

## BACKGROUND PAPER ON THE INTERNATIONAL SEAFOOD TRADE AND POVERTY

DECEMBER 2003



**International Seafood Trade: Supporting Sustainable Livelihoods Among Poor  
Aquatic Resource Users in Asia (EC-PREP Project EP/R03/014)**

This report is Output 1 of the project “International Seafood Trade: Supporting Sustainable Livelihoods Among Poor Aquatic Resource Users in Asia (EP/R03/014)”. The project is implemented by Poseidon Aquatic Resource Management Ltd (UK), the Network of Aquaculture Centres in Asia-Pacific (NACA) and the STREAM Initiative in partnership with stakeholders in the seafood and marine ornamental fish trade in Asia and Europe. The project runs from October 2003 until March 2005.

This research project is one of 23 projects funded by EC-PREP, a programme of research sponsored by the UK Department for International Development. All EC-PREP research studies relate to one or more of the six focal areas of EC’s development policy in the context of their link to poverty eradication. EC-PREP produces findings and policy recommendations which aim to contribute to improving the effectiveness of the EC’s development assistance. For more information about EC-PREP and any of the other research studies produced under the programme, please visit the website [www.ec-prep.org](http://www.ec-prep.org).

The report should be referenced as: *Macfadyen, G., Banks, R, Phillips, M, Haylor, G., Mazaudier, L. and Salz, P. 2003. Output 1 Background paper on the International Seafood Trade and Poverty. Prepared under the DFID-funded EC-PREP project (EP/R03/014) “International Seafood Trade: Supporting Sustainable Livelihoods Among Poor Aquatic Resource Users in Asia”. Poseidon Aquatic Resource Management Ltd (UK), Network of Aquaculture Centres in Asia-Pacific and STREAM Initiative. Internet version available at [www.enaca.org](http://www.enaca.org)*

## TABLE OF CONTENTS

<b>1</b>	<b>INTRODUCTION .....</b>	<b>6</b>
1.1	INTRODUCTION AND PROJECT PURPOSE .....	6
1.2	PURPOSE OF REPORT .....	7
1.3	EXPLANATION OF TERMS AND CONCEPTUAL ISSUES.....	8
<b>2</b>	<b>OVERVIEW OF MARINE PRODUCT TRADE BETWEEN ASIA AND THE EUROPEAN UNION .....</b>	<b>10</b>
2.1	THE EU .....	10
2.1.1	<i>The EU and general consumption trends .....</i>	<i>10</i>
2.1.2	<i>EU Shrimp Trade.....</i>	<i>11</i>
2.1.3	<i>Marine ornamental imports.....</i>	<i>16</i>
2.2	UK .....	18
2.2.1	<i>Overview of consumption trends and shrimp imports .....</i>	<i>18</i>
2.2.2	<i>Marine ornamental imports.....</i>	<i>21</i>
2.3	BENELUX .....	22
2.3.1	<i>Shrimp imports .....</i>	<i>22</i>
2.4	FRANCE.....	24
2.4.1	<i>Marine ornamental imports.....</i>	<i>24</i>
2.5	INDONESIA .....	26
2.5.1	<i>Total fishery production and exports .....</i>	<i>26</i>
2.5.2	<i>Marine ornamental production and exports.....</i>	<i>26</i>
2.5.3	<i>Socio-economic importance .....</i>	<i>27</i>
2.6	VIETNAM .....	28
2.6.1	<i>Total fishery production and exports .....</i>	<i>28</i>
2.6.2	<i>Shrimp production and exports .....</i>	<i>28</i>
2.6.3	<i>Socio-economic importance .....</i>	<i>31</i>
2.7	PHILIPPINES .....	31
2.7.1	<i>Total fishery production and exports .....</i>	<i>31</i>
2.7.2	<i>Marine ornamental production and exports.....</i>	<i>33</i>
2.7.3	<i>Socio-economic importance .....</i>	<i>34</i>
<b>3</b>	<b>MARINE PRODUCT MARKET CHAINS .....</b>	<b>35</b>
3.1	VIETNAMESE SHRIMP EXPORTS TO UK AND BENELUX .....	35
3.2	IMPORTS OF VIETNAMESE SHRIMP TO THE UK.....	36
3.3	IMPORTS OF VIETNAMESE SHRIMP TO THE BENELUX.....	37
3.4	GENERAL DESCRIPTION OF SUPPLY CHAIN FOR THE ORNAMENTAL TRADE .....	39
3.5	INDONESIAN ORNAMENTAL EXPORTS TO THE UK AND FRANCE .....	41
3.6	PHILIPPINES EXPORTS OF ORNAMENTALS TO UK AND FRANCE.....	42
3.7	ORNAMENTAL IMPORTS TO THE UK .....	43
3.8	ORNAMENTAL IMPORTS TO FRANCE .....	44
<b>4</b>	<b>POLICY AND INSTITUTIONAL CONTEXTS.....</b>	<b>46</b>
4.1	GLOBAL .....	46
4.1.1	<i>International Commitments to Poverty.....</i>	<i>46</i>
4.1.2	<i>World Bank.....</i>	<i>46</i>
4.1.3	<i>World Trade Organisation .....</i>	<i>46</i>
4.1.4	<i>Codex Alimentarius .....</i>	<i>47</i>
4.1.5	<i>CITES .....</i>	<i>47</i>
4.1.6	<i>Convention on Biological Diversity .....</i>	<i>48</i>
4.1.7	<i>FAO Code of Conduct for Responsible Fisheries .....</i>	<i>48</i>
4.2	REGIONAL.....	48

4.2.1	<i>Association of South-East Asian Nations (ASEAN)</i> .....	48
4.2.2	<i>APEC</i> .....	49
4.2.3	<i>ASEM</i> .....	50
4.2.4	<i>EU</i> .....	50
4.3	INDONESIA.....	54
4.4	VIETNAM.....	55
4.5	PHILIPPINES.....	56
<b>5</b>	<b>INITIATIVES AIMED AT TRADE PROMOTION AND POVERTY REDUCTION.....</b>	<b>58</b>
5.1	OTHER MARINE TRADE-RELATED RESEARCH PROJECTS.....	58
5.2	PRACTICAL INITIATIVES.....	61
5.2.1	<i>Fisheries Schemes</i> .....	61
5.2.2	<i>Non-fisheries initiatives</i> .....	65
5.2.3	<i>Conclusion</i> .....	68
<b>6</b>	<b>POSSIBLE PRO-POOR TRADE OPTIONS.....</b>	<b>70</b>
6.1	INITIAL COMMENTS ABOUT SOCIAL/PRO-POOR ISSUES AND POSSIBILITIES.....	70
6.1.1	<i>UK shrimp sector</i> .....	70
6.1.2	<i>Benelux shrimp sector</i> .....	71
6.1.3	<i>FLO</i> .....	72
6.1.4	<i>UK and French ornamental sectors</i> .....	72
6.1.5	<i>NRI Project on ornamental trade and poverty alleviation</i> .....	73
6.2	FIELD WORK TO BE COMPLETED IN 2004.....	74
<b>7</b>	<b>APPENDIX A: REFERENCES.....</b>	<b>79</b>
<b>8</b>	<b>APPENDIX B: POLICY AND INSTITUTIONAL CONTEXT – EXPANDED TEXT.....</b>	<b>81</b>
8.1	GLOBAL.....	81
8.1.1	<i>International Commitments to Poverty</i> .....	81
8.1.2	<i>The World Bank and Poverty</i> .....	82
8.1.3	<i>World Trade Organisation</i> .....	82
8.1.4	<i>Codex Alimentarius</i> .....	87
8.1.5	<i>CITES</i> .....	88
8.1.6	<i>Convention on Biological Diversity</i> .....	89
8.1.7	<i>FAO Code of Conduct for Responsible Fisheries</i> .....	89
8.2	REGIONAL.....	90
8.2.1	<i>Association of South-East Asian Nations (ASEAN)</i> .....	90
8.2.2	<i>APEC</i> .....	92
8.2.3	<i>ASEM</i> .....	92
8.2.4	<i>EU</i> .....	93
8.3	INDONESIA.....	100
8.4	VIETNAM.....	103
8.5	PHILIPPINES.....	105
<b>9</b>	<b>APPENDIX C: EU TRADE LEGISLATION.....</b>	<b>108</b>
<b>10</b>	<b>APPENDIX D: UK TRADE REGULATIONS.....</b>	<b>112</b>
<b>11</b>	<b>APPENDIX E: INITIATIVES AIMED AT PRO-POOR/SOCIAL FORESTRY.....</b>	<b>119</b>

## TABLES

TABLE 2-1: VALUE OF IMPORTS OF WARM WATER SHRIMP TO THE EU, 2001(€'000).....	13
TABLE 2-2: VALUE OF IMPORTS OF PENAEUS TO THE EU, 2001(€'000) .....	14
TABLE 2-3: EU SHRIMP AND PRAWN CONSUMPTION, 2001 .....	15
TABLE 2-4: IMPORTS OF WARM WATER SHRIMPS INTO EU COUNTRIES, 2001 .....	15
TABLE 2-5: IMPORTS OF CULTURED SHRIMP WARM WATER INTO THE UK, 2001 .....	19
TABLE 2-6: IMPORTS OF PENAEUS INTO THE UK .....	19
TABLE 2-7: DIFFERING NEEDS OF SUPERMARKET CUSTOMERS, 2002 .....	21
TABLE 2-8: IMPORTS OF SHRIMP (PENAEUS) INTO BENELUX, 2001 .....	23
TABLE 2-9: MARKET SHARE OF VIETNAMESE TOTAL SEAFOOD EXPORT .....	28
TABLE 3-1: PHILIPPINES ORNAMENTAL COMMODITY CHAIN PRICE ANALYSIS .....	43
TABLE 6-1: PRELIMINARY IDEAS ABOUT PRO-POOR TRADE MECHANISMS .....	76
TABLE 8-1: EU FISH PRODUCT AND HYGIENE LEGISLATION .....	97
TABLE 10-1: SUMMARY OF UK LABELLING REQUIREMENTS .....	113

## FIGURES

FIGURE 1: IMPORTS OF SHRIMP AND PRAWN SPECIES INTO THE EU BY VALUE, 2001 .....	11
FIGURE 2: IMPORTS INTO THE EU BY VALUE, 2001 .....	12
FIGURE 3: PRINCIPAL IMPORTING COUNTRIES BY VOLUME, 2001 .....	12
FIGURE 4: VALUE OF IMPORTS OF CULTURED SHRIMP .....	13
FIGURE 5: VALUE OF LIVE ORNAMENTAL FISH IMPORTS TO EU, 2002 ('000 EURO).....	16
FIGURE 6: VALUE OF IMPORTS OF LIVE SALTWATER ORNAMENTAL FISH TO THE EU, 2002 ('000 EURO) .....	17
FIGURE 7: PHILIPPINE AND INDONESIA EXPORTS OF SEA WATER ORNAMENTAL FISH, 1992-2001 .....	17
FIGURE 8: VOLUME 'PENAEUS' IMPORTS FROM PRINCIPAL SUPPLYING COUNTRIES INTO THE UK .....	20
FIGURE 9: VALUE 'PENAEUS' IMPORTS FROM PRINCIPAL SUPPLYING COUNTRIES INTO THE UK .....	20
FIGURE 10: UK IMPORTS OF LIVE ORNAMENTAL FISH, 2002 .....	22
FIGURE 11: VOLUME OF 'PENAEUS' IMPORTS FROM PRINCIPAL SUPPLYING COUNTRIES INTO THE UK .....	23
FIGURE 12: VALUE OF 'PENAEUS' IMPORTS FROM PRINCIPAL SUPPLYING COUNTRIES INTO THE UK ..	24
FIGURE 13: FRENCH IMPORTS OF LIVE ORNAMENTAL FISH, 2002 .....	25
FIGURE 14: INDONESIAN FISHERY PRODUCTION, 1997-2001 ('000MT).....	26
FIGURE 15: INDONESIAN EXPORTS OF LIVE SALTWATER SPECIES TO EU, 2002.....	27
FIGURE 16: VIETNAMESE FISHERY PRODUCTION, 1997-2001 ('000MT).....	28
FIGURE 17: VIETNAMESE 'PENAEUS' CULTURE PRODUCTION, 1997-2001 (MT).....	29
FIGURE 18: VIETNAMESE SHRIMP EXPORTS, 1997-2001 (VALUE) .....	29
FIGURE 19: EXPORTS FROM VIETNAM TO THE EU .....	30
FIGURE 20: AVERAGE EXPORT PRICES FROM VIETNAM TO THE EU.....	30
FIGURE 21: PHILIPPINES EXPORT OF MARINE PRODUCTS, 1998 TO 2002, (FOB VALUE IN THOUSAND US DOLLARS) .....	32
FIGURE 22: PHILIPPINES EXPORT MARKETS, 1998 TO 2002, (FOB VALUE IN THOUSANDS OF US DOLLARS) .....	33
FIGURE 23: PHILIPPINE EXPORTS OF LIVE SALTWATER FISH TO EU, 2002 .....	33
FIGURE 24: EXAMPLE OF PRICE STRUCTURE THROUGH ORNAMENTAL SUPPLY CHAIN.....	41

## ACRONYMS

AKKII	Indonesian coral shell and Ornamental Fish Association
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
BIP	Border Inspection Posts
CCRF	Code of Conduct for Responsible Fisheries
CIF	Carriage, Insurance and Freight
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CSR	Corporate Social Responsibility
DFID	UK Government, Department for International Development
EC	European Commission
EC-PREP	European Community's Poverty Reduction Effectiveness Programme
EJF	Environmental Justice Foundation
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FOB	Free on board
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GE	General Exception List
GSP	Generalised System of Preference
Ha	Hectares
HACCP	Hazard Analysis Critical Control Point
IL	Inclusion List
ILP	Import Licensing Procedures
IMF	International Monetary Fund
(I)PRSP	(Interim) Poverty Reduction Strategy Paper
ISO	International Organisation for Standardisation
MEA	Multilateral Environmental Agreements
MFN	Most Favoured Nation
NACA	Network of Aquaculture Centres in Asia-Pacific
NTM	Non-tariff Measure
OATA	Ornamental Aquatic Trade Association
PTFEA	Philippines Tropical Fish Exporters Association
RTA	Regional Trade Agreement
SCM	Subsidies and Countervailing Measures
SCM	Subsidies and Countervailing Measures
SL	Sensitive List
SPS	Sanitary and Phytosanitary Measures
STREAM	Support to Regional Aquatic Resources Management
TBT	Technical Barriers to Trade
TBT	Technical Barriers to Trade
TEL	Temporary Exclusion List
UK	United Kingdom
UNEP	United Nations Environment Programme
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation

# 1 INTRODUCTION

---

## 1.1 INTRODUCTION AND PROJECT PURPOSE

This report has been prepared by Poseidon Aquatic Resource Management Ltd / Network of Aquaculture Centres in Asia-Pacific (NACA) / Support to Regional Aquatic Resources Management (STREAM) Initiative<sup>1</sup>, as part of the European Community's Poverty Reduction Effectiveness Programme (EC-PREP). EC-PREP is a programme of research to enhance collaboration between the European Commission and the UK Department for International Development (DFID). Its main objective is to enhance the poverty impact of the European Community's development assistance and contribute to achieving the International Development Target of halving the number of people living in extreme poverty by 2015. This report represents an output of an EC-PREP Project (EP/R03/014) funded by DFID and entitled: The International Seafood Trade: supporting sustainable livelihoods among poor aquatic resource users in Asia. The project focuses specifically on exports to the EU of shrimp from Vietnam (especially to the UK, and BeNeLux countries), and of marine ornamental species from Philippines and Indonesia (especially to the UK and France), and possible pro-poor trade mechanisms related to this trade.

Trade in both edible and ornamental marine species, if structured and controlled equitably, represents an important weapon in the war against poverty and in helping to meet the United Nations Millennium Development Goals set by the Millennium Summit of 2000, to halve many of the world's ills, including poverty, by 2015.

International trade in fish and fishery products has grown rapidly over the last twenty years. Export values have risen from US\$15 billion in 1980 to US\$56 billion in 2001. In the same period the developing countries' share of total exports has risen from 40% to 50%, with net receipts from fish trade by developing countries increasing from less than US\$4 billion to almost US\$18 billion. Imports are concentrated strongly in the USA, Europe and Japan, with developed countries absorbing 80% of total world imports (Lem, 2003).

Among developing countries, the Low-Income Food Deficit Countries (LIFDCs) represent countries that may be especially dependent on exports of marine products. LIFDCs represent a sub-category of developing countries that are both low-income and relatively exposed to external shocks in view of their food-deficit status. Indonesia, Philippines and Vietnam are all classified as LIFDCs (FAO, 2002). In 2001 the LIFDCs accounted for fishery exports of around US\$ 10.6 billion, about a fifth of total fish and fish product exports (Lem, 2003).

In terms of shrimp, globally farm gate sales are valued at around US\$7billion. Most farmed shrimp is traded internationally with total export sales around \$8billion. Direct full time equivalent employment is 1.2 to 1.5 million and probably around three times that in associated businesses. These economic benefits are often generated in otherwise isolated and poorly developed locations. Most labour is family labour (in Asia) and wage labour in Latin America. Return to labour is generally very much higher than for alternative activities, and rates of wage labour are typically higher than local agricultural rates and working conditions are probably better. (Nautilus/IIED 2003)

Over 20 million marine ornamental fish are harvested each year in a global trade worth up to \$330 million supplying the marine aquarium market, predominantly in Europe and the United States. (Wabnitz et al, 2003) The annual harvest of fish includes 1,471 species. Damselfish (Pomacentridae) make up almost half of the trade, with species of angelfish, wrasses, gobies and butterflyfish accounting for approximately another 25-30%. A further nine to 10 million marine ornamental invertebrates (excluding coral), including molluscs, shrimps and anemones and involving some 500 species, are also being traded each year. A total of 140 species of stony coral, nearly all scleractinians, are traded worldwide, with best estimates of annual global trade ranging between 11 and 12 million pieces. Sixty-one species of soft coral are also traded, amounting to close to 390,000 pieces per year.

---

<sup>1</sup> [www.consult-poseidon.com](http://www.consult-poseidon.com) / [www.enaca.org](http://www.enaca.org) / [www.streaminitiative.org](http://www.streaminitiative.org)

Unlike freshwater aquaria species, 90% of which are now farmed, nearly all species found in tropical marine aquaria are taken from coral reefs. Southeast Asia is the main source of the trade, but species are increasingly being taken from several island nations in the Indian and Pacific Oceans. Between 1.5 and 2 million people worldwide are believed to keep marine aquaria.

Increasing trade of both edible and ornamental marine products presents a growing challenge to ensure a proper balance between preserving valuable ecosystems and helping local people battle poverty. The global trade in marine species on the one hand poses a significant risk to valuable ecosystems, but on the other has great potential as a source of desperately needed income for local fishing communities. For example, aquarium animals are the highest value-added product that can be harvested sustainably from coral reefs. For many developing countries, exports of marine products make a significant contribution towards total foreign exchange earned by both the private and state sectors, itself vital to pay for necessary imports of goods such as food and fuel. Trade in marine products offers significant opportunities to add value by selling products into overseas markets with greater purchasing power than local ones. Trade therefore provides the basis for considerable amounts of employment and income generation, both directly, and through multiplier effects in developing country economies. However, of equal importance is the need to consider distributional impacts of trade to ensure that poor producers in developing countries actually reap the economic benefits of trade rather than benefits just being felt at the macro-level through improvements in Gross Domestic Product (GDP). This project attempts to identify some possible pro-poor trade options to ensure just that.

Globalisation processes may have adverse effect on small-scale fishers, especially poorer groups, as described in FAO's Ethics series 'Ethical Issues in Food and Agriculture': "...improvements in communications and transportation as well as the liberalisation of trade have now brought most producers and consumers into a global market. While textbook accounts suggest that trade liberalisation will lead to greater overall welfare, some actors have the wherewithal to take advantage of global markets to a far greater extent than others, owing to their access to capital, expertise, technologies and policy-makers. Conversely, others benefit much less and even suffer losses, often through no fault of their own. Furthermore, only in a few situations are people who are unfairly denied access to these means compensated or provided with alternative opportunities to help themselves."<sup>2</sup>

## 1.2 PURPOSE OF REPORT

The purpose of this report is to provide an overview of the international seafood trade and poverty, with special reference to the trade in some selected marine products between Asia and the European Union. **It represents Output 1** of the project "The International Seafood Trade: supporting sustainable livelihoods among poor aquatic resource users in Asia". The report has a number of objectives, which are reflected in the chapter headings and contents.

These are:

- To provide an overview of trade in marine products between Asia and the European Union, but especially of shrimp from Vietnam to the United Kingdom (UK) and BeNeLux countries, and of marine ornamental species from Indonesia and the Philippines to the UK and France. Trade between these countries of these products is planned to be the main focus of the project and of case studies to be completed to identify pro-poor trade options
- To map out seafood market supply chains for the countries and products under consideration
- To provide better understanding of policy and institutional contexts relating to such trade, at global, regional and national levels, and implications for poverty reduction, and to bring together experiences on causality between trade, policies and poverty (reduction), and any empirical evidence of causality in the fisheries sector

---

<sup>2</sup> Ethical issues in food and agriculture, FAO 2001



- To review information on industry/market driven related experiences with poverty reduction, including recent initiatives with certification, views of buyers/supermarkets etc
- To identify some preliminary ideas about pro-poor trade options, for further investigation by the project case studies

### 1.3 EXPLANATION OF TERMS AND CONCEPTUAL ISSUES

It is useful out the outset to consider some conceptual issues that will underpin this project.

Firstly, if this project is to identify pro-poor trade mechanism, it is important to first define what we mean by “poor”. This will to a large extent be done during the case study field work in Vietnam, Indonesia and Philippines, but some discussion on the nature of poverty is presented below.

Secondly, during its evolution the project may need to consider what is meant by “pro-poor mechanisms” – i.e is the project trying to make recommendations to ensure a level playing field in terms of trade systems are not discriminatory against the poor, or will it seek to actually support and identify pro-active actions that can be taken. It may be that support is best provided by focussing efforts on ways to increase prices of product through improvements in quality etc, but working with those who are poor, rather than by focussing specifically on mechanisms that set out to be specifically pro-poor. Equally, can valuable export trade generating foreign exchange necessarily be considered as “pro-poor” given distribution issues of wealth creation?

Thirdly, the project will need to think at different levels e.g. international, regional, national, local. The project is intended to influence EU development assistance to make it more “pro-poor”. But in addition to exploring recommendations for EU action, we also propose to assess other initiatives that may prove to be pro-poor e.g. “fair trade”, branding, using the corporate social responsibility agenda, etc, and the extent to which such initiatives might be effectively supported by EU policy. We also plan to take some stance on which types and levels (e.g. international policy, private sector initiatives etc) of intervention would have the greatest impact, but equally which are likely to be most easily implemented.

Fourthly, during the course of the project we will need to explore further the balance of pro-poor mechanisms in terms of those focusing purely on improving employment conditions, and those attempting to affect improvements in income or livelihoods more generally.

Previous *definitions* of poverty have historically tended to focus on low earnings i.e. income poverty<sup>3</sup>. For example, the World Bank definition (still widely used) defines the poor as those living on less than \$1 a day. At the Millennium Summit in 2000, world leaders endorsed the target to halve extreme poverty by 2015, and the Summit confirmed the definition of extreme poverty as “people whose income is less than one dollar per day”, and added “people who suffer from hunger and [those] who are unable to reach or to afford safe drinking water”. However, it is now increasingly acknowledged that poverty is a complex, multi-dimensional concept, and is about much more than just income. The definition of poverty has correspondingly changed from one based on physiological deprivation (i.e. using Income/Consumption and Basic Human Needs approaches), to one that considers social deprivation and human poverty, social exclusion, and inadequate participation. The UN Millennium Summit also placed poverty in a broad context of social exclusion, rather than just a lack of income, reflecting the concerns that poverty is related to the process of social disintegration, and that economic liberalisation has undermined social cohesion.

The European Community's definition of “poverty” is a mixture of the above: “Poverty is multidimensional. People are poor when they lack the capability to meet adequate standards of well-being, in terms of economic, social and human security levels, civil rights and political empowerment. Thus poverty reduction is closely intertwined with development issues”.

---

<sup>3</sup> “Strategies for increasing the contribution of small-scale capture fisheries to food security and poverty alleviation” (COFI/2003/9) <http://www.fao.org/docrep/meeting/005/Y8111E.htm>.

Ideas about the *causes* of poverty have also changed to recognise the importance of a wide variety of forms of “capital”. These include economic/financial capital, human capital, social capital, political capital, cultural capital, physical, and natural capital. The availability and balance of these forms of capital can interact to result in changes in poverty. It is now also realised that “poor” fishers and their dependents are not a homogenous, unchanging group of people. The level of absolute and relative poverty, within and between fishing communities varies considerably by area, country, and region. Furthermore, despite the existence of poverty traps within fishing communities, people move in and out of poverty, as well as becoming more or less poor. While fishing communities are often relatively cash rich compared to farming communities - mainly because fish is a relatively high value commodity and generally available throughout the year - they remain vulnerable to sudden changes/loss of earnings. These changes in well-being mean that vulnerability issues must be explicitly included when addressing poverty.

This “new”<sup>4</sup> approach to considering poverty means that defining and measuring it has become increasingly difficult. Although the level of poverty in many fishing communities remains high, there are few empirical studies<sup>5</sup> focussing on an assessment of poverty in fisheries. Those that have been undertaken in the past have tended to focus on income and on the fishers themselves, rather than on a broader concept of poverty in fishing households and communities. Poverty assessment methodologies are now beginning to employ a variety of methods in an attempt to incorporate the changing ideas on poverty, including quantitative analysis, qualitative analysis, and spatial analysis.

---

<sup>4</sup> Many of these ideas are not “new” and have been considered for many years, but have only recently been brought together into mainstream thinking about poverty.

<sup>5</sup> Literature review of studies on poverty in fishing communities and of lessons learned in using the SLA in poverty alleviation strategies and projects. G. Macfadyen and E. Corcoran, 2002. FAO Fisheries Circular No. 979.

## 2 OVERVIEW OF MARINE PRODUCT TRADE BETWEEN ASIA AND THE EUROPEAN UNION

---

### 2.1 THE EU

#### 2.1.1 The EU and general consumption trends<sup>6</sup>

The European Union, with 377 million people in 2003, constitutes approximately 6% of the world's population. However, with 15 member states, the EU represents a variety of consumer tastes with varying markets. It is the world's leading exporter of goods and the second largest importer, accounting for a fifth of the world's trade. The EU economy grew by only 1% in 2002 due to a weakening of domestic demand and international demand for EU exports and global uncertainties. Economic growth is predicted to increase by 1.4% in 2003 and 2.2% in 2004.

The European Union (EU) is a union of sovereign member states. The EU consists of 15 countries. These countries are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom. The EU contains four of the ten largest economies in the world and has international influence in political and economic affairs that is rivalled only by the USA. The addition of 10 new member states by May 2004 will make the EU a market of over 480 million people with a GDP of about \$13.7 trillion.

The consumption patterns of member states within the EU are different, as a result of varying disposable income, shopping habits and preferences, so it is difficult to define one EU consumer. However consumption patterns across the EU are converging. Factors contributing to this convergence are household income, relative prices, demographic changes, and concern about nutrition and preventative dietary habits. In addition, the process is being assisted by the internationalisation of the food industry and a greater economic coordination within the EU.

The EU consumer typically has a high income, however a low percentage of total income is spent on food. Because of the low expenditure on food, the EU market is driven by consumer preferences, forcing food retailers to provide consumers with a variety of choices. Food, beverages, and tobacco represent about 20% of average EU family expenditures. Consumption patterns and consumer behaviour are changing in the EU. Food consumption in the EU is dominated by fresh foods and produce, however, the EU market has seen an increase in the demand for prepared, pre-packaged and convenience goods.

The majority of consumers regard quality and freshness, price and taste as the most important food product attributes. EU consumers have shown an increasing demand for value added products. This is satisfied by the continually growing choice of products. Increasing ethnic diversity as a result of immigration, and the fact that EU citizens are travelling more widely, both mean that there is increasing demand for diversified and exotic products. Consumers have demonstrated a growing concern over health and safety issues. Food safety confidence has been shaken by a number of crises in recent years. This has led to stricter laws and policies.

The EU consumer also has increasing amounts of leisure time and disposable income. In association, with decreases in costs of international travel and ever larger numbers of people travelling outside of Europe, EU consumers are being increasingly exposed to international product trends and availabilities – this in turn has raised awareness and demand for non-EU products, and the boom in diving holidays has raised awareness of the aquaria trade.

EU imports totalled € 1,679<sup>7</sup> trillion in 2001 while EU exports were € 1,609 trillion. Generally, the majority of trade for EU member states is with neighbouring EU countries. As a whole though, the

---

<sup>6</sup> Text in section 2.1.1 based on <http://atn-riac.agr.ca/europe/e3003.htm>

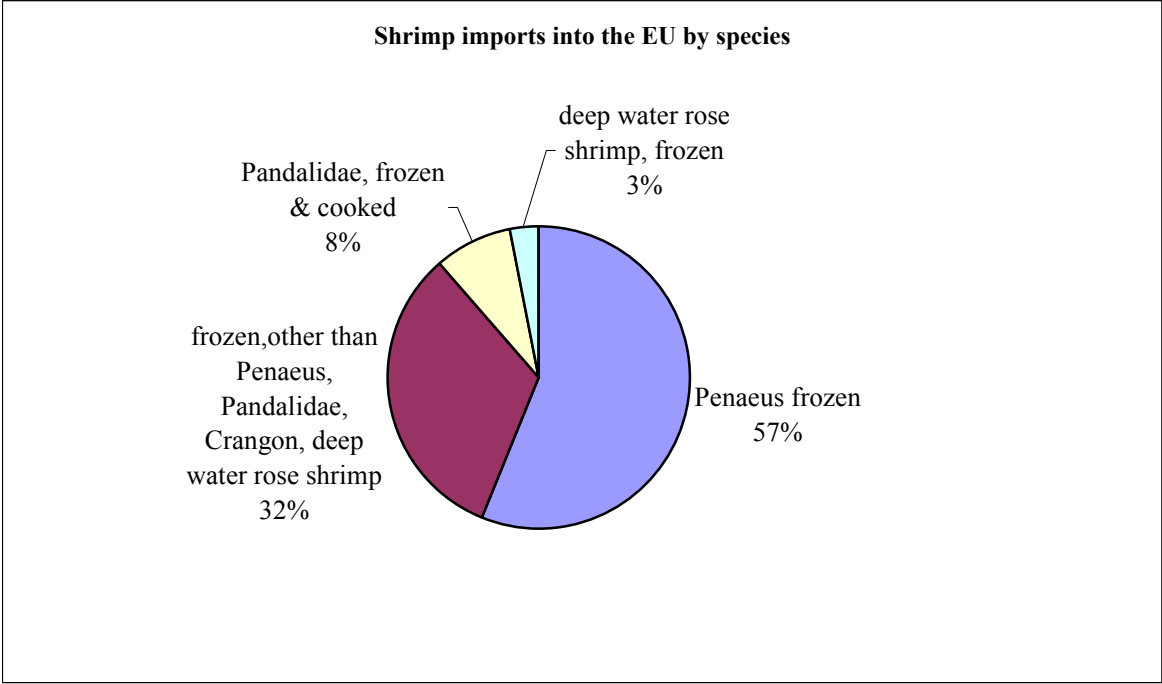
<sup>7</sup> Currency conversion (30 June 01): \$1 = €1.178

EU's top exporting destinations were USA, Switzerland, Japan, Poland and China. The EU's top importing sources are USA, Japan, China, Switzerland and Norway.

### 2.1.2 EU Shrimp Trade

Imports of shrimps and prawns into the EU accounted for € 2,101 million in 2001. Fifty seven per cent of the value (€ 1,176 million) was attributed to 'Penaeus' or warm water shrimps. This represents 149,000 tonnes.

Figure 1: Imports of shrimp and prawn species into the EU by value, 2001

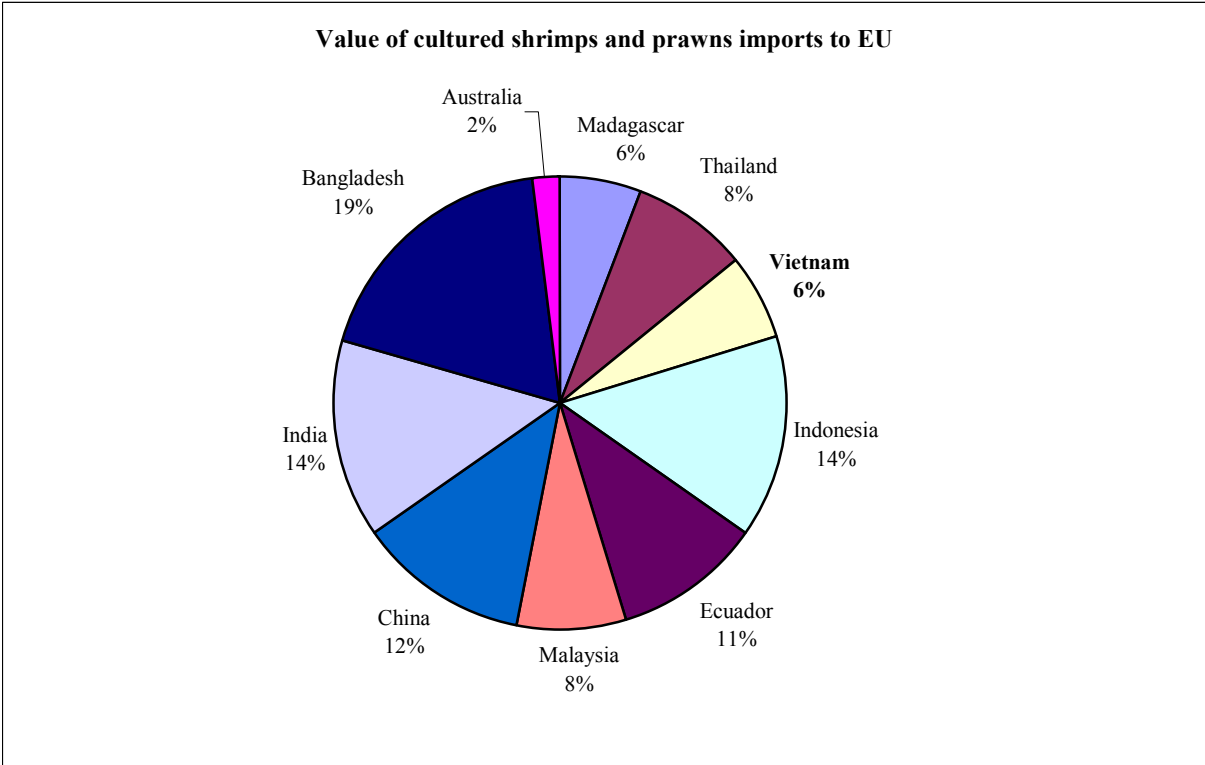


Source: Eurostat, 2002

Approximately half of the total value of imports is attributed to cultured fisheries. In terms of volume, 60% of the imports comprised Green tiger shrimps, 25% giant river prawns, and 15% others (white legged shrimp, banana prawn, Indian white prawn and metapenaeus).

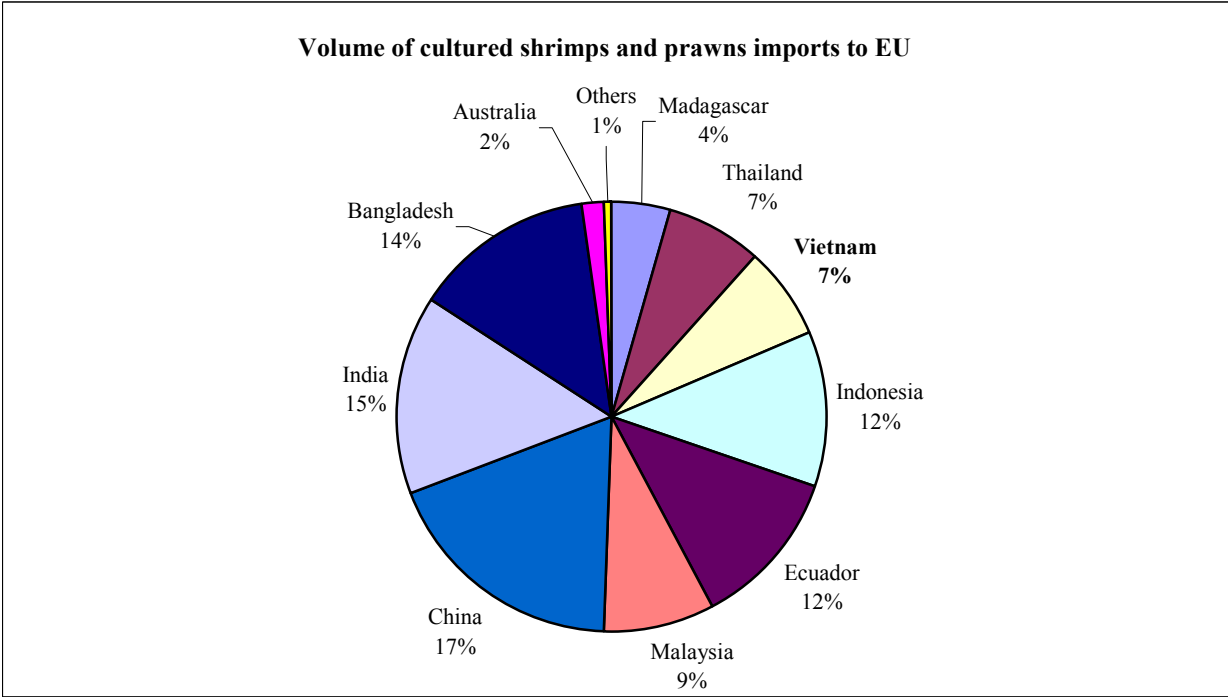
Figure 2 and Figure 3 below identify the principal countries supplying cultured shrimp by value and volume.

**Figure 2: Imports into the EU by value, 2001**



Source: Eurostat

**Figure 3: Principal importing countries by volume, 2001**



Source: Eurostat

As the Figures show, imports are sourced from a wide variety of countries, with Bangladesh, India, Indonesia, China and Thailand being the most important in terms of the value of imports. Vietnam ranks as the 8<sup>th</sup> most (Table 2-1) important nation to the EU. The principal EU destination countries of shrimp from Vietnam being: the UK, 2,019 tonnes (€ 12.35 million); Germany, 1,677 tonnes (€ 12.62 million); Netherlands, 787 tonnes (€ 4.99 million); Italy, 781 tonnes (€ 3.61 million) Belgium

390 tonnes (€ 14.29 million). All shrimp imported from Vietnam is Green Tiger prawn. Other large shrimp and prawn importing countries, notably France and Spain source from Madagascar and Thailand, with Spain also sourcing from China and Ecuador. Bangladesh, India, Indonesia, Thailand and Malaysia are also suppliers to the UK, Belgium, Denmark, Italy, Netherlands and Germany.

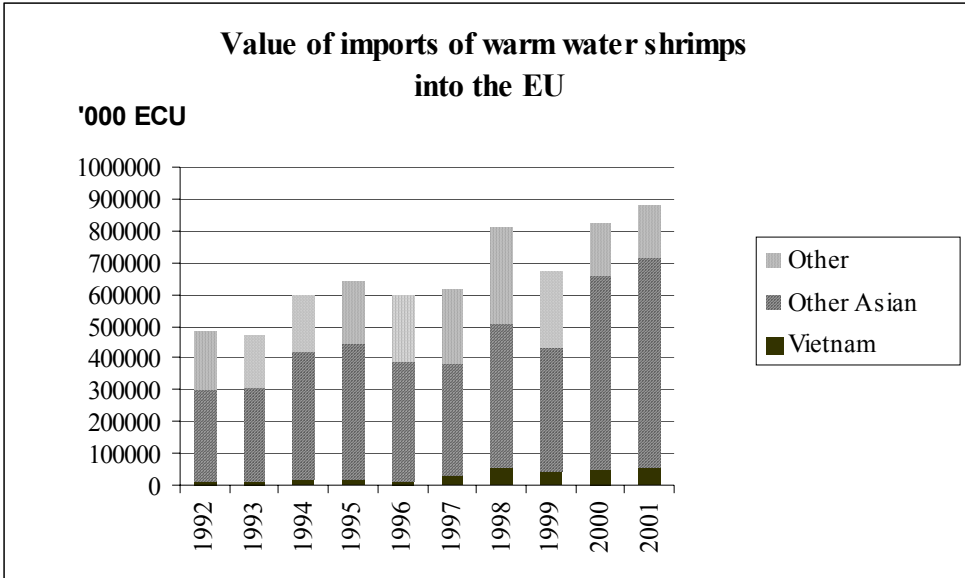
**Table 2-1: Value of imports of warm water shrimp to the EU, 2001(€'000)**

Country	€'000	Country	€'000
Bangladesh	162,364	<b>Vietnam</b>	<b>54,148</b>
India	124,753	Madagascar	49,789
Indonesia	124,710	Australia	16,422
China	105,278	Iran	2,544
Ecuador	93,390	Panama	2,454
Thailand	73,442	Sri Lanka	2,160
Malaysia	67,858	Philippines	1,436

Source: Eurostat

The historic trend (1992-2001) in imports into the EU (see Figure 4) shows the increasing reliance on Asian countries. The most significant increases in supply have come from China and Bangladesh. Much of this is due to the growth in popularity of the freshwater giant prawn. Imports to the EU from Vietnam have grown by four fold in the period 1992-2001.

**Figure 4: Value of imports of cultured shrimp**



Source: Eurostat

Over the same period the volume of imports of all shrimps and prawns increased by 46%. The volume and value of warm water species into the EU has increased by 65% and 140% respectively, increasing the market share of warm water species from 10% in 1992 to 34% in 2001.

Table 2-2 below summarises the identified imports for cultured *Penaeus* only. The global figures should be treated with some caution since there may be some exclusion of quantities within the trade classification for *Penaeus* (some imports may be declared as other prawns). The table shows higher than average prices in the principal producing countries of Bangladesh, Indonesia, Thailand and Madagascar, but lower prices for India and Vietnam.

