

Market Access Conditions in Fish and Fish Products

The Challenges of Tariff Escalation and Trade Preferences

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Overview

- MFN tariff protection and tariff escalation in developed and developing countries;
- Tariff liberalisation under RTAs among the main players;
- Tariff Preferences:
 - As an stimulus for processing;
 - Rules of origin.
- Impact of Further Trade Liberalisation:
 - NAMA negotiations.

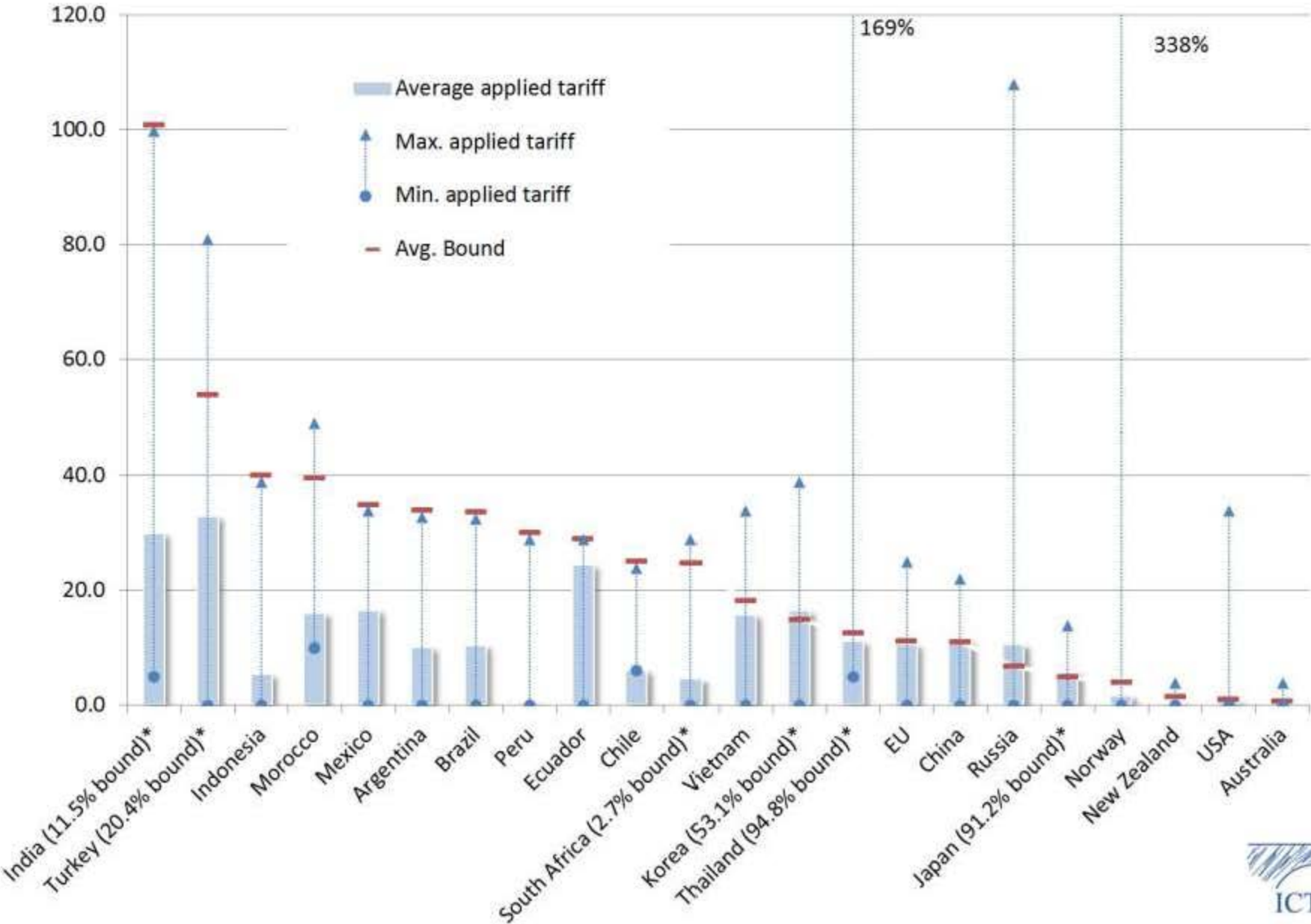
Tariff Protection in OECD Countries

- Relatively low level of tariff protection in most OECD countries (compared to ag. products):
 - Stagnating domestic fishery production
 - Coming into force of the UN Convention on the Law of the Sea (UNCLOS) in 1994 restricted access to foreign EEZ;
 - As a result OECD countries had to increasingly rely on trade (or access agreements) to meet their domestic demand;
- But maintain higher levels of protection on transformed fish often to protect their processing industry and to promote domestic value addition;
- Concerns around tariff escalation.

