU importers.

The Indian Ministry of Commerce announced in July that it might withdraw export incentives provided to the seafood industry. This will particularly affect those firms whose production is export-orientated; a sub-sector with notably improved performance in financial year 2009/10 with total exports of over US\$2 billion.¹⁶ India's seafood export sector currently receives a five percent entitlement rate for shipments under a special duty drawback scheme called 'Vishesh Krishi and Gram Udyog Yojana' (VKGUY). In addition, the industry gets a benefit of eight percent on the total value of exports under the Duty Entitlement Passbook Scheme (DEPB). The Ministry may be completely withdrawing the incentive under VKGUY and reducing the benefit available under the DEPB scheme.

The president of the Seafood Exporters Association of India (SEAI) warned that the withdrawal of benefits would negatively impact the sector. He claimed that it is precisely because of these incentives that the industry was able to improve its performance last year. India's seafood exports are also facing a serious set-back due to the latest economic turmoil in Europe and the devaluation of the euro, stagnation in the US market and the anti-dumping duty (noted above), and, as elsewhere, the increased costs associated with rising diesel prices. In this context, SEAI argues that the Indian seafood sector will be facing a potentially serious crisis if the incentives are withdrawn.

TUNA MARKETS

Tri Marine becomes major shareholder of Soltai

Negotiations concerning the future shareholding of the Solomon Islands-based tuna processing facility, Soltai have concluded. Tri Marine, one of the most prominent tuna trading

Despite being their major market, EU sanitary regulations are hitting Indian seafood exporters

The possible withdrawal of government export incentives threatens the competitiveness of the Indian seafood industry



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companies in the WCPO and globally, is now Soltai's majority shareholder (51 per cent).¹⁷

The Solomon Islands National Provident Fund (NPF) has also entered the partnership and holds a 29 per cent share in the company. The former shareholders, the Investment Corporation of Solomon Islands (ICSI) (representing the Solomon Islands National Government) and Western Province Government have reduced their shareholdings from 51 and 49 per cent respectively, to 10 per cent.

With shareholding issues finalised and a capital injection of SBD \$100 million (USD \$13.7 million), operations at Soltai look set to resume in full swing (and possibly expand) in the coming months.

StarKist looks to expand product range and into overseas markets

Since being acquired by Korean firm Dongwon, expanding its corporate headquarters, and sparking new advertising campaigns in 2010,¹⁸ StarKist has indicated that it will no longer focus solely on tuna and will instead become a multiple species purveyor of seafood. The company will roll out ten new frozen products in early 2011, featuring shrimp, salmon, hake and tilapia and offering ready-made meals, soups and marinades.¹⁹

In addition to the expansion of its products, StarKist plans to expand beyond the US market into international markets. The firm will initially target Latin America, establishing relations with companies with distribution and operational capabilities and likely capitalising on its two processing plants in Ecuador. The firm's move, in the wake of Thai Union's purchase of MW Brands,²⁰ suggests that diversifying beyond canned tuna is one strategy that firms can use to gain an edge in the highly competitive processed seafood sector.

Frabelle to establish processing facility in Solomon Islands²¹

Frabelle Fishing Corporation (Philippines) has continued to demonstrate its seriousness in establishing an integrated tuna fishing and processing facility in the Solomon Islands by submitting a proposal to the Solomon Islands Government outlining details of their planned \$80 million investment, along with an announcement that the company will soon establish an office in Honiara.

**Tri Marine
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**StarKist plans
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**Product
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Negotiations are underway for Frabelle's processing facility (plus supporting infrastructure/facilities and staff housing) to be located on a 15 hectare site at Tenaru, Guadalcanal. Once established, production of the loining/canning plant is expected to start at 50 tonnes/day and increase to 100 tonnes/day at full capacity, employing 1,000 – 1,500 workers.

Frabelle intends to establish a fishing fleet of up to 20 purse seiners, as well as smaller-scale pole and line vessels, employing at least 30 per cent Solomon Islander crew. Purse seine caught tuna will be used to supply raw materials to the processing plant, while Frabelle hopes to develop a local market for the sale of pole and line caught tuna.

In addition to the planned fishing and processing operations, Frabelle intends to establish supporting infrastructure and services, including an ice plant, cold storage, wharf, net repair facility, ship repair and maintenance facility, and a packaging plant. These are to be utilised by both Frabelle's fishing fleet and other vessels.

Loins produced by the processing facility will be utilised by Frabelle's Lae (PNG) and General Santos (Philippines) canneries, as well as being sold to other canning companies in Spain, France, USA, Italy and Japan. Canned tuna will be marketed in the Solomon Islands and other Pacific Island countries, as well as in the EU, USA and Australia. Frabelle also hopes to introduce a new local canned tuna brand into the Pacific market.

Frabelle estimates that their onshore developments in the Solomon Islands will potentially generate US\$50 million annually in foreign exchange earnings.