**Table 2-2: Value of imports of Penaeus to the EU, 2001(€'000)**

Country	€'000	Tonnes	Average price / Kg	Deviation from the mean
Indonesia	94,886	10,203	9.30	+10%
Ecuador	85,712	12,289	6.97	-18%
Bangladesh	76,027	6,980	10.98	+29%
Thailand	51,500	5,342	9.64	+14%
Malaysia	51,261	6,848	7.49	-12%
Madagascar	48,886	4,953	9.87	+16%
India	48,204	6,876	7.01	-17
<b>Vietnam</b>	<b>37,418</b>	<b>4,706</b>	<b>7.95</b>	<b>-6%</b>
China	17,269	1,901	9.08	+7%
Iran	20,137	2,758	7.30	-14%
Australia	15,418	1,658	9.30	+10%
Sri Lanka	1,979	189	10.47	+24%
Panama	2,454	326	7.52	-11%
Total	551,151	65,029	8.48	

Source: Eurostat, 2002

The average prices recorded for shrimp imports into the EU have increased in recent years. The average price increase for all warm water species shows an increase in price of 45% (€5.5/kg to 7.9/kg in the period 1992-2001). This is equivalent to an increase of 17% in real terms. This is however a little simplistic since the prices also reflect a change in the composition/size grades of landings. In countries where Green Tiger shrimps represent the bulk of supplies into the EU, Thailand<sup>8</sup> and Vietnam, prices have increased by 16% and 55% in real terms respectively.

Table 2-3 below illustrates the size of the EU market for shrimps and prawns. The table shows varying degrees of preference for shrimp and prawn throughout the EU. The highest consumption levels are to be found in Spain followed by Denmark, Ireland and Sweden. The UK, Luxembourg, France, Portugal and Italy also represent above average levels of consumption. Netherlands, Belgium and Germany are generally low consumers of shrimp and prawns.

<sup>8</sup> Thailand 'Panaeus' prices were €6.75/kg in 1992 (@ 2001 prices = €8.3/kg), 2001 prices averaged € 9.63/kg; Vietnam 'Panaeus' prices were € 4.13/kg in 1992 (2001 prices = € 5.1/kg), 2001 prices averaged € 7.86/kg.

**Table 2-3: EU shrimp and prawn consumption, 2001**

Country	(a) Catch (Tonnes)	(b) Imports (Tonnes)	(c) Exports (Tonnes)	Consumption (a)+(b)-(c)	Kg per head
Austria	-	1,287	10	<b>1,277</b>	0.2
<b>Belgium</b>	<b>1,272</b>	<b>30,715</b>	<b>22,418</b>	<b>9,569</b>	<b>0.9</b>
Denmark	12,111	94,002	87,825	<b>18,288</b>	3.4
Finland	-	2,686	12	<b>2,674</b>	0.5
France	7,742	80,419	10,395	<b>77,766</b>	1.3
Germany	12,712	28,556	5,613	<b>35,655</b>	0.4
Greece	3,100	3,566	356	<b>6,310</b>	0.6
Ireland	7,342	3,545	1,155	<b>9,732</b>	2.5
Italy	11,786	68,137	3,532	<b>76,391</b>	1.3
Luxembourg	-	828	59	<b>769</b>	1.7
<b>Netherlands</b>	<b>14,937</b>	<b>33,624</b>	<b>33,786</b>	<b>14,775</b>	<b>0.9</b>
Portugal	3,783	13,635	3,731	<b>13,687</b>	1.3
Spain	28,645	135,624	16,471	<b>147,798</b>	3.7
Sweden	3,180	22,586	2,608	<b>23,158</b>	2.6
<b>UK</b>	<b>31,920</b>	<b>82,917</b>	<b>26,540</b>	<b>88,297</b>	<b>1.5</b>
Total	106,610	519,210	187,971	437,849	1.2

Source: FAO

The principal EU importing countries of warm water shrimps are identified in Table 2-4. This data includes supplies of trawl caught species. Countries such as France and Spain tend to rely more heavily on trawl caught products, the principal supplies coming from South and Central America East and West Africa.

**Table 2-4: Imports of warm water shrimps into EU countries, 2001**

Country	tonnes	€'000
Spain	59,801	440,394
France	26,427	225,782
<b>Netherlands</b>	<b>17,345</b>	<b>146,302</b>
<b>United Kingdom</b>	<b>13,886</b>	<b>108,398</b>
<b>Belgium</b>	<b>11,773</b>	<b>92,711</b>
Italy	10,190	70,393
Germany	5,440	58,028
Portugal	1,836	16,842
Denmark	1,269	9,774
Greece	606	5,463
Sweden	135	1,433
Ireland	13	115

Source: Eurostat, 2002

Imports of warm water shrimps into the EU amounted to 148,950 tonnes in 2001. Less than 1 % of the product was re-exported outside the EU<sup>9</sup>. However, there was some degree of intra Community trading, representing the equivalent of 10% of supplies. Key recipient countries were Belgium, UK,

<sup>9</sup> Eurostat, 2001 extra EC 'Panaeus' exports (outside the EU) for UK, Netherlands and Belgium were 1%.



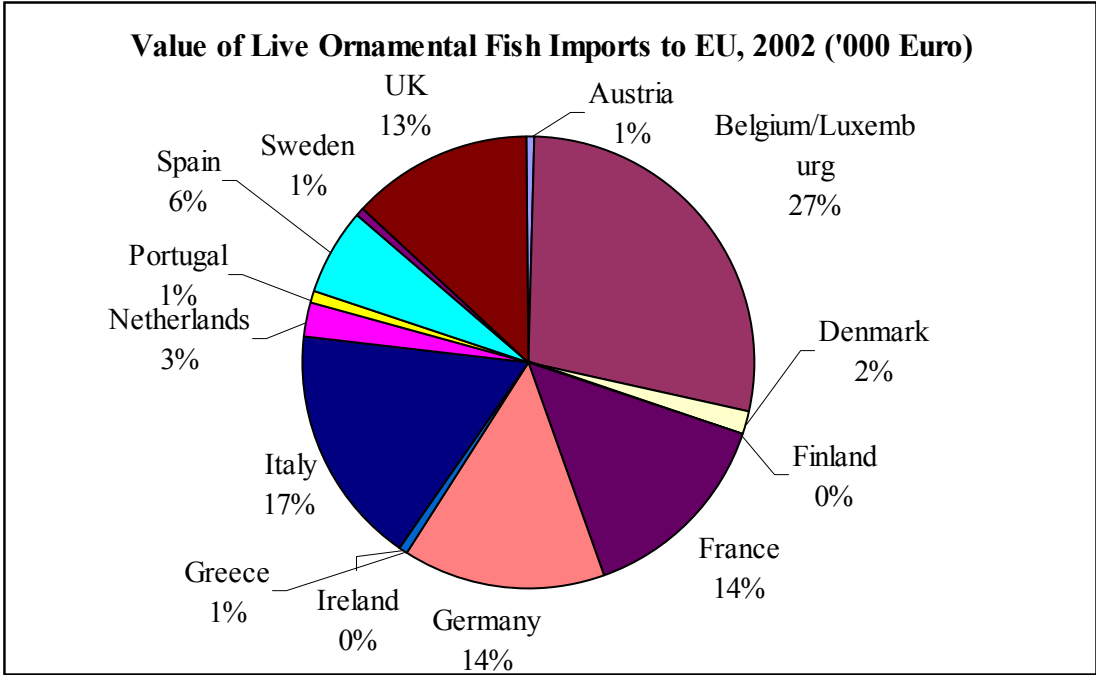
France and Spain. Key intra Community exporting countries were Netherlands, Spain, Germany and France.

For the UK and Netherlands/Belgium consumption of warm water prawns in 2001 against cold water prawns was 17 % and 32% respectively by value, and 20% and 34% by volume.

**2.1.3 Marine ornamental imports**

Imports of live saltwater fish into EU countries were valued at € 17.5 million in 2002, with around € 7 million being intra-EU trade. The most important markets in terms of the value of imports in 2002 were (in order of importance): Belgium/Luxemburg (€ 4.9 million), Italy (€ 3 million), Germany (€ 2.5 million), France (€ 2.5 million), and the UK (€ 2.3 million).

**Figure 5: Value of Live Ornamental Fish Imports to EU, 2002 ('000 Euro)**



Source: Eurostat/OATA

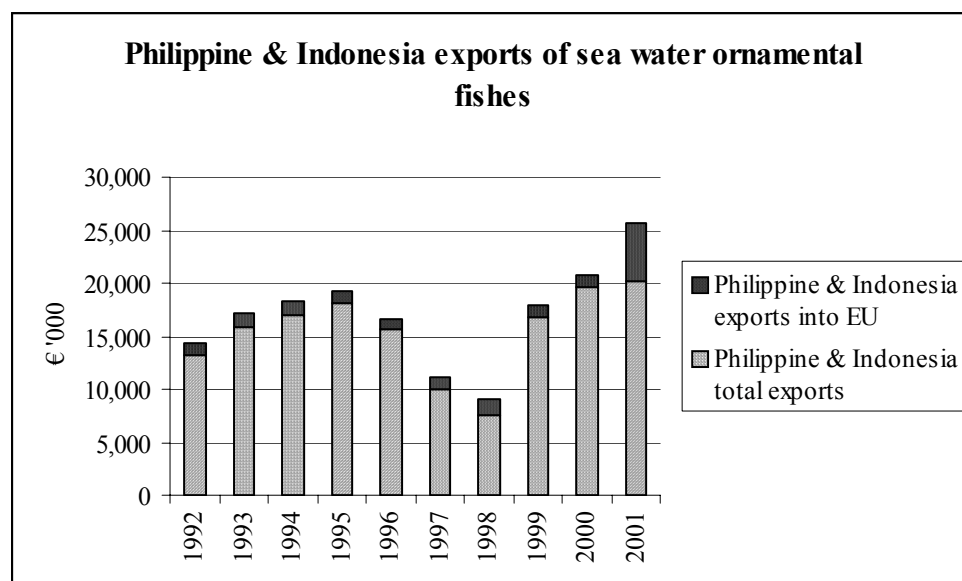
Imports are sourced from a wide variety of countries, with Indonesia, the USA, Sri Lanka and the Philippines being the most important in terms of the value of imports. (Note in addition that figures below exclude coral and other invertebrates, where global trade is even more strongly dominated by Indonesia).

**Figure 6: Value of imports of live saltwater ornamental fish to the EU, 2002 ('000 Euro)**

Country	€'000	Country	€'000	Country	€'000
Switzerland	10	Honduras	1	Maldives	504
Czech	2	Coast Rica	26	Sri Lanka	1,265
Hungary	3	Cuba	28	Thailand	12
Slovenia	1	Dominican Republic	86	Vietnam	66
Egypt	61	Antigua	2	<b>Indonesia</b>	<b>3,915</b>
Sudan	1	Barbados	19	Malaysia	13
Mauritania	2	Curacao	41	Singapore	265
Ivory Coast	6	Colombia	2	<b>Philippines</b>	<b>1,067</b>
Kenya	315	Surinam	2	Japan	23
Tanzania	8	Peru	6	Taiwan	2
Madagascar	6	Brazil	236	Australia	275
Mauritius	30	Iran	11	PNG	4
Mayotte	3	Israel	14	Solomons	8
South Africa	15	Saudi Arabia	393	Fiji	177
USA	1,523	UAE	15	Vanuatu	6
Canada	14	Yemen	49	Polynesia	53
Belize	3	India	53	Marshalls	12
				Other EU countries	6,801

Source: Eurostat/OATA

**Figure 7: Philippine and Indonesia exports of sea water ornamental fish, 1992-2001**



Data on the value of marine invertebrates and corals for the ornamental trade is difficult to get due to Eurostat coding<sup>10</sup>, but in most markets in Europe it is estimated that total fish imports represent 50-75% of the value of total marine ornamental imports (OATA Pers. Comm.). The EU typically accounts for around 100,000-200,000 stony coral pieces (15% of global imports), with the USA being

<sup>10</sup> EU code 050800 00 is defined as “coral and similar materials, unworked or simply prepared, but not otherwise worked, shells and cuttlebone, unworked or simply prepared but not cut to shape, waste and powder thereof”, and there is therefore no way of knowing how much coral as opposed shells and cuttlebone is being imported. Worked coral is recorded under a separate category (code 960190 10)

the main market and importing around 75% of all imports (Wabnitz et al, 2003). The most important importing countries in the EU are, in order of importance, Germany, France, the Netherlands, and the UK (Wabnitz et al, 2003). Indonesia represents 70-90% of all global exports.

Soft corals represent a relatively small trade, and are estimated at only 7% of all coral exports (stony and soft), and again Indonesia is the world's largest supplier.

Other invertebrates (e.g. starfish, clams etc) are also imported to the EU, the most important importing countries being the UK, The Netherlands, France, Germany and Italy. Indonesia and the Philippines are the two largest exporting countries.

## **2.2 UK**

### **2.2.1 Overview of consumption trends and shrimp imports**

Consumer expenditure on fish was £2,191 million in 2000, representing 3.9% of total food expenditure. Analysis of more recent data for 2002 shows that the real value of household purchases of fresh and frozen products combined increased by 12% between 1998 and 2002. In the retail sector, multiple retailers have historically accounted for about 70% of the volume and value of frozen UK retail sales, and this figure has not changed over the last decade. However, the last ten years have seen a dramatic change in the balance of the fresh fish and shellfish market supplied by the multiple retailers and the independent fishmongers. In 1992, multiple retailers sold less than 40% of the value of fresh fish products and 54% of the value of fresh shellfish product. By 2002, they supplied 70% of the value of household purchases of fresh seafood products, with fishmongers supplying just 14%.

The food service sector<sup>11</sup> is also an important one in the UK representing about 45% of the UK total market for fish, and is estimated to have made 2,005 million meals in 1996, rising to 2,172 million meals in 1998, and since falling slightly to 2,035 million meals in 2001<sup>12</sup>. Recent declines in the number of out-of-home fish meals are thought to have occurred as a result of increasing competition from other sectors e.g. deli-counters, snacking at home, and the rapid rise of in-home consumption of ready meals - between 1995 and 2000, in-home ready meal consumption, in terms of occasions, increased for frozen ready meals by almost 100% and for fresh/chilled ready meals by almost 200%.

Shrimp imports into the UK amounted to 25,100 tonnes in 2001 (Table 2-5), with a value of € 213 million. Strong links exist between the UK and India and Bangladesh, and Indonesia has also recently increased its penetration into the UK market. This may in part be to a recent rise in Thai duty to the EU from 4.2% to 12%. Imports of shrimps from Bangladesh and India penetrate both the restaurant and retail trade and include the Giant River prawn. Imports from Indonesia are the result of established links between a major UK processor / supplier and specific companies within this country. Vietnam's share of the UK market has fluctuated. Historically, supplies included wild caught produce. The emphasis has now changed to farmed culture.

---

<sup>11</sup> Sector includes: restaurants, quick service, pubs, hotels, leisure, staff catering, health care, education, services.

<sup>12</sup> Taylor Nelson Sofres, Mealtrak presentation, 2001

**Table 2-5: Imports of cultured shrimp Warm water into the UK, 2001**

Country	tonnes	% vol	€ ('000)	% val	€/kg
India	7,998	32%	62,980	30%	7.9
Bangladesh	6,183	25%	58,061	27%	9.4
Indonesia	5,714	23%	51,818	24%	9.1
<b>Vietnam</b>	<b>2,019</b>	<b>8%</b>	<b>12,345</b>	<b>6%</b>	<b>6.1</b>
Thailand	1,991	8%	15,688	7%	7.9
Ecuador	516	2%	5,983	3%	11.6
Malaysia	384	2%	3,271	2%	8.5
China	199	1%	1,665	1%	8.4
Madagascar	47	0%	424	0%	9.0
Philippines	36	0%	363	0%	10.1
Sri-Lanka	10	0%	88	0%	8.8
Australia	6	0%	61	0%	10.2
Total	25,103	100%	212,747	100%	8.5

Source: Eurostat, 2001

The above represents both *Penaeus* and others. Table 2-6 below summarises the import data for '*Penaeus*' only. The principal supplying countries are: Indonesia, India, Vietnam and Thailand. Prices recorded are above average for Bangladesh, Ecuador and Indonesia, but are below average for Vietnam, Thailand and India.

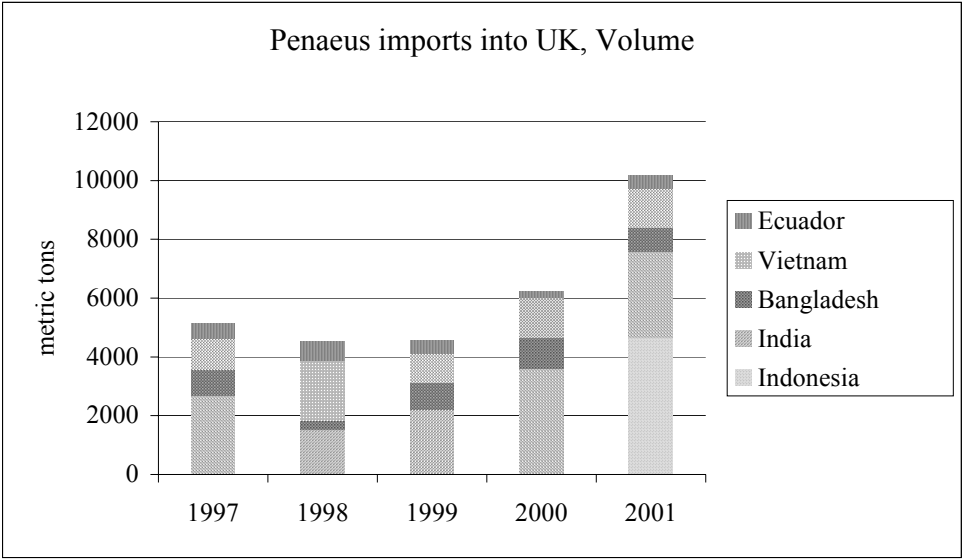
**Table 2-6: Imports of *Penaeus* into the UK**

Country	tonnes	% vol	€'000	% val	€/kg	deviation from the mean
India	2,951	25.20	19,858	21.03	6.73	-16.55%
Bangladesh	807	6.89	8,446	8.95	10.47	+29.79%
Indonesia	4,645	39.67	39,545	41.89	8.51	+5.58%
<b>Vietnam</b>	<b>1,335</b>	<b>11.40</b>	<b>9,138</b>	<b>9.68</b>	<b>6.84</b>	<b>-15.11%</b>
Thailand	1,028	8.79	7,949	8.42	7.73	-4.11%
Ecuador	427	3.65	4,691	4.97	10.99	+36.24%
Malaysia	253	2.16	2,382	2.52	9.42	+16.76%
China	150	1.28	1,366	1.45	9.11	+12.94%
Madagascar	47	0.40	424	0.45	9.02	+11.88%
Iran	38	0.32	316	0.33	8.32	+3.11
Panama	27	0.23	293	0.31	10.85	+34.58
Total	11,708		94,408		8.06	

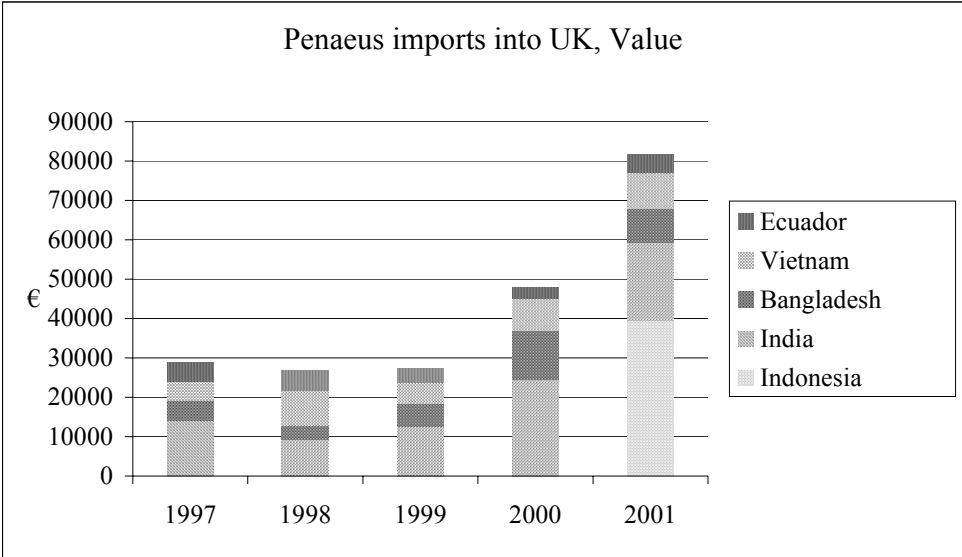
Source: Eurostat

Figure 8 and Figure 9 below summarise the trend in imports from the UK's main suppliers. The diagrammes show marginal increases in imports between 1997 and 2000, but a substantial increase in 2001 with the addition of supplies from Indonesia.

**Figure 8: Volume ‘Penaeus’ imports from principal supplying countries into the UK**



**Figure 9: Value ‘Penaeus’ imports from principal supplying countries into the UK**



Two thirds of the market for warm water prawns is via the catering trade. This is almost exclusively through ‘Indian’ restaurants. The wholesale value of this market is equivalent to €86 million. This compares with a value for retail sales of € 31 million (Seafish 2003). However, ‘Penaeus’ is being increasingly displaced by Macrobracium within the catering sector. Moreover, recent market information suggests an 11% decline in year on year warm water shrimp expenditure in the retail sector (Seafish/TNS Super Panel), as compared with a 23% increase in consumption in the catering sector. In contrast coldwater prawn sales were up by 16% between 2002/2003 in the retail sector. Much of this is because of price. Warm water prawns retail at € 23.1/tonne, whereas coldwater prawns retail at € 11.73/tonne. Warm water prawns had seen a 9% increase in price between 2002/2003. Value for money is seen as the one of the most important purchasing criteria amongst UK consumers (Table 2-7).

**Table 2-7: Differing needs of supermarket customers, 2002**

Rank	Upmarket	Midmarket	Less affluent
1	Quality of food	Value for money	Value for money
2	Value for money	Quality of food	Prices
3	Queues at check-out	Price	Quality of food
4	Price	Queues at check-out	Shopping environment
5	Customer service	Stock levels	Special offers

Source: TESCO Customer Research, 2002

Despite the recent blip in demand, the market for warm water prawns has increased by 26% between 1998 and 2003. This is in contrast to a 14% increase in cold water sales over the same period. The market can be said to be heavily price sensitive (Seafish, 2003).

### 2.2.2 Marine ornamental imports<sup>13</sup>

The hobby of keeping ornamental fish in either aquariums or ponds is popular on a global basis. In the UK it is estimated that 14% (3-3.5 million households) of all households own either an aquarium or a pond. This makes them the third most popular pet group after cats and dogs. The population of pet fish in the UK is in the region of 140 million. The average fishkeeper in the UK has 22 fish at home, however just under 7% of hobbyists keep more than 100 fish and over 40% of the total number of pet fish owned.

The number of species entering the UK each year is significant, and includes around 20 types of coldwater species of goldfish and koi, up to 1,000 species of freshwater tropical fish and invertebrates, and more than 1,000 species of fish and invertebrates from marine tropical habitats. H. M. Customs and the State Veterinary Service figures indicate the UK imports approximately 350,000 marine ornamentals a year, which weigh around 235 tonnes (Abacus data services)<sup>14</sup>.

Collectors appear to be from a wide range of social classes and locations, and given the fact that purchasers are more “collectors” than “consumers”, demand appears to be relatively price inelastic, with purchasers keen to acquire a particular product/species. Aquaria collectors tend to specialise in cold water species, freshwater tropicals or marine tropicals, so prices of marine tropicals are not strongly determined by prices of coldwater or freshwater tropical species. Interviews conducted with the trade as part of this study suggest that price determinants for individual species can be divided into three types:

- Very important factors: these include rarity value, particular characteristics of species (e.g. colour, oddity, etc) and survival rates.
- Quite important factors: these include seasonality of demand and supply, the general strength of the economy, regulatory costs, and reputation of source country
- Not very important factors: prices of freshwater tropical species, prices of coldwater species

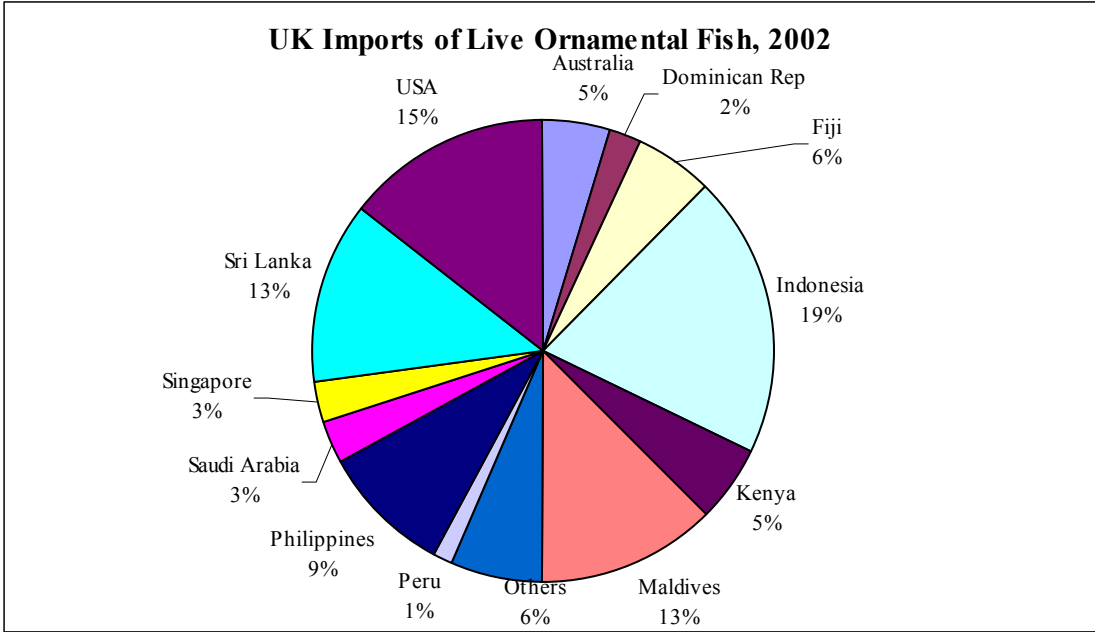
The value of tropical marine fish imports in 2002 was Euro 2.3 million, with Indonesia the most important source country (Euro 467,000), then the USA (Euro 344,000), Sri Lanka (Euro 298,000), Maldives (297,000), and the Philippines (Euro 220,000). Data on the value of marine invertebrates and corals for the ornamental trade is difficult to get due to Eurostat coding, but in most markets in Europe it is estimated that total fish imports represent 50-75% of the value of total marine ornamental imports

<sup>13</sup> Information provided by, or sourced from the Ornamental Aquatic Trade Association (OATA) 2003 <http://www.ornamentalfish.org/aquanaut/>

<sup>14</sup> Previous reports have indicated much higher figures for the weights because their authors have failed to properly recognise the very small percentage of the weight of ornamental fish freight which is actually live fish, the remainder being water and packaging

(OATA Pers. Comm.). This would value UK marine imports at between Euro 3.1 and 4.6 million. The total import value of marine and freshwater species is estimated to be around £14 million (~Euro 20 million) with a final retail sales value of all related sales such as dry goods, tanks, equipment etc, of around £300 million (~Euro 450 million). Applying this relationship between import values (C.I.F.) and final retail sales (i.e. x 20), we can estimate that the total UK retail value of the marine ornamental market is between Euro 65-100 million. (Note this is not a mark up made in the UK on fish, but includes all related sales).

**Figure 10: UK Imports of Live Ornamental Fish, 2002**



Source: Eurostat/OATA

**2.3 BENELUX**

**2.3.1 Shrimp imports**

Table 2-8 below summarises the import data for ‘Penaeus’ only. The principal supplying countries are: Bangladesh, Ecuador, Malaysia, Vietnam and Thailand. Prices recorded are above average for Bangladesh, Indonesia, Malaysia and Thailand but are below average for Ecuador and Vietnam.

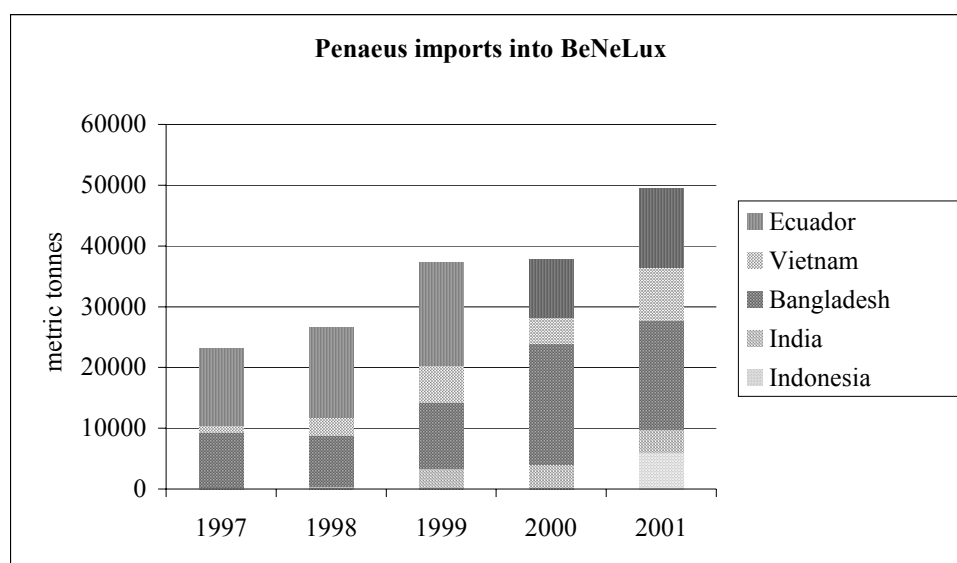
**Table 2-8: Imports of shrimp (Penaeus) into BeNeLux, 2001**

Country	Tonnes	% vol	€'000	% val	€/kg	deviation from the mean
Bangladesh	4234	26.44	46317	32.54	10.94	+23%
Ecuador	3414	21.32	20987	14.75	6.15	-31%
Malaysia	1926	12.03	17836	12.53	9.26	+4%
Indonesia	1425	8.90	13600	9.56	9.54	+7%
<b>Vietnam</b>	<b>1539</b>	<b>9.61</b>	<b>12573</b>	<b>8.83</b>	<b>8.17</b>	<b>-8%</b>
Thailand	1280	7.99	12213	8.58	9.54	+7%
Madagascar	486	3.04	5756	4.04	11.84	+33%
India	900	5.62	5862	4.12	6.51	-27%
Iran	555	3.47	4578	3.22	8.25	-7%
Sri Lanka	189	1.18	1979	1.39	10.47	+18%
Philippine	42	0.26	524	0.37	12.48	+40%
Panama	21	0.13	99	0.07	4.71	-47%
Total	16,011	100	142,324	100	8.89	

Source: Eurostat, 2001

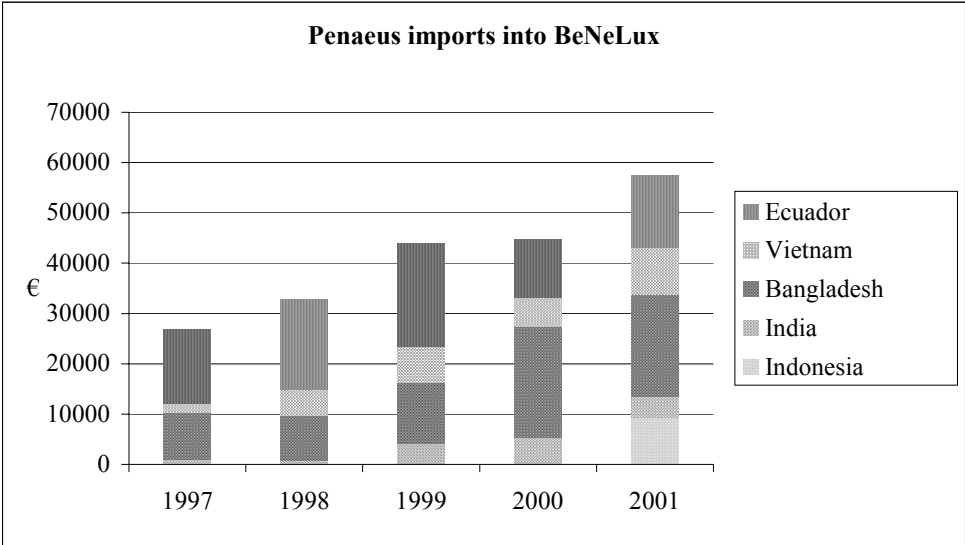
Figure 11 and Figure 12 below summarise the trend in imports from the BeNeLux's main suppliers

**Figure 11: Volume of 'Penaeus' imports from principal supplying countries into the UK**





**Figure 12: Value of ‘Penaeus’ imports from principal supplying countries into the UK**



Source: Eurostat

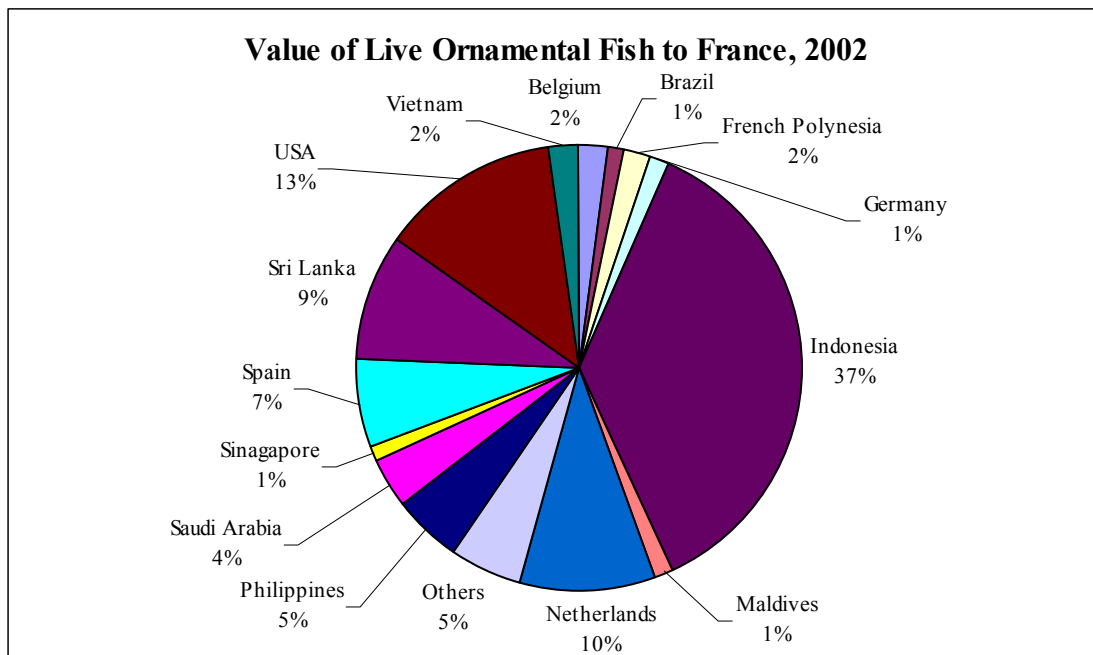
The above illustrates the fact that Vietnam’s share of the market has increased significantly between 1997 and 2001. Bangladeshi supplies dominate along with those from Ecuador. Indonesia also emerged as a main supplier in 2001.

**2.4 FRANCE**

**2.4.1 Marine ornamental imports**

French imports of live ornamental tropical marine fish in 2002 were valued at Euro 2.48 million. The most important source countries were Indonesia (Euro 904,000), USA (Euro 323,000), the Netherlands (Euro 240,000), Sri Lanka (Euro 224,000), Spain (Euro 164,000), and the Philippines (Euro 121,000). Imports are strongly concentrated from Indonesia (see Figure 13 below). Applying the same scaling factors as suggested for the UK in Section 2.2.2, total annual marine sales of fish, coral and invertebrates can be estimated as Euro 3.2 – 5.0 million, with total final retail sales from species (marine and freshwater) and related equipment, dry goods etc, estimated at between Euro 70 and 106 million.

**Figure 13: French Imports of Live Ornamental Fish, 2002**



Source: Eurostat/OATA

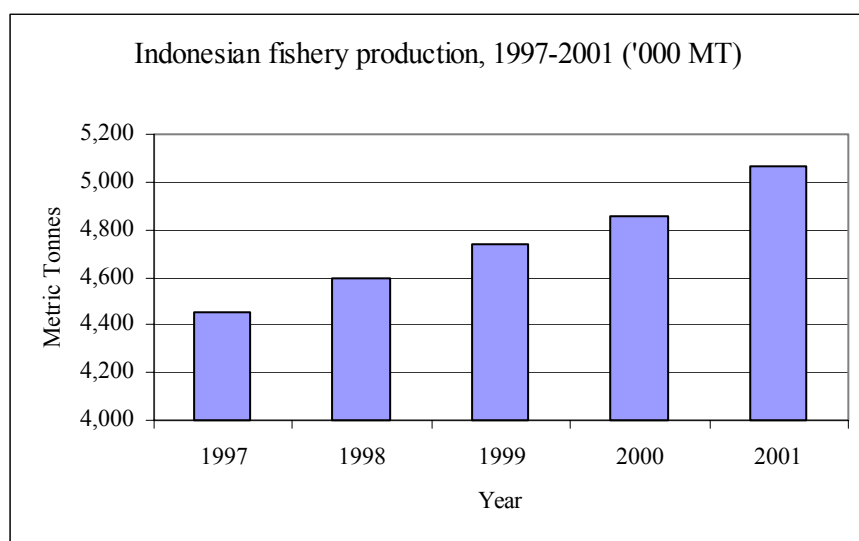
Collector/consumer profiles and price determinants appear similar to those in the UK. Consumers are from a wide range of social classes and locations, and given the fact that purchasers are more “collectors” than “consumers”, demand appears to be relatively price inelastic, with purchasers keen to acquire a particular product/species. Aquaria collectors tend to specialise in cold water species, freshwater tropicals or marine tropicals, so prices of marine tropicals are not strongly determined by prices of coldwater or freshwater tropical species. Interviews conducted with the trade as part of this study suggest that price determinants for individual species can be divided into three types:

- Very important factors: these include rarity value, particular characteristics of species (e.g. colour, oddity, etc) and survival rates.
- Quite important factors: these include seasonality of demand and supply, the general strength of the economy, regulatory costs (especially veterinary checks), and reputation of source country
- Not very important factors: prices of freshwater tropical species, prices of coldwater species

## 2.5 INDONESIA

### 2.5.1 Total fishery production and exports

Figure 14: Indonesian fishery production, 1997-2001 ('000MT)



Source: FAO

### 2.5.2 Marine ornamental production and exports

Indonesia is the largest exporter of ornamental marine species in the world. The ornamental business enjoys an ever-increasing growth in demand, especially from the export markets.<sup>15</sup> The industry reaped some US\$ 11.3 million in foreign exchange export revenue in 2001. Business is most strongly concentrated in Jakarta and Bali, and in a few other coastal areas in Java.

Demand remains strong from regular buyers, especially in Japan, the US and Europe. However, despite the demand, exporters face impediments to supplying overseas clients. The Indonesian Coral, Shell and Ornamental Fish Association (AKKII) reports that Indonesian ornamental fish exporters face serious problems and difficulties in packaging the fish and marketing techniques, but most of all with bureaucratic hurdles. One of the most costly elements is reported by some businesses to be the costs of export licenses from the Ministry of Maritime Affairs and Fisheries and Ministry of Forestry.

Indonesia's most sought after freshwater ornamental fish include the Red Dragon (*Sclerophages Formosus*) from Kalimantan, the Cloan Loach (*Botia Maracantha*, *Botia Hymenophysa*) from Jambi, the Celebes Rainbow Fish (*Telmatherina Ladigesii*) from Sulawesi and the (*Sclerophages Jardini*) from Papua, Suyatno said. But Indonesia has more than 100 species of freshwater ornamental fish and more than 2,000 species of marine ornamental fish.

Exports to the EU in 2002 of live saltwater fish were around Euro/\$ 4 million (CIF). France, Italy, Germany, Belgium/Luxembourg and the UK were the most important destination markets.

Of particular relevance to this project is the huge proportion of globally traded corals that originate in Indonesia – estimated at 70-90% of global trade. Indonesia is the world's largest exporter of both stony and soft corals, but not of live rock<sup>16</sup> for which Fiji is the global leader in exports. At least 450 coral species belonging to around 79 genera have been recorded in Indonesian waters (Tomascik et al 1997)

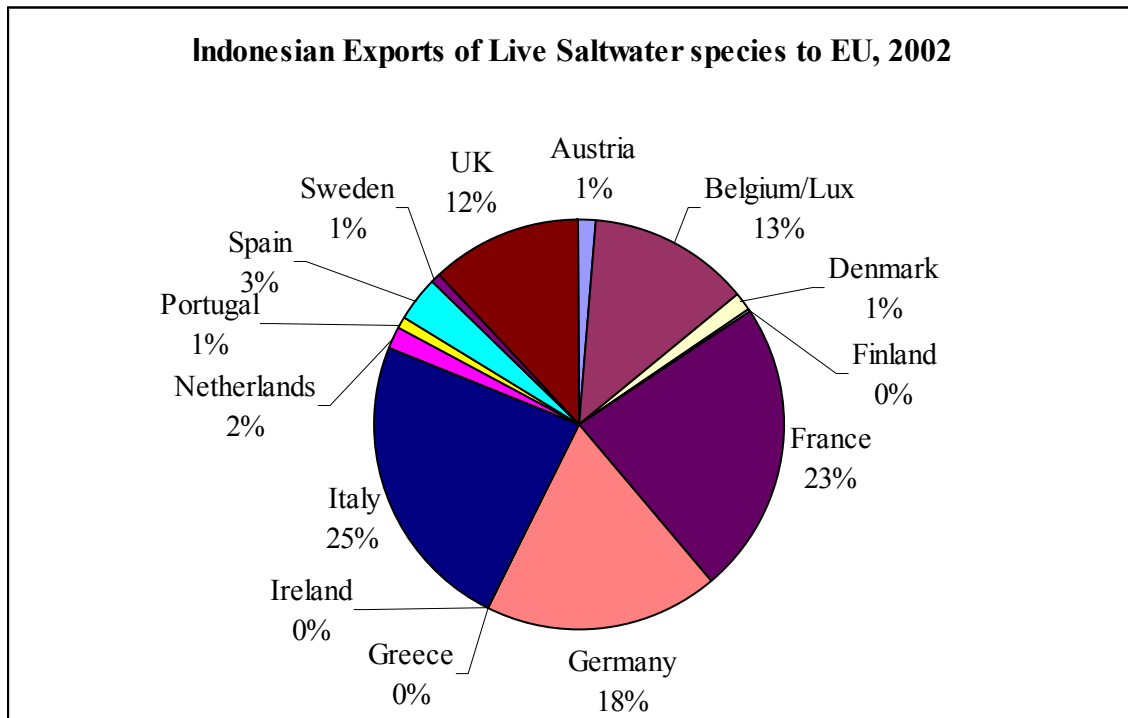
<sup>15</sup> <http://www.nafed.go.id/news/index.php?artc=67>

<sup>16</sup> Defined as “pieces of coral rock to which are attached live specimens of invertebrate species and coralline algae not included in the CITES Appendices and which are transported moist, but not in water, in crates”

Indonesia exports of marine corals and invertebrates are now estimated at around 700,000 stony coral specimens each year (Wabnitz et al, 2003), valued at around \$2.5-3 million<sup>17</sup>. Indonesia exports corals to around 35 countries each year, the major importers being USA (~64%), Japan (11%), France (~7%), Germany (~5%), The Netherlands (~4%), and Canada (~2%) (Lilley, 2001).

