FISHERIES POLICY UPDATE

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1. Fisheries and WTO

The WTO negotiations have come to a crucial phase as far as the developing nations are concerned, after agriculture and related areas like fisheries came into focus during the Uruguay, Doha, Cancun and Hong Kong Ministerial summits. Under the WTO's Development Agenda as formulated at Doha, the Non Agricultural Market Access (NAMA) Negotiating Group had been given a broad mandate "to reduce, or as appropriate, eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without *a priori* exclusions". It was in the Doha round that fisheries emerged as a major international trade issue covering various aspects like fisheries subsidies, market access, eco-labeling, capacity building etc. It is thus of great significance to India as she is one of the leading fish producing and exporting countries in the world (seventh in capture and second in culture, annually exporting products worth nearly Rs. 7000 crores). The developing countries contribute 50% of the total trade in fisheries. The crisis in capture fisheries due to over capacity and over exploitation of various species is also a cause of concern. According to FAO, 25% of the world's major fisheries are over-fished and 40% fully fished. The share of aquaculture in fish production is increasing and is contributing to the supply in the face of stagnating capture production and this trend is likely to continue in the near future also as can be seen from Table 1.

Table 1: Total fish production: 1997 and 2020

	Actual 1997		Projected 2020	
	Million tonnes	Share from aquaculture	Million tonnes	Share from aquaculture
India	4.8	40%	8.0	55%
World	93.2	31%	130.1	41%

Source: Delgado *et al.*, 2003

The Harmonized System Codes (HS codes) are the indicators for products traded internationally. The products in HS Chapters 1 to 24 come under agriculture products. But significantly, though fish is a primary product, fish and fishery products under HS Chapter 3 are not covered by the WTO Agreement on Agriculture (AoA) and falls in the category of goods, including manufacturing products, fuels and mining products, fish and fish products, and forestry products which are being discussed as part of the Non Agricultural Market Access (NAMA). The various tariffs on products are to be finalized or at least bound. Binding of a product or line implies that a tariff ceiling is fixed above which a member country cannot apply a tariff. The effective 'applied tariff' may be lower than the bound tariff.

Tariff line: Categories of products with tariff.

Bound & Applied tariff: Bound rates are the maximum levels of tariff that can be applied and applied rates are the rates that are actually applied.

Bound line: Lines (categories of products) for which maximum levels of tariffs are fixed.

The developed countries have relatively low or often zero levels of tariffs on fish but there are cases of high tariffs on selected products and equally important issue of non-tariff barriers. Indian marine products have been a target of various measures leading to ban on imports from India into the US, EU and Japan during various years. Stringent quality standards are a commonly used form of TBT (Technical Barriers to Trade). These non-tariff barriers impose additional costs which can affect the developing countries. In general, there is a consensus among WTO members that the tariffs have to be reduced/bound and it is being done on a line-to-line basis.

India's import policy vis-á-vis fisheries

India's fish imports are not significant, standing at Rs. 66.18 crores in 2004-05 which is less than 1% of the value of total marine products exported from the country. Though a total of 78 lines are currently imported when compared to 108 lines that are exported (Ministry of Commerce, GOI, 2006), the main imports are hilsa, followed by shrimp and cuttle fish while frozen shrimp continued to dominate the exports.

Table 2: Fish and fishery products imports into India

	2003-2004	2004-2005	% Growth
Q (in '000 kgs)	4772.05	6565.13	37.57
V (in Rs. Lakhs)	5247.08	6618.13	26.13

Source: Ministry of Commerce, Govt. of India

While reviewing the import policy and fixing the tariffs for the lines that are to be bound, there are a few aspects that have to be taken into account. It is to be seen whether it will have any adverse impact on the local producers, especially the traditional sector where important livelihood issues are at stake. The premise on which imports are based, like conservation of the natural resources with the imported product being a substitute to the locally produced product, must not be at the cost of the livelihood of the traditional fishermen. By 2020 the sector is likely to have a capability of providing direct and indirect employment to 20 million people, thus making a significant impact on the socio-economic scenario of the rural population and resulting in the upliftment of 3 million people above poverty line (Devadasan, *et al.* 2005). At the same time, with the prices in the domestic market for good table varieties of fish rising, the consumer demand also should be taken into account. Import of varieties that can cater to the increasing domestic demand can be encouraged. An analysis of the exports in recent years has revealed that a number of fish varieties like ribbon fish, sardine etc. are now being exported. Encouraging exports of such varieties will, in the long run, affect the nutritional security of the coastal population as these are part of the staple diet of the coastal population.

