

trade hot topics

Opportunities and Challenges for Intra-ACP Trade in Fish and Fishery Products

Martin Tsamenyi and Alistair McIlgorm*

Background

Several African, Caribbean and Pacific (ACP) countries rely heavily on fish trade for food security and economic development. In addition to their value in trade, fisheries provide an important source of protein, employment, and foreign income for most ACP countries. With their endowment of inland fisheries, significant tuna fisheries, and major pelagic fisheries, together with a large import market for the re-export of fish, ACP countries have been increasingly involved in the growing trade in fish and fish commodities. The ACP countries have long been dependent on access agreements with major fishing nations, and fisheries aid from developed countries.

Increasingly, the ACP countries are being confronted with competition from Asian countries for major export fish markets. Sixty-eight per cent of ACP members' fish exports are currently to the European Union, which is embracing broad-based liberalisation measures that will inevitably lead to erosion of preference margins ACP countries have enjoyed for many years. Therefore, they must look into various options to reposition themselves in international fish trade. There are other export markets for ACP fish products, such as the USA, China, East Asia and other non-EU European nations,

currently accounting for 24 per cent of ACP export value. These markets could expand for ACP suppliers.

Intra-ACP trade is another potential opportunity for the ACP group of states. In the past decade, the significance of the intra-ACP export trade in fish and fish products (in value terms) has grown from 1 per cent to 8 per cent. ACP member countries annually import about US\$2 billion worth of fish and fish products from the rest of the world and thus this indicates a significant market opportunity. This issue of *Commonwealth Trade Hot Topics* highlights the opportunities and challenges associated with intra-ACP fish trade.

Tariff and non-tariff barriers to trade

For most products, ACP countries apply the Most Favoured Nation (MFN) treatment tariff regime for Harmonised System (HS) grouping of fish and fishery products consistent with Article II of the General Agreement on Tariffs and Trade (GATT), except for ACP countries which are not members of the World Trade Organization (WTO). An MFN tariff is the normal discriminatory tariff charged on imports, but excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas. For ACP countries, different tariff rates are applied on different sub-categories

* The authors are affiliated to the Australian National Centre for Ocean Resources and Security (ANCORS), University of Wollongong and they acknowledge the assistance of Mary Ann Palma, Lowell Bautista and Ben Milligan. The opinions expressed in this report are those of the authors and do not necessarily reflect the views of the Commonwealth Secretariat.

of HS03 fishery products. The average *ad valorem* duties applied for fish and fishery products by ACP countries range from nil to 40 per cent.

ACP countries apply the CARICOM (Caribbean Community) preferential duties, Southern African Customs Union preferential rates, EU preferential, Common Market for Eastern and Southern Africa (COMESA), Indian Ocean Commission, and other general duty rates. There are also ACP countries that apply these regional tariff regimes to non-MFN trading partners only. Bound rates are also applied by ACP countries to fish and fishery products.

Bound tariffs are lowest in the Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC) regions, with the East African Community (EAC) and SADC having a high proportion of product lines of duty free. In terms of MFN tariffs, all regions face 22.3 per cent or less, SADC and CARICOM having the highest duty free percentages (37.8 per cent and 23.7 per cent respectively). SADC and CARICOM have the highest rate of duty free imports (38.2 per cent and 31 per cent).

For the SADC, EAC and COMESA regions non-tariff barriers are sanitary and health regulations, administrative, legal or bureaucratic processes, or non-tariff trade rules and conditions taking different forms that can impede trade and diminish the potential benefits from preferential regional trade agreements.

Sanitary and health regulations are essential for international fish trade. A range of ACP countries have Hazard Analysis and Critical Control Point (HACCP) standard export processing systems, but many countries have difficulties adhering to the requirements of HACCP. Training for industry and inspection personnel in HACCP processes and support for public laboratory capacities are required to meet product sanitary standards—and constraints to overcome in pursuing growth in intra-ACP fish trade.

In many ACP countries, a range of factors such as political and civil unrest, national economic situation with problems paying for imports goods in foreign currencies, and poorly formed credit systems are common. ACP member country fish trade is also prone to inadequate infrastructure, for handling, storage (ice requiring electricity) and processing facilities to sufficient health standards. The establishment of better procedures in the licensing, transport, valuation and inspection of

fish imports and exports will contribute significantly to the efficient trade of products within the ACP region.

Regional framework for intra-ACP trade in fisheries

Let us consider the existing regional policy and institutional framework promoting intra-ACP trade and the extent to which existing regional institutions and policies provide the basis for facilitating intra-ACP fisheries trade. Particular emphasis is placed on trade facilitation within the framework of abolition of tariffs and non-tariff barriers, free movement of goods and services, and co-operation on customs procedures and rules of origin among the key regional trade groupings (COMESA, ECOWAS, SADC, CARICOM and the Pacific Island Forum).

In the existing Regional Trade Framework the different trade blocs within the ACP member countries have in theory adequate policies and rules to promote their regional trade. From the point of view of fish trade, there are rules of origin in terms of definition of originating products wholly produced and fishing vessels. The existing framework is generally not fish trade specific, as it does not address some of the specific characteristics of fisheries, such as the global aspects of fishing and fish trade, fisheries specific requirements, such as catch certification and trade documentation, and issues related to fisheries such as illegal, unreported and unregulated (IUU) fishing and sustainability of resources.

Similar trade policies applied in the different regional trade blocs are not harmonised, nor do they specify how they may be applied at an inter-regional level. Hence, different objectives and regimes applicable in different regions may hamper fish trade, particularly for those countries that belong to more than one regional bloc. Effective trade facilitation requires translating regional policies into action at the domestic level, and has been a challenge in the area of fish tariffs and non-tariff barriers. The current EU—ACP trade framework does not automatically lead to trade co-operation between the regional group members within the ACP. Given the maturity and autonomy of the regional political and trade bodies, cross-regional discussions could seek to harmonise tariff and non-tariff barrier reductions in fish trade. Lastly, while there may be sufficient regional arrangements on trade, the issue is to translate regional policies into workable actions at the domestic level.