In 1997 Indonesia introduced export quotas, with quotas being broken down by species with a separate quota for each of the 10 provinces where collection takes place. However a CITES Scientific Review Group for the EC in 1999 questioned the scientific basis for the export quotas and the EU imposed a temporary suspension (still ongoing for many) of the export species of stony coral. Since these import bans, exports have been switched to other markets such as the USA.

**Figure 15: Indonesian Exports of Live Saltwater species to EU, 2002**



Source: Eurostat/OATA

### 2.5.3 Socio-economic importance

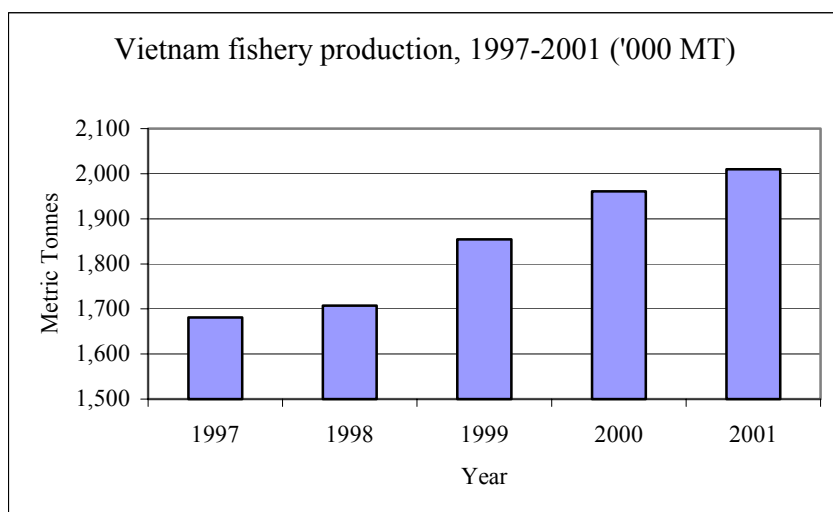
Information on the socio-economic importance of the ornamental trade will be contained in the Output 2 reports from this study.

<sup>17</sup> F.O.B. price of Indonesian coral estimated as \$2.3 per live piece (mean minimum across different species) and \$5.68 per piece (mean maximum) in 1999 (Green and Shirley 1999)

## 2.6 VIETNAM

### 2.6.1 Total fishery production and exports

**Figure 16: Vietnamese fishery production, 1997-2001 ('000MT)**



Source: FAO

Annual fish production in Vietnam now exceeds 2 million tonnes. Fish exports from Vietnam have been increasing rapidly in recent years with export of aquatic products exceeding \$2 billion in 2002, up by nearly 45% from 2000, driven largely by increases in aquaculture (Tuan 2003). By the end of 2001, aquaculture was practiced in 1.7 million hectares (Ha), of which, 955,000 Ha was being regularly used (fresh water area of 425,000 Ha). The target of the industry is to reach an export value of \$3 billion in 2005 (Nguyen 2002).

Exports are primarily composed of farmed shrimps, but other exports include molluscs, grouper, snapper, catfish, tilapia, gourami, snakehead, eel, soft shell turtle, and frog. Vietnam exports large quantities and value of both marine and freshwater species. Main export markets are currently Japan, the US and the EU. Exports to Asia, especially China, are expected to increase in the coming years, so that by 2005 Japan would have the largest share of aquatic exports (33%), Asia (21%), North America (21%), and the EU (17%) (Tokrisna 2003)

**Table 2-9: Market share of Vietnamese total seafood export**

	1997	2000	2001
<b>Japan</b>	50%	33%	26%
<b>USA</b>	5%	21%	28%
<b>EU</b>	10%	7%	6%
<b>China</b>	14%	20%	18%
<b>Others</b>	21%	19%	22%

Source: VASEP, 2002

As shown in Table 2-9, the main markets for Vietnamese seafood export have experienced profound changes during the period 1997-2001: from a dominating position on the Japanese market to a more diversified structure less dependent on a single market. Furthermore, it is interesting to note that the Chinese market has increased in importance and that other markets are keeping their share of the total export.

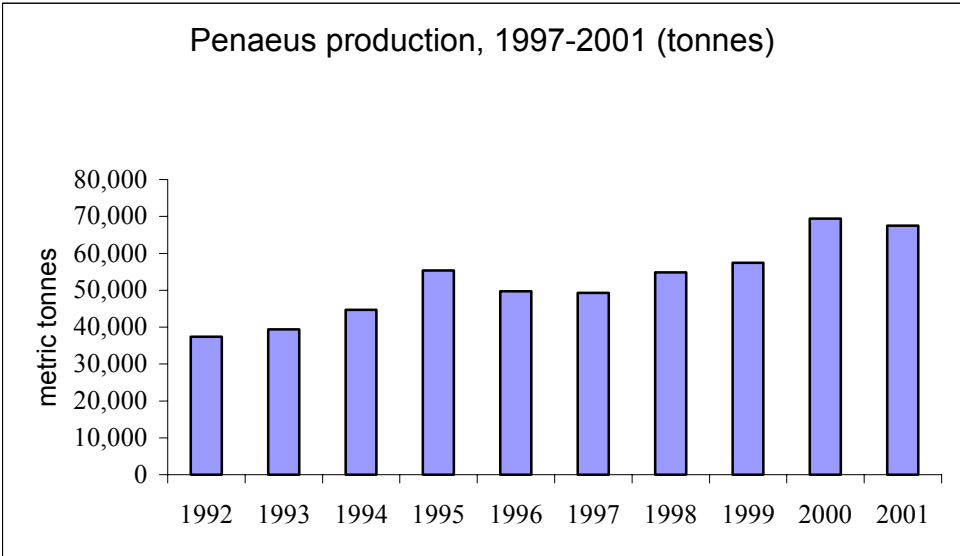
### 2.6.2 Shrimp production and exports

Vietnamese shrimp production accounted for 157,500 tonnes in 2001. Farmed production accounted for 43% of this total. Farmed production has increased by around 80% in the last 10 years (Figure 17). Farmed production includes the Giant Tiger Prawn (76%), the Banana prawn (21%), and the Indian white prawn (5%). Domestic consumption accounted for 70,623 tonnes with exports of a further

86,877 tonnes (FAO, 2002). Domestic fish consumption is said to be falling because of increased westernisation of the diet (Minot). Exports of *Penaeus* have increased by 77% in the period 1992 to 2001.

The farming system mainly consists of extensive farming with an average production of 200-500 kg per ha. But in recent years there has been a development towards semi-intensive farming typically with a production of 600-900 kg per ha. Former rice farmers, who have restructured their land for aquaculture shrimp farming, mainly run these types of farms. Production takes 4 months and there are usually two production cycles.

**Figure 17: Vietnamese ‘Penaeus’ culture production, 1997-2001 (MT)**



Source: FAO

**Destination markets**

**Figure 18: Vietnamese shrimp exports, 1997-2001 (Value)**



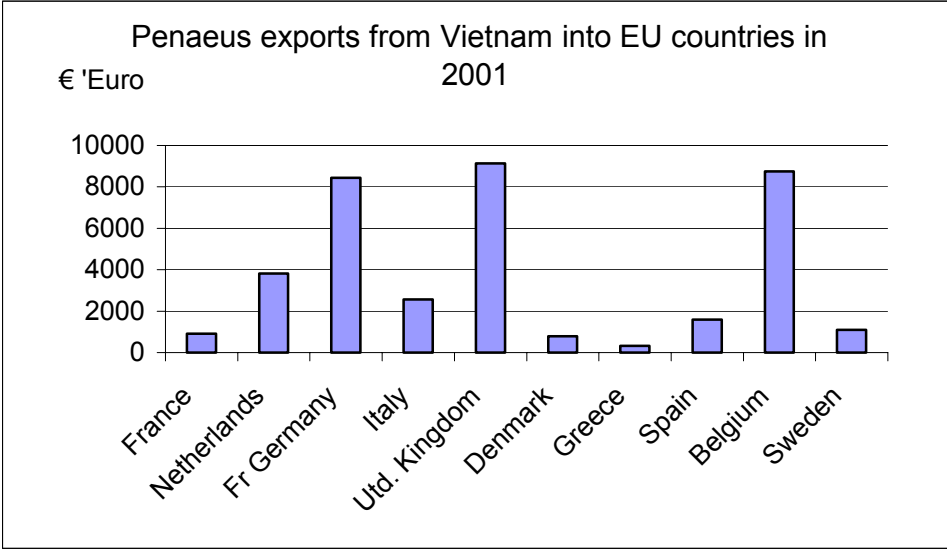
Japan has historically accounted for 50% of shrimp exports from Vietnam. However, sales to Japan stabilised in 1995 and with the increases in domestic production and exports, the percentage of shrimp exports to Japan has now fallen to 26% (Lindahl. J., 2003). Shrimps to Japan are only subject to a 6% tariff in general and 5% under the WTO agreement. Vietnam has a 15% share in the Japanese market, and is the second most important supplier after Indonesia.

Exports to the US and EU markets have increased substantially since companies succeeded in obtaining HACCP and EU code approvals<sup>18</sup>. Exports to the US also increased as a result of the switch in trade links from Ecuador to Vietnam. This was as a result of the 1998 white spot blight in Ecuador. Import duties were then reduced from 40% to 3%, and exports to the US have increased from 5% of the Vietnamese total to 26% in 4 years. Vietnam now has a 9% share of the US market and ranks as the third most important supplier after Thailand and Ecuador.

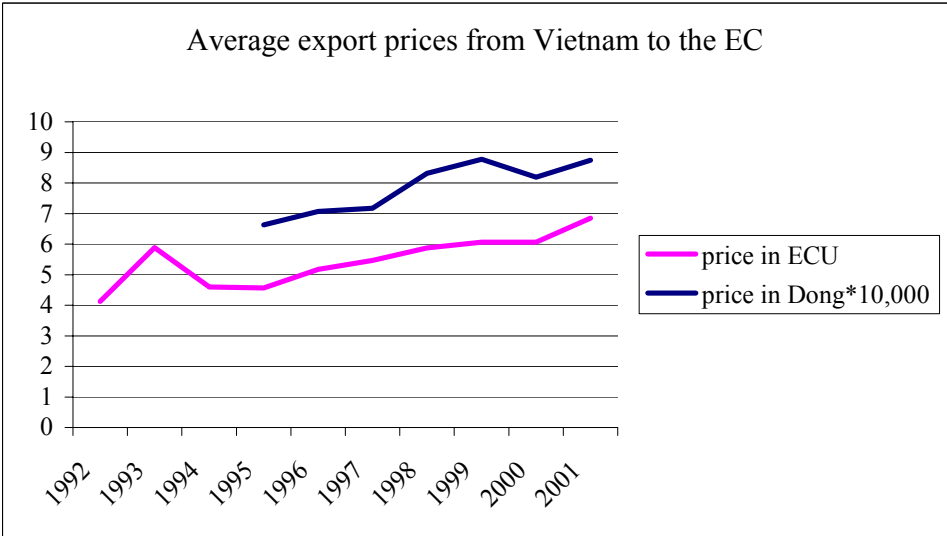
China represents the third largest shrimp market for Vietnam. Exports now account for 18% of demand, and demand is expected to increase when shrimp import tariffs are lowered from the current 24-27% to 12% by 2004, and down to 5% in 2009.

With the limited ability to export additional product to Japan against the threat of price competition, increasing impediments about information on product requirements and the threat of protectionism, the EU represents a strong emerging market.

**Figure 19: Exports from Vietnam to the EU**



**Figure 20: Average export prices from Vietnam to the EU**



While average export prices for Vietnamese product sold in the EU have been rising, they still remain below prices paid for product from many other countries as already highlighted in Table 2-2.

<sup>18</sup> Japan has no trade certification system.

Interviews with buyers in the EU conducted as part of this study suggest that on the positive side, where traders have had experience in dealing with Vietnam, quality was identified as being a strong asset for the country as a whole – hence the reason why Vietnamese / Japanese linkages are strong. However, Vietnam’s old linkages to State Owned Enterprises (SOEs) (see Section 3.1) and traditional markets have caused problems - while for most EU suppliers traceability is extremely important, traceability has not historically been seen by Vietnamese producers as being a significant issue. This is because they are geared up to the three other main markets that don’t historically require it. In Japan quality is inspected but traders/consumers are happy provided that the product meets quality specifications. In the US quality is inspected on import and traceability issues are largely ignored because of a greater need to satisfy USDA requirements. And in China sales are limited to production from Northern Vietnam. As a result, sales to the EU have been at lower ends of the scale – smaller grades, commanding lower prices.

### **2.6.3 Socio-economic importance**

It is estimated that there are more than 3 million people in Vietnam who depend either directly or indirectly on fisheries for their income. Ninety percent of all fishers are artisanal and small-scale (Tuan, 2003), and most of them are very poor. The fisheries sector is a significant source of income, not only in the case of full-time fishers, but also for households that combine fishing as a component of their wider livelihood strategies. The biggest source of fishing and aquaculture income is generated from the Mekong Delta, where between 60% and 70% of households are involved in aquaculture. In this area the average income from aquaculture rearing ranges from US\$36 - 79.00 per month. Almost all aquaculture producers are small-scale in their activities, and private households, although some co-operatives have recently been established.

The aquaculture sector provides employment for 668,000 workers, and shrimp aquaculture accounts for more than half of this. 80% of the raw material input in the south of Vietnam comes from aquaculture shrimp production. This sector has developed in four areas: Nha Trang and Olan Thiet and the Mekong Delta in the south of Vietnam, Danang in the middle of the country and Hai Phong in the north. The fastest growing area is found in the Mekong Delta. Production in Hai Phong is limited by lack of processing capacity, inefficient marketing and distribution systems, lack of capital and exposure to risk, largely because inadequate use of inputs. This is expected to change as the tariff rates from neighbouring China decrease and the trade linkages expand.

Additional socio-economic information will be contained in the Output 2 reports of this study.

## **2.7 PHILIPPINES**

### **2.7.1 Total fishery production and exports**

At current prices, fishery production in the Philippines contributes 2.3% of total GDP.



**Figure 21: Philippines Export of Marine Products, 1998 to 2002, (FOB Value In Thousand US Dollars)**

	1998	1999	2000	2001	2002	% Share 2002	Ann. Ave. Growth
Total	441,992	370,192	398,245	369,618	409,113	100	-1.29
Shrimps & Prawns	130,294	127,607	144,651	125,761	140,856	34.43	2.56
Tuna	203,094	136,634	127,287	117,056	144,289	35.27	-6.08
Canned Tuna	130,120	78,113	64,492	68,802	93,250	22.79	-3.8
Fresh/Frozen/Chilled Tuna	72,973	58,205	61,896	47,475	50,647	12.38	-7.63
Tropical Fish	6,396	6,474	6,741	6,471	6,438	1.57	0.21
Other Marine	84,732	86,743	107,665	108,281	105,439	25.77	6.11
Octopus	24,900	31,599	24,460	28,885	32,181	7.87	8.45
Fish Fillets	6,502	9,763	10,213	5,190	3,562	0.87	-6.45
Crabs	12,123	13,316	19,112	29,796	30,040	7.34	27.52
Lobster	6,264	5,664	4,312	3,680	3,956	0.97	-10.15
Cuttlefish & Squid	14,893	7,205	8,758	8,841	8,654	2.12	-7.81
Lapu-Lapu	4,337	4,622	14,344	11,610	10,915	2.67	47.97
Trepang de Beche	2,557	3,652	6,608	5,753	4,420	1.08	21.91
Scallops	3,156	2,728	1,959	487	619	0.15	-22.45
Abalone	3,588	2702	2,859	1,873	2,818	0.69	-0.73
Round Scad	2,822	2,664	9,281	6,564	3,945	0.96	43.4
Sardines	814	910	2,099	1,382	1,885	0.46	36.17
Mackerel	866	791	2,240	2,450	458	0.11	25.65
Clams	1,392	602	758	285	144	0.04	-35.68
Milkfish	518	525	662	1,485	1,842	0.45	43.95
Others	17,476	12,734	11,901	12,049	12,091	2.96	-8.02

Source: National Statistics Office

**Figure 22: Philippines Export Markets, 1998 to 2002, (FOB value in Thousands of US dollars)**

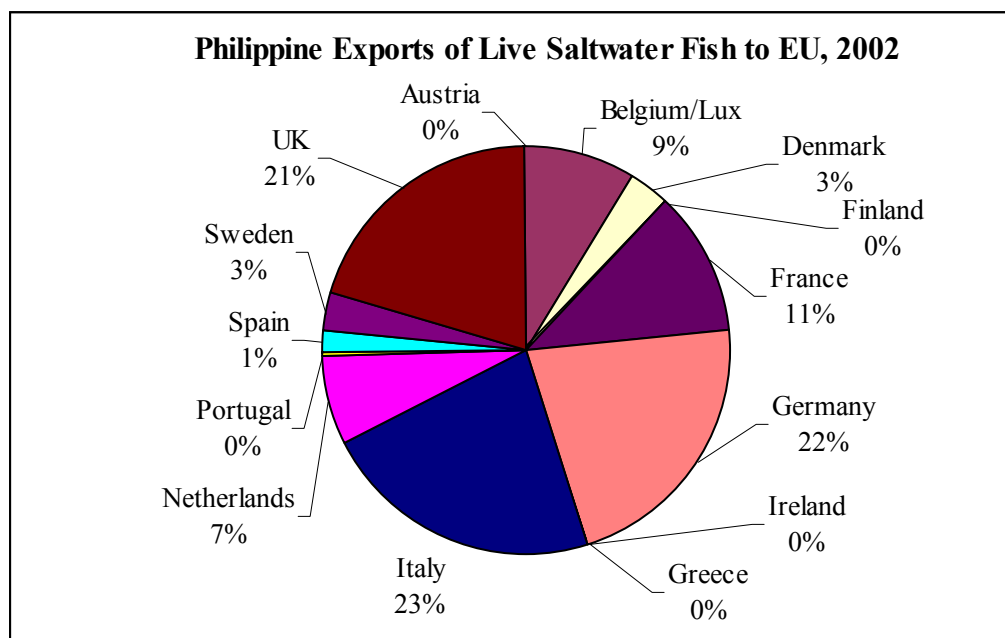
	1998	1999	2000	2001	2002	% Share 2002	Ave. Growth
Total Exports	441,992	370,192	398,245	369,618	409,113	100	0.87
Top 10	366,460	319,068	353,394	321,976	365,981	89.46	1.19
Japan	167,938	144,773	150,877	125,706	121,691	29.75	-4.97
USA (excl. Hawaii & Alaska)	88,950	86,325	92,057	82,661	94,348	23.06	0.98
Taiwan (Rep. Of China)	9,454	6,050	10,329	22,478	32,918	8.05	41.02
Hongkong SAR	30,468	33,447	51,771	37,337	28,972	7.08	-12.57
Korea, Rep. of (South)	3,735	6,953	11,733	13,566	27,298	6.67	29.21
Canada	19,229	16,463	10,527	9,888	16,638	4.07	15.55
Singapore	8,445	9,900	18,739	14,206	14,862	3.63	-4.89
Germany	19,719	8,646	3,741	10,477	10,957	2.68	46.16
Spain	4,488	225	85	658	9,525	2.33	505.42
Great Britain & Northern Ireland	14,034	6,286	3,535	4,999	8,772	2.14	29.22
Others	42,694	34,174	31,926	32,429	43,132	10.54	-0.81

Source: National Statistics Office

### 2.7.2 Marine ornamental production and exports

After Indonesia, the Philippines is the second largest exported of marine ornamental species in the world. It is estimated that 4,000 boxes of fish are exported from the Philippines per week (Peter Scott Pers. Comm.). Exports of live saltwater fish to the EU in 2002 were valued at around Euro/\$ 1.1-1.3 million (CIF), with Italy, Germany, UK, and France the main destination markets.

**Figure 23: Philippine Exports of Live Saltwater Fish to EU, 2002**



Source: Eurostat/OATA

Prior to the early 1980's the Philippines was the world's major supplier of corals to international markets. Following a Presidential Decree banning exports of coral, exports are now negligible although the Philippines is one of the largest exporters of other invertebrates such as seahorses.

### **2.7.3 Socio-economic importance**

It is estimated that in the Philippines, around 7,000 collectors depend on coral reefs for their livelihood (Holthus 2001). Additional socio-economic information will be contained in the Output 2 reports of this study.

### **3 MARINE PRODUCT MARKET CHAINS**

---

#### **3.1 VIETNAMESE SHRIMP EXPORTS TO UK AND BENELUX**

The biggest source of fishing and aquaculture income is generated from the Mekong Delta, where between 60% and 70% of households are involved in aquaculture. Correspondingly, the seafood processing companies in the southern part of Vietnam are located over a larger and more diversified region than in the north of Vietnam. They stretch from Phan Thiet City 200 km north of Ho Chi Minh City, to Ca Mau City at the very far southern end of the Mekong Delta, 500 km south of Ho Chi Minh City. Processing normally simply involves peeling and freezing, and 80% of current processing capacity is accounted for by State owned export processors (SOEPs) (Minot, 1998), although the balance between SOEPs and private industry has seen some gravitation towards private ownership. Phan Thiet is also one of the major areas for hatcheries.

SOEs dominate the supply chains. Brokers, farmers and hatcheries do not cooperate closely with producers. There is no contract farming and there are few attempts to create long-term relationship with brokers or farmers in the SOE-dominated supply chains.

Some Viet Hoa private companies have started building long-term relations by buying raw materials from Viet Hoa brokers and farmers with some price guarantees and often with up to 15% excess price compared to market price. This is done to secure a steady supply and is also an attempt to make it possible for brokers to upgrade their handling of the shrimps. Moreover, contracting has become more possible because so-called city farmers have entered aquaculture farming in recent years. They are welcomed by processing companies, since a certain volume of shrimps should be available before it is profitable to collect directly from farms. Since processing companies require larger volumes of shrimps, they tend to link up with more powerful brokers and larger farmers to secure volume and profit in the increasingly capital intensive production under HACCP and EU-code requirements. The consequence is that small farmers sell off land, contributing to an increased group of landless households. This is a new tendency that increases the ongoing marginalisation of small farmers.

Local Viet Hoa who own all private companies, have announced strategies for upgrading but face difficulties when it comes to expanding and upgrading production facilities to meet HACCP and EU code standards. A new product line that meets the HACCP or EU-code standard can require investment of \$7-12 million, which exceeds the capacity of the majority of private companies. They lack access to external funding from the state and donors. Lack of external funding is a key reason for the marginalisation of private owned companies but is not limited to the seafood industry in Vietnam. But international standards have posed a more severe problem in this sector than, for instance, in garments and footwear. The main reason for the difficulties in obtaining funds can be divided into three related areas. Firstly, the historical legacy of the planned economy until November 2001, in which the private sector was not recognised on a equal playing field with SOEs. Secondly, the intermediary institutions in the form of the Vietnam Chamber of Commerce and Industry and the Vietnam Association of Seafood Exporters which is dominated by SOEs. Hence information and assistance from these associations is biased towards SOEs. Moreover, these organizations are used as partners by many development agencies. Thirdly, provincial authorities own many SOEs and these companies have an important role as a stabilizing factor in terms of employment benefits. SOE's also provide a political and economic platform for the local elite. In some areas the provincial authorities are also the leaders of the companies, even though these same provincial authorities have the task of supervising the companies. Hence a provincially owned SOE often receives funds from the provincial government to upgrade their production to meet the HACCP standard. Furthermore, such SOEs often benefit from access to land and less red tape.

Upgrading in the Vietnamese seafood processing industry has mainly concentrated on HACCP standards and EU codes in the SOEs. This has resulted in upgrading in two areas. First, Quality Control laboratories are established where bacteria level tests are undertaken. Second, the introduction of the standards has resulted in upgrading of the way shrimps are handled in the production line, in terms of a 'product upgrading' and 'process upgrading' (Humphrey and Schmitz 2000). However,

‘functional upgrading’ is hindered as the upgrading of management and supply chain management has not attracted the same attention.

As a consequence of the favourable conditions for SOEs, the private companies tend to adopt a more aggressive strategy of linking the whole supply chain from hatcheries, farmers and traders. By providing capital, feed, antibiotics and other inputs, they seek stability and capacity in the supply chain - a functional upgrading.

Additional information on market/supply chains will be contained in the Output 2 reports of this study.

### **3.2 IMPORTS OF VIETNAMESE SHRIMP TO THE UK<sup>19</sup>**

#### ***Retail vs catering, and issues of traceability***

An estimated two thirds of the sales into the UK market of warm water shrimps is sold to the catering sector, with the balance to the multiple retailers. It is not believed that any significant quantities of warm water shrimp are sold by independent retailers. This balance of overall demand/supply is thought to largely representative of Vietnamese imports, except that imports are even more strongly concentrated in the catering sector.

Within this section of the market, the largest components are ‘Indian’ restaurants, followed by Chinese and “other Ethnic” establishments. These markets are supplied by companies specialising in this trade and source without full knowledge of traceability linkages. The bulk of the catering trade receives product from Bangladesh, India, Thailand and China. Traceability issues are not generally required but quality control remains strict. Buying patterns for example have been altered because of the appearance of chloramphenicol and nitrofurans. This has previously caused many traders to cease links with specific countries – notably India. Imports from Bangladesh have previously also been affected because of poor quality product, although this problem is reported now to be largely resolved.

Where traders have experience in dealing with Vietnam, quality is identified as being a strong asset for the country as a whole – also evidenced by strong Vietnamese/Japanese linkages given that the Japanese market is very focused on quality. However, Vietnam’s old linkages to State Owned Enterprises is reported to have caused problems with respect to sales into the UK, especially to the retail sector. Vietnamese producers have not historically seen traceability as being a significant issue. This is because they have been geared up to three non-EU markets that have not historically required it. In Japan quality is inspected but traders/consumers are happy provided that the product meets quality specifications. In the US quality is inspected on import and traceability issues are largely ignored because of a greater need to satisfy USDA requirements. And in China sales are limited to product from Northern Vietnam with little/no emphasis on traceability.

The supermarket chains generally demand full traceability and will only purchase from suppliers who can assure independent audits. Consequently, supermarket chains normally require full traceability, which includes linkages with specific traders, farms, and hatcheries. Processors/traders generally carry out full traceability audits and engage independent auditors to ensure compliance with strict quality standards. Some supermarket chains inspect the chains themselves, and will also specialise in selling products that have specific audits. Others will sell a range of products which include products where full traceability is guaranteed, and some where full traceability is not guaranteed but where the principal selection criteria is quality. Sales of Vietnamese shrimp into the retail sector appear to be largely limited to those few retailers less concerned about traceability issues. Full traceability does command a higher price at retail level, although some suppliers report that it cannot necessarily be assumed that guaranteed traceability and compliance with audits is rewarded with higher prices.

Therefore if an exporting company wishes to open up trade links with UK traders and to access to retail trade, it generally has to guarantee full traceability and be subjected to independent, retailer and trader company audits. If it cannot make these guarantees, the company could still access the UK market, but probably only to the catering sector. The problems with traceability in Vietnam mentioned

---

<sup>19</sup> Based on interviews with 2 multiple retailers, 2 catering sector suppliers, and 2 processors/importers

above are the reason why so little Vietnamese product is sold into the retail trade. This has significant implications given that the catering sector is less sensitised to social issues (see Section 6.1.1).

### ***Cold water vs warm water***

Issue of competition between cold and warm water shrimp also appear to be of considerable importance. The UK market for cold water shrimps is the biggest in Europe. The warm water shrimp market is growing, but there are distinctions in market segments within Europe - Spain, France and Italy tend to prefer wild caught product. Much of this is due more to traditional (pre-farm produced) links, and South America and East and West Africa are the main suppliers. Northern European countries prefer to purchase through farms because traceability issues are more easily guaranteed and farms can be easily inspected.

Lower prices for cold water shrimp are a significant reason for higher product turnover at retail level in the UK. However, the market for warm water shrimps is growing. Retailers perceive the market to be driven by two key issues and divided into two principal types – price competitiveness/value for money versus superior quality/packaging. The latter group guarantees traceability and is likely to be found in all major supermarket chains at a higher price premium. The value for money market/product group is found in most but not all retailers as well as frozen food stores e.g Iceland, with shrimps sold tending to be of smaller grades.

Sales of shrimp to the catering trade include a range of grade sizes, but larger sizes grades are more in demand in the higher-grade restaurant trade.

### ***Price determinants***

Within the limited range of respondents, the following factors are identified as being most significant in determining prices – sources of supply (specific to farm/hatchery), quality, grading (with an EU preference for smaller grades and quicker turnaround times e.g. up to 4 cycles per annum), and competition from cold water shrimps.

Sourcing by country was believed to be important only if specific country reputations were improving because of quality and traceability audits. Buyers are always looking for alternative suppliers, and focussing on countries is seen as an initial step, but links are only taken a step further based on full traceability criteria and satisfaction of audits.

Issues such as seasonality and supply variations are perceived as only quite important, while competition from other fish species (other than cold water prawns) is not considered to be an important issue.

## **3.3 IMPORTS OF VIETNAMESE SHRIMP TO THE BENELUX**

The *choice of supplier* is determined by the following considerations:

- Compliance with the EU standards (HACCP), e.g. possession of an EU number as fish exporter.
- Reliability and long term personal contacts. The supplier must meet the agreed criteria in all respects: quantity, quality (incl. product form, size grades, etc.), price, time, etc. Failing in any of those respects threatens the entire chain.
- Minimum size: the volume of production must exceed a certain minimum (which depends on the buyer). Irregular contracts of small quantities are relatively too expensive to administer.
- Suppliers are not selected on the basis of their country.
- All interviewees indicated that price-quality ratio is the decisive factor for selection of a particular supplier.

Developing the market for Vietnamese shrimp implies in the first place increasing market share. The Vietnamese producers will have to adopt an aggressive marketing approach (offering more for less) and an indisputable ability to deliver. In view of the traditionally strong relations with Japan and US, it will be necessary to critically assess the attractiveness of the Benelux (EU) market.

No major changes of sourcing have occurred recently. Evidently, buyers are continuously looking for new opportunities.

It is seen as essential in Benelux countries that the producer guarantees a regular supply of constant quality. For this reason, other Fair Trade products are often sourced from various countries and/or producer groups. In case of many different sizes of shrimp, the requirement of regular supply of specific grades becomes even more demanding.

### ***Competition***

The globalized markets are increasingly competitive and the success of the Benelux traders is based on their ability to follow the new conditions. Large buyers at the end of the chain (supermarkets) offer to buy substantial volumes, but at prices for which the margin for the producer is reduced to a minimum. This 'behavior' finds its origins in the following:

- Large number of potential buyers and sellers of penaeus shrimp world wide.
- Competition with other shrimp species. Crangon shrimp, being caught in the North Sea, still has a more established market position than tropical shrimp in the Netherlands, but tropical shrimp is much more abundantly available and its market share is increasing.
- Competition with other marine products. If penaeus is considered a high-end luxury product, it may be compared with other expensive marine products, e.g. sole, turbot or even salmon. However, over a longer period, the prices of most marine products are constant at best, with high supplies of farmed salmon setting the price limit at the high-end.
- As of 2002-2003 the consumers have become even more price sensitive due to general economic slow down and the perceived price hikes after the introduction of Euro. At the same time, since the end of 2003 there is a general 'price war' among supermarkets, but its effects on shrimp prices are not yet clear.

Imports into the EU are likely to become more attractive (cheaper) due to the increasing value of Euro against US\$. However, this is not a particular advantage for Vietnamese producers.

In the Netherlands a price premium is paid for fresh marine products. In view of the lower air freight tariffs, it is recommended to explore the possibilities of exporting fresh chilled shrimp to specific niche markets.

### ***Market structure***

In the Netherlands an increasing share of sales of marine products is realized by supermarket chains, at the expense of specialized retail fish shops. Apart from salmon, shrimp (crangon and paneaus) has quite a bit of 'shelf space', chilled/packed as well as frozen.

Vietnam plays a relatively small role in the Dutch imports of shrimp. In 2001 the total value of imports amounted to €233 mln, of which less than €4 mln originated from Vietnam.

### ***Species and their origin***

Most shrimp products come from Indonesia and India. Bangladesh and Brazil are among the smaller suppliers of farmed shrimp, but other countries of origin can be also found. Various species can be found on the market: *P. monodon*, *P. vanameii* as well as *Machrobracium Rosenbergii*.

### ***Products***

Larger sizes are mostly individually quick frozen, whole, with or without head, shell-on, raw. Packaging ranges between 500 gr and 2 kg. Polyester bags (with or without low oxygen atmosphere) as well as carton boxes are used.

Smaller sizes are presented fresh, cooked, almost always head-off, mostly peeled, but sometimes shell/tail-on. The consumer packaging ranges between 100 and 500 grs in a clear propylene 'box' under low oxygen atmosphere. A nice pink color is seen as essential. Permitted colorants and preservatives are applied.

### ***Retail prices***

Retail prices are difficult to compare, due to the large variety of products (species, product forms, etc.). Large black tiger (size 6-8 and 8-12/lb), whole frozen packed in 800 gr carton boxes cost around € 20-35 / kg. Smaller sizes (16-30/lb) cost between €9 to €11 / kg.

### ***Retail chains***

The main consumer retail chains (Ahold and Laurus) sell a limited assortment of marine products. Salmon (smoked and fresh steaks/fillets) is the most important. In the fresh category there are also white fish fillets, crangon shrimp and 'gamba', medium sizes mostly peeled shrimp of tropical farmed origin.

Ahold's (Albert Hein supermarkets) strategy aims at introducing all product categories under its own private label. This also applies to shrimp. Currently only shrimp under ah-label can be found on the shelf. Laurus (Konmar supermarkets) brings fresh shrimp under its own label and frozen under the label of the importer or producer. Konmar also has a 'fish shop', selling iced fish, but no shrimp.

Makro, Metro, ISPC, Ven and several other wholesalers service the catering sector as well as selected consumers (those who have access, being registered as 'businesses'). Makro offers a large selection of packed fresh and frozen shrimp, under a variety of labels, including Heiploeg and den Heijer (the largest traders / importers).

Special seasonal products appear on the consumer market at particular times of the year. Probably the most important are bbq-products in the summer, including shrimp.

Specialized fish shops and market vendors sell mostly fresh products, which may have been defrosted. Since the products are not packed, there are no references to producers, except in some cases the country of origin (e.g. 'Norwegian salmon'). The country is mentioned when it bears a positive perception of the consumer.

### ***Vietnam***

The Dutch business community has in general a positive view of Vietnam as an interesting partner country. People are aware of its economic potential, which came along with its shift to market economy. However, the contacts are mostly at the level of established larger companies. It is relatively costly and risky to relate to small producers. Consequently, a successful pro-poor shrimp initiative will require a marketing organization, as a representative and an intermediary between the producers and the foreign buyers.

According to an international certification company, involved in quality control of shrimp from Vietnam to US and Japan, the most common problem is the excessive use of antibiotics. Evidently, contamination of various origins occurs as well.

## **3.4 GENERAL DESCRIPTION OF SUPPLY CHAIN FOR THE ORNAMENTAL TRADE<sup>20</sup>**

The supply chain for exports of ornamental species involves collectors/fishers, wholesalers, middlemen and exporters. In the Philippines and Indonesia there are thousands of collectors spread over wide areas, hundreds of middlemen and numerous exporting companies. For the importing country, links in the supply chain involve import companies, wholesalers, retailers, and transhippers. Wood (2000) estimates that every direct employment in Colombia of one fisher/collector results in another indirect employment in support industries.

Collectors tend to be small-scale fishermen who work alone or in small groups using basic equipment such as 'tickler' sticks, hand nets and barrier nets. Scube and hookah gear are also used.<sup>21</sup> Fish and

---

<sup>20</sup> From Wabnitz et al 2003, Wood 2001, and Wood 2000

<sup>21</sup> Wood (2001) reports that according to Rubec *et al.* (2000), many of the 300 collectors based on Olango Island (off the east coast of Cebu) are third generation cyanide users and they have destroyed the coral reefs for over



invertebrates are usually brought back to shore the same day as they are caught, but in both Indonesia and Philippines, because collection sites tend to be fairly isolated, species may be onboard vessels for several days before being landed. Once ashore, species are placed in holding tanks, or immediately packaged for transport and/or export.

Ingredients for an economically successful fishery include access to popular species that can be supplied in high numbers, as well as species not available from other sources. Proximity of the collection sites to international air links is also important, especially in relation to ensuring that species can be exported that are not too stressed.

Fishermen are usually paid by the number of fish they have collected, and the difference between the price they receive and the price to the end consumer appears to be greater the more middlemen there are employed in the supply chain in the exporting country. A recent study in the Philippines showed that of the price paid for fish by exporters, about 85% went to middlemen whereas only 15% went to collectors (Rubec et al 2000). Wood (2001) reports that if the collector is also the exporter (which occurs in some small ornamental fisheries) then he receives the full export value. If he sells directly to the exporter he may receive around half of the export price, but if he sells to a middleman then he may receive only one tenth of the export price. The f.o.b. price itself is strongly determined by the abundance and demand for the species concerned. F.o.b prices for small abundant species may be as little as \$0.10, readily available but more interesting species may range from \$1-5, with less common/more exotic species (e.g. ribbon eels, clown triggerfish, angelfish) selling for between \$10-30. Rarities such as unusual hybrids or deepwater species may have an f.o.b. value of many hundreds of dollars. Prices are also strongly determined by the reputation of survival rates for species from different areas.

Middlemen/traders serve a number of important functions (Wood 2000). The principle one is to aggregate small collections of ornamental species into lots of sufficient size to supply the needs of exporters. This aggregation serves to increase the numbers available to exporters and to increase the species available. Middlemen may also serve to direct collection efforts to meet exporters needs, although information on expert prices is seldom passed on to collectors. In addition, middlemen may provide credit to collectors, sometimes in the form of goods and services, and therefore serve to bring in goods and cash into remote communities. However, as Wood notes, "this relationship is open to considerable abuse and it would not be correct to assume that the relationship between trade and collector is always mutually beneficial".

One at the exporters premises, consolidation usually takes place, and exporters often trade fish with each other to make up orders. Fish are quarantined and starved for at least 48 hours prior to export (to ensure they don't foul their bags). Most fish and invertebrates are packed in double polythene bags filled with one third water and two-thirds oxygen, sealed and placed in boxes for transport. A health certificate issued by the local veterinary services is required in most countries before a shipment can be exported.

Transport to importing countries takes place by plane, with international airline companies shipping species to the importing states. Shipping charges may correspond to around half to two-thirds of the landed price incurred by the importer, hence the large differences between export and retail prices. (Olivier 2001, Wood 2001). Fish are packaged according to criteria set by transport associations such as the International Air Transport Association (IATA) and the Animal Transportation Association (AATA).

In the importing country, species must be cleared through customs and receive another veterinary check. Traders in the EU must contact the appropriate national Ministry and file an application for technical certification as well as declare all imported and exported goods. Importers then quarantine the species in wholesale facilities so that they can adjust to different water chemistry, feeding cycles etc. Fish are

---

300 miles in every direction. The use of cyanide is universally outlawed for the capture both of aquarium and food fishes, but enforcing regulations is difficult. It continues to be used because it is easy to obtain, inexpensive and makes fish catching easier. Even though some collectors have been re-trained to use nets, the amount of cyanide being used is still substantial, and damage continues to be inflicted on fish and other reef life.

then sold other to other wholesalers, to retailers, directly to retail buyers, or re-exported. Traditional businesses are reported to be under increasing pressure from sales by garden centres and pet supermarkets, and also by transshippers.

Transshipping started in the 1970s and early 1980s and involves several wholesalers or retailers grouping together orders and placing them directly with an exporter. The transshipper then deals with all the bureaucracy of importation and sends boxes to the purchaser without opening them. This activity is sometimes modified and known as ‘consolidating’ with transshippers taking responsibility for imported species for around 48 hours after import, and offering refunds for any fatalities. Consolidation can bring together a wide range of species from a wider geographical areas, and results in fewer shipments therefore keeping shipping costs lower.

These various steps in the supply chain, and the corresponding sales prices are demonstrated in the example below. It is important to note the doubling of price between export and import due to carriage, insurance and freight, and that final retail prices have to make allowances for the costs of running a business in the UK, and the differential value of one dollar in the UK compared to one dollar in Sri Lanka i.e. they don’t take account of purchasing power parity. The figures therefore don’t say anything quantitative about margins/profits or the benefits that result throughout the supply chain, or anything about the price structure being intrinsically anti-poor. Furthermore, the financial risks get greater the higher up the commodity chain one goes (although this is not to say that the impacts of a lost collection would not cause real hardship for a collector) – collectors may spend little cash on financing a collection trip, while exporters may risk financial losses from exports which they have to pay for in cash without concrete guarantees of (full) payment.

Experience suggests that all stages of the supply chain operate on relatively fixed margins from their respective suppliers one step back down the chain, and that if ways could be found to increase the first sale price, reduce other business-related costs, and/or reduce mortalities, this would generate additional benefits throughout the supply chain.