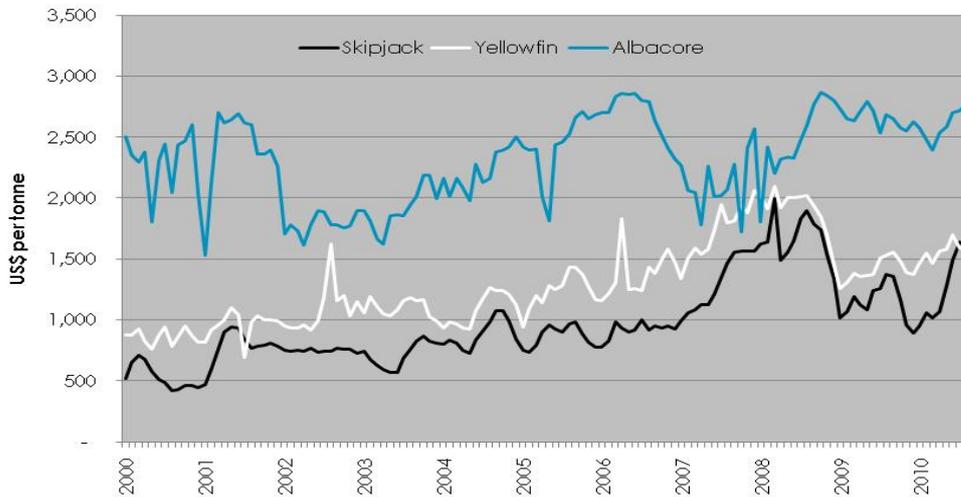
Negotiations are underway for Frabelle to establish an integrated tuna fishing and processing operation in the Solomon Islands

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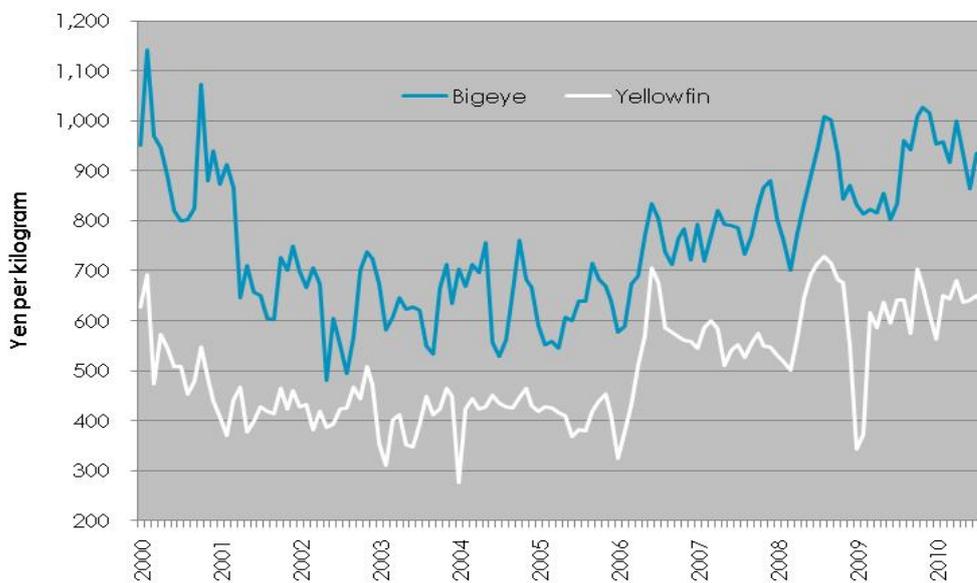