Considering the low capacity utilization in the fish processing industry, the import of exportable varieties for further processing and re-export can be encouraged. The exportable varieties like shrimp, squid and cuttlefish are the varieties that sustain the fishing industry. It is these species that contribute maximum to the income obtained by the mechanized fishing sector. Therefore, the price differential among the imported and the domestically produced raw material will be an area of contention. It must be ensured that the import will not affect the price of the locally produced raw material and that the imported material will be used only for re-export. It should not be channelised into the domestic market. An alternative system of floor price for the landings at landing centres must be devised to overcome this possibility. If imports of raw material can double the existing utilized capacity, it will create 1.6 lakh man days of additional employment, especially benefiting the pre-processing sector. This will have a direct impact on the socio-economic conditions of the coastal population as women from this area are involved in this work in large numbers.

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2. Anti-dumping duty and Indian shrimp exports: Agenda for future

Shrimp is the most popular sea food in the US with 90 percent of it being imported. Out of about one billion kilogram of shrimp consumed in the US, 75 percent is imported from six major shrimp producers viz., Brazil, China, Ecuador, India, Thailand and Vietnam.

Dumping is export of goods at a price below the home market or a third country price or below the cost of production. A dumping margin represents, by how much the fair-value price exceeds the dumped price.

On December 31, 2003, the US domestic shrimp industry represented to the US International Trade Commission (USITC) that global shrimp producing major countries are dumping their shrimp in the US market at unreasonably lower price, injuring the domestic shrimp industry. While US seafood distributors, retailers, restauranters and processors and consumers opposed the antidumping duty on shrimp imports, the officials and shrimp producers in southern states of US vehemently supported the same.

India exports over US $ 250 million worth of shrimp annually to USA. The US Food and Drug Administration (FDA) has been operating the Automatic Import Alert (automatic detention and testing) in respect of Indian fresh (raw) and frozen shrimp since 1992. However, the FDA has also evolved a list of Indian firms whose exports of fresh and frozen shrimps are not subject to the Automatic Import Alert, but only to random check. There are 52 Indian companies on this list. In 1995, the FDA extended the Automatic Import Alert to cover cooked shrimp exports from India. No exempt list exists with regard to cooked shrimp. The shrimp trade dispute with US is not a new episode. India has already faced a similar situation, when turtle excluder device was made mandatory for protection of sea turtles during harvesting of wild shrimp.

The USITC in January 2005, determined that an industry in the Untied States was materially injured by imports of certain warm water shrimp and prawn from Brazil, China, Ecuador, India, Thailand, and Vietnam and that the U.S. Department of Commerce had determined that prawns were being sold in the United States at less than fair value. On receiving representations from India and Thailand on the extent to which shrimp producers of their countries were affected, and about the tsunamis' long term impacts on those industries warranted the Commission self-instituting "changed circumstances reviews".

In April 2005, the Commission announced that it would conduct changed circumstances review, in view of the tsunami, to determine whether revoking the anti-dumping duty orders on imports of certain frozen warm water shrimp from India and Thailand would likely lead to continuation or recurrence of injury to the U.S. industry. In August 2005, the Commission undertook field visits to India and Thailand. On November 2, 2005, the USITC ruled that the existing orders on imports of certain frozen warm water shrimp and prawn from India and Thailand will remain in place.

Disputes with the decision

Sampling: Random sampling method adopted by the US for administrative review, instead of selection of major players purposively, made even small firms get included in the sample. Normally in any trade, small firms sell at cheaper rates, because their volume of sales is low. They have the least power in negotiations in the market place.

Bond requirements: The formula used by US Customs sets the bond at an amount equal to the exporting country's current anti-dumping rate multiplied by the gross amount of business done by the exporter in 2004. Thus for Indian shrimp exporters as a whole, applying the general rate of 10.17 percent of anti-dumping duty on shrimp, this comes to US $ 37 million in 2004. Indian exporters would receive refunds only after the US Department of Commerce reconsiders the shrimp anti-dumping rates in August 2007.

Welfare of American consumer: Dumping duties are having an effect on supply, as a result of which consumption in the US fell by 14 percent in the first half of 2005, compared with the previous year period. Shrimp is price competitive with beef and poultry, which provide a tremendous benefit to the consumer. These benefits to the consumer will be lost if anti-dumping duties are imposed under highly technical rules administered by the Commerce Department.

