

The Ocean Conference

United Nations, New York, 5-9 June 2017

UNCTAD's input to a concept note¹ on theme 5: "Increasing economic benefits to SIDS and LDCs and providing access for a small scale artisans fishers to marine resources and market"

I. Trade in Fish, sanitary standards and LDCs

1. The global trade in fish and fish products is massively important to countries around the globe, with exports in 2014 reaching \$146 billion USD.² Developing countries account for 56 per cent of these exports. The fishery sector also holds significant potential for LDCs and SIDS. In fact, six of the top sixteen producers of fish from inland waters are LDCs. For fourteen out of the 48 LDCs, fish are one of their top five export products. The fisheries sector is a major source income for SIDS not only through direct exports but also via fees from fish license agreements. Some of the SIDS heavily rely on income from fishing license agreements.
2. The SIDS in particular have access to vast ocean territories. The Pacific Islands Forum Fisheries Agency reports that while their membership (composed largely of SIDS) contributes 40 per cent of the worldwide supply of tuna for canning, two thirds of it is caught by foreign vessels and only about 10 per cent is processed onshore in the region.³ Statistics such as this suggest that many LDCs and SIDS, while they have access to a wealth of marine resources, are unable to fully harness those resources to support development and wealth generation in their economies.
3. While the share of developing countries in global fish exports has increased markedly, from 1980 to 2011, the share of LDCs and SIDS in global fisheries trade remains marginal. For instance, the share of LDCs only rose from 1.7 per cent to 2.1 per cent during the same period. The sector remains largely informal, dominated by artisanal fishers with limited access to more productive industrial food processing and global (or even regional) supply chains. This is due to a number of binding constraints on both the supply- and demand-side of the industry.
4. On the supply side, the main constraints are:
 - a. deficient transportation and storage facilities;
 - b. poor energy infrastructure and high electricity cost;

¹ This note has not been formally edited.

² UNCTAD, Trade and Environment Review, 2016

³ Pacific Islands Forum Fisheries Agency, Statement to the SIDS Conference on behalf of the fisheries ministers of PSIDS, Third International Conference on Small Island Developing States, September 2014.