TUNA PRICE TRENDS²²

Bangkok canning-grade prices to August 2010²³

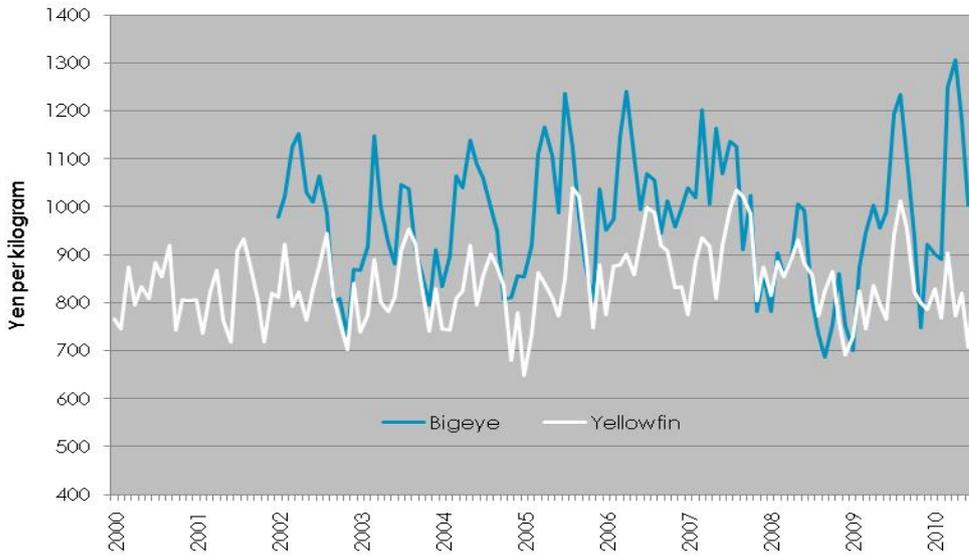


Japan frozen sashimi prices (ex-vessel, Japanese ports) to August 2010²⁴

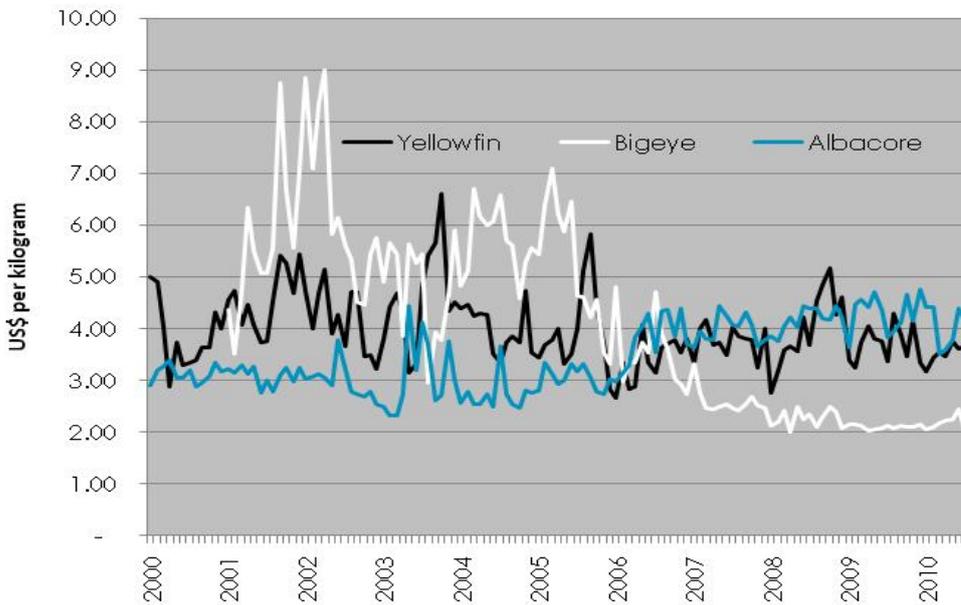




Japan fresh sashimi prices (origin Oceania) to July 2010²⁵

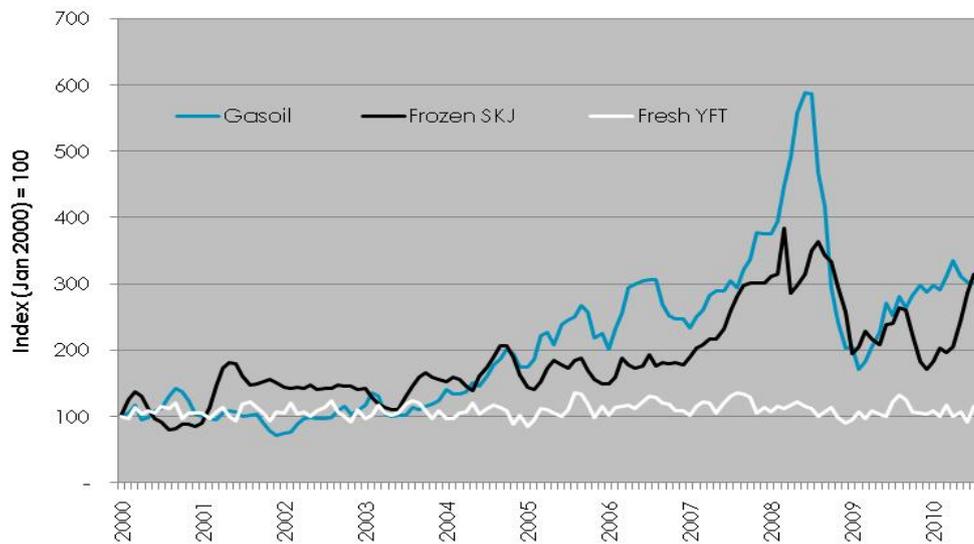


US imported fresh sashimi prices to July 2009²⁶





Gasoil, canning-grade frozen skipjack (SKJ) and fresh sashimi yellowfin (YFT) price index to August 2010²⁷



Coming in the next issue (October 2010, Vol. 3: Issue 10)

- Update on piracy in the Indian Ocean
- Outcomes from Sixth WCPFC – Scientific Committee meeting



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