The inescapable truth is that, even if successful, this duty would not generate a single additional pound of domestic shrimp production, because the Gulf of Mexico and South Atlantic shrimp fisheries were being fished to capacity. Shrimp is the nation's most popular seafood, and shrimp consumption is expected to continue to expand rapidly, and since about 90 percent of all shrimp is imported, it is essential that trade not be restricted.

Welfare of less equals: Shrimp is an engine of economic growth in many developing countries around the world. These countries can produce shrimp at a much lower cost through farming than can domestic fishermen, who face very high increasing fuel, gear and labour costs.

Agenda for Indian shrimp producers and exporters

Explore other markets: Exporters can take the option of exporting to European Union, Japan, Middle East and Canada, which have strong demand for shrimp. To capture a strong market share globally, shrimp producers should take care of problems of antibiotic residues and muddy smell reported in certain pockets.

Appeal at WTO: Fight against US for free trade rights in World Trade Organization's dispute settling body was done as in the case of Turtle Excluder Device.

Voluntary export restraint: To adjust the loss in market access in the US, some of the producers in countries affected by the anti-dumping duties are considering striking a bilateral deal with the US, known as a "Voluntary export restraint", in which the exporting countries would voluntarily reduce their exports to the US. Such a measure of bilateral agreement should help in avoiding bond obligations for exporters.

Circumventing the duty: Legally, duty could be circumvented by exporting value-added finished products like ready-to-cook, eat and fry material, which would allow domestic producers to capture larger shares of the gains from trade along the production chain. To do so successfully, however, exporters would have to incur heavy expenditure on infrastructure necessary for value addition. The industry underwent a similar process in 1997 when the EU demanded higher quality standards on many types of products.

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NEWS BOX

Shrimp and scampi culture in India

A major portion of the shrimp export from India comes from the culture sector. The culture production in 2005-06 is given below:

State	Area (Ha)	Production (MT)	Productivity (MT/Ha/yr.)
Andhra Pradesh	91268	107772	1.18
West Bengal	54758	46087	0.84
Orissa	11560	10419	0.90
Tamil Nadu	5452	7641	1.40
Kerala	15122	7247	0.47
Karnataka	3406	1886	0.55
Gujarat	1337	3362	2.51
Maharashtra	881	917	1.04
Goa	331	659	1.99
TOTAL	**184115**	**185990**	**1.01**

Source: Seafood Export Journal, Vol. XXXVI, NO. 5

India's seafood export crosses Rs. 7000 crore

India's seafood exports reached an all time high in 2005-06 crossing the Rs. 7000 crore mark. The quantity exported was 5.12 lakh tonnes worth Rs. 7245.30 crore. An increase of 11.02% in terms of quantity and 9.01% in terms of value over 2004-05. Frozen shrimp continues to be India's major item of export accounting for 59% of the export value followed by froze fish (14%). The European Union continued to be the major market for Indian seafood with a percentage share of 29% followed by USA with 23% and Japan with 16%. The growth rate attained by the Indian seafood exports was inspite of the tsunami and its impact on the fisheries sector and adverse market situation in various overseas markets due to tariff/non tariff trade barriers and unprecedented floods in east/west coasts. The increase in exports to EU was due to stringent quality upgradation steps undertaken by the industry with the active support by MPEDA. With a record number of 157 processing units and 19 frozen cold storages approved for processing and exporting to EU, India has been generally successful in crossing the stiff technical barriers to trade like stringent maximum residue limit for antibiotics and heavy metals.

Source: Seafood Export Journal, Vol. XXXVI, NO. 5

Forthcoming Conferences

- International Symposium on Sustainable Fisheries Development for Food Security and Health Security, December 20-21, 2006, organized by College of Fisheries, Mangalore, College of Fisheries Alumni Association, Mangalore - 575 002.
- International Conference on Statistics and Informatics in Agricultural Research, December 27-30, 2006, organized by Indian Agricultural Statistics Research Institute, Library Avenue, Pusa, New Delhi - 110 012.
- International Indian Statistical Association (IISA) Joint Statistical Meeting and International Conference on Statistics, Probability and Related Areas, January 2-5, 2007, organized by Dept. of Statistics, CUSAT, Cochin - 682 022.

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