**Figure 24: Example of price structure through ornamental supply chain**

	Approximate prices (US\$) paid for emperor angelfish ( <i>Pomacanthus imperator</i> ), based on unpublished data from Sri Lanka, and UK dealers lists, 1998.		Example of typical price structure for marine aquarium fish (Perino, 1990)
	Small	Large	
Price paid by dealer to collector	6	9	2.5-12.5
Export price (i.e. fob price of fish without freight costs)	12	24	25
Wholesale price (cif cost of fish plus profit margin)	33	64	50
Retail price (price paid by hobbyist to retailer)	66	124	100

Source: Wood 2001

### 3.5 INDONESIAN ORNAMENTAL EXPORTS TO THE UK AND FRANCE

Estimates of collectors and middlemen in Indonesia involved in selling to exporting companies, and additional information on the Indonesian supply chain will be included in the Output 2 reports of this study.

Lilley (2000) suggests that in the early 1970’s, corals were only collected by a handful of exporters within easy reach of Jakarta International Airport, and that these days the industry employs thousands of coastal villagers as coral collectors through the archipelago. This change has partly been driven by demand as well as improved technology to allow hobbyists to keep fish and corals alive in home aquaria, but also partly by the increasing efficiency and speed of boats and other means of transport which allows collection from more sites. However, Bentley (1998) suggests that collection is still

concentrated relatively close to Bali and Jakarta. This pattern of primary concentration around Bali and Jakarta, but some collection from distant areas, is also reflected in fish species collection.

The commodity chain is composed primarily of collector, chief collector, middleman or co-ordinator, and the exporter. The time interval between collection and export ranging from 2 days to 2 weeks. As suggested in the general description above, in Indonesia, the middlemen play an important role in terms of logistics and provision of operational costs, but this relationship is seldom balanced with middlemen forcing collectors to supply them at low prices in return for credit and provision of inputs (Lilley 2001).

There are around 35 large exporters in Indonesia, but more than 100 registered exporters of coral reef organisms throughout the country (Lilley 2001). A significant proportion (22) of the larger companies are represented in a trade association by the Indonesian coral exporters association (AKKII)<sup>22</sup>, and most are located in either Jakarta or Bali. AKKII accounts for around 85% of total exports of fish and invertebrates, and indeed only AKKII members are legally allowed to export live corals. AKKII has been given the responsibility by the Management Authority to split coral quota amongst its members, and the basis for distribution is the previous year's performance. While a significant proportion of fish collected may be destined for domestic aquaria, the domestic market for coral is not significant as domestic buyers generally wish to fill aquaria just with coral reef fish, and so almost all coral collected is exported.

AKKII represents the following companies:

- Aneka Tirta Surya, PT
- Aqua Marindo P, CV
- Aristocratama Bina Usaha, PT
- Asia Pasific, A, PT
- Banyu Biru, CV
- Bekael Eska G, PT
- Cahaya Baru, CV
- Dharma Inti Permai, PT
- Dinar, CV
- Gloria International, CV
- Golden Marindo P, PT
- Inti Samudera Lestari, PT
- Kharisma Surya Lestari, PT (shell exporter)
- Nini Sri Rejeki, PT
- Pacific Anekamina, PT
- PUS KUD Mina JATIM
- Sangputra Wimasjaya, PT
- Sarana Teknik, CV
- Segatama, PT
- Trisentosa Intrabuana Niaga, PT
- Vivaria Marine, CV
- Panorama Alam Tropika, PT (new company, not yet export and will start export at 2005)

These companies have export facilities in Jakarta, Surabaya and Bali, and have suppliers from 11 provinces.

### **3.6 PHILIPPINES EXPORTS OF ORNAMENTALS TO UK AND FRANCE**

Estimates of collectors and middlemen in the Philippines involved in selling to exporting companies, and additional information on the Indonesian supply chain will be included in the Output 2 reports of this study.

---

<sup>22</sup> Komplek Perkantoran Taman Laguna No.107, Jl. Alternative Cibubur, Jakarta Timur, 17435 Indonesia Telephone: +62 21 845 0113 Fax: +62 21 845 0113 [akkii@cbn.net.id](mailto:akkii@cbn.net.id)

It is estimated that in the Philippines, around 7,000 collectors depend on coral reefs for their livelihood (Holthus 2001). Mayne et al (1999) suggest that collectors can be divided into two groups: shall divers, and divers using compressors. These collectors supply export companies through middlemen.

The list below shows companies in the Philippines that are known to export ornamental species:

- Aquarium Habitat
- Aquascapes
- Brem Marine
- Land Mark Trading Corporation
- Tai-Lin Marine Product

As in Indonesia, the commodity chain in the Philippines is therefore comprised of collectors, middlemen and exporters. Mayne et al (1999) suggest that three types of middlemen can be identified: manager-middlemen who are act as managers for collectors and are generally located close to collectors; operator-middlemen, located outside the area of collection, but who takes ownership of fish for onward sales; and reseller-middlemen who irregularly buys fish from several collector groups and sells to several exporters. The first types of middlemen are by far the most common.

At the time of the study, the minimum wage in the Philippines was PHP 200 per day. Mayne et al analysed the incomes earned in the commodity chain and found that shallow divers earned an average weekly income of PHP565, while compressor divers earn PHP743 per week<sup>23</sup>. Average weekly income for manage-middlemen was PHP744, and weekly income for operator-middlemen ranged between PHP1500 and PHP 11,000 depending on the size of the operation. For exporters, the average value per box of fish shipped was calculated as \$67.17 while the average cost of the box was \$45.78, leaving an EBIT margin (before interest and taxes) of 31.8%. This margin includes the effects of mortality and discounts to customers, but does not include other sources of income to exporters such as freight rebates and extra profit made on packaging costs charged to importers. The analysis showed that along the commodity chain, the F.O.B price built up as follows:

**Table 3-1: Philippines ornamental commodity chain price analysis**

Costs and profit as a percentage of export revenue	Percentage build-up in price (industry average)
Price paid to fishermen	22.9%
Freight and packaging to Manila	7.7%
Operational costs of manager	9.1%
Manager operating margin	14.9%
Labour costs	5.8%
Facility costs	7.9%
Taxes	6.3%
Exporter net profit	25.5%

Source: Mayne et al, 1999

NB: the price build-up was based on data provided by exporters, and there was evidence collected during the study that the percentage fishermen received could be as low as 10% while the profit margin for exporters could be closer to 40-50%.

### 3.7 ORNAMENTAL IMPORTS TO THE UK

There are estimated to be around 2,000 ornamental retail outlets in the UK, with around 1,000 of these relying entirely on fish sales (OATA, Pers. Comm.). Around 750 are estimated to sell marine ornamentals. These retailers source product from around 10 importers/wholesalers. Some of these 10 do not import themselves, but source from other importers.

<sup>23</sup> Exchange rate at the time of the study was PHP 38.2/US\$

Key importing companies include:

- Independent Aquatics Imports
- Tropical Marine Centre
- Swallow Aquatics
- Benair
- Goldenline Aquaculture
- JMC Aquatics
- Peter Golding
- SW Imports
- Merlin Entertainments
- Pisces UK

Knowledge of the source of imports by companies and sales outlets is generally good, with key reasons for sourcing from different countries being based strongly on quality (especially cyanide-free), availability, price and flight connections.

In the Philippines product is known to be sourced from Cebu and Bali. Importing companies sell a varying proportion of product to other wholesales and to retailers.

Other issues of interest identified during interviews included:

- Consumer profiles cover a whole range socio-economic groups, age etc
- Consumers are increasingly concerned about the long-term health of fish, and probably much less about social issues in source countries
- Regulatory costs of trade make small shipments increasingly difficult, and this may have implications for small producers or countries/areas which can produce smaller numbers of fish
- Cyanide has been a specific problem previously in both Philippines and Indonesia, but is reported to be improving all the time.
- Some of those companies interviewed already sell MAC certified product from the Philippines.
- Scope for increasing prices may be limited, with reduced prices best way to increase demand.

### **3.8 ORNAMENTAL IMPORTS TO FRANCE**

There are currently 7 main importers of marine tropical ornamentals to France<sup>24</sup>, some transshipping, some involved in acclimatisation and some firms doing both. The companies are:

- Amblard Overseas Trading
- Aqua Fis Technology
- Aquarelite
- Golden Reef Sarl
- Hippocampe
- Tropic International

All companies source product from Indonesia, and almost all also buy product from the Philippines. Patterns of sourcing are not reported to have varied considerably in recent years, although one company recently expanded its range of products and therefore source countries, and also found that the Philippines had certified fish of better quality than Indonesia (as evidenced by an anti-cyanide test). The determination of source countries is based less on particular sourcing preferences, and more on the natural distribution of the species in sufficient quantities in particular locations, and therefore the supply into the international trading chain.

Knowledge of the exact location of product by the importing companies is generally quite good, and species are known to be sourced from:

- *Indonesia*: Bali (Banuyangi), Jakarta, Kendaw, Ambon, Timor, Sumatra

---

<sup>24</sup> Five of them interviewed as part of this study

- *Philippines*: Manilla, Cebu, Palawan

Importing companies sell a varying proportion of product to other wholesales and to retailers, with the majority selling 80-100% direct to retailers. There are estimated to be around 400-600 retailers in France selling marine ornamental species.

Importers almost all reported some specific problems with respect to imports, especially from Indonesia. They are, in order of importance:

- Cyanide
- Seasonality of supply with monsoon
- Ramadan which disrupts supply
- General quality from poor equipment and handling

Other issues of importance in relation to the supply chain relating to some general trends were also identified during interviews. Firstly, there is an ever greater involvement of garden centres in the trade, placing pressure on traditional retailers. Secondly, there are increasingly successful attempts to rear species (fish and coral) in captivity – the location of such practices and the speed of uptake of new technology, could potentially have enormous impacts on poor collectors in developing countries. And thirdly, there is greater awareness by buying groups of environmental/social issues, but not so much by small retailers and consumers. One importer also suggested that there has been a trend towards demand for bigger fish from more wealthy consumers – suggesting that producers in developing countries could pay more attention to understanding such niche markets.

## 4 POLICY AND INSTITUTIONAL CONTEXTS

---

As demonstrated above, fish exports are a significant source of foreign exchange earnings for Indonesia, Philippines and Vietnam, and provide employment and income earning opportunities to many poor people in these countries. This trade is especially important given the status of all three countries as LIFDCs (FAO 2002). However, the performance of fish exports from these countries depends on, amongst other things, continued access to international markets. This section of the report therefore presents a brief assessment of the policy and legislative context in which trade in marine products occurs, at the global regional and national levels. The section also makes some comment on policies on poverty. Expanded details on the policy and institutional context can be found in Sections 7, 9, and 10.

### 4.1 GLOBAL

#### 4.1.1 International Commitments to Poverty

A number of important international commitments to poverty have been made in recent years. They include:

- At the UN World Summit for Social Development (the Social Summit) held in Copenhagen in 1995, 117 heads of state or government and the European Community made an historic commitment to eradicate absolute poverty, and adopted concrete plans and initiatives.
- At the UN Millennium Summit, world leaders endorsed the target to halve extreme poverty by 2015.
- At the Johannesburg Summit on Sustainable Development in September 2002 world leaders agreed on measures to promote sustainable globalisation. This commitment includes a number of positive and supportive measures on trade and investment.

#### 4.1.2 World Bank

In September 1999, the World Bank and the IMF launched the new Poverty Reduction Strategy (PRS). As part of the strategy, the IMF's Enhanced Structural Adjustment Facility (ESAF) was renamed the Poverty Reduction and Growth Facility (PRGF). Through Poverty Reduction Strategy Papers (PRSPs), a government would produce its own national policy programmes, with a renewed emphasis on poverty eradication as the focus for its economic and social policies.

#### 4.1.3 World Trade Organisation

The WTO was established 1<sup>st</sup> January 1995, but trade regulations had already started in 1948 with the General Agreement on Tariffs and Trade (GATT). GATT evolved through several rounds of negotiations, the most comprehensive of which, known as the Uruguay Round, lasted from 1986 to 1994 and led to the WTO's establishment. As a predecessor to this round, the Tokyo Round (1973-1979) dealt with tariffs, non-tariff measures and framework agreements. Whereas GATT had dealt mainly with trade in industrial goods, the WTO and its agreements now also cover trade in agricultural goods, services and intellectual property rights. The current round of negotiations is known as the Doha round, and began in 2001, with work scheduled to be completed by January 2005, but major disagreements at the 5<sup>th</sup> Ministerial Conference of the WTO in Cancun have resulted in a major set-back for the Doha Round, and it is now unlikely that the deadline for completion of negotiations will be met. In terms of fisheries trade issues, the Doha round emphasizes<sup>25</sup>:

- The importance of export products to developing countries and specified that modalities must include capacity-building measures to assist least-developed countries participate effectively in the negotiations

---

<sup>25</sup> FAO support to the WTO negotiations. Fact Sheet 8, 2003

- The need to clarify and improve WTOs disciplines on fisheries' subsidies
- The need to address and clarify the impact on eco-labelling on trade
- Negotiations on the relationship between existing WTO rules and specific trade obligations set up in multilateral environmental agreements (MEAs). The aim is to clarify the relationship between trade measures under the MEAs and WTO rules.

The World Trade Organization is now the main international organization dealing with the rules of trade between nations, and there are currently 148 members. The multilateral trading system within the WTO is based on various agreements. In the context of the WTO, trade in fish and fishery products is not covered by the Agreement on Agriculture, but is treated as an industrial product, and therefore dealt with in the negotiations on Market access for non-agricultural products (NAMA). Aspects of fish trade are dealt with under the various agreements outlined below (details and examples of how these have affected fish trade, especially from Asia, can be found in Section 7).

- Tariff schedules
- The Agreement on Sanitary and Phytosanitary Measures (SPS)
- The Agreement on non-tariff barriers (NTBs)
- Agreement on anti-dumping measures
- Agreement on rules of origin
- Agreement on import licensing procedures (ILP)
- Agreement on safeguards
- Dispute settlement
- Agreement on subsidies and countervailing measures (SCM)
- Committee on regional trade agreements

#### **4.1.4 Codex Alimentarius**

The Codex Alimentarius Commission was created in 1963 by FAO and WHO to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The Codex Alimentarius, or the food code, has become a global reference point for consumers, food producers and processors, national food control agencies and the international food trade. The standards have become an integral part of the legal framework within which international trade is being facilitated through harmonization. Already, they have been used as the benchmark in international trade disputes, and it is expected that they will be used increasingly in this regard.

The work of the Codex Alimentarius Commission goes beyond creating means of removing barriers to trade. It also includes encouraging food traders to adopt voluntarily ethical practices as an important way of protecting consumers' health and promoting fair practices in the food trade. To this end, the Commission has published the Code of Ethics for International Trade in Food, which is included in the Codex Alimentarius. A principal objective of the Code of Ethics is to stop exporting countries and exporters from dumping poor-quality or unsafe food on to international markets. The code is currently being updated to reflect the impact of the SPS, the TBT and other agreements on international trade.

#### **4.1.5 CITES**

CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is a voluntary international agreement between Governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. CITES works by subjecting international trade in specimens of selected species to certain controls. These require that all import, export, re-export and introduction from the sea of species covered by the Convention have to be authorized through a licensing system. The species covered by CITES are listed in three Appendices,



according to the degree of protection they need. One of the Resolutions passed at the last CITES Conference of the Parties held in Chile in October/November 2002, stated that all seahorse species (*Hippocampus* spp.) would be listed in Appendix II. The seahorse trade represents the lowest volume/highest value aspect of the ornamental trade, and given that the Philippines does not allow exports of Appendix II species, the cessation of this trade is likely to impact significantly on collectors in the Philippines.

Also of relevance are a) that both Indonesia and the Philippines are members of CITES, and b) related costs of CITES associated with running management authorities, and for the private sector in terms of purchasing export and import licences, can potentially act as a non-tariff barrier and run the risk of being anti-poor in terms of their impacts. The Philippines doesn't allow exports of corals listed under Appendix II, but Indonesia does.

#### **4.1.6 Convention on Biological Diversity**

At the 1992 Earth Summit in Rio de Janeiro, world leaders agreed on a comprehensive strategy for "sustainable development". One of the key agreements adopted at Rio was the Convention on Biological Diversity. This pact among the vast majority of the world's governments sets out commitments for maintaining the world's ecological underpinnings. The Convention establishes three main goals: the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of the benefits from the use of genetic resources. The Cartagena Protocol on Biosafety was adopted by the Conference of the Parties to the Convention on Biological Diversity as a supplementary agreement to the Convention on 29 January 2000. The Protocol seeks to protect biological diversity from the potential risks posed by living modified organisms resulting from modern biotechnology, and establishes an advanced informed agreement procedure for ensuring that countries are provided with the information necessary to make informed decisions before agreeing to the import of such organisms into their territory.

#### **4.1.7 FAO Code of Conduct for Responsible Fisheries**

The FAO Code of Conduct for Responsible Fisheries (CCRF) is a voluntary Code that sets out principles and international standards of behaviour for responsible practices with a view to ensuring the effective conservation, management and development of living aquatic resources, with due respect for the ecosystem and biodiversity.

The relevant articles of the CCRF for responsible fish trade are Article 11, Article 6.7 and Article 6.14. A major issue addressed by the CCRF in Article 11 is the concept of "responsible fish trade": countries should promote trade of fish produced - either by aquaculture or capture fisheries - in a responsible way, or could prohibit trade in fish products not produced in such a manner. This can include under-sized fish specimens, fish caught by irresponsible fishing techniques, fish caught exceeding a quota or fish caught during a fishing ban period". The FAO Fisheries Department has published several technical guidelines in support of the implementation of the Code. COFI:FT/VII/2000/3 Suppl. is a draft of the guidelines for Article 11.2 on responsible international trade and Article 11.3 on laws and regulations relating to fish trade.

## **4.2 REGIONAL**

There are many regional organisations and arrangements in place around the world. In this report we consider only those of relevance to the countries under consideration by the project (i.e. those representing Europe, Philippines, Indonesia, and Vietnam)

### **4.2.1 Association of South-East Asian Nations (ASEAN)**

The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 in Bangkok by the five original Member Countries, namely, *Indonesia*, *Malaysia*, *Philippines*, *Singapore*, and *Thailand*. Brunei Darussalam joined on 8 January 1984, *Vietnam* on 28 July 1995, *Laos* and *Myanmar* on 23 July 1997, and *Cambodia* on 30 April 1999. In terms of trade policy, the ASEAN Free Trade Area has now been virtually realized. The six original signatories have reduced tariffs on all products

listed in their 2002 Inclusion List (IL) to 0-5 percent. Since 1 January 2003, tariffs on 99.55 percent (44,160 tariff lines out of total 44,361 tariff lines) of products in the 2003 IL of the ASEAN-6 have been reduced to the 0-5 percent tariff range. Products in their IL, which still have tariffs of above 5 percent, are those that have been transferred from the Sensitive List (SL) and General Exception List (GE) in 2003. The average tariff for ASEAN-6 under the CEPT Scheme is now down to 2.39 percent from 12.76 percent when the tariff-cutting exercise started in 1993. The newer members of ASEAN still have to reach the 0-5 percent tariff for intra-ASEAN trade – Vietnam in 2006, Lao PDR and Myanmar in 2008, and Cambodia in 2010. Ultimately, tariffs will be completely abolished by 2010 for ASEAN-6 and 2015 for the newer members with flexibility on some sensitive products until 2018.

A work programme on the elimination of Non-Tariff Barriers (NTBs) is expected to be finalized by the ASEAN Free Trade Area (AFTA) Council Meeting in September 2003. In addition to the AFTA, currently fisheries and aquaculture is an important pillar for ASEAN Cooperation more generally in Food, Agriculture and Forestry, which progresses under the guidelines set by the ASEAN Summits and the ASEAN Ministers on Agriculture, and Forestry (AMAF). The ASEAN group have also adopted the Plan of Action on Sustainable Fisheries for Food Security for the ASEAN Region, specifically on “Fish Trade”.

The ASEAN grouping also has policies on social development and poverty eradication. The initial phase of the implementation of the Framework of the ASEAN Plan of Action on Rural Development and Poverty Eradication and the ASEAN Action Plan on Social Safety Nets has proceeded with the assistance of AusAID and the UNDP. Projects on poverty monitoring (coordinated by Malaysia) and training of community-based facilitators on rural development and poverty eradication (coordinated by Indonesia) have been implemented.

#### 4.2.2 APEC

Asia-Pacific Economic Cooperation, or APEC, was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community. APEC operates on the basis of non-binding commitments, and unlike the WTO or other multilateral trade bodies, APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis. APEC has 21 members<sup>26</sup>, referred to as “Member Economies” which account for more than 2.5 billion people, a combined GDP of US\$19 trillion and 47% of world trade.

APEC works to reduce tariffs and other trade barriers across the Asia-Pacific region. The key to achieving APEC's vision are what are referred to as the “Bogor Goals” of free and open trade and investment in the Asia-Pacific by 2010 for industrialised economies and 2020 for developing economies. In 1997, APEC Economic Leaders agreed to Early Voluntary Sectoral Liberalisation (EVSL) in 15 important areas (including fish and fish products) to facilitate efficient reductions to trade barriers and to ultimately open markets.

The APEC Fisheries Working Group (FWG) was created by Senior Officials in 1991 to deal specifically with fisheries issues. It aims to promote

- The conservation and sustainable use of fisheries resources.
- Sustainable development of aquaculture and habitat preservation.
- Development of solutions to common resource management problems.
- The enhancement of food safety and quality of fish and fisheries products.
- Sector-specific work relating to trade and investment liberalisation and facilitation.

---

<sup>26</sup> APEC's 21 Member Economies are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Vietnam.

### 4.2.3 ASEM

ASEM (the Asia-Europe Meeting) is an informal process of dialogue and cooperation bringing together the fifteen EU Member States and the European Commission, with ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). A number of activities have already been given priority, based around three “pillars” (political, economic/financial and cultural/intellectual). In the economic and financial field, a number of initiatives are of relevance.

- The second ASEM Summit in London in 1998 adopted a Trade Facilitation Action Plan (TFAP), aimed at reducing Non Tariff Barriers and transaction costs and promoting trade opportunities between our two regions, while complementing and considering work being carried out in bilateral and multilateral fora.
- The Investment Promotion Action Plan (IPAP) was adopted at the London Summit in April 1998, and aims at promoting two-way investment flows between our two regions.
- The ASEM Trust Fund was established following a decision at the London Summit in April 1998, responding to the issues raised by the Asian crisis and with the objective of helping finance technical assistance and advice both on restructuring the financial sector and on finding effective ways to redress poverty, drawing on European and Asian expertise.

### 4.2.4 EU

#### *Policies on poverty*<sup>27</sup>

In 1998 the Council approved conclusions on poverty reduction that explicitly supported the DAC international targets<sup>28</sup>, in which it acknowledged that the framework provided by the 1993 resolution had “proven difficult”. The Council and the Commission agreed on the need to strengthen the commitment of the Community and Member States to “poverty elimination”, and to develop “a broader framework for understanding poverty and its causes and consequences”, as well as to understand “the costs and benefits of globalisation”. The Council also stated that particular attention should be paid to “the needs of the least developed countries, and to target numbers of poor people in other parts of the developing world”.

On 26 April 2000 the Commission adopted a communication on the Community's development policy.<sup>29</sup> The communication, which included a joint statement of the Council and the Commission, confirmed the focus on poverty reduction as an overarching objective of EC development cooperation and the selection of the main priorities for EC support in this context.<sup>30</sup> It outlined a new framework for the Community's development policy, setting it in the international context, specifically the OECD/DAC and the World Bank Comprehensive Development Framework, or the IMF/World Bank Poverty Reduction Strategy Papers. The communication also established an integrated framework for Community development activities, identifying six priority areas where Community action could offer added value: trade for development, regional integration and cooperation, support for macroeconomic policies, transport, food security and sustainable rural development, boosting institutional capacity, good governance and the rule of law.

---

<sup>27</sup> Text based largely on Van Reisen, 2002

<sup>28</sup> In 1996, the group of industrialised countries that coordinate their aid through the OECD's Development Assistance Committee (DAC), including the Commission, elaborated and adopted time-bound targets

<sup>29</sup> Commission of the European Communities, The European Community's Development Policy, communication from the Commission to the Council and the Parliament, Brussels, COM(2000)212, final, 26 April 2000.

<sup>30</sup> Commission of the European Communities, Measures Taken and to be taken by the Commission to address the poverty reduction objective of EC development policy, Commission Staff Working Paper, 26 July 2001, SEC(2001)1317.

In its communication, the Commission distinguished three complementary ways to enhance the poverty focus of Community aid:

- Primary poverty focus: concentrating efforts on less developed (LDCs) and other low-income countries (LICs).
- Secondary poverty focus: more poverty-focused cooperation programmes in middle-income countries (MICs), where there are nevertheless large numbers of people living in poverty. Specific attention should be paid to those countries where more than 20% of the population live below the poverty line of \$1 per day per capita.
- Tertiary poverty focus: more poverty-focused cooperation programmes in all other developing countries. This focus established a general policy direction towards poverty eradication, without identifying a specific group of countries.

### ***Policy on Trade and Development***

The European Commission's Communication on Trade and Development, published in September 2002, is the result of a recognition of the importance of the relationship between development, trade and integration of developing countries into the world economy. The Communication stresses the importance of trade in fostering growth and reducing poverty and as a catalyst for sustainable development. It highlights the importance of multilateral trade negotiations under the Doha Development Agenda, together with certain bilateral/regional initiatives and support for regional integration among developing countries, as the way to allow market access and consolidated rules. The Communication furthermore describes the need for coherence and synergies at all levels and proposes some concrete initiatives to ensure more effectiveness of existing EU activities (by the Commission and/or the Member States). The Cotonou Agreement in the context of the WTO Doha Round, signed in 2000 and the replacement for Lome IV which expired that year, made even more explicit reference to the fight against poverty as its primary objective.

The Commission's Sustainable Trade Action Plan pulls together a set of actions to which the Commission committed at the WSSD (World Summit on Sustainable Development). It is divided into 5 fields of activities with a total of 12 actions envisaged by the European Commission.

- Sustainable and Fair Trade (4 Action points)
- Environmentally preferable goods (2 Action points)
- Labelling (2 Action points)
- Bilateral and Regional Trade Agreements (1 Action Point)
- SIAs (3 Action points)

On the 3rd of July, the European Parliament adopted a resolution setting out its view on the WTO Ministerial Conference in Cancun, 10-14 September 2003. Discussing the link between trade and development, the Parliament considered it essential that industrialised countries make substantial offers to developing countries in the areas of industrial and agricultural market access and implementation issues, including special and differential treatment.

### ***Food and Trade Legislation***

The EU has followed a dual approach in harmonizing food laws: "horizontal" legislation that covers aspects which are common to all foodstuffs (such as additives, labeling and hygiene, etc.) and "vertical" legislation on specific products (e.g., fish, cocoa and chocolate products, sugars, honey, etc.). Section 9 explains in more detail the range of horizontal issues covered by EU legislation.

Perhaps the most important types of vertical legislation on fish and shellfish are legislation pertaining to a) tariffs, and b) hygiene requirements.

#### *Tariffs*

The EC average level of customs duty protection amounts to around 4% on industrial goods, taking into account MFN rates. Moreover imports from many of the EU's suppliers enter the Community at preferential rates under the terms of bilateral agreements, the Generalised System of Preference (GSP) or tariff suspension regimes. The Lome Agreements, which allow products into EU markets without tariff or non-tariff barriers (at least officially), have been an important aspect in the development of exports from many African, Caribbean and Pacific (ACP) countries to the EU.

The EU has zero tariffs for the GSP-listed countries on all kinds (fresh, frozen and canned) of tuna, skipjack, snails and seaweeds; Indian mackerels (fresh and frozen only), live fish and frog. For the same countries the EU reduced tariff rates from the conventional rates by 65 percent for crustaceans, scallops and shrimp, and 15 to 30 percent for processed sardine and Indian mackerels.

#### *Fish product and hygiene legislation*

There is a wide range of recent fisheries related legislation. The most important hygiene requirements for fish and shellfish produced in the EU are laid down in Council Directive 91/492/EEC and Council Directive 91/493/EEC. These lay down health conditions for the production and placing on the market of shellfish (including live bivalve molluscs), fish and fishery products respectively. As long as fishery and shellfish products are produced by approved establishments in the EU and comply with these Directives, these products are able to freely circulate amongst EU Member States. Consignments are required to be accompanied by movement documents, however no health certification is needed. Packaging and labelling of these products must comply with the Council Directives.

In order to export fisheries products to the EU a third country must have public health legislation and controls for the fisheries sector which are equivalent to those existing in EU legislation. The list of third countries and territories from which fishery products (excluding the category bivalve shellfish and related species - see next question) can be imported into the EU is established by an Annex to Commission Decision 97/296/EC. This list is not static and has been updated many times.

In recent years, in order to export aquaculture products into EU, the United States and other markets, Vietnam has continuously upgraded the quality of its management systems, modernized the equipment used and organized training courses for technicians of administrative agencies and businesses<sup>31</sup>. EU authorities have certified that 68 Vietnamese businesses have satisfied hygienic standards and food safety. Vietnam has conducted effective national programmes in monitoring residual toxic chemicals and antibiotics in seafood and cultured products, and has announced the results of these to EU and United States authorities on a regular basis.

In 2001, EU decided to examine 100 percent of shrimp products imported from China, Thailand, Vietnam, Indonesia and other countries because they discovered residual antibiotics chloramphenicol (CAP) and nitrofurans (NF) in some products (Dey et al 2003). EU authorities have initiated a food-safety policy called "zero tolerance" towards chloramphenicol, nitrofurans and other antibiotics. However, there is no scientific evidence to show that a very low content of residue - as low as one billionth - of antibiotics can be harmful to the health of the consumers. EU has stipulated that the residue in food should be 0.3ppb or even 0.7ppb. It is difficult for exporters, including those from EU, to achieve such accurate results in the products they export.

On 20 September 2002, EU's Veterinary committee decided to abrogate the compulsory examination policy of 100 percent of shrimps imported from Vietnam and some other countries on account of residual antibiotics. India and some other countries continue to be targeted by this trade barrier. The abrogation has been the result of efforts by Vietnam Government, MOFI, relevant Ministries and enterprises who implemented a series of measures such as banning the use of chemicals and antibiotics and carrying out a thorough examination the entire production process.

These regulations have caused serious difficulties for exporters of fisheries from Vietnam and other Asian countries. In 2001, EU banned the import of shrimp from China and, on account of residual chloramphenicol in shrimp from Indonesia, shrimp export from this country into EU has decreased by

---

<sup>31</sup> Lam Quoc Tuan, 2003

64 percent. The existence of nitrofurans in shrimp from Thailand caused severe restrictions to be placed on shrimp export from this country into EU. The export turnover from Vietnam into EU in the first 6 months of 2002 registered an 87 percent decrease in comparison to the year 2001. The issue of residual antibiotics in shrimp continues to be a cause for concern for exporting countries. Dey et al (2003) report that the EU ban on imports of shrimp from Bangladesh in 1997 and Tanzania and Uganda in 1999 had huge effects on export revenues and on employment. The ban remained effective for five months in Bangladesh and caused serious injury to the fishery sector as a whole. About a million people related to shrimp culture in different stages of the production process were affected. Cato and Santos (1998) assessed the negative impact of the EU ban on import of shrimp from Bangladesh. The study estimated that the ban cost Bangladesh about US\$ 14.1 million.

### ***EU Regulations impacting the ornamental trade***

For the ornamental trade, there are three main pieces of legislation that impact on the trade:

- The Fish Health Directive (91/67) deals with the placing on the market of live fish and gametes and is intended to eliminate barriers to trade in live aquaculture products within the EU while preventing the spread of infectious diseases, in particular to parts of the Community free of them. The legislation is based on the concept of risk, and requires all imports to have a health certificate stamp.
- The Veterinary Checks Directive (91/496) requires two days notice of all imports from third countries and impacts on importers because all fish must go through a border inspection post, and this increases clearing time, and therefore costs.
- The EU Wildlife Trade Regulations that put into place CITES in the EU, and mean that imports of listed species into the EU require an import permit, again with an extra cost. Failure to have an import permit can result in confiscation of product with corresponding loss of profits, and wasted overhead costs. The main concern of importers in EU involved with the ornamental trade is that the CITES regulations lumps the ornamental trade in with trade in species for edible purposes, when the ornamental trade usually represents a tiny fraction of the overall trade. For example, if CITES specify sea cucumber as a listed species, this would have associated costs on ornamental importers, but imports are negligible compared to imports for edible purposes. The same applies for the forthcoming listing of seahorses, aimed essentially at the dried seahorse trade (~99% of total trade, with an average import price of around \$0.1 per 50mm seahorse), but also impacting on the low volume (~1% of total trade), high value ornamental trade (\$3 import price per 50mm seahorse).

### ***Bilateral arrangements***

In addition to the WTO's multilateral negotiations, the EU concludes bilateral agreements and devises specific trading policies with third countries and regional areas. Bilateral trade relations are about agreement on custom unions, free-trade, association, co-operation and partnership. These preferential trade agreements are notified under either Article XXIV of the GATT or Article V of the GATS. Bilateral fisheries agreements between the European Union and third countries establish the general framework for access of Community fleets to the waters of these countries. A protocol attached to each lays down the specific conditions (technical, financial, type of resources, etc.) for implementation of the agreement. Increasing emphasis is now being placed on adequate social and economic cost/benefit analysis of such agreements to ensure that the agreements do not have adverse impacts in developing countries. None of the agreements relate to countries in Asia however.

### 4.3 INDONESIA<sup>32</sup>

#### *Trade policy*

The government reaffirmed its commitment to implement the ASEAN Free Trade Area (AFTA) plan by major tariff cuts by the year 2003.

Legislation on live fish exports from Indonesia states that “Export of live fish as defined in article 1, whether intended for consumption or not, shall not be subject to quarantine measures, including the granting of fish health certificates, except if required by the importing country (art. 2). Fish quarantine shall not be longer than 7 days and be carried out at “Installations” or “Temporary Installations” defined in article 1. The period of 7 days may be extended by a Fish Quarantine Official. If the fish is in good health than the Fish Quarantine Official shall immediately issue of Fish Health Certificate (art. 7). Fish which is not healthy shall either be cured or destroyed. The remaining articles provide for the preparation and maintenance of installations, the destruction of fish, fish quarantine fees and loss resulting from fish quarantine measures. (15 articles and one schedule).”

#### *Fisheries policy*

The principal policy of the Directorate General of Aquaculture in Indonesia is to increase fisher communities’ welfare by optimising resources through the development of integrated aquaculture zones of both freshwater and brackish-water fisheries. The zoning strategy is to intensify aquaculture through the development of fisheries entrepreneurship. It seeks to increase quality fish seed supply through the development of private hatcheries, creating distribution and marketing channels of seeds, providing training to the fish seed farmers, and creating a network of seed information systems. Although capital needs are important in encouraging aquaculture activities, the high risk of crop failure and occasional misuse of credit, prevent banks from offering credit. A higher priority is mariculture development by small-scale farmers and cooperatives through both internal and external investment. Shrimp culture is the only activity where foreign investment is not allowed.

In terms of capture fisheries, besides aiming to increase domestic animal protein sources supply and raw material for fish meal, policy is strongly focussed on fishing generating foreign exchange earnings, expected to be around US\$ 2.93 billion by 2003. This contribution is expected to be generated from export of tuna and skipjack (US\$974.66 million), shrimp (US\$ 607.26 million, demersal fish (US\$ 1,008.95), pelagic fish (US\$ 280.02 million) and other fishes (US\$60.57 million). It is expected that by year 2003 the total production will be 4,96 million tons with demersal fish 1.43 million tons, small pelagic fish 2.54 million tons, and other fish 0.43 million tons.

#### *Policy on poverty*

The incidence of poverty in Indonesia soared from 14.7% in early 1997 to a peak of 23.5% in early 1999, demonstrating the vulnerability of the poor to inflationary shocks, especially to food price increases. As the financial crisis in Asia ebbed, real incomes rose with the fall in inflation and a rebound in production. Although data for 2001 and 2002 are provisional, the incidence of poverty, with respect to level and distribution, has returned to the mid-1990s pattern.

Indonesia has presented a 50-page Interim Poverty Reduction Strategy Paper: A Process Framework of Strategic Formulation for Long Term Poverty Alleviation, which was adopted in March 2003<sup>33</sup>. As described in Law 22, 2000 on the National Development Programme, government has assertively stated that poverty reduction is the ultimate priority. The IPRSP formulated in this context consists of (i) description of the past poverty reduction strategy and the need of the formulation of new long-term and comprehensive poverty reduction, (ii) efforts to mainstream poverty reduction policies to synchronize macro, micro, strategic and operational policies, and (iii) activity phases to prepare the formulation of a full PRSP document, starting from the local community.

---

<sup>32</sup> This section based on 1) FAOLEX, 2) Rab et al, 2002, and 3) WorldFish Center documents available on line 4) ADB website, 5) [http://www.indocean.com/fishery/fisheries\\_development\\_policy.htm](http://www.indocean.com/fishery/fisheries_development_policy.htm)

<sup>33</sup> [http://poverty.worldbank.org/files/14019\\_Indonesia\\_I-PRSP.pdf](http://poverty.worldbank.org/files/14019_Indonesia_I-PRSP.pdf)

The key strategies of poverty reduction outlined in the IPRSP are: (i) creating opportunities (creating job and business opportunity for the poor), (ii) community empowerment (to empower the poor so that they can attain their economic, social, and political rights; can be in control for decisions that concerns their needs; can express their aspiration; can identify their own problems and needs), (iii) capacity building (to improve capacity or ability to fight for their needs), (iv) social protection/safety (to provide social protection of the poor).

The Poverty Reduction Partnership Agreement (PRPA) between the Government and ADB also provides a framework for tracking progress toward shared development goals. In addition, at the Mid-Year Review Consultative Group on Indonesia<sup>34</sup> (CGI) Meeting - June 2, 2003, the Working Group Statement on Poverty Reduction reported on recent progress on poverty issues and actions. Since the January 2003 CGI Meeting, the Government has continued to reflect its stated commitment to poverty reduction, through steps and actions outlined in further detail in Section 8.3.

#### 4.4 VIETNAM

##### *Development and trade policy*

Development and trade policy in recent years has been underlined by the *doi moi* (“renewal”) policies adopted by the Sixth Congress of the Communist Party of Vietnam (CPV) in 1986. These reforms, mostly implemented several years later, moved the government’s policy away from collectivised approaches and toward the use of prices and a market economy. Two changes in particular were critical. Agriculture was de-collectivised, leading to the rapid replacement of rural co-operatives by individual family plots; and prices of most agricultural goods were freed. And in international trade, the government changed quickly and decisively from primary reliance on state trading with the socialist bloc to participation in competitive world markets, in part by encouraging foreign investment in the export sector.

##### *Fisheries and aquaculture policy*

Inshore waters in Vietnam are heavily exploited and not very well managed. The government response has been to try to develop capture fisheries in waters of more than 50m through provision of related on-shore infrastructure, and assistance with access to credit, training and new technologies and advice. As part of the government’s national policy of poverty alleviation, it has approved the programme “Aquaculture from 1999 – 2010”. The purpose of the programme is to secure food for the country and to provide resources for export. The policy is also aimed at providing employment for around 2 million people. The programme has set a target of 2 million tonnes of fish by 2010.

Fisheries is also seen as a key strategy in poverty reduction through the strategy for Sustainable Aquaculture for Poverty Alleviation (SAPA), designed by the Ministry of Fisheries. The main aim of the strategy is to improve the living standards of the poorer sections of the community through the development of aquaculture.

##### *Policy on poverty*

The government’s primary goal is to reduce poverty incidence by approximately 12 percentage points between 2002 and 2010. This translates into reducing the proportion of people (households) below the international (national) poverty line from 32 to 19 percent (from 17 to 5 percent). Key human development goals to be achieved by 2010 include reducing mortality rates, i.e. infant, child, and maternal, to 25 per thousand, 32 per thousand, and 70/100,000 respectively, reducing child malnutrition to 20 percent, and providing basic education to all, with special focus on eliminating gender and ethnic disparities.

The Government of Vietnam and the Asian Development Bank (ADB) have entered into an agreement that states that ADB’s operations will be governed by the understandings in this Poverty Partnership Agreement (PPA). The Agreement reflects the Government’s visions and goals for poverty reduction contained in its Socio-economic Development Strategy 2001-2010 (SEDS), the Interim Poverty

---

<sup>34</sup> A donor forum



Reduction Strategy (IPRSP), the draft Comprehensive Poverty Reduction and Growth Strategy (CPRGS), various sectoral strategies, and key priorities of the ADB's Country Strategy and Program (CSP).

Vietnam has made significant gains in reducing poverty incidence and improving other quality of life indicators. Poverty incidence in Vietnam fell from over 70 percent in 1990 to around 32 percent in 2000, mainly because of strong growth. Preliminary data from the 2002 Multipurpose Household Survey also shows a decline in the incidence of poverty from 37% in 1998 to about 29% in 2002. While significant in terms of magnitude, the gains in poverty reduction remain fragile, with a significant number of "near poor" clustered just above the poverty line and vulnerable to shocks (economy-wide, community-level, and personal shocks).<sup>35</sup> The poor tend to be located in rural and remote areas, and are often those from ethnic-minority groups.

In the PPA, the Government and ADB agree that ADB's comparative advantage in supporting the shared goal of poverty reduction is to support (i) sustainable growth through development of a diversified rural economy, and a vibrant private sector; (ii) inclusive social development by ensuring that gender and ethnic minority issues are integrated and mainstreamed at the policy level and in relevant ADB-assisted programs and projects and that human capital development receives priority; (iii) improved governance through institutional reform including public administration, legal and judicial reform, and decentralization and grassroots participation, and (iv) regional development through geographical focus on the relatively impoverished Central Region.

#### **4.5 PHILIPPINES**

##### ***Development and poverty policy***<sup>36</sup>

The Government's primary development objective is poverty reduction, supported by improved political and economic governance. These themes are highlighted in the revised Medium-Term Philippine Development Plan (MTPDP) 2001–2004. The United Nations' Human Development Report (2002) ranks the Philippines 77th out of 173 countries (70th in 2001 Report) in terms of its human development index.