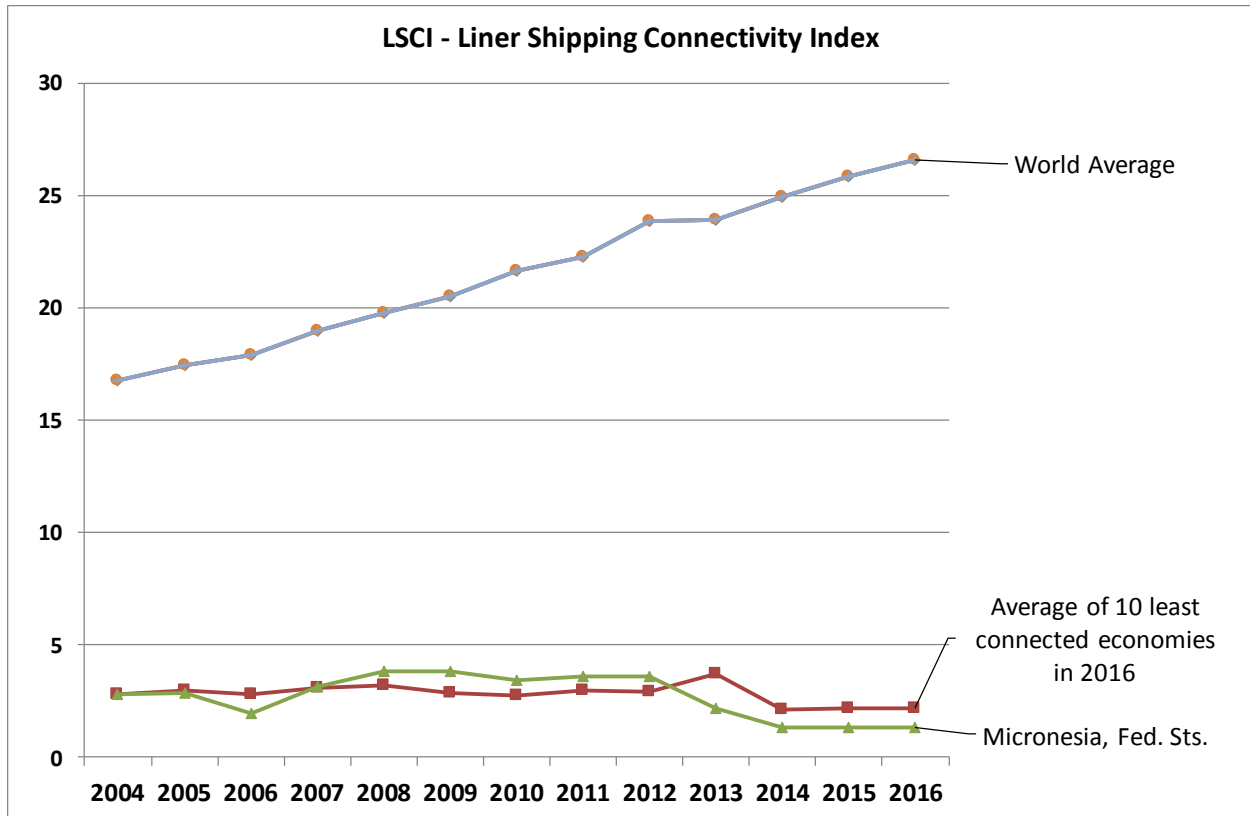
- c. lack of investment, finance or credit to small operators;
 - d. overfishing and depletion of fish resources;
 - e. water pollution; and
 - f. a lack of common fishery policies among countries that share water resources.
5. On the demand side, the most pervasive problem facing LDCs is their inability to comply with food quality and safety standards imposed by importing countries. This problem is further compounded and reinforced by supply side problems. Stringent safety and quality norms—public or private—block access to major importing markets for many LDCs and SIDS fish exporters. This is mainly due to the fact that standards are not harmonized, and are costly for these countries to meet. It is also due to the structural problems that are all too evident in LDCs and SIDS such as poor processing facilities, procurement methods, and lack of testing and certifying products throughout the value chain. The predominantly artisanal or traditional nature of fishing in LDCs and SIDS, which coexists side by side with emerging industrial fishing, makes it more difficult for these countries to enforce international standards imposed by major importing markets. Some SIDS exclusively rely on fees from fish license agreements as they are unable to comply with international standards in importing countries.
6. UNCTAD's work has demonstrated that alongside the more well-known paths towards structural transformation that rely heavily on industrialization and export of manufactures, the agriculture sector in general and the fisheries sector in particular can also contribute to this process. The fisheries sector generates much employment, often provides opportunities to women alongside men, and is important for enhancing exports and ensuring food security. For these reasons, the fisheries sector has been the topic of some of UNCTAD's recent research and technical cooperation projects.
7. Many LDCs and SIDS have the potential to expand and develop their fisheries sector. This potential lies not only in open water fisheries but also in the aquaculture sub-sector. By expanding the sector and focusing on international export markets, LDCs and SIDS can take advantage of a market in which they have strong comparative advantage, and achieve substantial poverty reduction outcomes at the same time as improving their export revenues and food security. However, maximizing benefits from the fishery sector in these countries requires sustained efforts towards formulating and implementing effective and integrated policies in the areas of national resource management, trade, environment and overall socio-economic development.

8. Therefore, it is critical that the international community assists LDCs and SIDS to tap the potential of the fishery sector. International organizations, such as UNCTAD, can contribute to this process through the provision of targeted assistance aimed at improving basic infrastructure, initiating regulatory and institutional reforms, and enhancing monitoring and surveillance capacities in fishing. It is equally important to simplify and harmonize international food standards and realign these with internationally agreed standards.

II. Connecting SIDS with International markets

9. SIDS are confronted with the challenge to maintain maritime transport connectivity in a context where shipping networks make use of ever larger vessels and transshipment in hub-and-spoke systems. Access to containerized regular liner shipping services is ever more important, as different cargo types are increasingly containerized, including frozen fish.
10. As ship sizes increase and companies merge, we observe a growing number of SIDS which are served by only a very small number of regular container shipping services, at times leading to oligopolistic or even monopolistic markets. At the same time, the countries need to invest in infrastructure, cargo handling equipment and dredging to accommodate the larger container ships.
11. An indicator for countries' access to international shipping services is the Liner Shipping Connectivity Index (LSCI), published by UNCTAD since 2004. In 2004, five of the ten worst connected countries were SIDS, while in 2016, all ten countries with the lowest LSCI are SIDS. The least connected countries are not improving their situation, against a context where the large majority of countries and the world average LSCI is gradually improving their connectivity thanks to expanding container shipping services and network improvements.

Figure 1: Trends in the Liner Shipping Connectivity Index, 2004-2016



12. In order to improve access to shipping networks, some limited policy options are available. Investing in trade facilitation and port performance, including possibly through PPPs, is necessary to keep ports of call attractive for shipping lines. Expanding the hinterland, including through feeder and transshipment services, may help to increase cargo volumes, which then strengthen the business case to deploy ships on services to the SIDS. Finally, it may be worthwhile to analyse the competition on specific routes and monitor and possibly regulate anti-competitive behaviour by the port and shipping service providers.

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