Policy options for intra-ACP fish trade

ACP member countries have sound fish stocks that provide products not only for trade, but also for a large growing population which is fish dependent. The existence of functioning regional trade organisations is a strong feature which can reduce trade barriers within the regions. Some of the challenges include a high dependence on EU export markets, imported fish products and a range of fishery trade infrastructure and fish marketing issues. There is currently little dialogue, or a framework across the regional trade blocs under the ACP—EU trade agreement, and this is needed to develop intra-ACP trade between regions.

The following opportunities for and constraints to enhancing intra-ACP fish trade can be highlighted:

Opportunities

1. *Build on existing intra-ACP regional fish trade.* This has grown autonomously and is less prone to be impacted by changes in the EU trade policy than being dependent on global exports. Further work on the nature of within region trade and how it can be grown is a priority.
2. *Cross-regional dialogue towards building trans-regional ACP fish trade policy.* The ACP offers large political capital from a group of countries united politically, but not being used except for traditional trade relations with the EU. This represents an opportunity for the ACP countries to use the common ACP links to develop a fuller intra-regional fish trade framework to progress their fish trade aspirations on a wider front than just EU market access.
3. *Explore the domestic market of ACP countries for fisheries products.* The growing affluence of the middle class in developing countries will increase the demand for fish and fishery products, particularly within the ACP regions. Producing substitute products for imports requires local products to be produced at regionally acceptable standards for intra-ACP trade, necessitating further consideration and analysis by seafood marketing bodies, product development experts and the private sector. A fuller examination of adding more value to fish exporting is also important.
4. *Meeting health and sanitary export requirements for exports opens new trade opportunities in intra-ACP trade.* Creation of a second, less capital intensive intra-regional fishery product standard

could be investigated to promote trade in products not requiring full HACCP accreditation: this would enable more species to enter trade.

5. *Opening up trade opportunities for countries which have a low level of trade involvement, by identifying and addressing impediments to trade.* There are approximately 45 to 50 countries with less than US\$10 million fish trade per annum—trade revenue that could be increased.
6. *Developing inter-ACP regional fish trade policy.* The ACP member countries also need to protect their trade resource base from IUU fishing. IUU fishing is a trade substitute, bypassing the coastal states ownership and tariff regimes. Most of the regional ACP member groups have regional policies to harmonise their policies and promote sustainable fish trade.

Challenges

1. *Developing intra-ACP specific trade policies needs a supporting institutional framework:* The lack of standardised systems and inefficient customs and inspection procedures suggest that there is inadequate domestic framework for intra-regional trade in most ACP countries. An effective national administrative framework that supports the implementation of regional intra-trade policies may be established.
2. *Effective region wide tariff reduction:* The elimination of tariffs will potentially increase exports of value-added products as a result of lower input costs. The existing regional trade bloc tariff reduction policies have not generally been implemented. Harmonised policies across different sub-regions and regional member countries in the ACP are required.
3. *Non-tariff barriers in fish trade are widespread:* Administrative and non-tariff barriers are part of fish trade and are endemic to all trade in the ACP region. The private sector views the elimination of non-tariff barriers to trade, particularly unnecessary bureaucratic procedures, corruption, discriminatory taxes, temporary trade bans, and divergence in standards and requirements, as a priority if intra-regional trade is to be enhanced.
4. *Infrastructure:* Intra-ACP trade needs investment in ports, coastal shipping and road accessibility to decrease freight costs. Lack of comparative advantage is seen in lack of capital with coastal states having insufficient investment in fishing, freezing and processing facilities.

5. *Rules of origin*: Developing uniform rules of origin across different ACP regional groups would pose some challenges.
6. *Fishing Partnership Agreements with the EU* need to bring economic benefits and address impediments to EU trade and hence increase national capacity to undertake intra-ACP trade.
7. *Intra-ACP Fish Trade and Sustainable Fisheries*: Fish trade now requires enforcing new trade-related catch certification, trade documentation, and trade sanctions against non complying vessels and business entities involved in IUU fishing activities. Lack of national capacity to implement international fisheries instruments and ability to protect fisheries resources from IUU fishing are major issues undermining ACP fish trade and limit the potential for growth in ACP fish trade.

Subjects of the Previous Ten Issues of the Commonwealth Trade Hot Topics Series

Issue 77: The Lisbon Treaty and Commonwealth Developing Countries: Implications for ACP-EU trade and trade negotiations

Issue 76: Changing EU Policies and ACP Exports

Issue 75: Aid for Trade: Policy Issues for ACP States

Issue 74: Fairtrade, the Windward Islands and The Changing EU Banana Regime

Issue 73: Political Economy Factors Affecting Efficient Functioning of Markets

Issue 72: A Commonwealth Guide on International Investment Agreement Provisions Promoting Sustainable Development

Issue 71: Doha Decision-Making: Implications of the Consensus and Single-Undertaking Principles for Developing Countries

Issue 70: Inclusiveness of Trade Policy-Making - Challenges and Possible Responses for Better Stakeholder Participation

Issue 69: Fourth UN Conference on LDCs: What to Expect?

Issue 68: Sustaining Recovery: The Role of Macroeconomic Policy and Trade



trade hot topics

ISSN: 2071-8527 (print) ISSN: 2071-9914 (online)

Series editor: Dr Mohammad A Razzaque

Produced by the Economic Affairs Division of the Commonwealth Secretariat

For further information or to contribute to the Series, please email m.razzaque@commonwealth.int