In October 2001, the Government and ADB signed the Poverty Partnership Agreement. During the 2002 Consultative Group Meeting, the Government confirmed its five core strategies in "winning the war against poverty within the decade": (i) redistribution of resources and assets to the poor; (ii) human development services, especially education, health, shelter, water, and electricity; (iii) job and livelihood opportunities and strengthening the capacities of marginalized groups to engage in productive enterprises; (iv) participation in governance of basic sectors, and institution building; and (v) social protection and security against violence through social welfare, safety nets, and legal reforms. The Government will accelerate rural development by modernizing agriculture, pursuing land reform, promoting better management of natural resources, and focusing poverty reduction efforts on the poorest areas in Mindanao, where many indigenous people live. The Government will target its interventions through the Linking Arms Against Poverty (KALAH) Program, which will provide the poor with resources to fight poverty with the participation of communities, civil society, non-government organizations (NGOs), national and local governments, business, and development partners.

##### ***Fisheries and related trade policy***<sup>37</sup>

It is scheduled that the Philippines will continue to enjoy the GSP privilege for certain products in the major fish importing countries like the USA, EU, and Japan over the years 1995-2005. It will continue

---

<sup>35</sup> Poverty Reduction Partnership Agreement

<sup>36</sup> From ADB Country Strategy Paper (see this paper for a summary of progress towards meeting the Millennium Development Goals)

<sup>37</sup> Rab et al, 2003 & <http://tradelinephil.dti.gov.ph/betp/dti2.main> & <http://www.globefish.org/presentations/>

to get maximum GSP advantage from the USA for its exports of shrimp/prawn and tuna at a rate of 0%; for seaweed the tariff rate is only 3.2%. It also has the advantage of exporting shrimp and tuna to Japan at a low tariff rate of 4.8% and 3.5% respectively, and for seaweed the rate is zero. It faces high tariffs, however, from the EU countries for shrimp/prawn and tuna at the rate of 12% and 22% respectively. It pays 0% tariff on seaweed exports to the EU countries. Like other countries, it has to comply with non-tariff barriers such as sanitary and phytosanitary sanitary measures (SPS) and HACCP. The Bureau of Fisheries and Aquatic Resources (BFAR) acts as the accrediting agency as authorized by the major importing countries.

There is a well-conceived input policy and investment incentive scheme in the Philippines. There are provisions for subsidized credit for the fishers and farmers who engage in food and non-food production, processing and trading. The commercial fishers are eligible for subsidized long-term loans and tax and duty exemption to acquire or improve fishing vessels and related equipment. The duty and tax rebates are also applicable to fuel consumption for commercial fisheries.

The Philippines has an Export Development Plan (2002-2004), which is a rolling three-year plan that forms part of the Medium Term Philippine Development Plan. The Plan specifies product development, diversification and promotion as key strategic guidelines. The Plan also provides strategic direction for 10 key revenue streams (one of which is marine products), in formulating result-orientated policies, and on clustering. Strategies are developed too for the major export markets, and for the EU include *“to avail to the HACCP accreditation to satisfy European standards for food and marine products”*. The policy of clusters also includes a number of areas specified for fish processing and seaweeds. Policies in support of export development include: participatory governance, macro-economic stability and dynamism, reducing the costs of doing business, infrastructure improvements, legislative interventions, reasonable competition policy, pragmatic liberalisation in relation to international commitments, human resource development and productivity and specific policies cutting across sectors.

## 5 INITIATIVES AIMED AT TRADE PROMOTION AND POVERTY REDUCTION

---

In this section we consider two main types of initiatives. Firstly, we have become aware of a number of other ongoing research projects examining the same, or related topics considered by this project, and it is therefore useful to summarise these and any key lessons from these projects that are of relevance to our work. It is also hoped that as part of this project, communication with all such initiatives will help to share lessons and experiences. Secondly, we consider more practical initiatives that have already been tried, or are in the process of being developed, that might be used to ensure that trade is “pro-poor”. We consider in this regard, not just fisheries/aquaculture initiatives, but also approaches taken in other sectors to see whether there are lessons to be learned from such approaches and whether successful initiatives in these sectors might be transferable to marine products. The review of such initiatives is important in helping to assist with preliminary ideas about pro-poor mechanisms to be explored further through the project field work/case studies. Given that poverty is about more than just income, and that sustainability about more than just the environment (ie. the concept of sustainability includes social sustainability), it is appropriate in this section to look at both a) schemes intended to ensure sustainability, and b) those that deal specifically with social/poverty issues.

This section does not attempt to summarise normative work being undertaken by many researchers into the relationships between (fisheries) trade and poverty (alleviation), nor does it attempt to provide information on the huge numbers of individual organisations and NGOs that are working and lobbying to support changes in international trade practices.

### 5.1 OTHER MARINE TRADE-RELATED RESEARCH PROJECTS

#### WorldFish Center

The WorldFish Center is currently implementing a project called “Strategies and Options for Increasing and Sustaining Fisheries and Aquaculture Production to Benefit the Poor Households in Asia” with financial support from the Asian Development Bank under the Regional Technical Assistance for the “Fifth Agriculture and Natural Resources Research at CGIAR Centers” (ADB-RETA 5945)<sup>38</sup>. The Project is being implemented in nine developing member countries (DMCs) of ADB, namely Bangladesh, People's Republic of China, India, *Indonesia*, Malaysia, the *Philippines*, Sri Lanka, Thailand and *Vietnam*, over a three-year period (March 2001 - February 2004).

The Project has a number of key aims:

- formulate strategies and an action plan for increasing fish production, improving nutrition and income, and protecting fisheries resources so as to benefit poor fish producers and low-income consumers;
- determine the most viable and sustainable aquaculture and fisheries practices (including prioritisation of fish species, farming systems, fishing technologies and management practices) that are of critical importance to poor fish farmers and fishers as well as low-income consumers;
- analyse and forecast fish production and consumption by fish species and income groups to evaluate the market potential for alternative fish products of poor farmers and fishers and to identify fisheries management options for increased participation by small-scale fishers; and
- strengthen the capacity of the DMC participating institutions in fisheries policy research in monitoring the impacts of changes in policy, technologies and markets on poor households.

---

<sup>38</sup> [http://www.worldfishcenter.org/demandsupply/archive/nov\\_2001.htm](http://www.worldfishcenter.org/demandsupply/archive/nov_2001.htm)

Outputs of the project from a number of inter-related research components are expected to be:

- Technical reports containing identified viable, suitable and sustainable production technologies and appropriate fish species for different classes of farmers, particularly for poor fishers and farmers;
- Guidelines and institutional frameworks for greater participation of poorer fishers in fisheries resource management practices;
- A technical manual detailing the methodology and an operational database on the supply and demand outlook for the use of analysts and policy makers in designing fisheries development strategies;
- A report detailing the strategies and action plan for aquaculture and fisheries development to benefit poor households; and
- Guidelines, training materials, and workshop proceedings for DMC planners to improve policy decisions in fisheries for resource allocation to the poor, and for scientists and extension workers to enhance the quality of fisheries policy and economic research, and technology transfer for increased fish production.

Contact has been made with this project to introduce the EC-PREP project, and the project website has been reviewed. However, while country-specific strategies and options for increasing and sustaining fisheries and aquaculture production to benefit poor households in Asia will be developed, these **key outputs of relevance to our project do not yet appear to have been finalised**.

#### **Nautilus/IIED**

Nautilus Consultants, in association with the International Institute for Environment and Development (IIED) have recently completed a DFID-funded project entitled “Investment mechanisms for socially and environmentally responsible shrimp culture”. The project has been using Bangladesh as a specific case study. In addition to a synthesis report, working papers have been prepared on:

- Working paper 1: a review of social and environmental issues and relevant national and international initiatives to promote and support sustainable shrimp farming
- Working paper 2: Capitalising on the Corporate Social Responsibility (CSR) Agenda
- Working paper 3: International Trade Agreement Assessment
- Working paper 4: Structure and organisation of production and marketing in Bangladesh
- Working paper 4a: Socially and environmentally responsible shrimp farming in Bangladesh
- Working paper 5: International markets for shrimp
- Working paper 6: The potential for a social and environmental premium on shrimp

Contact has been made with this project to introduce the EC-PREP project. **Issue of relevance to this project are covered in Section 6.1.1.**

#### **NRI**

The Natural Resources Institute in the UK is about to commence work on a DFID/GTZ-funded project called “Policy Research – Implications of liberalisation of Fish Trade for Developing Countries”. The principal objectives of the study are to increase knowledge and understanding about the relationship between the existing provisions on international fisheries (multilateral trade rules and bilateral agreements), as well as the changes envisaged in the WTO negotiations on sustainable development. Options for national and international fisheries and trade policies which address the needs of sustainable development will be identified as part of the project, through the use of case studies.

Poseidon staff are involved with this project which will ensure good collaboration. The project has not yet started, so **there are as yet no key lessons of relevance to our project**.

## **FAO/Norwegian Ministry of Foreign Affairs**

An ongoing project, funded by FAO/Norwegian Ministry of Foreign Affairs, is entitled “Study on the impact of international trade in fishery products on food security”. The project is working in Brazil, Chile, Nicaragua, Senegal, Ghana, Namibia, Kenya, Sri Lanka, Thailand, Philippines and Fiji. An attempt will be made to examine the food security enhancing or reducing effect of fisheries trade on five categories – the nation, the fish producers, the fishworkers, the fish consumers and the fish stocks.

Contact has been made with this project to introduce the EC-PREP project. The final outputs of the project are to be published in December 2003, so *as yet there are no key lessons of relevance to our project*, but the final project reports from this project will be reviewed on publication for an assessment of implications for our project.

## **World Bank, NACA, FAO and WWF**

This is a consortium program of the World Bank, NACA, WWF and FAO working on issues of shrimp farming and the environment. The objectives of the consortium program are: (a) Generate a better understanding of key issues involved in sustainable shrimp aquaculture; (b) Encourage a debate and discussion around these issues that leads to consensus among stakeholders regarding key issues; (c) Identify better management strategies for sustainable shrimp aquaculture; (d) Evaluate the cost for adoption of such strategies as well as other potential barriers to their adoption; (e) Create a framework to review and evaluate successes and failures in sustainable shrimp aquaculture which can inform policy debate on management strategies for sustainable shrimp aquaculture; and (f) Identify future development activities and assistance required for the implementation of better management strategies that would support the development of a more sustainable shrimp culture industry. The program has analysed social issues around shrimp farming and identified better management practices that could be used for enhancing positive social benefits from shrimp aquaculture, and reducing negative impacts.

## **Asia Trade Initiative**

The UNDP-assisted Asia Trade Initiative was launched with the purposes of, i) facilitating the cross fertilization of lessons on trade and economic governance, ii) strengthening the ability of countries to defend their negotiating positions, iii) helping governments and CSOs to come together to share their perspectives on trade regimes, and iv) advocating development policies that advance the interests of the poor. It seeks to support many different sectors primarily through the preparation of Technical Support Documents (TSD), and has a specific workplan for fisheries.

The TSDs on fisheries include a useful paper by Lam Quoc Tuan (2003) with some *key observations of relevance to our project*. They are:

- Fishing contributes to empowerment by being a major source of food, employment, incomes, and a way of life. In Vietnam 80% of the coastal communities rely in some way on fisheries for income, but livelihoods are vulnerable (especially in shrimp aquaculture due to disease risks)
- Patterns of ownership have equity implications, and key constraints are less the ability to access natural capital, and rather the lack of access to credit, training, and technical and infrastructural support
- Productive fish exporters are successfully competing in world markets. Vietnam’s export of aquatic products exceeded \$2 billion in 2002, up by nearly 45% from 2000.
- Global trade barriers and practices constrain market access opportunities. Access to world markets has provided small fishermen with an opportunity to benefit from globalisation, but this has often been frustrated by trade barriers, such as anti-dumping measures, and other regulations
- Highly strict sanitary and environmental concerns act as a non-tariff barrier and can significantly increase the costs of exporters
- Sustainability of fish stock and prevention of degradation of marine resources is a major environmental concern, especially given insufficient management and regulation

- Management of a natural common resource poses challenges and opportunities, especially for poor coastal communities
- Asian fishers could gain from greater coherence between trade rules and multilateral environmental agreements (MEAs) and other environmental standards
- There is a market-failure to reflect true value of fisheries which is exacerbated by the use of subsidies
- WTO can offer relief to specific problems

### **Southeast Asian Conference On Sustainable Fisheries Management And Trade**

Oxfam International in cooperation with Tambuyog Development Center – Philippines organized and held a Southeast Asian Conference on Sustainable Fisheries Management and Trade for national fisherfolk federations, NGO partners and Oxfam staff with the main objective of educating partners on the inter-relationship of sustainable fisheries management, subsidies and trade<sup>39</sup>. The participants engaged in critical analysis of current state of negotiations on fisheries subsidies and market access following the Cancun Ministerial in September and developed a common standpoint. The main conclusions of the regional conference are stated in the “Southeast Asian NGO Statement of Concern on Sustainable Fisheries Management and Trade”. The conference was held in November 2003, and outcomes from the conference are awaited. *Key lessons of relevance to our project will be considered when available.*

## **5.2 PRACTICAL INITIATIVES**

### **5.2.1 Fisheries Schemes**

There are a wide range of certification schemes and initiatives related to standards, which are in various states of readiness – some dealing with social issues, and other concentrating more on sustainability and the environment. Some seek to provide accreditation while some just seek to establish recommendations about best practices or codes of practice. They can usefully be divided into those that are organic in nature and those that aren't.

*Non-organic schemes* include:

- ***Fundacion Chile*** Code of Good Environmental Practices for Well Managed Salmonoid Farms. No social or poverty emphasis
- ***Global Aquaculture Alliance*** (GAA) Codes of Practice for Responsible Shrimp Farming. Environmental in their focus, but with some guidelines on community and employee relations
- ***ISO 14001 Environmental Management System*** (& EMAS<sup>40</sup>). Requires that a company develops a policy in relation to environmental performance. No social or poverty emphasis
- ***Marine Stewardship Council*** (MSC). The MSC is an independent, global, non-profit organisation whose role is to recognise, via a certification programme, well-managed fisheries and to harness consumer preference for seafood products bearing the MSC label of approval. Fisheries are certified as “sustainable”, and the definition of “sustainable” on the MSC website includes, along with various environmental criteria, that:
  - a) it is managed and operated in a responsible manner, in conformity with local, national and international laws and regulations;
  - b) it maintains present and future economic and social options and benefits;
  - c) it is conducted in a socially and economically fair and responsible manner

---

<sup>39</sup> <http://www.ictsd.org/ministerial/cancun/docs/10-14Nov.pdf>

<sup>40</sup> European Eco-Management and Audit Scheme

*However*, actual certification strongly emphasizes environmental over social issues, and assessment really only relates to whether the management system includes economic/social incentives that contribute to sustainable fishing, not on the wider issues claimed above

- ***Seafood Choices Alliance***. The Seafood Choices Alliance seeks to bring ocean conservation to the table by providing the seafood sector - fishermen, chefs and other purveyors - with the information they need to make sound choices about seafood and provide the best options to their customers. By working collaboratively with partners from conservation organizations, the Alliance connects professionals from the seafood and conservation community. Seafood Choices encourages the sale and consumption of eco-friendly seafood by raising awareness of these issues among its subscribers and individual consumers. The initiative is a US-based one, and focuses on environmental, rather than social, issues.
- ***Marine Aquarium Council (MAC)***. The MAC is an international, not-for-profit organization that brings marine aquarium animal collectors, exporters, importers and retailers together with aquarium keepers, public aquariums, conservation organizations and government agencies. MAC's mission is to conserve coral reefs and other marine ecosystems by creating standards and certification for those engaged in the collection and care of ornamental marine life from reef to aquarium. The MAC Core Standards outline the requirements for third-party certification of quality and sustainability in the marine aquarium industry from reef to retail. There are three MAC Core Standards covering the “reef to retail” supply chain.

1) The Ecosystem and Fishery Management (EFM) Core Standard addresses in-situ habitat, stock and species management and conservation by verifying that the collection area is managed according to principles that ensure ecosystem health and the sustainable use of the marine aquarium fishery. These management principles do not contain any reference to social, equity or poverty initiatives

2) The Collection, Fishing and Holding (CFH) Core Standard addresses harvesting of fish, coral, live rock and other coral reef organisms, handling prior to export, holding, plus packaging and transport to ensure the health of the collection area, sustainable use of the marine aquarium fishery and optimal health of the harvested organisms.

3) The Handling, Husbandry and Transport Core Standard addresses the handling of marine life during export, import and retail to ensure their optimal health, their segregation from uncertified organisms and proper documentation to show that they pass only from one MAC Certified industry operator to another.

*Of special relevance to our project* is that USAID has recently approved a major Global Development Alliance grant for “Transforming the Marine Aquarium Trade (TMAT)” in the *Philippines*. The goal of the three-year program is to build a critical mass of MAC Certified collectors and collection areas in the Philippines. TMAT brings together significant new collaboration, resources and partnerships to help mainstream MAC Certification by 1) ensuring collectors have the information and training to become MAC Certified; 2) ensuring community stakeholders are able to develop and implement MAC Certified ecosystem management for collection areas; and 3) ensuring MAC and its partners have the capacity to develop, coordinate and implement the TMAT program. In the southern Philippines, the Growth with Equity in Mindanao Program of USAID is supporting MAC efforts to work with local partners to identify and assess collection areas and collector groups in the Mindanao provinces of Zamboanga, Basilan, Tawi-Tawi and Jolo to ensure the aquarium trade is sustainable. The target beneficiaries are former secessionist combatants who have laid down their arms and are now participating in USAID-supported programs for sustainable livelihoods based on local coastal resources.<sup>41</sup>

The *Indonesian* Ministry of Marine Affairs and Fisheries signed a memorandum of understanding (MOU) with MAC on July 24, 2003, formalizing the strong government

---

<sup>41</sup> MAC News 3<sup>rd</sup> Quarter 2003

support for MAC's work in Indonesia. At the field level, progress towards MAC Certification continues in North Bali with Bali-based exporters having signed statements of commitment to become MAC Certified.

The MAC Full Standards, to be produced within the next two years, will also include standards for mariculture and aquaculture. MAC do not have a social element embedded in their standards yet. However they are looking to amend these in the next year and they are likely to be similar to the FairTrade initiative. The current system is orientated to ensuring that collectors get good support from importers. Buyers have to agree a 10% premium over uncertified fish, have to provide polystyrene boxes and polythene bags, provide 10% of the Collection Co-ordinators salary and 1/3 of all freight costs. They also provide other help such as mobile phones which are essential for coordinating collection and delivery. They also provide (via MAC) training in financial administration and planning, especially to even out the very seasonal demand in fish (peaks at Christmas and a low summer season).

- ***Industry Standards For The Live Reef Food Fish Trade.*** This is a collaborative project of the Marine Aquarium Council (MAC), The Nature Conservancy (TNC) and interested stakeholders. The LRFFT Standards project brings together stakeholders to develop industry "best practices". The project focuses on wild caught and cultured fish, and initial contact with MAC staff suggests that while the draft standards do not have a strong social emphasis, ***there is potential for exploring social issues within these standards.***
- ***Federation of European Aquaculture Producers Code of Conduct for European Aquaculture.*** The Code takes account of the FAO Code of Conduct for Responsible Fisheries, and includes guidelines on social and economic relationships, as well as on consumer transparency and quality
- ***Thai Marine Shrimp Culture Codes of Conduct.*** A voluntary code based strongly on the GAA codes and which is a set of principles and processes that provides a framework to meet the industry's goal for environmental, social and economic responsibility.
- ***Fairly Traded Fish and Seafood***<sup>42</sup>

The goal of the Fairly Traded Fish and Seafood initiative (part of the Fair Trade movement, see below) is to improve the living and working conditions of marine artisanal fishworkers through better economic incentives by establishing as direct a link as possible between artisanal fishworker organizations and Fair Trade buyers. The project was launched at the Bremen Fish Fair in March 2000. It is founded on a partnership-based arrangement between the Fair Trade and marine fishworker associations in developing countries. To qualify for partnership, the fishworker association has to comply with four sets of criteria.

The first is a general set of criteria for all Fair Trade partners, and stipulates that it should be an independent, democratic and transparent association, and that it should strive to uphold the five core labour standards of ILO, viz., (1) no use of forced labour; (2) respect for freedom of association and the right to organize; (3) right to organize and collective bargaining; (4) no discrimination on grounds of race, colour, sex, religion, political opinion, national extraction or social origin; along with the promotion of equality of opportunity and treatment; and (5) implementing the minimum age convention, which aims at the abolition of child labour.

The other three sets of criteria are developed through informal consultations with fishworker organizations and support groups in developing countries. These are:

- the organization should be an association of fishers who actually participate in fishing with unmotorized, wind-powered, out-powered or in-powered vessels (at the lower end of the horsepower range) and who undertake their fishing operations from the beach, cove,

---

<sup>42</sup> Text adapted from Mathew, S. 2003



lagoon, estuary, or piers, using fishing gear and techniques that avoid “unnecessary” by-catch and discards, and without resorting to the use of poisons/explosives.

- Second, the promotion of fair trade should not lead to negative externalities and should not threaten the nutritional security in fish producing countries, by way of higher prices and reduced supply to the local population. It should also not threaten traditional processing and marketing structures, especially in contexts where women play an active role.
- Third, only 15 per cent, or less, of total fish landings of the members would be brought under the scope of Fair Trade, and would include only low-value species that are in surplus after meeting local demand, and high-value species that are not normally consumed by the poor.

The modus operandi of Fair Trade is to enter into a Producer Support Agreement with identified partner associations. The association agrees to the verification of its process of documentation, if so required. Currently, Fair Trade has two such agreements: one with the Collectif Nationale des Pêcheur Artisanaux du Senegal (CNPS), Senegal, and the other with the South Indian Federation of Fishermen Societies (SIFFS), India. Once such an agreement is signed, Fair Trade promotes the products of its partners amongst potential buyers who will pay the fishworker association a stipulated Fair Trade premium per unit of fish, which is fixed at one Euro for every kilogramme of raw fish. Processed fish will command a higher premium based on a conversion factor, which takes into account the raw fish input for every unit output of processed fish. The premium should guarantee the basic needs of members, employees and workers of the producer association. The cash surplus after meeting this objective may be used to strengthen fishworker associations; to set up an emergency fund; to contribute to community welfare; or to develop better environmental safeguards in fisheries.

- **Ornamental Fish International** (the trade organisation representing the industry for the import and export of ornamental specimens) has a very general Code of Ethics relating to giving the welfare of livestock top priority at all times and trading fairly.
- The UK-based **Ornamental Aquatic Trade Association** (OATA) has a code of conduct for its members focusing on the welfare of species and health and safety at work, related to the UK Health and Safety at Work Act of 1974.

**Organic schemes** include:

- **International Federation of Organic Agriculture Movements** (IFOAM) Organic Aquaculture Standards. IFOAM is an umbrella organic agriculture organisation that is investigating issues in aquaculture. No social or poverty emphasis in current standards
- **Naturland Organic Standards**. Standards accredited by IFOAM but have no social or poverty emphasis
- **Soil Association Certification Ltd**. No social or poverty emphasis in aquaculture standards
- **National Association for Sustainable Agriculture Australia**. It is an organic certification organisation that certifies organic agriculture production in Australia, Papua New Guinea, Sri Lanka and Indonesia to IFOAM standards. It focuses predominantly of terrestrial agriculture, but has criteria by which aquaculture operations can operate
- **BioGro New Zealand Production Standards**. Organic aquaculture certification criteria, but no social or poverty focus
- **KRAV Kontroll AB Organic Standards**. KRAV Kontroll AB is a subsidiary of KRAV, an organic promotion and certification company in Sweden Like Naturland, KRAV Kontroll is IFOAM accredited. The standards from KRAV are a booklet containing organic production standards but contain no social or poverty issues

- **Debio Organic Aquaculture Standards.** Debio is the Norwegian organic inspection and certification body. The standards have been developed in accordance with IFOAM (although they are not IFOAM accredited) and in conjunction with KRAV, but contain no social or poverty issues

Given the strong relationship between environmental sustainability and continued economic/social benefits, it can be hoped that all environmental measures contained within the different initiatives mentioned above will go a little way towards ensuring that activities are also pro-poor. However, it is striking that only a very few of these initiatives, especially the organic ones, directly deal with social issues, and those that do almost unanimously place a far greater emphasis in reality on the environment, even if they mention social issues in policy statements and overall principles. Moreover, a large number are strongly developed country orientated with little or no applicability to marine production from Asia.

### 5.2.2 Non-fisheries initiatives

**National Standards and Codes.** There are numerous national standards and codes of conduct that address environmental and social issues. Some are developed by a specific industry alone while others are developed by wider coalitions that may include governments (in the case of labour laws for example), NGOs and consumer associations. Some examples from the agriculture/horticulture sector include (FAO 2003) the "Compromiso Ambiental" of the Costa Rican banana industry that is monitored internally. Another example is the Silver and Gold Standards Code of Practice of the Kenyan Flower Council that is monitored by Bureau Veritas. A third example is the Green Food Programme in China with A-Grade and AA-Grade labels, the latter meant to be recognised as an organic label in international markets. In Vietnam a national code on shrimp farming is being developed by Government/Danida which to some extent is expected to include social issues. These examples serve to illustrate the wide range of geographical areas, farming systems and methods of implementation of such national standards.

**Forestry Stewardship Council (FSC).** Like the MSC, the Forest Stewardship Council is an international non-profit organization (founded in 1993), to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests. The FSC website claims that the mission of the FSC implicitly and centrally, includes improvement of the quality of life and relief of poverty, for forest dependant people and workers. Social issues figure prominently in the formulation of the P&C, and social members are given an equal voice in the chamber structure. At the first General Assembly a Social Working Group was established to address social issues within the FSC. The II Annual Conference "Certification for the People", held in Nov. 2000, focused exclusively on social issues. A list of other pro-poor/social initiatives in the forestry sector is provided in Appendix E.

**The Sustainable Agriculture Network (SAN)** is a coalition of independent, nonprofit conservation groups in Latin America that works with the Sustainable Agriculture Program of the Rainforest Alliance. Together they work to integrate productive agriculture, biodiversity conservation and human development. These initiatives include developing and implementing best management practices and standards for commodity crops, providing incentives to farmers to meet those standards, and encouraging the marketing industries and consumers to support farmers who are making on-farm improvements toward sustainability.

**International Social and Environmental Accreditation and Labelling (ISEAL) Alliance.** The ISEAL Alliance is an association of leading international standard-setting, certification and accreditation organizations that focus on social and environmental issues. Taken individually, the standards and verification systems of ISEAL members represent efforts to define issue-specific elements of social and environmental sustainability. Taken together, they represent a holistic movement, with the ISEAL Alliance providing the framework. It delivers services to its members to strengthen governance and promote the legitimacy of their programs; it also provides a platform through which members can identify ways to work together. ISEAL advocates on behalf of our members in relevant trade discussions and monitors policy on regulatory issues of common concern. ISEAL is improving the

quality of the standard-setting process through the establishment of objective criteria for how standards are set and through direct capacity-building of members to meet those criteria. In addition, ISEAL members are striving for performance standards that are more easily understood and measured, and that are consistent across different certification programs. Members include: Fairtrade Labelling Organizations; the FSC, the MSC, IFOAM, the MAC, SAI, and the SAN – all described above

**SASA project:** Four ISEAL members, FLO, IFOAM, SAI and SAN also undertake the Social Accountability in Sustainable Agriculture (SASA) project. The objectives of the project are to enhance co-operation among the organizations and to develop guidelines and tools for social auditing. The project examines the impact and responsibilities of supply chain actors, the particular needs of small- and medium-scale producers and the possibilities for integrated audits for multiple certification programmes. To achieve these objectives twelve pilot audits are being carried out on different products in different countries (but none on marine products) and workshops are organized to focus on specific standards or certification procedures, e.g. on smallholder group certification for social audits.

**The ILO** was created in 1919 primarily for the purpose of adopting international standards to cope with the problem of labour conditions involving “injustice, hardship and privation”. The ILO standards take the form of international labour Conventions and Recommendations. Eight ILO Conventions have been identified by the ILO's Governing Body as being fundamental to the rights of human beings at work. They are conventions: No. 87 (1948) and No. 98 (1949) on Freedom of association and collective bargaining; No. 29 (1930) and No. 105 (1957) on the abolition of forced labour; No. 111 (1958) and No. 100 (1951) on Discrimination and equal remuneration; and No. 138 (1973) and No. 182 (1999) on the elimination of child labour. For the agricultural sector another important convention is No. 184 (2001) Safety and Health in Agriculture.

**COLEACP Harmonized Framework** for codes of good practice in the horticulture sector: The COLEACP is an inter-professional association of exporters, importers and other stakeholders of the EU-ACP horticultural trade. To improve market recognition of ACP produce and to respond to the market demands for environmentally and socially responsible conditions of production, COLEACP took the initiative to encourage horticultural export associations to move towards harmonization of their Codes of Practice. Currently (December 2002) 13 fresh produce trade associations are participating, coming from 9 African and Caribbean countries. The Framework is meant as a minimal set of food safety, environmental and social standards to be incorporated into national codes.

**ICFTU/ITS Basic Code of Labour Practice:** The International Confederation of Free Trade Unions adopted a text for a "Basic Code of Conduct covering Labour Practices" in December 1997. The code aims to establish a minimum list of standards that ought to be included in all codes of conduct covering labour practices. A central idea of this code is that codes of conduct must incorporate freedom of association and the right to collective bargaining. The basic code is meant to assist any trade union organization in negotiations with companies and in working with NGOs in campaigns involving codes of conduct. It can also be used as a benchmark for evaluating any unilaterally adopted codes of labour practice.

**Ethical Trade Initiative.** The Ethical Trade Initiative (ETI) is a multi-stakeholder alliance in the United Kingdom. It has a tripartite structure in which NGOs, unions and the private sector are represented. The ETI focuses on ethical sourcing by companies, in particular retail chains. The ETI is a learning initiative to gain insight on how social standards can be developed and implemented. It has developed a Base Code of 9 principles, based on ILO conventions. The Base Code is similar to the SA8000 standard. Companies involved in the ETI execute internal business evaluation programmes to assess compliance with the ETI Base Code and subsequently try to address non-conformities encountered in the evaluations. The ETI conducts various pilot projects to learn about: monitoring implementation of the Base Code; implementing core labour standards as part of supply chain management in a given country; applying the Base Code in circumstances that have been identified as potentially problematic; and implementing particular aspects of the Base Code.

Members of this initiative are “committed to business ethics and corporate responsibility, promotion of worker rights and human rights in general. In employment, ethical business includes working towards the ending of child labour, forced labour, and sweatshops, looking at health and safety,

labour conditions and labour rights". Seven major food retailers and two seafood manufacturers in the UK are members of ETI.<sup>43</sup> In 2002, the possibility of an ETI working group on shrimp attracted interest from two of the food retail members and the seafood manufacturers, and some exploratory work was carried out. At that time, it was felt that there was not sufficient overlap between the expertise of the NGO members (whose shrimp experience related mainly to Bangladesh) and the sourcing practices of the companies involved (which related mainly to shrimp from South East Asia, Latin America and elsewhere but not Bangladesh). This work was therefore not taken forward. However, this may now be revisited within the ETI's Food Group, given a new campaign on shrimp by the Environmental Justice Foundation<sup>44</sup>, which involves contact with supermarkets. (Nautilus/IIED, 2003)

**Race to the Top** project: Race to the Top is a collaborative project of major UK multiple retailers and an alliance of farming, conservation, labour, animal welfare and sustainable development organizations. The project is co-ordinated by the International Institute for Environment and Development (IIED). The project will offer supermarkets independent benchmarking against indicators grouped in seven modules: environment (emissions and waste); giving a fair deal to producers; wages and conditions for workers; communities (sourcing local); nature (on-farm); animal welfare; and healthy food. In 2002 indicators and measures were developed and in 2003 baseline data will be collected against which progress can be measured.

**EUREPGAP**. EurepGap is a certification system driven by 22 large-scale retail chains that form the core members of the Euro-Retailer Produce Association (EUREP). The main focus of the Good Agriculture Practices (GAP) norms are on food safety and traceability. They also include environmental (IPM practices) and social (issues on workers health) norms, although these have been criticised for being rather vague.

**Social Accountability International (SAI)**. Social Accountability International (SAI) works to improve workplaces and combat sweatshops through the expansion and further development of the international workplace standard, Social Accountability 8000 (SA8000), and the associated S8000 verification system. SAI:

- a) convenes key stakeholders to develop consensus-based voluntary standards
- b) accredits qualified organizations to verify compliance
- c) Promotes understanding and encourages implementation of such standards worldwide

SA8000 is currently in use by businesses and governments around the world and is broadly recognized by trade unions and non-governmental organizations (NGOs) as one of the strongest and most highly respected workplace standards. Certification to SA8000 promotes management systems that upgrade working conditions.

**Fair trade**. The International Federation for Alternative Trade (IFAT) is the international network of Fair Trade organisations. IFAT's membership includes some 111 producer groups, export marketing organisations and brands in 35 Latin American, African and Asian countries. It includes 15 Fair Trade organisations in USA and Canada, Australia, New Zealand and Japan; in Europe it includes 3,000 Fair Trade shops ("World Shops") affiliated to the Network of European World Shops (NEWS!) and 53 Fair Trade organisations in 11 European countries, including the European Fair Trade Association (EFTA). It is estimated that more than five million producers around the world benefit from Fair Trade terms and the producer support and capacity building that is provided. IFAT's Code of Practice is based around issues of: commitment to fair trade, ethical issues, transparency, working conditions, equal employment, concern for people, concern for the environment, respect for the producer's cultural identity, education and advocacy, and working relationships

---

<sup>43</sup> The seven retailers are ASDA, The Co-operative Group, J. Sainsbury, Marks and Spencer, Safeway Stores, Somerfield Stores and Tesco. The seafood manufacturers are Anchor Seafood and Lyons Seafoods.

<sup>44</sup> See [www.ejfoundation.org](http://www.ejfoundation.org).

Fairtrade Labelling Organizations (FLO) is the worldwide Fairtrade Standard setting and Certification organisation. It permits producers and their dependants to benefit from labelled Fairtrade. FLO guarantees that products sold anywhere in the world with a Fairtrade label marketed by a National Initiative conforms to Fairtrade Standards and contributes positively to disadvantaged producers.

Fair Trade works in developing countries with producers of agricultural, manufactured and handcrafted products whose circumstances effectively marginalise them from mainstream trade. In most cases these producers will be workers' cooperatives and small and medium-sized enterprises (SMEs), although this is not a requirement of Fair Trade. Terms of trading are set in a way that ensures producers receive a price that covers a fair return on capital costs and labour, plus business training and support where needed. In many cases it is necessary to provide pre-delivery financing, in recognition of the economic vulnerability of the groups with whom Fair Trade organisations work. In particular Fair Trade organisations work to establish trading relationships that are transparent, equitable and accountable thereby ensuring that producers are able to overcome barriers to trade and establish sustainable livelihoods. The fair prices and premium paid to businesses and communities engaged in Fair Trade also allow collective saving schemes which are then invested in community-owned projects

Fair Trade is a growing market, in terms of the number of consumers and producers. There are now more than 800,000 small-scale producers working in nearly 3,000 grassroots organisations producing Fair Trade and Fairtrade labelled goods. In addition to Fair Trade shops, Fair Trade products are now available in 43,000 supermarkets and an estimated 70,000 other sales points across North America, Europe, Japan, Australia, New Zealand and, increasingly, in other parts of the Southern Hemisphere. The sales volume of Fairtrade-labelled products alone has increased 15-20% a year over the last five years. Estimated retail turnover in 2002 was 260 million €/US\$. In 2002, sales of Fairtrade-labelled products are estimated to have generated 50 million US\$/€ of additional income to producers and workers.<sup>45</sup>

Approaches of fair trade organisations are generally based on:

- Information provision,
- Lobbying politicians, businessmen and consumers that buy from the Third World, and most importantly
- Actual fair trade of a broad assortment of products from craftsmen and farmers

The principal of many initiatives is to eliminate the middlemen by doing business directly with the producers: organizations of craftsmen and farmers or companies with good social policies. All products are purchased at a fair price and under fair conditions.

***Dow Jones Sustainability Indices.*** Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Corporate Sustainability is a business approach that intends to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. The indices are based on a weighted score of a wide range of criteria that include economic, environmental and social issues; in the case of the latter in the form of corporate citizenship/philanthropy, stakeholder engagement, labour practice indices, human capital development, social reporting, standards for suppliers etc. Member companies are almost exclusively those based in the developed world.

### 5.2.3 Conclusion

There may be potential to explore incorporating social and poverty issues into existing fisheries and aquaculture certification initiatives, but these tend to be strongly environmentally focused and it is doubtful whether the organisations concerned would be keen to add another layer of complexity to the certification /standard process. More promising avenues perhaps therefore present themselves in

---

<sup>45</sup> <http://www.eftafairtrade.org/>

tapping in to some of the existing non-fisheries-specific initiatives described above. Many of these reflect the growing Corporate Social Responsibility agenda, which is rapidly gaining momentum.

## **6 POSSIBLE PRO-POOR TRADE OPTIONS**

---

This last section of this Output 1 Report presents some questions and preliminary ideas about possible pro-poor trade options that will be field tested, and explored in more detail during the course of the 12-months of field work and case studies to be conducted in Vietnam, Indonesia, and the Philippines. It is intended that the case studies will generate both quantitative and qualitative information. During the course of the 12 months we also plan to engage further with the different links in the supply chain to assess the viability and effectiveness of different pro-poor options being considered by the project, although some preliminary interviews with the supply chain in Europe have already been conducted and findings are presented below.

### **6.1 INITIAL COMMENTS ABOUT SOCIAL/PRO-POOR ISSUES AND POSSIBILITIES**

#### **6.1.1 UK shrimp sector**

Interviews conducted as part of this project suggest that almost all supermarket chains require, as a component part of traceability audits, investigation into environmental issues as well as guarantees of social/ethical conditions. However, much of this has been influenced as much by recent lobbying by groups such as the Environmental Justice Foundation (EJF), as by consumer demand. Generally supermarkets believe that the majority of customers are more interested in other factors influencing customer loyalty. These factors include

- Value for money
- Speed at check out
- Quality of products

However, some supermarkets also report a growing awareness of environmental/social issues, with perhaps 15-25% of consumers conscious and concerned about such issues in their purchasing decisions. Most traders supplying the retail trade indicate that some (undefined amount) of these consumers might be expected to pay higher prices for products which have complied with a certification scheme, but that more consumers are aware of and concerned about environmental issues such as damage to mangroves, than social issues.

There was little/no support from those interviewed in the retail sector for specific social branding e.g. tradecraft related issues. Retailers are concerned about large numbers of brands confusing consumers and adding costs. There is however some support for linking social/ethical issues into other certification schemes (e.g. environmental) and traceability (although the willingness of the schemes to expand into social issues remains another question), and most retailers request that social considerations – schools, access to welfare etc - be an integral part of the audit system.

There is no strong evidence in the catering sector of requirements to satisfy environmental or social/ethical issues. Bangladesh and China are the largest suppliers to the catering trade, and it is also believed that the bulk of Vietnamese product is sold to this sector, either via Thailand or direct. The lack of concern for social issues in this sector poses a problem for Vietnamese pro-poor trade, and may require Vietnam to make improvements in traceability so as to access the retail sector where awareness of social issues appears to be greater.

The regulatory framework is not currently seen as a major factor in determining prices in the retail sector, but could become an important issue if social certification brought with it additional tariff concessions, thereby encouraging trade in socially certified product. The reduction of tariff levels for socially certified products could therefore represent an important pro-poor policy tool.

The findings from our interviews agree with those of the recent Nautilus/IIED study profiled in Section 5.1. The Nautilus/IIED report (Nautilus/IIED 2003) states that market research consistently finds that social and environmental issues are low on the list of consumers' priorities when they purchase food. A recent survey concluded that "in relation to decisions about food and shopping, consumers were unashamedly selfish. Most decisions are based on self-benefit, e.g. value for money,

taste and convenience, rather than being driven by altruistic motivations”.<sup>46</sup> There is also a widely recognised gap between what consumers say they do on ethical issues and how they actually act – a Cooperative Bank survey found that of the 80% of consumers who claim to shop or invest ethically, only 30% ‘practise what they preach’.<sup>47</sup> The project report finds that organic labels are recognised by consumers as highly differentiated brands which they can trust, especially in terms of health and safety (absence of chemicals) and for which they are prepared to pay a premium – commonly estimated at around 10%. However this inclination is less based on ethical considerations than self interest in terms of health.

The project report also states that for major retailers to be concerned with aspects of social equity and ethical trade, product volumes in a particular commodity have to be large enough to ensure a coherent market image – tropical shrimp is not such a high profile product.

The Nautilus/IIED reports suggests that in the catering sector, which consumes around two-thirds of EU shrimp consumption, demand for sustainable/ethical shrimp is even more limited because:

- Consumers are less concerned and discriminating about the origin of food served in restaurants - although they may be very concerned about quality;
- Caterers/restaurateurs are typically smaller companies for whom certification issues would represent a higher relative cost.

### **6.1.2 Benelux shrimp sector**

The following preliminary conclusions are based on interviews with importers / buyers of shrimp and / or marine products in the Netherlands and Belgium.

- The role of Vietnam as supplier of shrimp is small. Of the total imports, only a few percent comes from this country. This means that Vietnamese shrimp is in all respects a 'market follower'. It is not realistic to expect that even a concerted marketing effort based on the country of origin could have any impact on the shrimp trade in general or generate a price premium in particular.
- While several large shrimp traders are based in the Netherlands and Belgium, the consumption of tropical shrimp in these countries is very limited. Most of the imports are re-exported again towards other EU countries. Consequently the traders involved are only halfway to the final consumer and cannot play any role in promotional campaigns that would be required to create a pro-poor label at the consumer level.
- Achieving a premium price specifically for pro-poor shrimp from Vietnam, would require establishment of an accepted new A-label, with a clear positive image which would appeal to the consumer. Establishing such a label requires a large scale promotion campaign and a consistent presence and visibility on the market. Evidently, such effort implies costs probably going far beyond the total production value of Vietnamese farmed shrimp. In fact such effort goes contrary to the general marketing trends in food where: a) the market share of private labels (supermarket chain house products) is increasing; and b) large multinationals (e.g. Unilever) reduce the number of own brand labels.
- Some traders believe that there is a market for shrimp under an established Fair Trade label like "Max Havelaar". As shrimp is a luxury product, a somewhat higher price should be acceptable to the consumer.

As mentioned in Section 3.3, labels are very exceptional for fish products on the Benelux market. Developing a special brand for Dutch fresh fish ('Silver sealed') has been attempted, but failed for many different reasons, primarily because the fish, which guaranteed extra quality / freshness, did not obtain structurally higher prices than fish without the label.

---

<sup>46</sup> IGD (2003) Consumer Attitudes to 'Eat the View', report for the Countryside Agency, Watford, IGD.

<sup>47</sup> Key Note (2002) The Green and Ethical Consumer, Key Note Ltd.



There exists a well-established Fair Trade label, under the name 'Max Havelaar'. This, originally Dutch label, has now been introduced into markets of various European countries. The label now brings products like coffee, tea, rice, bananas and other fruits as well as fruit juices. The label is very well known and special media campaigns are set up to maintain its high profile. Introduction of shrimp from small farmers under this label seems to offer the best chances of success. Max Havelaar focuses on coffee and bananas. Involvement in a new product would require a detailed study of its market potential.

### 6.1.3 FLO

As mentioned in Section 5.2.2, Fairtrade Labelling Organizations (FLO) is the worldwide Fairtrade Standard setting and Certification organisation. It permits producers and their dependants to benefit from labelled Fairtrade. It develops standards (in terms of physical / environmental and social qualities) and co-operates closely with various national Fair Trade marketing organizations. FLO has been interviewed as part of this project.

In 2004 FLO will start to explore possibilities of social certification of shrimp and it is expected that a standard should be developed by the end of this year. There is no perceived reason why shrimp would not be eligible for a FT-label. However, FLO anticipate a few important caveats:

- Primary producers need to be organized into a co-operative. Certifying unorganized small formers is likely to be a problem.
- Fair Trade focuses on primary production. For processed products a social label like SA 8000 should be considered, but that is not FLO's domain.

Although there is not a minimum volume of a product that should be available, value added for certifying small quantities is seen as being questionable. Certification starts with one group of producers, but aims to cover several / many countries. Consequently, Vietnamese small producers will “compete” with small producers elsewhere, with the volume of the market demand determining how many producers will be certified in the end.

FLO facilitates the producers, but does not participate in commercial negotiations. FLO guarantees a minimum price, which covers average production costs and a premium of approximately 15%.

### 6.1.4 UK and French ornamental sectors

The perception within the ornamental importers in the UK and France is mixed about the extent to which consumers would be willing to pay more for socially branded product. Some feel that very few consumers are interested, while others have experience of price sensitivities between farmed and wild coral, with farmed coral not selling unless the price is equal or lower than wild coral – suggesting a lack of willingness to pay for environmental/social issues. However other companies felt that between 10 –20% of consumers would be prepared to pay more.

All companies were agreed that if socially branded/certified product is to raise prices, prices paid by consumers should not increase by more than 5-20% for such schemes to be successful, and the average maximum price suggested by the companies interviewed was 12.5%. However, within these price increases, some companies felt that improvements in quality would also have to be made – implying that efforts to increase benefits to the poor might just as well concentrate on quality issues. Indeed, the quality of product (in terms of survival rates) was considered an important determinant of price.

This finding is interesting given that companies also generally felt that demand for products is fairly price inelastic given the “collector mentality” of consumers, suggesting that if they really want a product they may be prepared to pay for it even if prices rise. This anomaly suggests that the price elasticity of demand different considerably depending on the reason for the price increase i.e. whether it is because of social certification, or because of scarcity or a consumers desire to satisfy his/her own requirements.

Importers were also not in agreement about the feasibility of national/regional promotion initiatives to increase demand and/or prices in Europe. Some felt that there was potential for such scheme through

the use of TV and other forms of advertising, or through greater collaboration between importers/buyers, but others noted the problems of accessing supplies.

Importing/wholesale companies generally felt that while they are agreed in principle that moves towards environmental and social certification are desirable, and that the trend is in this direction, it is not the consumers who are most supportive or who are driving this trend, but rather the buyers and garden centres. Four of the five companies interviewed in France for example already purchase MAC product that is environmentally/socially certified, and feel that social certification does offer potential. Most companies interviewed also felt that Fair Trade has application in the marine ornamental market. Responses were mixed however about whether social certification should be best included within environmental certification schemes, or as a separate branding issue.

Some concerns were also raised over such certification schemes. They included:

- Problems of ensuring traceability
- Lack of volumes
- The time it takes to prepare the certification documents
- That a marketing advantage is quickly eradicated if other companies are also selling certified product, so that there is little/no extra value-added being made

Such thoughts again suggest that efforts to improve the quality and survival of product through improved handling techniques and better equipment for fishermen might be at least as effective in assisting poor producers, as efforts aimed at increasing the quantity of socially certified product. If such efforts were successful and mortality reduced, prices paid by the consumer would not have to be increased (thereby potentially impacting on demand) but rather the greater benefits/value-added could be passed to fishermen/collectors.

#### **6.1.5 NRI Project on ornamental trade and poverty alleviation**

In 2000, the Natural Resources Institute (NRI) in the UK completed a report on “The role of the ornamental fish industry in poverty alleviation” (Watson, 2000). Key lessons of relevance to our project were that:

- There can be considerable benefits from the trade in alleviation of poverty
- Few studies have been found which deal with the role of ornamental fish in livelihoods, and work is needed to clarify this role. However, the low entry costs and informal nature of much collecting of ornamental fish could make a useful contribution to livelihoods in community with access to suitable natural resources.
- Main threats to livelihoods come from environmental degradation.
- Increases in farmed species may reduce the benefits to poor communities, and increase benefits in developed countries where such farming usually takes place i.e. developed-country producers benefit from biodiversity of genetic material originating from other countries<sup>48</sup>. This will be the case unless technology can be successfully reproduced in developing countries where operating costs may be lower. But even if production is to take place in developing countries, it would be unlikely to be located in remote areas where collectors currently operate, so the distribution of benefits would be altered, probably to the disadvantage of the very poor.

---

<sup>48</sup> NB that there is now ongoing discussion in international forums (as covered by the Convention on Biological Diversity) about an international regime on access to genetic resources and benefit sharing. The influence of farming of ornamentals on livelihoods of poor fishers should be explored in the case studies. Farming of tropical marine ornamental might be also be promoted in developing countries also, supporting local livelihoods, rather than in developed countries.

- Interventions to improve benefits to the poor may be better targeted at the trade chain in developing countries, given the large increases in prices from C.I.F.
- Better market information to raise awareness of prices and give sellers a better bargaining position could help producers to negotiate better prices.
- Better techniques for capture and handling of fish would enable a higher return for effort, give a higher return for better quality/survival, and promote sustainable collection
- The imposition of effective user rights for collectors could help to reduce competition and increase sustainable resource exploitation
- While direct sales may offer potential for farmed species, for collectors the benefits of direct sales are less certain as opportunities for co-operative production and marketing may not exist for logistical reasons. This is not to say they are in all cases impossible, but may in any case be limited to in-country sales as the capital expenditure and working capital (in hard currency) required to participate in the export trade may be beyond the means of co-operative groups.

## 6.2 FIELD WORK TO BE COMPLETED IN 2004

It should be remembered that people involved in many links of the supply chain in Asia might be living in poverty, not just the producers – small scale traders and processors may also be poor. Case studies will therefore attempt to consider the following questions at all levels of the supply chain in the countries under review. In effect therefore the methodology to be used will be a combination of commodity chain analysis and the livelihoods approach.

The case study work in Asia will be used to explore the following questions:

- What do local people consider to be the main attributes of poverty (i.e. may be more than just income), and which therefore need redressing? How do aspects of working conditions compare in importance to income earned? If producers earn more money for a given time spent working, are they likely to work the same or more hours, or if they value leisure time, will they work less?
- Are there particular groups (social, ethnic, religious, gender, age etc) who are especially “poor” and vulnerable? How do levels of poverty/assets for marine producers compare with those in other sectors (are fishers really “the poorest of the poor”?)
- To what extent have trade policies/legislation at different levels (international, regional, national) affected poverty levels and assets in the groups identified above?
- To what extent does trade benefit/impact on different levels of the commodity chain
- To what extent have policies on poverty at different levels (international, regional, national) been translated into action, and what have been the subsequent impact on poverty levels
- What are perceived to be the main determinants of poverty (reduction) in case study areas i.e. trade policies, government policy/action on poverty, other government policies, levels of governance, private sector power-relations in the supply chain, vulnerability to external shocks, lack of access to capital, issues of gender, etc.? i.e. what is the relative impact of trade and poverty policies and practices on poverty compared to other factors?
- What are the key problems faced by producers/traders in terms of production and marketing (e.g. access to credit, seasonal changes in demand/production, communications with buyers, etc). Are there key niche markets that could be better exploited through better communication throughout the supply chain?
- What are the key lessons about why people move in and out of poverty, to what extent are these movements due to trade issues, and if moves out of poverty are sustainable, why?
- What are the key lessons about ways of reducing vulnerability, and which of these lessons relate to trade and which to other issues?

- What are the key areas of conflicts for resource users e.g. between ornamental fish collectors, divers, life reef fish for food trade.
- How are current trends in trade likely to impact on the poor e.g. trends towards captive rearing of ornamentals (largely in developed countries)
- To what extent has trade impacted on sustainable resource exploitation
- Do sellers/purchasers generally operate on fixed margins
- What are the views of stakeholders about the range of possible pro-poor trade mechanisms presented in the table below

The table below attempts to summarise a range of possible pro-poor trade mechanisms that will be explored through the case studies and further interviews. Comments in the table are based on our own initial perceptions and from the interviews with key actors in the supply chain that have already been conducted. In the final project report, for each possibility (and any others that might be identified) an assessment will be made of:

- Their potential impacts
- Their potential feasibility/practicality
- Their potential acceptability to different stakeholders
- Their potential cost
- Possible risks

The responses to these questions will help to provide answers to the question “how can the poverty impact of the EU’s development assistance be enhanced”. It is expected that following the fieldwork, it will be possible to:

- Prioritise the effectiveness of different pro-poor trade mechanisms based on their impact, practicality, cost, feasibility, risk, etc, and
- Provide direction to the EU on which of these mechanisms the EU will be best placed to support through development assistance and policy support, and how (through the specification of concrete actions)
- Comment on entry points for different mechanisms
- Assess necessary future research requirements

Indeed the fieldwork may itself generate additional possibilities for pro-poor trade mechanisms, as well as providing the opportunity of testing the ones we suggest below.

**Table 6-1: Preliminary ideas about pro-poor trade mechanisms**

Possible Mechanism	Initial Comments
1. New social certification or standards	<ul style="list-style-type: none"> <li>• Retailers of shrimp unlikely to support new branded schemes as they will confuse consumers. May be more potential for ornamental trade?</li> <li>• May be especially difficult for poor producers to comply with, and pay for, certification schemes. Group certification schemes may be necessary</li> <li>• If social certification assumes some price increase, is such an increase realistic. If it is, how can one ensure that the “poor” benefit? If price increases are not realistic, then extra costs of certification will have to be absorbed throughout the supply chain.</li> </ul>
2. Ethical trade initiative and Corporate Social Responsibility (consumer demanded, or supplier driven? Visible to consumers or not?)	<ul style="list-style-type: none"> <li>• Socially responsible sourcing of product might offer potential with businesses paying more attention to where product comes from in audits, and then making general claims about corporate responsibility even if they don’t brand particular products in stores as socially sourced.</li> <li>• Most likely to apply to retail trade in shrimp rather than food service sector or to ornamentals</li> </ul>
3. Fair Trade	<ul style="list-style-type: none"> <li>• The fair trade model generally uses Fair Trade Shops rather than established retailers, although there are fair trade brands in retailers. How appropriate are shrimp products and marine ornamentals to Fair Trade.</li> <li>• Are price increases realistic in shrimp and marine ornamental markets</li> </ul>
4. Incorporating social issues within existing (mostly environmental) certification schemes	<ul style="list-style-type: none"> <li>• May be reluctance of existing scheme management to expand into social/pro-poor issues as will confuse message, especially for shrimp. But MAC have expressed interest.</li> <li>• May be especially difficult for poor producers to comply with certification schemes</li> </ul>
5. Macro-level changes to trade policy/legislation, and their implementation e.g. tariff reductions	<ul style="list-style-type: none"> <li>• Tariff concessions could be given for socially certified products</li> <li>• Note potential costs of CITES for ornamental trade in terms of costs of export/import certificates and running management authorities</li> <li>• Do changes in tariffs and resulting impacts on trade flows provide demonstrations of the importance of such regulation. Perhaps for example shrimp tariff reductions in the EU might result in a shift in trade to the EU away from Japan / USA</li> </ul>
6. Regional and national export promotion. National image/frameworks to support national/local branding and national codes of conduct	<ul style="list-style-type: none"> <li>• Offer potential, but good marketing campaigns and sales promotion can be expensive</li> </ul>
7. Building social capital among small-scale producer groups i.e. social mobilization and capacity development	<ul style="list-style-type: none"> <li>• Takes time and considerable resources</li> </ul>
8. Branding by poor producers (not necessarily based on social issues, perhaps on quality, and not necessarily formal branding, but perhaps just development of reputation of product from particular areas in which the poor operate)	<ul style="list-style-type: none"> <li>• Problem of ability of the poor to operate together to support such initiatives. Development assistance might contribute to working on aspects of quality and market promotion</li> <li>• Branding requires sufficient volumes and reliability of supply, and in the case of ornamentals, variety – all factors that may be difficult for poor, small-scale producers</li> </ul>

<p>9. Increases in product quality or other factors likely to bring about price increases – attempts to increase prices not related at all to the status of producers being poor, but just general methods of improving prices</p>	<ul style="list-style-type: none"> <li>• The poor may be geographically distanced from supply infrastructure and networks, itself causing problems of quality. Low levels of education and lack of capital may both serve to make such initiatives difficult.</li> <li>• Also need to ensure that the poor do actually benefit from increased prices paid by end consumer</li> <li>• Many businesses operate on fixed margins from suppliers, so ways to increase first sale price through quality improvements may offer special potential</li> <li>• Losses in ornamental trade are still significant (5-95% - Wood 2000) and reduction could have huge beneficial impacts.</li> </ul>
<p>10. Possibilities for re-distribution of benefits through the chain</p>	<ul style="list-style-type: none"> <li>• Problem of any one link in the chain voluntarily giving up margins to the benefit of the poor, and power relations make such initiatives problematic.</li> <li>• Attempts likely to alienate positive moves towards pro-poor trade based on joint initiatives involving the whole supply chain, and probably therefore not advisable</li> <li>• More potential may lie in moving aspects of EU businesses to lower cost economies in Asia, thereby increasing margins and employment – e.g. more acclimatisation of ornamentals in Asia, shortening holding time (and therefore costs) in EU</li> </ul>
<p>11. Cutting out links in the chain</p>	<ul style="list-style-type: none"> <li>• Probably not practical to cut supply chains in Europe as already short</li> <li>• Problems with ability of poor producers in Asia to organise and manage different aspects of the business – possibly not feasible. And difficulties of access to (hard capital) to get involved directly with export trade themselves</li> <li>• People involved in the links may also be poor, or be supporting the poor in related activities</li> <li>• Cutting links may create poverty for those involved with the lost links</li> </ul>
<p>12. Assistance provided (infrastructure and human capacity) to:</p> <ul style="list-style-type: none"> <li>• increase the ability to deal with SPS requirements and to participate in WTO and EU negotiations,</li> <li>• to provide a better understanding of how the EU functions, and to build-up capacity for a rapid response to new developments in the EU-decisions and policies, as well being able to monitor such decisions and policies</li> </ul>	<ul style="list-style-type: none"> <li>• Given lessons about the costs of temporary trade bans, development assistance in these areas might be considered to be especially important.</li> <li>• According to a survey carried out by TRAFFIC Europe (which monitors wildlife trade) in several EU Member States, “traders experience difficulties in obtaining clear and up-to-date information on the legal provisions of the EU Wildlife Trade Regulations.”</li> <li>• NB there is an FAO project (TCP/INT/2905 being implemented in 2004 to provide analytical and capacity building assistance to ACP Secretariat to enhance its ability to support ACP Member States in international trade negotiations. The project is entitled “Strengthening the Capacity of ACP Secretariat in Agricultural (including fisheries) Trade Negotiations</li> </ul>
<p>13. Access to credit</p>	<ul style="list-style-type: none"> <li>• Can be very important, but note problems of many credit provision problems in terms of repayment rates and defaulting</li> </ul>
<p>14. Access to technology e.g. more processing of shrimp by poor-producers themselves, better collection techniques for ornamentals to reduce mortality</p>	<ul style="list-style-type: none"> <li>• Need to pitch technology very carefully in terms of what is sustainable and fairly low cost, but thought to offer potential</li> </ul>
<p>15. Tax breaks for poor producers/groups or low intensive technologies</p>	<ul style="list-style-type: none"> <li>• Problem of increasing concern and scrutiny internationally over the use of subsidies</li> <li>• Very poor unlikely to be paying tax in any case</li> </ul>

16. Support for alternative livelihoods	<ul style="list-style-type: none"><li>• While not strictly a pro-poor trade mechanism, case studies might conclude that the best way to increase household income and reduce vulnerability to the vagaries of trade, is to support activities aimed at fostering alternative income generating opportunities.</li></ul>
---	---

## 7 APPENDIX A: REFERENCES

---

- Bentley, N., 1998. An overview of the exploitation , trade and management of corals in Indonesia. *Traffic Bulletin* Vol 17. No. 2
- FAO, 2003. Third Expert Meeting on Socially and Environmentally Responsible Horticulture Production and Trade
- FAO, June 2002. The LIFDC Classification – An Exploration. FAO, Committee on World Food Security
- Food Standards Agency, 2002. Food Law Guide
- Green and Shirley, 1999. The Global Trade in Coral. WCMC Biodiversity Series No. 9
- Helland, L., 2000. Regional Trade Agreements Affecting Seafood Trade In The Context Of The World Trade Organization. FAO Globefish Report
- Hillman, J., 1991. Technical barriers to agricultural trade. Boulder, CO. Westview Press
- Holthus, P., 2001. Overview of the marine ornamentals trade in the region. Nature scale and history of the marine ornamentals trade. In: Sustainable Management of the Marine Aquarium Trade (eds. M Power, D. Fish). South Pacific Regional Environment Programme, Western Samoa.
- Lam Quoc Tuan. 2003. Fisheries Trade in Vietnman. Technical Support Document. UNDP, Asia-Pacific Initiative on Trade, Economic Governance and Human Development
- Lam Quoc Tuan. 2003. Trade in Fisheries and Human Development. Country Case Study - Vietnman. UNDP, Asia-Pacific Initiative on Trade, Economic Governance and Human Development
- Lem, A., 2003. The WTO Doha round and fisheries; what is at stake. EUROFISH 4
- Lilley, G, 2001. A review of Indonesian corals in trade with reference to their trade population status, and distribution in Indonesia. Traffic / EC Project (DG Env.E.3)
- Lindahl, J., 2003. Vietnam’s seafood processing industry divided between the global and regional market
- Madan Mohan Dey, Mahfuzuddin Ahmed, Khondker-e-Murshed Jahan and Mohammed Rab, 2002. Liberalization vs. Barriers: Experiences from the Leading Fish Exporting Countries. World Fish Center
- Mathew, S. ? Sustainable Fishing and Social Well Being: The Marine Stewardship Council and the Fair Trade Initiative. ICSF
- Mayne, R et al, 1999. Economic analysis of the Philippine Aquarium fish industry and the economic impact of a certification program. Kellogg Corps, study for the MAC
- Minot N., 1998. Competitiveness of Food Processing in Vietnam: A study of the Rice, Coffee, Seafood, and Fruit and Vegetable Subsectors, Prepared for Development Strategies Institute, Ministry of Planning and Investment, Hanoi, Vietnam and Medium Term Industrial Development Organisation, Hanoi, Vietnam.
- Nautilus Consultants Ltd / IIED, 2003. Investment mechanisms for socially and environmentally responsible shrimp culture (Synthesis Summary and Working Papers.
- Olivier, K., 2001. Then ornamental fish market. FAO
- Rab, M., Dey, M., & Ahmed, M., 2002. Socioeconomics of Freshwater Fish Farming in Asia. WorldFish Center
- Rubec, P., et al, 2000. Cyanide-free, net caught fish for the marine aquarium trade. Secretariat of the Pacific Live Reef Fish Bulletin, 7, 28-34



Tokrisna, R., 2003. The Fisheries Sector in Asian Countries: sustainable fisheries, human development and trade liberalisation. UNDP, Asia-Pacific Initiative on Trade, Economic Governance and Human Development

U.S. Embassy, 2002. UK Food and Agricultural Import Regulations and Standards: Country Report 2002. USDA Foreign Agricultural Service GAIN Report

Van Reisen, M., 2002. Directing EU Policy Towards Poverty Eradication: From Commitments to Targets to Results (ECDPM Discussion Paper 35). Maastricht: ECDPM

Wabnitz, C., et al, 2003. From Ocean to Aquarium: The global trade in marine ornamental species. UNEP/WCMC

Watons, I., 2000. The Role of the Ornamental Fish Industry in Poverty Alleviation. NRI Report No. 2504, Project No. V0120

Wood, E.M., 2001. Collection of coral reef fish for aquaria: global trade, conservation issues and management strategies. Marine Conservation Society, UK. 80pp.

## 8 APPENDIX B: POLICY AND INSTITUTIONAL CONTEXT – EXPANDED TEXT

---

### 8.1 GLOBAL

#### 8.1.1 International Commitments to Poverty

At the UN World Summit for Social Development (the Social Summit) held in Copenhagen in 1995, 117 heads of state or government and the European Community made an historic commitment to eradicate absolute poverty, and adopted concrete plans and initiatives<sup>49</sup>. As an outcome of the 1995 Social Summit, the agreed programme of action was based on the idea that strategies for poverty eradication were the responsibility of national governments. At the same time, the international community was responsible for creating an economic and political environment that would be conducive to social development. The measures agreed at the Summit itself included concrete and measurable targets in a number of areas that would have an immediate impact on the lives of people living in poverty. Among these, the governments committed themselves to achieving the following goals by 2015 at the latest:

- Basic education for all;
- Ensuring that 80% of children finish primary school;
- Reducing by one-third 1990 infant mortality rates;
- Providing blanket vaccination;
- Reducing by one-half 1990 malnutrition levels;
- Providing medical care for women during pregnancy and childbirth;
- Increasing life expectancy to over 60 years;
- Providing drinking water and sanitation for all;
- Eliminating the gender gap in literacy; and
- Ensuring equal access to primary school for girls and boys.

The rich countries also made a commitment to designate 0.7% of their GNP to aid, and to reduce their military expenditures. In establishing these commitments at the Social Summit and in subsequent processes, the international community adopted measurable targets as part of the overall effort to eradicate poverty, acknowledging that:

- Poverty can not be defined solely (and thus resolved) in terms of income;
- The eradication of poverty should be related to greater investment in social sectors;
- Common targets need to be established and agreed upon in order to measure progress towards poverty eradication; and
- The progress in eradicating poverty can be measured using objective and quantifiable criteria other than the one-dimensional aspect of income.

At the UN Millennium Summit, world leaders endorsed the target to halve extreme poverty by 2015.

At the Johannesburg Summit on Sustainable Development in September 2002 world leaders agreed on measures to promote sustainable globalisation. This commitment includes a number of positive and supportive measures on trade and investment. The WSSD Plan of Implementation contains, inter alia, commitments to support trade in environmentally friendly and organic products; the need to evaluate

---

<sup>49</sup> Text in this section copied largely without change from Van Reisen, 2002

the inter-linkages between trade, environment and development; impact assessments; the importance of strengthening international action in support of corporate social responsibility; strengthened and targeted trade-related technical assistance; and the strengthening of trade and cooperation agreements with a view to promoting sustainable development.

### **8.1.2 The World Bank and Poverty**

In its 1990 World Development Report and in a 1991 policy paper, Assistance Strategies to Reduce Poverty, the World Bank had explained its mission to reduce poverty. This strategy had two main elements. The first was concerned with the nature and rate of economic growth, including the macroeconomic framework for market liberalisation for private investment and expansion of the private sector. The second was concerned with providing services to the poor, including social safety nets 'designed to protect the poorest and most vulnerable people from extremes of privatisation'. The mounting criticism of this approach, culminating at the time of 1995 Social Summit, claimed that the strategy contained many contradictions. In particular, the macroeconomic policies that were designed to foster liberalisation were creating poverty, and social safety nets were by no means effective in redressing that problem. The 1995 Social Summit recommended that the multilateral organisations needed to create an international framework that would allow national governments to run their own countries. In addition, the Summit agreed that the policies of the multilateral organisations would also need to be reviewed, in particular the World Bank and the IMF's structural adjustment policies, trade policies, including within the framework of the World Trade Organisation (WTO), and debt relief policies.

In September 1999, the World Bank and the IMF launched the new Poverty Reduction Strategy (PRS). As part of the strategy, the IMF's Enhanced Structural Adjustment Facility (ESAF) was renamed the Poverty Reduction and Growth Facility (PRGF). Through Poverty Reduction Strategy Papers (PRSPs), a government would produce its own national policy programmes, with a renewed emphasis on poverty eradication as the focus for its economic and social policies. One of the practical implications of the PRSP was that access to the PRGF would "... require a PRSP which has been endorsed by the boards of both the IMF and the World Bank". The PRSP, or an Interim PRSP (IPRSP), would also be required for candidate countries applying for access to Highly Indebted Poor Country (HIPC) debt relief facilities or other forms of international assistance.

### **8.1.3 World Trade Organisation<sup>50</sup>**

Developing and transitional economies of the world are in the process of opening up their economies to the rest of the world. This is in pursuance of the drive of the developed countries as well as the bilateral and multilateral donor communities including the World Bank and the International Monetary Fund, to restructure the economies of the developing economies towards market-oriented development. Formation of the World Trade Organization is a step towards this end. (Dey et al 2002) However, simultaneously there is a growing concern among the policy makers of the developing countries that the liberalization of trade could be undermined by the protectionist use of regulatory barriers such as food safety regulations, quality and composition standards, and labeling requirements. Many points of contention have emerged since the Uruguay Round. Some members claim that agreements deny them sovereignty of domestic regulation. Others assert that agreements don't go far enough, or that the views and needs of developing countries have not been adequately addressed. Sensitivities are especially rife given the dominance of technologically advanced nations in debates of bodies like the International Organisation for Standardisation (ISO) and the Codex Alimentarius Commission.

The WTO was established 1<sup>st</sup> January 1995, but trade regulations had already started in 1948 with the General Agreement on Tariffs and Trade (GATT). GATT evolved through several rounds of negotiations, the most comprehensive of which, known as the Uruguay Round, lasted from 1986 to 1994 and led to the WTO's establishment. As a predecessor to this round, the Tokyo Round (1973-

---

<sup>50</sup> Text in this section based largely on Helland, 2000

1979) dealt with tariffs, non-tariff measures and framework agreements. Whereas GATT had dealt mainly with trade in industrial goods, the WTO and its agreements now also cover trade in agricultural goods, services and intellectual property rights. The current round of negotiations is known as the Doha round, and began in 2001, with work scheduled to be completed by January 2005, but major disagreements at the 5<sup>th</sup> Ministerial Conference of the WTO in Cancun have resulted in a major setback for the Doha Round, and it is now unlikely that the deadline for completion of negotiations will be met.

The World Trade Organization is now the main international organization dealing with the rules of trade between nations, and there are currently 148 members. Decisions are reached by consensus, and every country, not matter how poor, has a veto. The organization has three main purposes:

- To ensure that trade flows as freely as possible, by reducing trade barriers such as tariffs on international trade and making the regulations more transparent.
- To serve as a forum for trade negotiations.
- To serve as a dispute settlement mechanism.

The multilateral trading system within the WTO is based on various agreements, and those of relevance to world fish trade are briefly summarised below. In the context of the WTO, trade in fish and fishery products is not covered by the Agreement on Agriculture, but is treated as an industrial product, and therefore dealt with in the negotiations on Market access for non-agricultural products (NAMA). Aspects of fish trade are dealt with under the various agreements outlined below.

### ***Tariff schedules***

In the Final Act of the Uruguay Round, member states obliged themselves to reduce tariffs in five stages of an equal rate starting in January 1995 (and to be finished in 2000), with some listed exemptions. However, in the Uruguay Round, the fish and fishery products were not included in the Agreement on Agriculture since it was impossible to reach a compromise on this issue. Hence, fish and fishery products are treated as industrial goods, and are not bound by the agricultural regulations. Also as a result, the Agreement on Subsidies is valid for subsidies in the fisheries sector. Whereas tariffs on industrial products imported by developed countries were reduced by 40% on average, tariff cuts were only 26% for fish and fishery products in 1994. But tariff rates for the three largest importers of the WTO members; the EU, the USA and Japan, were already very low or zero for some products. This is the case for most fish, whether raw, fresh, chilled or frozen, while the tariff rates remain high for processed products. After the completion of the Uruguay Round, average weighted import tariffs on fish products in developed countries were reduced to around 4.5% (Lem, 2003). However, the tariff rates escalate with the level of processing, meaning that import duties in developed countries continue to present a barrier to processing and development of value-added products in many developing countries. The key point of the Doha mandate concerns the reduction or elimination of tariff peaks, high tariffs and tariff escalation, in particular for products of export interest to developing countries and for environmental goods.

In Asia (Dey et al 2002), developing countries have been endeavouring to carry out a comprehensive set of structural reforms aimed at liberalizing the fish trade regime. Countries in Asia like China, Thailand and the Philippines have made considerable progress among the Asian countries in reducing tariff on fish and fish products - up to 50% since the establishment of the WTO. The liberalization process has not been so fast in countries like India and Bangladesh. However, they have also taken the initiative to reduce their tariff rates on fish imports. Being a new member of the WTO, China cut its average tariff rate down from 47.2 percent to the range of 12 - 23.3 percent, which is on average 14.3 percent down in the year 2001. The country has a plan to reduce average tariff rates to 10 - 12 percent by the year 2004. Until 2004 a few of the aquatic products such as live prawn and fresh or chilled fish fillets will have protective tariff rates of 24 percent, and this will be reduced by half in the year 2005. Other fish exporting developing Asian countries have reduced tariff rates on fish. Thailand and the Philippines reduced tariff rates from fish and fish products significantly by 50 - 90 and 70 - 75 percent respectively, in 1999/2000. Although Bangladesh and India have reduced tariff rates on fish products

by 42 percent and 52 percent respectively, these rates are still high compared to other developed and developing countries.

A large number of fish products are given favourable treatment by several countries. The Generalized System of Preference (GSP)<sup>51</sup> or other preferential trade arrangements cover about 20% of the total international fish trade. Major importing countries offer preferential rates to a wide range of fishery products. In Japan, 20% of the tariff lines on fishery products are granted reduced rates (GSP), and in addition, the Least Developed Countries (LDCs) have duty-free access to the GSP covered products. For the United States, 20% of the total tariff lines on fishery products receive duty free access under the GSP scheme. The EU offers duty-free access for all fishery products from the LDCs under the GSP scheme and to the African, Caribbean and Pacific (ACP) countries under the Lomé convention.

In addition to tariff rules, there also a large number of measures relating to non-tariff barriers. These are considered below.

### ***The Agreement on Sanitary and Phytosanitary Measures (SPS)***

The SPS agreement was set up to avoid sanitary standards being used as a barrier to trade by importing countries.

The SPS has three main requirements:

- The requirement of using harmonization principles in the first resort;
- The requirement, when international standards do not exist, to use the alternative equivalence principle; and
- The requirement for either scientific evidence or appropriate risk assessment if a country intends not to rely on harmony or equivalence but rather on its own domestic standards.

With the reduction of tariffs in general, sanitary measures have increased in significance. New regulations with regard to quality control, such as the Hazard Analysis Critical Control Point (HACCP), have been adopted by all major importing countries, with the notable exception of Japan<sup>52</sup>, and have been made compulsory for their fish processing industries. In terms of impacts on developing countries, the regulations based on HACCP shift the burden of responsibility to exporting processor or trader, by making them fully responsible for the quality of the product in terms of food safety. Some feel that this represents a non-tariff barrier on imports from developing countries, particularly on value-added products, due to the high investment needed.

However, development assistance has been provided by many donors to assist developing countries comply with such regulation.

### ***The Agreement on Technical Barriers to Trade (TBT)***

Technical regulations and standards are used extensively for fish trade and could constitute obstacles to trade. The TBT agreement is intended to ensure that requirements such as quality, labeling and methods of analysis apply to internationally traded goods are not misleading to the consumer or discriminate in favour of domestic producers or goods of different origin. The agreement tries to balance the trade-facilitating aspects of standards against their trade-distorting potential by obligating countries to ensure that technical regulations and product standards to not unnecessarily restrict trade. It does this by:

- Encouraging “standard equivalence” between countries

---

<sup>51</sup> The GSP affords non-reciprocal tariff agreements to developing countries

<sup>52</sup> While some firms in Japan have HACCP systems implemented, there is no mandatory requirement either for domestic processors, nor external suppliers.

- Promoting the use of international standards
- Mandating that countries notify each other of changes in their standards via enquiry points.

### ***The Agreement on Anti-Dumping Measures***

In contrast to the SPS and TBT measures, the anti-dumping measures have not been used extensively in international fish trade, although the recent dispute between the USA and Vietnam over catfish are an exception. Vietnam has faced increasing trade friction with the US on export of catfish, arising because of concern among catfish producers in the US about the impacts of imports on market of US catfish. The most recent problem (and there are several that can be looked into) is an anti-dumping case that was lost by Vietnam, resulting in taxes of 35-60% being imposed on Vietnam catfish when imported into the US. The catfish farming industry in Vietnam has an extensive social “footprint” that stretches to several 10's of thousands of people, including some very poor women and men. These include poor people involved in catching fish for food, catching of fry, fish hatching and nursing, growing of feed ingredients, women employed in seafood processing, women processing and marketing “off-cuts”, small and large scale farmers, traders, and others. The anti-dumping case is likely to have a significant effect on the people in the Mekong delta, and probably some of the poorest people involved in the trade.

### ***The Agreement on Rules of Origin***

The Rules of Origin are the criteria used to define where a product was made. They are linked to the application of trade measures such as quotas, preferential tariffs, anti-dumping measures and countervailing duties. The agreement was established to provide common harmonized rules of origins on the non-preferential trade of members that would be objective, transparent and predictable. (These rules do not cover preferential arrangements such as free trade areas).

### ***The Agreement on Import Licensing Procedures (ILP)***

Various types of import licenses and import quotas are included in the ILP agreement of the WTO. These include licensing schemes for live, fresh, chilled and frozen fish; import control of certain species such as flying fish; import controls on fish products used as animal feed; and quantitative restrictions on import of smoked trout, cod, salmon, lobster and scallops. Import quotas are maintained in two importing areas: Japan and Taiwan, Province of China.

### ***The Agreement on Safeguards***

The EU is the only one of the three principal importers to use safeguard measures on fishery products. There are two types of these measures within the EU; a safeguard clause (i.e. quota tariffs, always for material for processing to support the fish processing sector) and a reference price system (actually a domestic price support measure rather than a trade measure to maintain import prices of the same species to stop imports undermining the domestic price support mechanism). The safeguard clause protects the volume of imports, and is allowed if the imports of a product into the customs territory exceed a trigger level, which relates to the existing market access opportunity. The reference price system regulates the price of imports if the c.i.f. (cost, insurance and freight) import price falls below a trigger price fixed on the average production prices in the EU during the last three years.

### ***Dispute settlement***

The dispute settlement mechanism is such that the WTO member countries bind themselves to the outcome of panels and, if necessary, the Appellate Body, which functions as the Court of the WTO. Nearly 280 disputes have now been handled by the Dispute Settlement Body since the establishment of the WTO in January 1995, but very few have involved trade of marine products. The recent catfish case is mentioned above, and other marine product ones include cases brought by India, Malaysia, Pakistan, Thailand and the Philippines against the US “shrimp-turtle” import prohibition, Canada, Chile and Peru against the EC trade description of scallops, and a number of salmon disputes e.g. by Canada and the US against Australia.

### ***The Agreement on Subsidies and Countervailing Measures (SCM)***

The earliest GATT addressed only export subsidies on industrial products, thus including fish products. With the Tokyo Round, subsidized imports were regulated as well. The SCM agreement constitutes the existing international legal regime governing subsidies in the fishery sector, and the Doha Agenda is especially concerned with the use of subsidies in fisheries. Although subsidies are widely used in many sectors of the fishery industry, they have seldom given rise to countervailing measures. However, the special duties on salmon from Norway and Chile imposed by the US and EU are examples of how these measures can be used.

The SCM agreement of 1994 has a clear definition of subsidies: “A subsidy is a financial contribution by a government or any public body within the territory of a Member (i.e. direct transfer of funds, uncollected government revenue, extra purchase of goods, payments to funding mechanisms) or there is any form of income or price support in the sense of Article XVI of GATT 1994 and a benefit is thereby conferred.”

The SCM agreement made it possible to question present subsidies in different WTO countries. However, it has not yet resulted in significant reduction of subsidies in developed countries. An important aspect is the huge concern about the impact on subsidies on over-capacity, over-exploitation and trade. Thus, for several WTO countries, fisheries is an area where achieving environmental objectives and removing trade distortions are complementary.

### ***Environmental concerns and sustainable fisheries***

GATT Article XX sets out limited and conditional exceptions for measures that are otherwise inconsistent with international trade obligations:

“Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures; in relation to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption.”

Article XX only comes into play as a defence for an environmental measure if that measure is otherwise inconsistent with GATT obligations, in particular, Most Favoured Nation (I), National Treatment (III) and quantitative restrictions that are inconsistent with Article XI. Within the scope of these three obligations, there is already considerable scope for governments to institute regulatory measures aimed at domestic environmental protection policy concerns.

As mentioned, one of the disputes involving environmental issues was the United States' imports prohibition of certain shrimp and shrimp products. The case has contributed to clarify the degree of which GATT may constrain WTO members when trade rules and measures to implement environmental policy objectives intersect. The US legislation intended to protect endangered or threatened sea turtles. The panel found that the measure qualified for provisional justification under the second part of Article XX cited above, but was applied in a manner that unjustifiably and arbitrarily discriminated against some WTO members. However, the Appellate Body made some important statements:

- Exhaustible natural resources are capable of evolving over time
- The US demand of policy adaptation said nothing about how to achieve it and did not take the differences in condition between US and the complainants
- The US did not give any evidence of having tried to negotiate agreements or solutions prior to the import prohibition
- The US discriminated in phase-in periods as some WTO members were given three years to implement the policies while the complainants had four months

- In addition, the US technology was made available to some shrimp exporters, but not the complainants
- The US did not provide the opportunity to apply for a certification

This case is of relevance to this project, given the growing concern about environmental impacts of the ornamental fish trade

### ***The Committee on Regional Trade Agreements***

The WTO provides for the formation of Regional Trade Agreements (RTAs) among selected countries through Article XXIV of the General Agreement on Tariffs and Trade (GATT), subject to certain rules and conditions. Since the establishment of GATT in 1947, more than 100 regional trade agreements have been created. The GATT recognizes the regional agreements' contribution to the overall expansion of global trade, sets the criteria and procedures for the assessment of agreements and improves the agreements' transparency. The WTO has established the Committee on Regional Trade Agreements to examine if the RTAs are consistent with the WTO regulations and to examine the implications for multilateral trade. The committee also examines how regional arrangements might affect the multilateral trading system and how the relationship between regional and multilateral arrangements could be improved.

#### **8.1.4 Codex Alimentarius**

The Codex Alimentarius Commission was created in 1963 by FAO and WHO to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The main purposes of this Programme are protecting health of the consumers and ensuring fair trade practices in the food trade, and promoting coordination of all food standards work undertaken by international governmental and non-governmental organizations. The Codex Alimentarius, or the food code, has become a global reference point for consumers, food producers and processors, national food control agencies and the international food trade.

The Codex Alimentarius comprises:

- Food standards for commodities
- Codes of hygienic or technological practice
- Pesticides evaluated
- Limits for pesticide residues
- Guidelines for contaminants
- Food additives evaluated
- Veterinary drugs evaluated (54)

The significance of the food code for consumer health protection was underscored in 1985 by the United Nations Resolution 39/248, whereby guidelines were adopted for use in the elaboration and reinforcement of consumer protection policies. The guidelines advise that “Governments should take into account the need of all consumers for food security and should support and, as far as possible, adopt standards from the ... Codex Alimentarius” of FAO and the World Health Organization.

The Codex Alimentarius has relevance to the international food trade. The Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT) both encourage the international harmonization of food standards. A product of the Uruguay Round of multinational trade negotiations, the SPS Agreement cites Codex standards, guidelines and recommendations as the preferred international measures for facilitating international trade in food. The adoption of Codex standards as scientifically justified norms for the purpose of the SPS and TBT Agreements is of immense significance. The standards have become an integral part of the legal framework within which international trade is being facilitated through harmonization.



Already, they have been used as the benchmark in international trade disputes, and it is expected that they will be used increasingly in this regard.

The work of the Codex Alimentarius Commission goes beyond creating means of removing barriers to trade. It also includes encouraging food traders to adopt voluntarily ethical practices as an important way of protecting consumers' health and promoting fair practices in the food trade. To this end, the Commission has published the Code of Ethics for International Trade in Food, which is included in the Codex Alimentarius.

A principal objective of the Code of Ethics is to stop exporting countries and exporters from dumping poor-quality or unsafe food on to international markets. The code is currently being updated to reflect the impact of the SPS, the TBT and other agreements on international trade.

### 8.1.5 CITES

CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is a voluntary international agreement between Governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. It accords varying degrees of protection to more than 30,000 species of animals and plants, whether they are traded as live specimens, fur coats or dried herbs. CITES was drafted as a result of a resolution adopted in 1963 at a meeting of members of IUCN (The World Conservation Union). The text of the Convention was finally agreed at a meeting of representatives of 80 countries in Washington DC., United States of America, on 3 March 1973, and on 1 July 1975 CITES entered in force.

CITES works by subjecting international trade in specimens of selected species to certain controls. These require that all import, export, re-export and introduction from the sea of species covered by the Convention have to be authorized through a licensing system. Each Party to the Convention must designate one or more Management Authorities in charge of administering the licensing system and one or more Scientific Authorities to advise them on the effects of trade on the status of the species. The species covered by CITES are listed in three Appendices, according to the degree of protection they need:

- Appendix I includes species threatened with extinction. Trade in specimens of these species is permitted only in exceptional circumstances.
- Appendix II includes species not necessarily threatened with extinction, but in which trade must be controlled in order to avoid utilization incompatible with their survival.
- Appendix III contains species that are protected in at least one country, which has asked other CITES Parties for assistance in controlling the trade.

Of relevance to this project is that there are currently 9 fish spp. in Appendix I, and 68 spp. in Appendix II. There are also 63 spp. and 5 sspp. in Appendix I, 2030 spp. and 1 sspp. in Appendix II, and 16 spp. in Appendix III. However no marine ornamental fish, or invertebrates, other than clams or corals, are listed under CITES. As has been widely reported, one of the Resolutions passed at the last CITES Conference of the Parties held in Chile in October/November 2002, stated that all seahorse species (*Hippocampus* spp.) would be listed in Appendix II. However, in order for individual countries to have sufficient time to consider their industries and evaluate their own circumstances, it was decided to delay implementation for 18 months, i.e. until 15 May 2004. The seahorse trade represents the lowest volume/highest value aspect of the ornamental trade, and given that the Philippines does not allow exports of Appendix II species, the cessation of this trade is likely to impact significantly on collectors in the Philippines.

Also of relevance are a) that both Indonesia and the Philippines are members of CITES, and b) related costs of CITES associated with running management authorities, and for the private sector in terms of purchasing export and import licences, can potentially act as a non-tariff barrier and run the risk of being anti-poor in terms of their impacts. The Philippines doesn't allow exports of corals listed under Appendix II, but Indonesia does.

CITES is to hold a workshop on economic incentives and trade policy early in December 2003. The purpose of the workshop is to prepare proposals for a practical methodology for designing, implementing and assessing national wildlife trade policies on the one hand and for identifying and implementing targeted economic incentives in the context of those policies on the other hand. The findings of the workshop will be submitted for consideration at the 50th meeting of the Standing Committee (Geneva, 15 to 19 March 2004).

#### **8.1.6 Convention on Biological Diversity**

At the 1992 Earth Summit in Rio de Janeiro, world leaders agreed on a comprehensive strategy for “sustainable development”. One of the key agreements adopted at Rio was the Convention on Biological Diversity. This pact among the vast majority of the world's governments sets out commitments for maintaining the world's ecological underpinnings. The Convention establishes three main goals: the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of the benefits from the use of genetic resources. The Convention on Biological Diversity was negotiated under the auspices of the United Nations Environment Programme (UNEP). It was opened for signature at the June 1992 UN Conference on Environment and Development (UNCED) and entered into force on 29 December 1993, ninety days after the 30th ratification. As of October 1998, more than 170 countries had become Parties

The Cartagena Protocol on Biosafety was adopted by the Conference of the Parties to the Convention on Biological Diversity as a supplementary agreement to the Convention on 29 January 2000. The Protocol seeks to protect biological diversity from the potential risks posed by living modified organisms resulting from modern biotechnology, and establishes an advanced informed agreement procedure for ensuring that countries are provided with the information necessary to make informed decisions before agreeing to the import of such organisms into their territory.

#### **8.1.7 FAO Code of Conduct for Responsible Fisheries**

The FAO Code of Conduct for Responsible Fisheries (CCRF) is a voluntary Code that sets out principles and international standards of behaviour for responsible practices with a view to ensuring the effective conservation, management and development of living aquatic resources, with due respect for the ecosystem and biodiversity.

The relevant articles of the CCRF for responsible fish trade are:

- The whole Article 11, post-harvest practices and trade
- Article 6.7. which states: “The harvesting, handling, processing and distribution of fish and fishery products should be carried out in a manner which will maintain the nutritional value, quality and safety of the products, reduce waste and minimize negative impacts on the environment.”
- Article 6.14 which states: “International trade in fish and fishery products should be conducted in accordance with the principles, rights and obligations established in the World Trade Organization (WTO) Agreement and other relevant international agreements. States should ensure that their policies, programmes and practices related to trade in fish and fishery products do not result in obstacles to this trade, environmental degradation or negative social, including nutritional, impacts.”

A major issue addressed by the CCRF in Article 11 is the concept of “responsible fish trade”: countries should promote trade of fish produced - either by aquaculture or capture fisheries - in a responsible way, or could prohibit trade in fish products not produced in such a manner. This can include under-sized fish specimens, fish caught by irresponsible fishing techniques, fish caught exceeding a quota or fish caught during a fishing ban period”.

The FAO Fisheries Department has published several technical guidelines in support of the implementation of the Code. COFI:FT/VII/2000/3 Suppl. is a draft of the guidelines for Article 11.2 on responsible international trade and Article 11.3 on laws and regulations relating to fish trade.

## 8.2 REGIONAL

There are many regional organisations and arrangements in place around the world. In this report we consider only those of relevance to the countries under consideration by the project (i.e. those representing Europe, Philippines, Indonesia, and Vietnam)

### 8.2.1 Association of South-East Asian Nations (ASEAN)

The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 in Bangkok by the five original Member Countries, namely, *Indonesia*, Malaysia, *Philippines*, Singapore, and Thailand. Brunei Darussalam joined on 8 January 1984, *Vietnam* on 28 July 1995, Laos and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. The ASEAN region has a population of about 500 million, a total area of 4.5 million square kilometres, a combined gross domestic product of US\$737 billion, and a total trade of US\$ 720 billion.

In terms of trade policy, the ASEAN Free Trade Area has now been virtually realized. The six original signatories have reduced tariffs on all products listed in their 2002 Inclusion List (IL) to 0-5 percent. Since 1 January 2003, tariffs on 99.55 percent (44,160 tariff lines out of total 44,361 tariff lines) of products in the 2003 IL of the ASEAN-6 have been reduced to the 0-5 percent tariff range. Products in their IL, which still have tariffs of above 5 percent, are those that have been transferred from the Sensitive List (SL) and General Exception List (GE) in 2003. The average tariff for ASEAN-6 under the CEPT Scheme is now down to 2.39 percent from 12.76 percent when the tariff-cutting exercise started in 1993.

The newer members of ASEAN still have to reach the 0-5 percent tariff for intra-ASEAN trade – Vietnam in 2006, Lao PDR and Myanmar in 2008, and Cambodia in 2010. Overall, in 2003, 87.85 percent of all products in the IL of the ten Member Countries tentatively have tariffs of between 0-5 percent and about 10.68 percent of these products have tariffs of above 5 percent. Ultimately, tariffs will be completely abolished by 2010 for ASEAN-6 and 2015 for the newer members with flexibility on some sensitive products until 2018.

As of April 2003, the total tariff lines for fisheries products are 995, composed of 897 tariff lines in the Inclusion List (IL), 93 tariff lines in the Temporary Exclusion List (TEL), and 5 tariff lines in the Sensitive List (SL). There is no tariff line in the General Exception List (GEL) for fisheries products.

A work programme on the elimination of Non-Tariff Barriers (NTBs) is expected to be finalized by the AFTA Council Meeting in September 2003. This work programme would include, among others, the process of verification and cross-notification; updating the working definition of Non-Tariff Measures (NTMs) and NTBs in ASEAN; the setting-up of a database on all NTMs maintained by Member Countries; and the eventual elimination of unnecessary and unjustifiable NTMs.

In addition to the AFTA, currently fisheries and aquaculture is an important pillar for ASEAN Cooperation more generally in Food, Agriculture and Forestry, which progresses under the guidelines set by the ASEAN Summits and the ASEAN Ministers on Agriculture, and Forestry (AMAF). The guidelines for ASEAN cooperation in food, agriculture and forestry are embodied in the various declarations, agreements and statements made by ASEAN Summits and meetings of AMAF. The specific areas of cooperation in agriculture are food security, food handling, crops, livestock, fisheries, agricultural training and extension, and agricultural cooperatives. Cooperation in trade in agriculture (including fisheries) and forestry products as well as in joint approaches in global and regional issues in trade in these products are also discussed in meetings of AMAF.

Ongoing activities include work on harmonization of SPS measures on fish and fisheries products, Harmonization of Hatchery Production of *Penaeus monodon* in ASEAN, and Protocol 8 on SPS Measures to Implement the ASEAN Framework Agreement on Facilitation of Goods in Transit. In addition, there is also an ongoing scheme (Memorandum of Understanding on ASEAN Cooperation and Joint Approaches in Agriculture and Forest Products Promotion Scheme) which provides opportunities for ASEAN Member Countries to come together to plan and implement R&D and promotional activities that would facilitate both intra- and extra-ASEAN trade in the region's

agriculture and forest products. The products listed under the Scheme that are pertaining to fisheries products include canned tuna, frozen shrimps, and carrageenan (sea weed).

The ASEAN group have also adopted the Plan of Action on Sustainable Fisheries for Food Security for the ASEAN Region, specifically on “Fish Trade” as follows:

1. Strengthen ASEAN trade policy on fish and fishery products through regional collaboration by harmonizing product standards and sanitary measures with international standards wherever appropriate, working towards harmonised guidelines for fish inspection and quality control systems among ASEAN Member Countries, strengthening fish inspection and quality control systems with regard to food safety and exchanging information on risk analysis.
2. In collaboration with international technical organizations such as the Food and Agriculture Organization of the United Nations (FAO) and the World Trade Organization (WTO), assess the impact of government subsidies on fisheries, particularly on the needs of small-scale fisheries in the ASEAN region and sustainable fisheries.
3. Anticipate and address the potential impacts of eco-labelling of ASEAN fish and fishery products.

Greater co-ordination between Asian seafood exporting countries, reduced internal competition, and increased co-operation in dealing with importing countries to protect common interests are seen as central to a possible solution to the problems of EU regulations on residual antibiotics discussed below in Section 4.2.4. The representatives of aquaculture and seafood exporting associations of the 5 ASEAN countries which have the biggest aquaculture production including Indonesia, Malaysia, Thailand, Philippines and Vietnam (Vietnam Association of seafood exporters and producers (VASEP)) have established the ASEAN Aquaculture Federation (AAF) with the following objectives:

1. To promote the sustainable development of aquaculture in the ASEAN region.
2. To assist aquaculture in ASEAN countries in order to respond to food security and exports.
3. To implement activities that support the long-term interests of aquaculture in ASEAN countries.

The ASEAN grouping also has policies on social development and poverty eradication. The initial phase of the implementation of the Framework of the ASEAN Plan of Action on Rural Development and Poverty Eradication and the ASEAN Action Plan on Social Safety Nets has proceeded with the assistance of AusAID and the UNDP. Projects on poverty monitoring (coordinated by Malaysia) and training of community-based facilitators on rural development and poverty eradication (coordinated by Indonesia) have been implemented.

The ASEAN Ministers of Rural Development, at their Third Meeting held in December 2002, expressed concern regarding the possible impact of globalisation and trade liberalisation on the question of poverty in the region. The Ministers have requested the ASEAN Secretariat to undertake a comprehensive review of regional cooperation on poverty eradication and rural development. The review is expected to chart strategic directions to respond to emerging trends, especially with respect to emerging global concerns and their impact on current plans of action as well as focus cooperation on issues that are transboundary. The review would also look at how the current institutional mechanisms for cooperation could be further streamlined and improved, including the mobilisation of the resources of Member Countries for priority regional projects.

ASEAN countries, in collaboration with the World Bank and the Japanese Foundation for Advanced Studies on International Development (FASID), will engage in an exchange of experiences in promoting community participation approaches for rural poverty reduction beginning in June 2003. The project aims to share lessons learned in addressing the exclusion and vulnerability of rural populations and in devising economic activities to assist them.

### 8.2.2 APEC

Asia-Pacific Economic Cooperation, or APEC, was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community. It is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region. APEC operates on the basis of non-binding commitments, and unlike the WTO or other multilateral trade bodies, APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis. APEC has 21 members, referred to as “Member Economies” which account for more than 2.5 billion people, a combined GDP of US\$19 trillion and 47% of world trade. APEC's 21 Member Economies are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Vietnam .

APEC works to reduce tariffs and other trade barriers across the Asia-Pacific region, creating efficient domestic economies and dramatically increasing exports. Key to achieving APEC's vision are what are referred to as the “Bogor Goals” of free and open trade and investment in the Asia-Pacific by 2010 for industrialised economies and 2020 for developing economies. These goals were adopted by Leaders at their 1994 meeting in Bogor, Indonesia.

The Fisheries Working Group (FWG) was created by Senior Officials in 1991 to deal specifically with fisheries issues. It aims to promote

- The conservation and sustainable use of fisheries resources.
- Sustainable development of aquaculture and habitat preservation.
- Development of solutions to common resource management problems.
- The enhancement of food safety and quality of fish and fisheries products.
- Sector-specific work relating to trade and investment liberalisation and facilitation.

In 1997, APEC Economic Leaders agreed to Early Voluntary Sectoral Liberalisation (EVSL) in 15 important areas to facilitate efficient reductions to trade barriers and to ultimately open markets. The 15 areas are: environmental goods and services; *fish and fish products*; forest products; medical equipment and instruments; telecommunications mutual recognition arrangement (MRA); energy sector; toys; gems and jewellery; chemicals; oilseeds and oilseed products; food sector; natural and synthetic rubber; fertilizers; automotive; and civil aircraft. The EVSL initiative is a unique approach to liberalisation utilising market opening measures, trade facilitation activities and economic and technical cooperation activities.

APEC is also supporting a project “Developing Industry Standard for the Live Reef Food Fish Trade” which will assist in the formulation of a set of industry standards for the live reef food fish trade, and create regional and national frameworks for implementation of such standards. The standards will be developed transparently through participation from all parties. The standards will help to stimulate environmentally sustainable fisheries trade among APEC Member Economies, and reduce the pressures on the region's coral reefs from destructive fishing practice.

### 8.2.3 ASEM

ASEM (the Asia-Europe Meeting) is an informal process of dialogue and cooperation bringing together the fifteen EU Member States and the European Commission, with ten Asian countries (Brunei, China, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). The ASEM dialogue addresses political, economic and cultural issues, with the objective of strengthening the relationship between our two regions, in a spirit of mutual respect and equal partnership. The first ASEM Summit was held in Bangkok in March 1996, giving rise to an ongoing process including Summit-level meetings every second year, Ministerial-level meetings in the

intervening years (although now normally once a year) plus a range of meetings and activities at the working level.

A number of activities have already been given priority, based around three “pillars”

- in the *political field*, discussions on human rights, on the protection of children, and on the impact of globalisation; new areas of common interest which have emerged from the recent meetings include the fight against terrorism or the management of migratory flows
- in the *economic and financial field*, cooperation on reducing barriers to trade and investment, and on financial and social policy reform; a new area of common interest which emerged from the recent meetings is a reinforced dialogue on issues relating to the World Trade Organisation (WTO)
- and in the *cultural and intellectual field*, a wide range of enhanced contacts and dialogue between the two regions, and cooperation in the protection of cultural heritage.

In the economic and financial field, a number of initiatives are of relevance.

- The second ASEM Summit in London in 1998 adopted a Trade Facilitation Action Plan (TFAP), aimed at reducing Non Tariff Barriers and transaction costs and promoting trade opportunities between our two regions, while complementing and considering work being carried out in bilateral and multilateral fora. The TFAP adopted in London includes both a general statement of principles, objectives and priority areas (text), and a set of specific concrete goals for the period 1998-2000 (text). The initial priority areas covered by TFAP are customs procedures, standards, public procurement, quarantine and Sanitary and phytosanitary (SPS) procedures, intellectual property rights (IPR), mobility of business persons, and other activities including market access in the distribution sector. A number of expert meetings and seminars in these different areas has been carried out (including four meetings on standards, three meetings on SPS, two on customs, one on IPR and one on government procurement), and several others are planned.
- The Investment Promotion Action Plan (IPAP) was adopted at the London Summit in April 1998, and aims at promoting two-way investment flows between our two regions. IPAP addresses both investment promotion issues (Pillar 1) and investment policy issues (Pillar 2), these being seen as mutually supportive.
- The first Asia-Europe Business Forum (AEBF) was held in Paris on 14-15 October 1996, responding to a decision at the Bangkok Summit that such a forum be established to foster greater cooperation between the private sectors in Asia and in Europe, and providing a venue for dialogue between the private sector and government
- The ASEM Trust Fund was established following a decision at the London Summit in April 1998, responding to the issues raised by the Asian crisis and with the objective of helping finance technical assistance and advice both on restructuring the financial sector and on finding effective ways to redress poverty, drawing on European and Asian expertise.

#### 8.2.4 EU

##### *Policies on poverty*<sup>53</sup>

##### *Evolution of poverty thinking over the last decade*

In 1992, the adoption of the Maastricht Treaty on European Union provided the Community with a legal underpinning for and formal competence over development cooperation. The Treaty established the objectives of European development cooperation:

- To fight against poverty in developing countries;

---

<sup>53</sup> Text based largely on Van Reisen, 2002

- To enhance the social and sustainable development of developing countries, particularly the least favoured among them; and
- To further the integration of developing countries into the world economy.

As a follow-up to the inclusion of development cooperation as a Community competence, the Council undertook to develop a series of resolutions and decisions to elaborate the relevant articles in the Maastricht Treaty, known as the Horizon 2000 process. In 1993 the Council and its Member States decided that the fight against poverty would be one of the main priorities of their development cooperation programmes.

In 1993 the Commission presented to the Council and the Parliament a communication on the fight against poverty, reflecting the growing consensus among donors in this area. In that year the Council adopted a resolution stating that the fight against poverty should be an integral element in the preparation and implementation of all development policies and programmes: “the fight against poverty should occupy a central position in the framing of development cooperation policies and programmes”<sup>54</sup>. In this and several other resolutions, the Council emphasised that structural adjustment programmes should “take account of the essential components of the fight against poverty”, including “the reduction of inequalities in income distribution and access by the poor to social services”.

In 1998 the Council approved new conclusions on poverty reduction that explicitly supported the DAC international targets<sup>55</sup>, in which it acknowledged that the framework provided by the 1993 resolution had “proven difficult”. 11 The Council and the Commission agreed on the need to strengthen the commitment of the Community and Member States to “poverty elimination”, and to develop “a broader framework for understanding poverty and its causes and consequences”, as well as to understand “the costs and benefits of globalisation”. The Council also stated that particular attention should be paid to “the needs of the least developed countries, and to target numbers of poor people in other parts of the developing world”. The Cotonou Agreement, signed in 2000, made even more explicit reference to the fight against poverty as its primary objective. This was given high priority, appearing in Article 1 under “Objectives of the Partnership”.

#### *Commission Cooperation with other partners*

The Commission also cooperates widely with other institutions in an attempt to tackle poverty. The cooperation between the Commission and the World Bank dates from 1987, when the focus was on strengthening the role of private industry in the development of the Third World. Subsequently, various investment instruments were developed in the Community programme, and a policy towards structural adjustment programmes began to emerge. The Council adopted a first resolution on structural adjustment programmes in 1988. The structural adjustments funds were worth ECU 1,150 million under the Lomé IV Convention (1990–95) and ECU 1400 million under Lomé IV bis (1995–2000). In 1995, the Council adopted a new resolution to implement the Lomé Convention with greater emphasis on the social sectors.

The Commission and the EU Member States welcomed the World Bank's new Poverty Reduction Strategy (see Section 8.1.1) and approved of its main elements:

- PRSPs will provide a framework for mainstreaming poverty reduction in government and donor policies.
- Country ownership is paramount; governments will be responsible for both the design process and the final product.

---

<sup>54</sup> Council of the European Communities, 1714th Meeting, Development, Brussels, 2 December 1993, Press Release 10641/93(Presse 215)-EN

<sup>55</sup> In 1996, the group of industrialised countries that coordinate their aid through the OECD's Development Assistance Committee (DAC), including the Commission, elaborated and adopted time-bound targets

- Strategies will reflect the outcome of an open and participatory process involving civil society and all relevant international institutions and donors.
- Strategies will be tailored to individual country circumstances, and will be based on an understanding of the nature and causes of poverty, and public actions that can help to reduce it. The strategies will include medium- and long-term goals that can be monitored, with results feeding back to design.
- The results of the strategies will be monitored using final and intermediate indicators of success. Reaching agreement on results to be achieved will be more important than the policies and the means to be employed.
- Strategies will also be comprehensive, embracing a combination of macroeconomic, structural and social reforms that can provide the basis for sustained growth and poverty reduction.
- The issue of good governance, including the transparency and efficiency of public expenditure management, will be a fundamental ingredient of any strategy to reduce poverty and restore growth.
- PRSPs are results-oriented; they set goals for poverty reduction in terms of outcome-related goals that are tangible and measurable

#### *The Community's Development Policy on Poverty*

On 26 April 2000 the Commission adopted a communication on the Community's development policy.<sup>56</sup> The communication, which included a joint statement of the Council and the Commission, confirmed the focus on poverty reduction as an overarching objective of EC development cooperation and the selection of the main priorities for EC support in this context.<sup>57</sup> It outlined a new framework for the Community's development policy, setting it in the international context, specifically the OECD/DAC and the World Bank Comprehensive Development Framework, or the IMF/World Bank Poverty Reduction Strategy Papers. The communication also established an integrated framework for Community development activities, identifying six priority areas where Community action could offer added value: trade for development, regional integration and cooperation, support for macroeconomic policies, transport, food security and sustainable rural development, boosting institutional capacity, good governance and the rule of law.

In its communication, the Commission distinguished three complementary ways to enhance the poverty focus of Community aid:

- Primary poverty focus: concentrating efforts on less developed (LDCs) and other low-income countries (LICs). The primary focus is directly related to the OECD/DAC's categorisation of developing countries according to their level of income, first approved in 1996, and based on the income levels defined by the World Bank. In other words, the primary focus is on the poorest countries, including India and China.
- Secondary poverty focus: more poverty-focused cooperation programmes in middle-income countries (MICs), where there are nevertheless large numbers of people living in poverty. Specific attention should be paid to those countries where more than 20% of the population live below the poverty line of \$1 per day per capita. These include Brazil, Botswana, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Paraguay, Peru, the Philippines, South Africa, and Trinidad and Tobago.

---

<sup>56</sup> Commission of the European Communities, *The European Community's Development Policy*, communication from the Commission to the Council and the Parliament, Brussels, COM(2000)212, final, 26 April 2000.

<sup>57</sup> Commission of the European Communities, *Measures Taken and to be taken by the Commission to address the poverty reduction objective of EC development policy*, Commission Staff Working Paper, 26 July 2001, SEC(2001)1317.



- Tertiary poverty focus: more poverty-focused cooperation programmes in all other developing countries. This focus established a general policy direction towards poverty eradication, without identifying a specific group of countries.

The Commission views the Country Support Strategy (CSS) as the main mechanism for promoting its poverty eradication policy. At present, the Commission uses two concrete instruments to promote its secondary and tertiary poverty foci: Country Strategy Papers, and Poverty Reduction Strategy Papers, in cooperation with the IMF/World Bank.

### ***Policy on Trade and Development***

#### *Commission on Trade and Development*

The European Commission's Communication on Trade and Development, published in September 2002, is the result of a recognition of the importance of the relationship between development, trade and integration of developing countries into the world economy. The Communication stresses the importance of trade in fostering growth and reducing poverty and as a catalyst for sustainable development. It highlights the importance of multilateral trade negotiations under the Doha Development Agenda, together with certain bilateral/regional initiatives and support for regional integration among developing countries, as the way to allow market access and consolidated rules. The Communication furthermore describes the need for coherence and synergies at all levels and proposes some concrete initiatives to ensure more effectiveness of existing EU activities (by the Commission and/or the Member States). The concrete proposals for action are grouped in three categories:

1. Intensification of dialogue with partner countries
2. Increasing effectiveness of EU support
3. Contributing to international effectiveness.

Finally, the Communication proposes an overall review of EU trade-related assistance before the end of 2005.

#### *Commission Policy on Sustainable Trade*

The Commission's Sustainable Trade Action Plan pulls together a set of actions to which the Commission committed at the WSSD (World Summit on Sustainable Development). It is divided into 5 fields of activities with a total of 12 actions envisaged by the European Commission.

- Sustainable and Fair Trade (4 Action points)
- Environmentally preferable goods (2 Action points)
- Labelling (2 Action points)
- Bilateral and Regional Trade Agreements (1 Action Point)
- SIAs (3 Action points)

#### *European Parliament*

On the 3rd of July, the European Parliament adopted a resolution setting out its view on the WTO Ministerial Conference in Cancun, 10-14 September 2003. Discussing the link between trade and development, the Parliament considered it essential that industrialised countries make substantial offers to developing countries in the areas of industrial and agricultural market access and implementation issues, including special and differential treatment. The resolution stresses the necessity to take measures to protect LDC's domestic markets and ensure the security of their food supplies, until they have attained a satisfactory level of development.

### ***Food and Trade Legislation***

The EU has followed a dual approach in harmonizing food laws: "horizontal" legislation that covers aspects which are common to all foodstuffs (such as additives, labeling and hygiene, etc.) and

“vertical” legislation on specific products (e.g., fish, cocoa and chocolate products, sugars, honey, etc.).

Section 9 explains in more detail the range of horizontal issues covered by EU legislation.

The vast majority of food and trade laws of the EU member countries have already been fully harmonized into EU law. Where EU regulatory harmonization is not yet complete, imported product must meet existing national requirements. Examples of the extensive amounts of national legislation that can pertain can be found in Section 10: Appendix D – UK Trade Regulations.

EU legislation is made up of Directives and Regulations. Directives define the result that must be achieved but leave to each Member State the choice of form and methods to transpose the directive into national laws (usually within 2-3 years after adoption). Regulations are binding in their entirety and automatically enter into force on a set date in all Member States.

Perhaps the most important types of vertical legislation on fish and shellfish are legislation pertaining to a) tariffs, and b) hygiene requirements.

#### *Tariffs*

The EC average level of customs duty protection amounts to around 4% on industrial goods, taking into account MFN rates. Moreover imports from many of the EU's suppliers of industrial products enter the Community at preferential rates under the terms of bilateral agreements, the Generalised System of Preference (GSP) or tariff suspension regimes.

The EU has zero tariffs for the GSP-listed countries on all kinds (fresh, frozen and canned) of tuna, skipjack, snails and seaweeds; Indian mackerels (fresh and frozen only), live fish and frog. For the same countries the EU reduced tariff rates from the conventional rates by 65 percent for crustaceans, scallops and shrimp, and 15 to 30 percent for processed sardine and Indian mackerels.

*List of fish tariffs to be included when available.*

#### *Fish product and hygiene legislation*

A selection of recent fisheries related legislation is provided below.

**Table 8-1: EU Fish product and hygiene legislation**

<a href="#">Directive 91/492/EEC*</a> Official Journal/ L268/1, 24/9/91	Live bivalve molluscs
<a href="#">Directive 91/493/EEC</a> L 268/15, 24/9/91	Fishery products
<a href="#">Directive 95/71/EEC</a> L 332/40, 31/12/95	Modifies Directive 91/493/EEC
<a href="#">Directive 92/48/EEC</a> L 187/41, 7/7/92	Fishing vessels – Freezer vessels
<a href="#">Decision* 93/25/EEC</a> L 16/22, 25/1/93	Heat Treatment – bivalve molluscs and gastropods
<a href="#">Decision 93/51/EEC</a> L 13/11, 21/1/93	Microbiological criteria – Crustaceans and shellfish
<a href="#">Decision 93/140/EEC</a> L 56/42, 9/3/93	Parasites
<a href="#">Decision 93/351/EEC</a> L 144/23, 16/6/93	Mercury
<a href="#">Decision 93/383/EEC</a> L 166/31, 8/7/93	Biotoxins – Laboratory
<a href="#">Decision 94/356/EC*</a> L 156/50, 23/6/94	HACCP
<a href="#">Decision 95/149/EC</a> L 97/84/EC, 29/4/95	TVBN
<a href="#">Decision 95/328/EC</a> L 191/32, 12/8/95	Health certificates – Fishery Products
<a href="#">Decision 96/333/EC</a> L 127/33, 25/5/96	Health certificate – Live bivalve molluscs
<a href="#">Decision 97/20/EC</a> L 277/42, 14/10/97	Third Countries – List for bivalve molluscs
<a href="#">Decision 97/296/EC</a> L 122/21, 14/5/97	Third countries – List for fishery products
<a href="#">Decision 2001/675/EC</a> L 236/16, 5/9/01	Amends Decision 97/20
<a href="#">Decision 2001/635/EC</a> L 221/56, 17/8/01	Amends Decision 97/296
<a href="#">Regulation* (EC)2406/96</a> L 334/1, 23/12/96	Organoleptic criteria
<a href="#">Regulation (EC)1093/94</a> L 121/3, 12/5/84	Direct landing (third countries)
<a href="#">Directive 98/83/EC</a> L 330/32, 5/12/98	Potable water

<a href="#">Directive 88/320/EEC</a> L 143/35, 11/6/88	Good laboratory practices
<a href="#">Directive 95/2/EC</a> L 61/1, 18/3/95	Food additives
<a href="#">Decision 2001/487/EC</a> L 176/68, 29/6/01	Third Countries - residue plans
<a href="#">Regulation 2065/2001</a> L 278/6, 23/10/01	Consumer information
<a href="#">Decision 96/340/EC</a> L 129/35, 30/5/96	Snails and frog legs

The most important hygiene requirements for fish and shellfish produced in the EU are laid down in Council Directive 91/492/EEC and Council Directive 91/493/EEC. These lay down health conditions for the production and placing on the market of shellfish (including live bivalve molluscs), fish and fishery products respectively. As long as fishery and shellfish products are produced by approved establishments in the EU and comply with these Directives, these products are able to freely circulate amongst EU Member States. Consignments are required to be accompanied by movement documents, however no health certification is needed. Packaging and labelling of these products must comply with the Council Directives.

In order to export fisheries products to the EU a third country must have public health legislation and controls for the fisheries sector which are equivalent to those existing in EU legislation. The list of third countries and territories from which fishery products (excluding the category bivalve shellfish and related species - see next question) can be imported into the EU is established by an Annex to Commission Decision 97/296/EC. This list is not static and has been updated many times.

Part I of this list in the Annex to Commission Decision 97/296/EC, which lists 58 countries and territories, contains the “fully-harmonised” countries for which a specific decision has been taken under Council Directive 91/493/EEC. A list of establishments (processing plants, factory vessels and freezer vessels) is included in these specific decisions together with the format of the health certificate concerned.

Part II of the list (valid until 31/12/2003) contains the 44 so-called “pre-listed” countries which, although not yet inspected by the Commission's Food and Veterinary Office, have been judged to have equivalent legislation and controls.

Member States may choose to import (or not to import as the case may be) bilaterally from the countries included in List II and the fishery products imported from such countries are to be marketed only in the Member State which imports them. For countries in Part II the lists of establishments are communicated directly to the authorities of interested Member States (the Commission therefore does not publish these lists).

For aquaculture products additional requirements apply relating to residues of veterinary medicinal products. Third countries exporting aquaculture products must be listed in the Commission Decision granting provisional approval of residue plans (Commission Decision 2000/159/EC as amended).

In recent years, in order to export aquaculture products into EU, the United States and other markets, Vietnam has continuously upgraded the quality of its management systems, modernized the equipment used and organized training courses for technicians of administrative agencies and businesses<sup>58</sup>. EU authorities have certified that 68 Vietnamese businesses have satisfied hygienic standards and food safety. Vietnam has conducted effective national programmes in monitoring residual toxic chemicals and antibiotics in seafood and cultured products, and has announced the results of these to EU and United States authorities on a regular basis.

In 2001, EU decided to examine 100 percent of shrimp products imported from China, Thailand, Vietnam, Indonesia and other countries because they discovered residual antibiotics chloramphenicol (CAP) and nitrofurans (NF) in some products (Dey et al 2003). EU authorities have initiated a food-safety policy called “zero tolerance” towards chloramphenicol, nitrofurans and other antibiotics. However, there is no scientific evidence to show that a very low content of residue - as low as one billionth - of antibiotics can be harmful to the health of the consumers. EU has stipulated that the

---

<sup>58</sup> Lam Quoc Tuan, 2003

residue in food should be 0.3ppb or even 0.7ppb. It is difficult for exporters, including those from EU, to achieve such accurate results in the products they export.

These strict food-safety regulations have enabled EU member countries to destroy all imported lots which contain residual antibiotics of chloramphenicol and nitrofurans. EU authorities have also destroyed several lots of imported shrimps from Vietnam and other Asian countries while these products were still in storehouses. Many of these were destroyed without advance notice, and not in the presence of the owners.

On 20 September 2002, EU's Veterinary committee decided to abrogate the compulsory examination policy of 100 percent of shrimps imported from Vietnam and some other countries on account of residual antibiotics. India and some other countries continue to be targeted by this trade barrier. The abrogation has been the result of efforts by Vietnam Government, MOFI, relevant Ministries and enterprises who implemented a series of measures such as banning the use of chemicals and antibiotics and carrying out a thorough examination the entire production process.

These regulations have caused serious difficulties for exporters of fisheries from Vietnam and other Asian countries. In 2001, EU banned the import of shrimp from China and, on account of residual chloramphenicol in shrimp from Indonesia, shrimp export from this country into EU has decreased by 64 percent. The existence of nitrofurans in shrimp from Thailand caused severe restrictions to be placed on shrimp export from this country into EU. The export turnover from Vietnam into EU in the first 6 months of 2002 registered an 87 percent decrease in comparison to the year 2001. The issue of residual antibiotics in shrimp continues to be a cause for concern for exporting countries. Dey et al (2003) report that the EU ban on imports of shrimp from Bangladesh in 1997 and Tanzania and Uganda in 1999 had huge effects on export revenues and on employment. The ban remained effective for five months in Bangladesh and caused serious injury to the fishery sector as a whole. About a million people related to shrimp culture in different stages of the production process were affected. Cato and Santos (1998) assessed the negative impact of the EU ban on import of shrimp from Bangladesh. The study estimated that the ban cost Bangladesh about US\$ 14.1 million.

Cato and Santos (1998), Calzadilla-Sarmiento (2002) and UNIDO (2002) identified several constraints on the developing countries in complying with SPS/TBT agreements. These are:

- Insufficient technical know-how, lack of competent human and financial resources.
- Deficient organizational fish inspection framework. Lack of a clear line of command and accountability due to the involvement of two or more authorities.
- Weak regulations. Regulations lack updating to meet the demand of international and domestic market requirements and are not fully enforced.
- Weak capacity of fish inspectors. Fish inspectors cannot perform their duty well due to the lack of training in HACCP.

### ***Regulations impacting the ornamental trade***

For the ornamental trade, there are three main pieces of legislation that impact on the trade:

The Fish Health Directive (91/67) deals with the placing on the market of live fish and gametes and is intended to eliminate barriers to trade in live aquaculture products within the EU while preventing the spread of infectious diseases, in particular to parts of the Community free of them. The legislation is based on the concept of risk, and requires all imports to have a health certificate stamp.

The Veterinary Checks Directive (91/496) requires two days notice of all imports from third countries and impacts on importers because all fish must go through a border inspection post, and this increases clearing time, and therefore costs. A documentary check by the competent authorities must be carried out for each consignment of animals from third countries. The animals must subsequently undergo an identity check and a physical check at an inspection post situated in the immediate proximity of the point of entry into the Community or, where applicable, at a quarantine centre. When product is offloaded from a plane, it must be first taken to a transit shed, and then a cost is incurred to move it to the border inspection post. There is then a veterinary services cost and a border inspection fee. The main

motivation for the Directive is to protect biodiversity in the EU, but there is little or no risk of marine ornamental species from the tropics having any impact on biodiversity in the EU.

The EU Wildlife Trade Regulations put into place CITES in the EU, and mean that imports of listed species into the EU require an import permit, again with an extra cost. Failure to have an import permit can result in confiscation of product with corresponding loss of profits, and wasted overhead costs. The main concern of importers in EU involved with the ornamental trade is that the CITES regulations lumps the ornamental trade in with trade in species for edible purposes, when the ornamental trade usually represents a tiny fraction of the overall trade. For example, if CITES specify sea cucumber as a listed species, this would have associated costs on ornamental importers, but imports are negligible compared to imports for edible purposes. The same applies for the forthcoming listing of seahorses, aimed essentially at the dried seahorse trade, but also impacting on the low volume, high value ornamental trade.

### ***Bilateral arrangements***

In addition to the WTO's multilateral negotiations, the EU concludes bilateral agreements and devises specific trading policies with third countries and regional areas (e.g see Section 4.2.3). Bilateral agreements are agreements between two political entities, thus legally binding these two territories only. Bilateral trade relations are about agreement on custom unions, free-trade, association, co-operation and partnership. These preferential trade agreements are notified under either Article XXIV of the GATT or Article V of the GATS.

Bilateral fisheries agreements between the European Union and third countries establish the general framework for access of Community fleets to the waters of these countries. A protocol attached to each lays down the specific conditions (technical, financial, type of resources, etc.) for implementation of the agreement. Increasing emphasis is now being placed on adequate social and economic cost/benefit analysis of such agreements to ensure that the agreements do not have adverse impacts in developing countries. None of the agreements relate to countries in Asia however.

## **8.3 INDONESIA<sup>59</sup>**

### ***Trade policy***

Although a deregulation policy was announced in May 1995 in Indonesia, there has been little progress with respect to the elimination of government intervention to control market forces. The incentive structure in the foreign trade policies still reflects a protectionist bias. The government reaffirmed its commitment to implement the ASEAN Free Trade Area (AFTA) plan by major tariff cuts by the year 2003. Nevertheless, there has been little progress if one compares the pre- and post-1995 tariff schedule. The number of commodities subject to 15% or more tariff and import charges declined by 11% after 1995. It is scheduled that the import tariff of fisheries products will be cut to between 0% and 5% by the year 2002.

Legislation on live fish exports from Indonesia states that “Export of live fish as defined in article 1, whether intended for consumption or not, shall not be subject to quarantine measures, including the granting of fish health certificates, except if required by the importing country (art. 2). Fish quarantine shall not be longer than 7 days and be carried out at “Installations” or “Temporary Installations” defined in article 1. The period of 7 days may be extended by a Fish Quarantine Official. If the fish is in good health than the Fish Quarantine Official shall immediately issue of Fish Health Certificate (art. 7). Fish which is not healthy shall either be cured or destroyed. The remaining articles provide for the preparation and maintenance of installations, the destruction of fish, fish quarantine fees and loss resulting from fish quarantine measures. (15 articles and one schedule).”

---

<sup>59</sup> This section based on 1) FAOLEX, 2) Rab et al, 2002, and 3) WorldFish Center documents available on line 4) ADB website, 5) [http://www.indocean.com/fishery/fisheries\\_development\\_policy.htm](http://www.indocean.com/fishery/fisheries_development_policy.htm)

### ***Fisheries policy***

The principal policy of the Directorate General of Aquaculture in Indonesia is to increase fisher communities' welfare by optimising resources through the development of integrated aquaculture zones of both freshwater and brackish-water fisheries. The zoning strategy is to intensify aquaculture through the development of fisheries entrepreneurship. It seeks to increase quality fish seed supply through the development of private hatcheries, creating distribution and marketing channels of seeds, providing training to the fish seed farmers, and creating a network of seed information systems. Although capital needs are important in encouraging aquaculture activities, the high risk of crop failure and occasional misuse of credit, prevent banks from offering credit. A higher priority is mariculture development by small-scale farmers and cooperatives through both internal and external investment. Shrimp culture is the only activity where foreign investment is not allowed.

In terms of capture fisheries, besides aiming to increase domestic animal protein sources supply and raw material for fish meal, policy is strongly focussed on fishing generating foreign exchange earnings, expected to be around US\$ 2.93 billion by 2003. This contribution is expected to be generated from export of tuna and skipjack (US\$974.66 million), shrimp (US\$ 607.26 million, demersal fish (US\$ 1,008.95), pelagic fish (US\$ 280.02 million) and other fishes (US\$60.57 million). It is expected that by year 2003 the total production will be 4.96 million tons with demersal fish 1.43 million tons, small pelagic fish 2.54 million tons, and other fish 0.43 million tons.

The Directorate General of Fisheries has launched a programme called "Boosting the Export of Fisheries Commodities 2003", (PROTEKAN 2003) a medium-term programme to increase foreign-exchange earnings as well as to increase fish farmers / fishermen income and expansion of job opportunities. The program is aimed at generating foreign exchange earning of US\$ 10.19 billion by 2003, of which US\$ 2.93 billion generating from export of marine fisheries, US\$ 6.79 billion from shrimp culture, US\$ 0.42 billion from mariculture such as seaweed, grouper, snapper, pearls, and US\$ 0.05 billion from several freshwater aquaculture commodities. To achieve this, total fisheries production in 2003 is expected to be 9.96 million tons consisting of 4.96 million tons generating foreign exchange and production. These targets will be achieved through increasing fisheries production and business productivity of fishing, as well as aquaculture, allied to improved post-harvest issues, deregulation and regulation of fisheries policies.

### ***Development policy***

The Guidelines for State Policy 1999-2004 (GBHN) are the official expression of Indonesia's development strategy. GBHN have been further delineated in the medium-term development strategy, the National Development Plan (PROPENAS). Presented in October 2000, it stands on five national objectives: (i) ensure national cohesion and social stability; (ii) achieve good governance and rule of law; (iii) accelerate economic recovery and strengthen the foundations for sustained growth; (iv) develop the social sectors and human welfare; and (v) strengthen regional autonomy, rural and urban development, and structural poverty programs.

GBHN give high priority to improved governance, which involves anticorruption activities, decentralization, improved public sector administration, and financial sector reform. PROPENAS addresses a range of other crosscutting issues, including environmental sustainability, gender, and poverty. These programs emphasize improving the government process, stressing the need for transparent, broad-based, participatory decision making. With respect to traditional development concerns, responsibility for social sector services has shifted to local governments in line with decentralization which is being actively enhanced. For infrastructure, the priority is rehabilitation of existing systems; where possible, the private sector will be encouraged to invest in new facilities.

### ***Policy on poverty***

The incidence of poverty in Indonesia soared from 14.7% in early 1997 to a peak of 23.5% in early 1999, demonstrating the vulnerability of the poor to inflationary shocks, especially to food price increases. As the financial crisis in Asia ebbed, real incomes rose with the fall in inflation and a rebound in production. Although data for 2001 and 2002 are provisional, the incidence of poverty, with respect to level and distribution, has returned to the mid-1990s pattern. The dramatic surge in the

incidence of poverty in the wake of the crisis demonstrates three important lessons. First, sound macroeconomic management and financial sector reform are important not just for economic stability but also for poverty reduction. Second, inflation, particularly the price of basic food commodities, has a dramatic impact on household welfare and the number of poor. Third, the steep rise in transient poverty confirms the vulnerability of a large number of people just above the poverty line, pointing to the need for social protection as well as more dynamic and widely available jobs.

Indonesia presented a 50-page Interim Poverty Reduction Strategy Paper: A Process Framework of Strategic Formulation for Long Term Poverty Alleviation, adopted in March 2003<sup>60</sup>. As described in Law 22, 2000 on the National Development Programme, government has assertively stated that poverty reduction is the ultimate priority. The IPRSP formulated in this context consists of (i) description of the past poverty reduction strategy and the need of the formulation of new long-term and comprehensive poverty reduction, (ii) efforts to mainstream poverty reduction policies to synchronize macro, micro, strategic and operational policies, and (iii) activity phases to prepare the formulation of a full PRSP document, starting from the local community.

The key strategies of poverty reduction outlined in the IPRSP are: (i) creating opportunities (creating job and business opportunity for the poor), (ii) community empowerment (to empower the poor so that they can attain their economic, social, and politic rights; can be in control for decisions that concerns their needs; can express their aspiration; can identify their own problems and needs), (iii) capacity building (to improve capacity or ability to fight for their needs), (iv) social protection/safety (to provide social protection of the poor). Basic principles of these strategies are: equality, justice, participation, democracy, market mechanism, legal order, mutual trust and sense of security.

Labour issues do not feature heavily in the IPRSP. In the area of labour policy, the government aims at “regulating a sensible provincial minimum wage” as well as offering protection to informal sector businesses and its workers. Human resources development policy will take the form of improving the quality of human resources by improved education and health; and social, economic, and cultural organization and institutional strengthening.

The Poverty Reduction Partnership Agreement (PRPA) between the Government and ADB also provides a framework for tracking progress toward shared development goals. The PRPA, signed on 5 April 2001 was reviewed in April 2002. Based on the inputs of Government, civil society, and other external funding agencies, the agreement sets out a long-term vision and agreed-upon targets for poverty reduction. The PRPA calls for (i) inclusive growth and regional equity, (ii) human resource development, (iii) a system of transparent and accountable governance, and (iv) poverty reduction.

In addition at the Mid-Year Review Consultative Group on Indonesia<sup>61</sup> (CGI) Meeting - June 2, 2003, the Working Group Statement on Poverty Reduction reported on recent progress on poverty issues and actions. Since the January 2003 CGI Meeting, the Government has continued to reflect its stated commitment to poverty reduction, particularly through progress in moving toward the development of a participatory poverty reduction strategy.

- The IPRSP was finalized. A series of dissemination and consultation activities around the IPRSP were undertaken. The IPRSP was also circulated to donors, as well as to the Boards of the World Bank and the IMF.
- In March 2003, the Poverty Reduction Committee conducted a national working meeting attended by Government officials, from national Coordinating Ministers to regional Governors, met in Yogyakarta and signed the “Yogyakarta Declaration”, stating their commitment and prioritisation of poverty reduction as an objective, to be reflected in budget allocations.
- At the national level, under the auspices of the Chair of the Poverty Reduction Committee, a Team Inti was formed that includes the core Ministries involved in driving the strategy

---

<sup>60</sup> [http://poverty.worldbank.org/files/14019\\_Indonesia\\_I-PRSP.pdf](http://poverty.worldbank.org/files/14019_Indonesia_I-PRSP.pdf)

<sup>61</sup> A donor forum

development process. Coordination through this functionally critical group has allowed for some important decisions after slow progress earlier in the year.

- In particular, the Government has decided to establish four Task Forces along the lines of the four substantive themes in the IPRSP: (i) opportunity creation; (ii) empowerment; (iii) human capital development and capacity building; and (iv) social protection. The groups will report to Team Inti which will finalize the poverty reduction strategy for submission to the Poverty Reduction Committee.
- The Government has finalized the Terms of Reference for the four Task Forces and is close to finalizing membership of each of the Task Forces. The Terms of Reference for the Task Forces include the key analytical blocks in developing a poverty reduction strategy, as outlined in the Poverty Reduction Working Group Matrix at the January 2003 CGI.
- At the regional level, most local governments have established poverty reduction committees and several of them have embarked on a process of developing local poverty reduction strategies. Several donors are also involved in supporting such processes in particular regions.
- Key work in several areas of poverty diagnostics, to inform the development of the Poverty Reduction Strategy are underway. These include analysis of the Susenas 2002 data; poverty mapping in 3 provinces; participatory poverty assessments in several areas; and a study on macroeconomic policy and poverty.

#### **8.4 VIETNAM**

##### ***Development and trade policy***

Development and trade policy in recent years has been underlined by the *doi moi* (“renewal”) policies adopted by the Sixth Congress of the Communist Party of Vietnam (CPV) in 1986. These reforms, mostly implemented several years later, moved the government’s policy away from collectivised approaches and toward the use of prices and a market economy. Two changes in particular were critical. Agriculture was de-collectivised, leading to the rapid replacement of rural co-operatives by individual family plots; and prices of most agricultural goods were freed. The immediate result was a sharp rise in food production, bringing the country back from the verge of famine. The country moved quickly from rice importer to second-largest rice exporter in the world. And in international trade, the government changed quickly and decisively from primary reliance on state trading with the socialist bloc to participation in competitive world markets, in part by encouraging foreign investment in the export sector.

##### ***Fisheries and aquaculture policy***

Inshore waters in Vietnam are heavily exploited and not very well managed. The government response has been to try to develop capture fisheries in waters of more than 50m through provision of related on-shore infrastructure, and assistance with access to credit, training and new technologies and advice.

As part of the government’s national policy of poverty alleviation, it has approved the programme “Aquaculture from 1999 – 2010”. The purpose of the programme is to secure food for the country and to provide resources for export. The policy is also aimed at providing employment for around 2 million people. The programme has set a target of 2 million tonnes of fish by 2010.

Fisheries is also seen as a key strategy in poverty reduction through the strategy for Sustainable Aquaculture for Poverty Alleviation (SAPA), designed by the Ministry of Fisheries. The main aim of the strategy is to improve the living standards of the poorer sections of the community through the development of aquaculture. Specifically, SAPA aims to:

- Consolidate and upgrade management capacity to satisfy the needs of the poor
- Improve access by the poor to facilities, information, credit etc
- Improve information sharing and networking to benefit the poor.
- Introduce environmentally friendly technology with low risk and lower investment levels



- Improving management strategies

### ***Policy on poverty***

The Government of Vietnam's vision is one of sustainable and rapid development, eradication of poverty and hunger, and a high quality of life for the Vietnamese people. Based on this vision, the Government is developing a number of development goals, targets, and strategies to achieve them. The primary goal is to reduce poverty incidence by approximately 12 percentage points between 2002 and 2010. This translates into reducing the proportion of people (households) below the international (national) poverty line from 32 to 19 percent (from 17 to 5 percent). Key human development goals to be achieved by 2010 include reducing mortality rates, i.e. infant, child, and maternal, to 25 per thousand, 32 per thousand, and 70/100,000 respectively, reducing child malnutrition to 20 percent, and providing basic education to all, with special focus on eliminating gender and ethnic disparities.

The Government of Vietnam and the Asian Development Bank (ADB) have entered into an agreement that states that ADB's operations will be governed by the understandings in this Poverty Partnership Agreement (PPA). The agreement sets out the long-term vision for reducing poverty together with the goals and targets, strategies, and key priorities for cooperation between the Government and ADB for realizing this vision. Agreed measures for monitoring and reviewing implementation of this agreement are also outlined. The Agreement reflects the Government's visions and goals for poverty reduction contained in its Socio-economic Development Strategy 2001-2010 (SEDS), the Interim Poverty Reduction Strategy (IPRSP), the draft Comprehensive Poverty Reduction and Growth Strategy (CPRGS), various sectoral strategies, and key priorities of the ADB's Country Strategy and Program (CSP).

Vietnam has made significant gains in reducing poverty incidence and improving other quality of life indicators. Poverty incidence in Vietnam fell from over 70 percent in 1990 to around 32 percent in 2000, mainly because of strong growth. Preliminary data from the 2002 Multipurpose Household Survey also shows a decline in the incidence of poverty from 37% in 1998 to about 29% in 2002. While significant in terms of magnitude, the gains in poverty reduction remain fragile, with a significant number of "near poor" clustered just above the poverty line and vulnerable to shocks (economy-wide, community-level, and personal shocks).<sup>62</sup> The poor tend to be located in rural and remote areas, and are often those from ethnic-minority groups.

In the PPA, the Government and ADB agree that ADB's comparative advantage in supporting the shared goal of poverty reduction is to support (i) sustainable growth through development of a diversified rural economy, and a vibrant private sector; (ii) inclusive social development by ensuring that gender and ethnic minority issues are integrated and mainstreamed at the policy level and in relevant ADB-assisted programs and projects and that human capital development receives priority; (iii) improved governance through institutional reform including public administration, legal and judicial reform, and decentralization and grassroots participation, and (iv) regional development through geographical focus on the relatively impoverished Central Region.

In May 2002, the Government published the Comprehensive Poverty Reduction And Growth Strategy (CPRGS). The CPRGS was based on the Interim Poverty Reduction and Growth Strategy Paper that was approved by the Prime Minister in March 2001, and states that the Government of Vietnam takes poverty reduction as a "cutting-through objective" in the process of country socio-economic development. Poverty reduction is considered an integral part of the National, Sectoral and Provincial 10-Year Socio-Economic Development Strategy (2001- 2010), the 5-Year Socio-Economic Development Plan (2001-2005) and the Annual Socio-Economic Development Plan. The CPRGS is a document that elaborates all general objectives, institutional arrangements, policies and solutions of the 10-Year Strategy and 5-Year Plan into detailed specific action plans. Key objectives are:

- Promote rapid and sustainable economic growth coupled with attainment of social progress and equity

---

<sup>62</sup> Poverty Reduction Partnership Agreement

- Create an equal business environment for all types of enterprises from all economic sectors,
- Continue with structural reforms to bring about a transformation of the nation's economic structure
- Develop and expand social protection and safety nets for the poor, for people vulnerable to natural calamities; and minimize the vulnerability of the people.
- Undertake public administration reform

The overall thrust of the CPRGS is that economic growth will generate resources for poverty reduction. At the same time, to make significant progress in poverty reduction, growth must be accompanied by additional targeted measures to create favourable conditions for the poor to access opportunities to improve their lives.

## 8.5 PHILIPPINES

### *Development and poverty policy*<sup>63</sup>

The Government's primary development objective is poverty reduction, supported by improved political and economic governance. These themes are highlighted in the revised Medium-Term Philippine Development Plan (MTPDP) 2001–2004. In July 2002 President Gloria Macapagal-Arroyo delivered her second state of the nation address, the theme of which was “a strong republic” as the “bedrock for the victory over poverty within the decade”. The speech focused on poverty alleviation for the rural and urban poor; peace, order and security; economic infrastructure; and good governance. Investors have indicated that they value good governance and an end to civil disturbance as highly as improved infrastructure.

The United Nations' Human Development Report (2002) ranks the Philippines 77th out of 173 countries (70th in 2001 Report) in terms of its human development index. Since the Asian financial crisis the proportion of Filipino families living below the poverty line has increased from 31.8% in 1997 to 33.7% in 2000, with a continuing high level of income inequality. One cause of the rise in poverty is high unemployment which is affected by the high population growth. Rural-urban disparities persist and poverty remains largely rural. Uneven distribution of rural wealth, especially farmland, forces many rural poor to migrate to cities for employment and has led to the increase of urban poor. The growing number of urban poor in informal settlements severely strains the capacity of basic services, particularly housing.

In October 2001, the Government and ADB signed the Poverty Partnership Agreement. During the 2002 Consultative Group Meeting, the Government confirmed its five core strategies in “winning the war against poverty within the decade”: (i) redistribution of resources and assets to the poor; (ii) human development services, especially education, health, shelter, water, and electricity; (iii) job and livelihood opportunities and strengthening the capacities of marginalized groups to engage in productive enterprises; (iv) participation in governance of basic sectors, and institution building; and (v) social protection and security against violence through social welfare, safety nets, and legal reforms. The Government will accelerate rural development by modernizing agriculture, pursuing land reform, promoting better management of natural resources, and focusing poverty reduction efforts on the poorest areas in Mindanao, where many indigenous people live. The Government will target its interventions through the Linking Arms Against Poverty (KALAHATI) Program, which will provide the poor with resources to fight poverty with the participation of communities, civil society, non-government organizations (NGOs), national and local governments, business, and development partners.

---

<sup>63</sup> From ADB Country Strategy Paper (see this paper for a summary of progress towards meeting the Millennium Development Goals)

### *Fisheries and related trade policy*<sup>64</sup>

It is scheduled that the Philippines will continue to enjoy the GSP privilege for certain products in the major fish importing countries like the USA, EU, and Japan over the years 1995-2005. It will continue to get maximum GSP advantage from the USA for its exports of shrimp/prawn and tuna at a rate of 0%; for seaweed the tariff rate is only 3.2%. It also has the advantage of exporting shrimp and tuna to Japan at a low tariff rate of 4.8% and 3.5% respectively, and for seaweed the rate is zero. It faces high tariffs, however, from the EU countries for shrimp/prawn and tuna at the rate of 12% and 22% respectively. It pays 0% tariff on seaweed exports to the EU countries. Like other countries, it has to comply with non-tariff barriers such as sanitary and phytosanitary sanitary measures (SPS) and HACCP. The Bureau of Fisheries and Aquatic Resources (BFAR) acts as the accrediting agency as authorized by the major importing countries.

There is a well-conceived input policy and investment incentive scheme in the Philippines. There are provisions for subsidized credit for the fishers and farmers who engage in food and non-food production, processing and trading. The commercial fishers are eligible for subsidized long-term loans and tax and duty exemption to acquire or improve fishing vessels and related equipment. The duty and tax rebates are also applicable to fuel consumption for commercial fisheries.

Currently, the Ginintuang Masaganang Ani-Countrywide Assistance for Rural Employment and Services (GMA-CARES) Program for Fisheries is being implemented. The credit components of the program include: a) Income Augmentation and Livelihood for the self-reliant farmers/fishers, b) Seaweed and Fish Culture Program, c) Agri-Fishery Mechanization Credit and Guarantee Program. These programme components provide credit access to agri-based small fishers, producers, manufacturers, and traders of fish and seaweed; and for the acquisition of machines and equipment.

The Philippines has an Export Development Plan (2002-2004), which is a rolling three-year plan that forms part of the Medium Term Philippine Development Plan. The Plan specifies product development, diversification and promotion as key strategic guidelines. The Plan also provides strategic direction for 10 key revenue streams (one of which is marine products), in formulating result-orientated policies, and on clustering. Strategies are developed too for the major export markets, and for the EU include “to avail to the HACCP accreditation to satisfy European standards for food and marine products”. The policy of clusters also includes a number of areas specified for fish processing and seaweeds. Policies in support of export development include: participatory governance, macro-economic stability and dynamism, reducing the costs of doing business, infrastructure improvements, legislative interventions, reasonable competition policy, pragmatic liberalisation in relation to international commitments, human resource development and productivity and specific policies cutting across sectors.

---

<sup>64</sup> Rab et al, 2003 & <http://tradelinephil.dti.gov.ph/betp/dti2.main> & <http://www.globefish.org/presentations/>



## 9 APPENDIX C: EU TRADE LEGISLATION

---

The European Commission has an objective to ensure that the European internal market functions effectively. Key areas of importance are:

- Elimination of unjustified obstacles to the free movement of goods and services and to freedom of establishment
- Coordination of rules concerning public procurement, financial services, postal services, protection of personal data, company law, accounting, industrial and intellectual property, commercial communications and electronic commerce with a view to ensuring the free movement of goods and services and freedom of establishment within the internal market
- Raising awareness and providing information concerning internal market rights and opportunities for business and citizens
- Free movement of people (recognition of professional qualifications)
- The international dimension of the internal market (access to and from non-EU countries, facilitating accession of new Member States).

### *Policies on trade*

The EU grants Most Favoured Nation (MFN) treatment in all product categories to nine members of the WTO. These countries are Australia, Canada, Chinese Taipei, Hong Kong, China, Japan, Republic of Korea, New Zealand, Singapore, and the United States.

Preferential tariffs are granted by the EU to more than 100 developing countries and roughly 40 overseas territories under the Generalized System of Preferences (GSP). The GSP applies if goods are originated in a beneficiary country and if the goods are transported to the EU directly from that country. A system of providing certificates of origin has been established to ensure that goods are not diverted through GSP countries to take advantage of the lower tariff concessions.

In addition, the EU shares a free trade agreement with the European Economic Area (EEA), which consists of Iceland, Liechtenstein, Norway and Switzerland. Most industrial products and some processed agricultural products are exempt from import duties within these 19 countries. The EU has free trade agreements with Mexico, South Africa and the Mediterranean countries. Israel has also negotiated a free trade agreement with the EU, although this agreement does not include agricultural goods.

### *Market Access*

The EU food market is attractive due to its size, high consumption patterns, and high per capita income. However, the EU is a market which is difficult to enter and to maintain market-share due to the strong partnerships between member states and the already mature market.

Developing countries have increased exports to the EU in recent years, however, they face challenges in gaining market access. The diversity of the EU market presents different opportunities and requires differing approaches. As well, high competition levels demand that product quality increases, product innovations develop more quickly, product life cycles shorten, product prices lower, and client services improve. Exporting countries are also faced with marking, labeling, certification, compliance regulations and market requirements of international standards.

There is a great benefit to exporting countries once market access has been achieved. If products meet standards and are certified by the EU departments, the products can freely cross borders within the EU countries.

## ***Tariffs***

Tariff lines in the EU have been bound in the WTO. The average tariff for Most Favoured Nations (MFN) is at 6.4%. The average tariff for non agricultural products is 4.1%. Agricultural products have a much higher tariff of 16.1%.

Tariff rates depend on the economic sensitivity of products as a way of protecting the EU's economic interests. Raw materials and semi-manufactured goods usually benefit from low duty rates because they are often not internally produced, but they are needed to produce goods. Agricultural custom duties have a seasonal element and depend on the price paid at the time of import.

The EU is committed to helping developing countries. It has reduced the tariffs applied to the poorest countries. Duty and quota free access to the EU market is given to the 49 poorest countries under the "Everything But Arms" initiative. This includes sensitive products such as beef, dairy products, fruit and vegetables.

## ***Excise Tax***

Excise tax is levied on some products such as soft drinks, wine, beer, spirits, tobacco, sugar, and oil and petroleum products. These duties may vary among member states of the EU because they are not harmonized. These taxes are paid by the importer in addition to customs duties and value added tax.

## ***Value Added Tax***

Value added tax is levied on all imported products being sold in EU. For basic necessities the tariffs are low, and for luxury items the tariffs are higher.

## ***Certification Requirements***

A commercial invoice is required for customs clearance in EU. The invoice is to contain a clear, precise description of the product, terms of sale and all details which are necessary to establish the full cost, insurance and freight price. A bill of lading (air way bill) is also required for customs clearance in EU. This should bear the name of the party to be notified.

A certificate of origin is required for goods subject to quota restrictions. The need for a certificate of origin should be verified directly from the importer or the appropriate customs authority.

Products such as fresh fruits, vegetables and other plant materials which are being exported to the EU require phytosanitary certificates. This verifies that the product was in healthy condition when it left its country of origin. The authorized food inspection agency must inspect the product to ensure that it is free of disease and insects.

The EU also requires a sanitary certificate for commodities composed of animal products or animal by-products. This applies whether or not these products are for human consumption.

## ***Import Licenses***

Once an import license has been issued it is valid throughout the EU. Import licenses are mostly needed for agriculture and food items such as wine, milk, wheat, meat, and rice, but are also needed for coal and lignite fuel, some specific base metal products, such as steel, various apparel and textile products, and controlled items such as arms and ammunition. They can be issued at the time of export or import.

## ***Packing and Labelling***

The main rules on the labeling, presentation and advertising of foodstuffs marketed in the EU are laid down in European Parliament and Council Directive 2000/13/EC. It applies not only to foodstuffs intended for sale to the ultimate consumer but also for supply to restaurants, hospitals and other mass caterers.

In response to concerns in recent years over food safety, new regulatory requirements have been put into place regarding labelling of food products of all origins to ensure traceability. Composition, content and destination country in EU must be marked at the time of sale on some products.

Container sizes have been prescribed for a number of food products. These include butter, fresh cheese, salt, sugar, breakfast cereals, pasta, rice, dried fruits and vegetables, coffee, frozen fruits and

vegetables, fish fillets, fish fingers, ice cream, preserved fruits and vegetables and products sold in metal containers.

Some member states remain opposed to the placement of GMO on the market without comprehensive labelling requirements on traceability. Labelling of food products is increasingly important to EU consumers. More attention is being focussed on health risks and decreasing the additives in food. EU consumers prefer food with as little chemicals as possible at both the production and the processing stages. There are a number of possible labels for organically grown products.

Commission Regulation (EC) No 2065/2001 (OJ No. L278, 23.10.2001, p. 6) laying down detailed rules for the application of Council Regulation (EC) No 104/2000 as regards informing consumers about fishery and aquaculture products. The Regulation requires that certain fish and fish products must, when offered for retail sale to the final consumer, be labelled with the commercial designation of the species, method of production (i.e., whether caught at sea or inland waters or farmed) and the catch area. The Regulation also includes traceability provisions requiring that the labelling information, as well as the scientific name of the species, is available at all stages of the marketing chain. The Regulation has direct effect in all member states from 1 January 2002 but national legislation is required to provide for penalties and enforcement of the new rules.

Important Regulation Includes:

- Council Directive 79/112/EEC (OJ No. L33 8.2.79) on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer (excluding the provisions relating to net quantity, and except in relation to certain additives), as now amended by Council Directives 85/7/EEC (OJ No. L2, 3.1.85), 86/197/EEC (OJ No. 144, 29.5.86) and 89/395/EEC (OJ No. L186, 30.6.89); Commission Directives 91/72/EEC (OJ No. L42, 15.2.91) and 93/102/EEC (OJ No. L291, 25.11.93) and European Parliament and Council Directive 97/4/EC (OJ. NO.L43.14.2.97);
- Council Directive 89/398/EEC (OJ No. L186, 30.6.89) on the approximation of the laws of the Member States relating to foodstuffs intended for particular nutritional uses;
- Council Directive 90/496/EEC (OJ No. L276, 6.10.90) on nutrition labelling for foodstuffs;
- Commission Directive 94/54/EC (OJ No. L300, 23.11.94), as now amended by Council Directive 96/21/EC (OJ No. L88), concerning the compulsory indication on the labelling of certain foodstuffs of particulars other than those provided for in Council Directive 79/112/EEC;
- Commission Directive 1999/10/EC (OJ No L69, 10.3.99) providing for derogation from the provisions of Article 7 of Council Directive 79/112/EC as regards the labelling of foodstuffs.





## 10 APPENDIX D: UK TRADE REGULATIONS<sup>65</sup>

---

### *Food laws*

The UK, as a member of the EU, conforms to all EU Directives, Regulations and obligations. The vast majority of food laws of the EU member countries have already been fully harmonized into EU law. Where EU regulatory harmonization is not yet complete, imported product must meet existing UK requirements.

The marketing and sale of foodstuffs in the United Kingdom (UK) is governed by the Food Safety Act 1990<sup>66</sup>, and a large number of related statutory instruments implementing it. In addition there are a large number of Codes of Practice that are not legislation, but that provide guidance for food authorities.

The Food Safety Act makes it an offence for anyone to sell, or possess for sale, food which:

- Has been rendered injurious to health
- Is unfit or so contaminated that it would be unreasonable to expect it to be eaten
- Is falsely described, advertised or presented
- Is not of the nature, substance or quality demanded

The Act addresses inspection, detention and seizure of suspect food, food hygiene inspections and, more relevant for UK domestic production, powers to make prohibition notices to stop a UK factory production. Imported foods can be inspected for safety at any point in the distribution chain, port of entry (by Port Health officials), retail, foodservice or wholesale level (by Trading Standards Officers).

### *Fisheries specific legislation*

In addition to EU legislation:

- Imports of live fish of the salmon family, freshwater fish and eggs of these species into Great Britain from outside the EU are controlled by The Diseases of Fish Act 1937, as amended as Diseases of Fish Act, 1983
- The Shellfish and Specified Fish (Third Country Imports) Order 1992 (SI 1992 No 3301) controls the import into Great Britain from non-EU countries of all live fish (other than salmonoid and freshwater fish) and their eggs and gametes, and the gametes of salmonoid and freshwater fish
- The Import of Live Fish (England and Wales) Act 1980 gives the Minister power to make an Order to restrict the import, keeping or release of live fish, eggs, and gametes of non-native species
- The Prohibition of Keeping or Release of Live Fish (Specified Species) Order 1998 makes it an offence to release or keep certain specified species of fish without a licence

### *General product safety regulations*

The General Product Safety Regulations 1994, implement Council Directive 92/59/EEC (OJ No. L228, 11.8.92, p.24) on general product safety. They apply to the United Kingdom and came into force on 3 October 1994. The Regulations impose requirements concerning the safety of products, including food and drink, which are intended for, or likely to be used by, consumers.

---

<sup>65</sup> Text in this section based on a) US Embassy UK Food and Agricultural Import Regulations and Standards: Country Report 2002, USDA Foreign Agricultural Service GAIN Report, & b) the Food Standards Agency 2002 Food Law Guide

<sup>66</sup> Note that in general legislation listed in this section applies to England and Wales only. Similar legislation applies to Scotland and Northern Ireland. However the Food Safety Act 1990, and new regulations made under it from 1990 onwards, apply to Great Britain unless otherwise stated.

## Labeling

Currently UK general labeling requirements are laid down in The Food Labelling Regulations 1996 (which consolidate and replace The Food Labelling Regulations 1984) and The Food Labelling (Amendment) Regulations 1998 (which introduce quantitative ingredient declarations (QUID) to be given on food labels for certain ingredients or categories of ingredients used in foods). The principal provisions of the regulations which apply to Great Britain are that all food which is ready for delivery to the ultimate consumer or to a catering establishment, subject to certain exceptions, be marked or labelled according to the following summary.

**Table 10-1: Summary of UK labelling requirements**

Language	British English must be used on all labeling (i.e. colour, not colour). Multi-language labeling is permitted throughout the EU.
Name Of The Food	This may be the name prescribed by law or a name customary in the area where the food is sold or a precise name to be distinguished from products with which it could be confused. The name may be a name and/or description. Trade names, brand names or fancy names are permitted but may not be substituted for the name of the food. The product name, the statement of quantity (weight, volume), and the indication of minimum durability (or a reference to it) must all appear in the same field of vision.
Flavours	The name of a food may only be used in a product description to indicate a specific flavour, e.g. "strawberry sauce" if the flavouring is wholly or mainly derived from that food. Otherwise the word "flavour" must follow the name of the food, e.g. "strawberry flavour sauce". An illustration representing the flavour of a food may only appear if the flavour is derived wholly or mainly from the food depicted.
List Of Ingredients	This should be headed by the word "Ingredients" or for foods to be reconstituted "Ingredients of the reconstituted product" or "Ingredients of the ready to use product" etc., or for foods consisting entirely of mixed fruit, "Ingredients in variable proportion". The ingredients should be listed in descending order of weight, as used at the time of preparation of the food, except water and volatile products should be listed in order of weight in the finished product. Ingredients used in concentrated or dehydrated form and which reconstitute during preparation of the food may be listed as if reconstituted. Constituents of compound ingredients may be listed with the name of the compound ingredient so that the association is clear. Constituents need to be listed if the compound ingredient may be listed by a generic term or if it constitutes more than 25% of the finished product, except the additives present in the compound ingredient must be listed if they have technological function in the finished product. Water must be listed in the correct position unless it is used solely for reconstitution or re-hydration of an ingredient or it forms part of a medium not normally consumed, or added water does not exceed 5% of the finished product. Certain ingredients may be designated by the name of their category group rather than the specific name. These include fats, oils, starch, fish, cheese, spices, herbs, gum bases, crumbs, sugar, dextrose, glucose syrup, milk proteins, cocoa butter, crystallized fruit, vegetables and wine.
Quantitative Ingredients Declaration (Quid)	UK legislation is now in place which enforces the EU Directive on QUID. This means that if special emphasis is placed on the presence of an ingredient, the minimum or maximum amount as a % must be declared either next to the name of the food or near the name of the ingredient in the ingredients list. e.g. 15% strawberries on a strawberry ice cream label. QUID does not apply to constituents naturally present in foods and which have not been added as ingredients e.g. caffeine (in coffee) and vitamins (in fruit juices). Other exemptions include when products state the drained net weight; where an ingredient is used for the purposes of flavoring; when the wording "with sweeteners" or "with sugar(s) and sweetener(s)" accompanies the name under which a foodstuff is sold; when the addition of vitamins and minerals is subject to nutrition labeling and when foodstuffs are concentrated or dehydrated.
Weights &	Net quantities of prepackaged foodstuffs must be given in metric units, followed by the

Measures	imperial equivalent if so desired, i.e. the metric must come first.
Shelf Life Date Marks	A statement of minimum durability is required. This must be stated by the words “best before.....” followed by storage life as day, month, year and any special storage conditions should be indicated. Or it may be expressed, for foods with shelf life 3 months or less, as “best before.....” followed by day, month only; or for foods with shelf life 3 months or more as “best before end.....” followed by month, year only. For foods to be consumed within 6 weeks the minimum durability can alternatively be stated by the words “sell by.....” followed by day, month plus an indication of storage period from date of purchase plus any special storage conditions. The words “best before....” or “best before end.....” or “sell by.....” must be in the same field of vision as product name but the actual date may appear on a different part of the label provided this is indicated after the words “best before.....” or “best before end.....” or “sell by.....”. In the case of highly perishable foodstuffs the date consisting of the day, the month and possibly the year has to be preceded by the words "use by". The Food Standards Agency has published Guidance Notes on which foods should carry a "use by" date, available at <a href="http://www.foodstandards.gov.uk">www.foodstandards.gov.uk</a> Minimum durability need not be stated on foods lasting more than 18 months or for deep-frozen (including quick-frozen) food, also certain specific foods are exempt.
Storage Conditions	Any special storage conditions or conditions of use should be stated. Instructions for use should be given if necessary.
Contact Details	Name and address of manufacturer or packer, or of a seller in the UK/EU must be stated.
Place Of Origin	Imported goods must be clearly marked with a distinct indication of the country of origin, if failure to give such particulars might mislead a purchaser to a material degree as to the true origin of the food. The Food Standards Agency has published Guidance Notes on Place or Origin, available at <a href="http://www.foodstandards.gov.uk">www.foodstandards.gov.uk</a>
Artistic License	Any illustrations used must not be misleading, e.g. showing a cow, when there is no dairy content. The use of wording “serving suggestion” is not illegal but should not be used if this misleads as to the nature of the product.
Foodstuffs For Particular Nutritional Purposes (Parnut)	U.S. requirements do not apply in the UK. These are foods which are claimed suitable for particular nutritional uses for people whose digestion or metabolism is disturbed, or who because of their special physiological condition would benefit from controlled consumption of certain substances. This includes the descriptions "dietary" or "dietetic". All PARNUT foods must give nutritional information and be labeled with compositional aspects of manufacturing process which give the food its characteristics. If the food is specially prepared for that class of persons, the name of the food must be accompanied by an indication of the foods’ particular characteristics.
Nutritional Labeling	Nutritional labeling is compulsory where a nutritional claim appears on the label, in presentation or in advertising, with the exclusion of generic advertising. The only nutrition claims permitted shall be those relating to energy values and, to the following nutrients: protein, carbohydrate, fat, fiber, sodium and prescribed vitamins, and to substances which belong to or which are of the aforementioned nutrients. Unless products fit under this caveat or the UK importer, retailer or other end user has requested the inclusion of nutritional labeling it is advisable to omit any reference to nutritional labeling on your product.
Packaging Gases	For foods packaged in certain gases: If the durability of a food has been extended by being packaged in a permitted packaging gas, it should be marked "packaged in a protective atmosphere".
Products For Further Processing	Unlabeled ("bright stack") containers of food to be processed, labeled, or re-packed in the UK are not subject to labeling legislation
Bulk Packed Or	Institutional size products for the HRI sector or bulk packed retail products must conform to the standard labeling regulations. As regards lot marking (see below), the

Institutional Size Products	lot mark of a sales unit contained in bulk packaging, for example retail packs enclosed in a wholesale pack, should appear on the outer container in addition to those retail packs.
Lot Marking	All packaged foodstuffs must bear a lot marking. In accordance with EU/UK legislation, the size of the lot shall be determined in each case by the producer, manufacturer or packing company of the foodstuff in question, or of the first seller established within the European Community. The marking shall be preceded by the letter "L" except in cases where it is clearly distinguishable from other indications on the label. A date mark as set out in the UK's Food Labeling Regulations 1996 i.e. the figures associated with a "best before", "best before end" or "use by" which appears on a product may be used as a lot mark.
Stick-On Labels	Stick-on labels meeting UK labeling requirements may be used on a temporary basis. They can be applied prior to export or applied in the UK before retail sale.

Source: <http://www.fas.usda.gov/gainfiles/200208/145783477.pdf>

In addition, the Quick-Frozen Foodstuffs Regulations 1990 implements Council Directive 89/108/EEC (OJ No. L 40,11.2.89 p.34) of 21 December 1988 on the approximation of Member State laws relating to quick-frozen foodstuffs for human consumption. These Regulations set out conditions for the packing, labelling and temperature controls during manufacture to retail sale, of quick-frozen foodstuffs other than ice cream. The Regulations are as amended by:

- 1992 No 2596 The Food (Forces Exemptions) (Revocations) Regulations 1992;
- 1994 No 298 The Quick-Frozen Foodstuffs (Amendment) Regulations 1994 which implement Commission Directives:
- 92/1/EEC (OJ No. L34,11.2.92, p28) on the monitoring of temperatures in the means of transport, warehousing and storage of quick-frozen foodstuffs intended for human consumption;
- 92/2/EEC (OJ No. L 34,11.2.92, p30) laying down the sampling procedure and the Community analysis for the official control of quick-frozen foods intended for human consumption.

### ***Packaging***

#### *Waste*

The UK has implemented the European Directive on Packaging and Packaging Waste (94/62EC) through The Producer Responsibility Obligations (Packaging Waste) Regulations 1997. The UK must meet targets for recovery of packaging waste and recycling of packaging materials in packaging waste each year. UK importers are affected as part of the "packaging chain". Each stage of the "packaging chain" (this is from packaging raw materials manufacturers through to wholesale/retail sellers) is responsible for achieving a different percentage of the whole target e.g. UK importers importing packaged goods to sell are responsible for 53% of the targets on recovery and recycling. There are also The Packaging (Essential Requirements) Regulations 1998. The main requirement is that no person responsible for packing or filling products into packaging or importing packed or filled packaging into the United Kingdom may place that packaging on the market unless that packaging fulfils the Essential Requirements and the Heavy Metal concentration limits.

#### *Materials in contact with food*

This falls into the Food Standards Agency's remit and the main UK legislation on this topic is The Materials and Articles in Contact with Food Regulations 1987. These regulations set out the general requirements that all food contact materials and articles should not transfer their constituents to food in quantities which could endanger human health. These regulations have been amended to include The Plastic Materials and Articles in Contact with Food Regulations 1998, which set an overall migration limit for all food plastics, and establishes "positive lists" of monomers and starting substances permitted for use in the manufacture of food contact plastics. The 1998 regulation has been amended

to extend the lists of substances permitted to be used in the manufacture of plastics intended to come into contact with food. The amendment is known as The Plastic Materials and Articles in Contact with Food (Amendment) Regulations 2000, and implements Commission Directive 1999/91/EC (OJ No. L310, 04.12.1999).

### ***Food additives***

The main food additive regulations in the UK are as follows:

- The Food Additives Labelling Regulations 1992
- The Flavourings in Food Regulations 1992
- The Sweeteners in Food Regulations 1995
- The Colours in Food Regulations 1995
- The Miscellaneous Food Additives Regulations 1995

The regulations listed above are the main pieces of legislation, and have been subsequently amended. A complete listing of UK food law can be found in the Food Standards Agency's "Food Law Guide" document available at: <http://www.foodstandards.gov.uk/enforcement/foodlaw>. In addition to the specific regulations listed above, there are also general requirements for additives used as ingredients in foods set down in the Food Labelling Regulations 1996.

### ***Pesticides and other contaminants***

The major piece of UK legislation regarding pesticides is known as: The Pesticides (Maximum Residue Levels In Crops, Food and Feeding Stuff) Regulations 1999. These set maximum residue levels (MRLs) for fruit and vegetables, cereals and animal products and came into force February 1, 2000. They consolidate and replace the 1994 Regulations and the five sets of amending regulations which were passed from 1994 to 1999. The new regulations also specify for the first time maximum residue levels for the pesticide Azoxystrobin. If there is no EC/UK maximum residue limit for a certain pesticide, then any CODEX level in place is used as a guide. Application for registration of pesticides not listed in EC/UK regulations or CODEX must be made to the European Commission.

The UK has other regulations dealing with the chemical safety of food with regard to aflatoxins, arsenic, chemical contaminants, chloroform, extraction solvents, lead, mineral hydrocarbons, tetrachloroethylene, tryptophan, and veterinary medicine residues in animal and animal products. A list of these regulations is available as part of the Food Law handbook available at: [www.foodstandards.gov.uk/enforcement/foodlaw](http://www.foodstandards.gov.uk/enforcement/foodlaw)

### ***Other regulations***

The import of food products of animal origin are covered by the Products of Animal Origin (Import and Export) Regulations 1996. Imports may only enter the UK/EC through approved Border Inspection Posts where they will be checked to ensure that they comply with the relevant animal and public health regulations. They may only be imported from third countries and establishments which have been approved for this purpose. These imports must also meet the requirements of the Food Safety Act 1990. All animal products (except fresh red meat) imported into the UK must be imported under the terms of an import license issued under The Importation of Animal Products and Poultry Products Order 1980 (as amended). The Products of Animal Origin (Import and Export) Regulations 1996 has been amended by the Products of Animal Origin (Import and Export) (Amendment) Regulations 1997, and the Products of Animal Origin (Import and Export) (Amendment) Regulations 2002 to implement recent Commission Directives on this issue.

On arrival into the UK imports of fishery products in general are liable to inspection under the Products of Animal Origin (Import & Export) (Third Countries) Regulations 2002. These regulations set out the necessary procedures relating to the prior notification and checking of such imports. The main provisions of these Regulations are that:

- Entry into the UK may only be through approved border inspection posts (BIPs) listed in the Regulations;
- Importers are required to give prior notification to BIPs of the arrival of consignments (24 hours notice for goods arriving by sea, 6 hours for goods arriving by air);
- Prior notification must be on a specific form, which is available from BIPs. The importer must provide one copy of the completed form to the Customs authorities at the BIP;
- Consignments will be subject to a range of veterinary checks, including documentary and identity checks on all consignments and physical checks on a proportion of consignments;
- Consignments which fail to meet public and/or animal health conditions will not be allowed into the UK for human consumption and may be destroyed;
- A charge will be made for these checks under “The Products of Animal Origin (Import and Export) (Amendment) Regulations 2002” (see below).

The Organic Products Regulations, 2001 provide for the administration, execution and enforcement of Council Regulation (EEC) N0. 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs, and of the Commission Regulations supplementing that Regulation. The Regulations impose an additional labelling requirement in respect of organic products



## 11 APPENDIX E: INITIATIVES AIMED AT PRO-POOR/SOCIAL FORESTRY

---

List taken from Forestry Stewardship Council website

The **BMZ/GTZ Forest Certification Project** of the German Development Agency GTZ supports the process of forest certification in selected developing countries as well as at an international level. Their web-site informs about the [background](#) of forest certification, about [services](#) of their project and information about other organizations involved. GTZ also provides [articles and studies](#) related to certification, examples of [national certification standards](#), [project working papers](#) and [presentation materials](#), which all can be ordered or downloaded. Some publications are listed below.

[http://www.gtz.de/forest\\_certification/english/index.html](http://www.gtz.de/forest_certification/english/index.html)

The **Center for International Forestry Research (CIFOR)** in Bogor, Indonesia works on forest certification. They have a strong focus on social issues and develop indicators to cover them. Publications on Local People, Devolution and Adaptive Co-Management and additional publications can be found at <http://www.cifor.cgiar.org/publications/>. Some publications are listed below.

The **Falls Brook Centre**, a sustainable community demonstration and training centre in New Brunswick, has four main program areas: FSC, sustainable agriculture, appropriate technology and community development. On their web-site they have useful information information e.g. about NTFP and the [International Social and Environmental Accreditation and Labelling \(ISEAL\) Alliance](#). <http://www.fallsbrookcentre.ca>

The **European Forest Research Institute EFI**, an independent NGO conducting European forest research, includes [Forest Products Markets and Socio-Economics](#) in their program areas. They offer workshops and symposia like "Economic Sustainability of Small-Scale Forestry" and the proceedings of this events. <http://www.efi.fi/>

The consultancy **ProForest** offers analysis and discussion paper about forest certification standards, small enterprises, forest workers and contractors and others, worked out with the input of certification bodies and other parties interested in forest certification. Documents can be downloaded at: <http://www.proforest.net/>

**Community Forestry Resource Center** ([www.forestrycenter.org](http://www.forestrycenter.org)) has a number of publications listed under "Library", as well as a map-based database of community forests under "Organizations".

**Kootenay Conference on Forest Alternatives** – in November of 1999 they hosted a conference on forest tenure reform with a focus on community tenures. Information from this conference can be found on their website: [www.kcfa.bc.ca](http://www.kcfa.bc.ca)

The **Regional Community Forestry Training Center** for Asia and the Pacific. <http://www.recoftc.org/>

**Simon Fraser University** Community Economic Development Center – Forest-based Communities program. Papers on community economic development in forest-dependent communities can be found at <http://www.sfu.ca/cedc/forestcomm/index.htm>

The **International Labor Organization ILO** (a.o. fighting against child labor and for the workers right to organize) show the core conventions on labor standards at: <http://webfusion.ilo.org/public/db/standards/normes/index.cfm?lang=EN>



The **International Federation of Building & Wood Workers IFBWW** gives information about forest certification, how to implement the ILO Core Conventions in certification standards for forest workers conditions and about their agreements like the one on "the rights of workers" between IFBWW and IKEA.

[http://homepages.iprolink.ch/~fitbb/Industrial\\_Dept/Global\\_Forestry\\_Programme](http://homepages.iprolink.ch/~fitbb/Industrial_Dept/Global_Forestry_Programme)