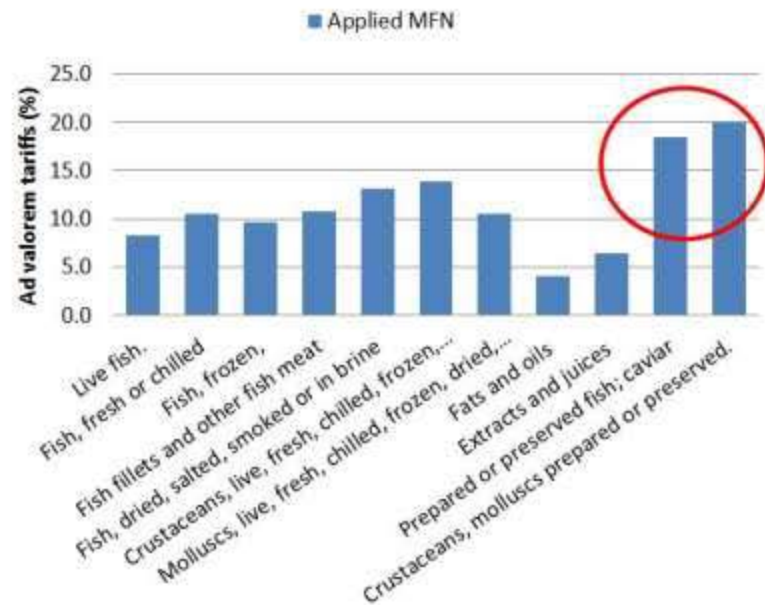
Tariff Protection in Developing Countries

- Higher levels of bound rates with several countries maintaining unbound lines to protect domestic industries;
- However, several developing countries also rely heavily on imports:
 - For local consumption (mainly low-priced small pelagic as well as high-value fishery species for emerging economies);
 - For their processing industries. Eg., China imports large amounts of Alaskan and Russian pollock, processes them and re-exports them to the USA, Europe and Japan. Similarly Thailand has established itself as a global processing centre for fish and fish products.
- This explains largely unilateral liberalisation efforts over previous decades leading to significant overhang between bound and applied rates (on avg. 50 percent lower than bound rates).

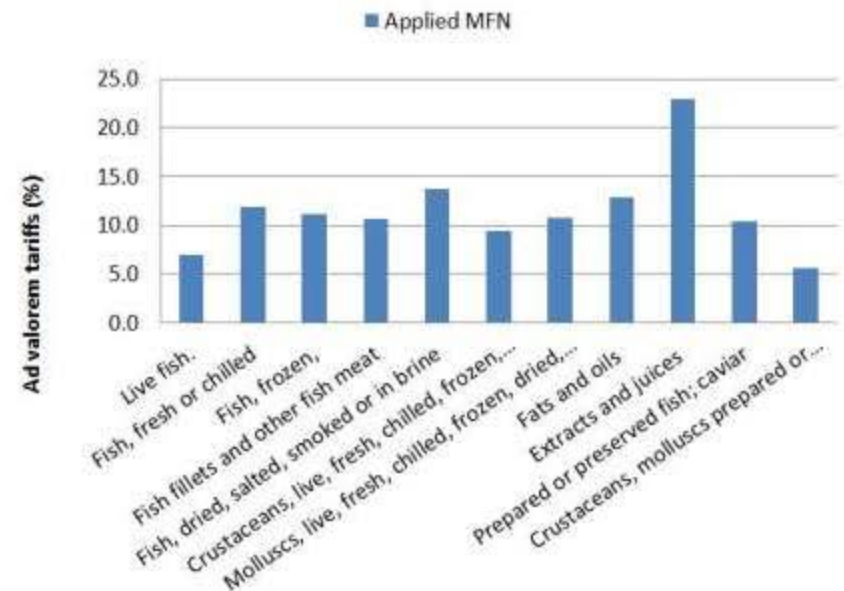
Bound and Applied Rates on Fish Products in Large Trading Nations



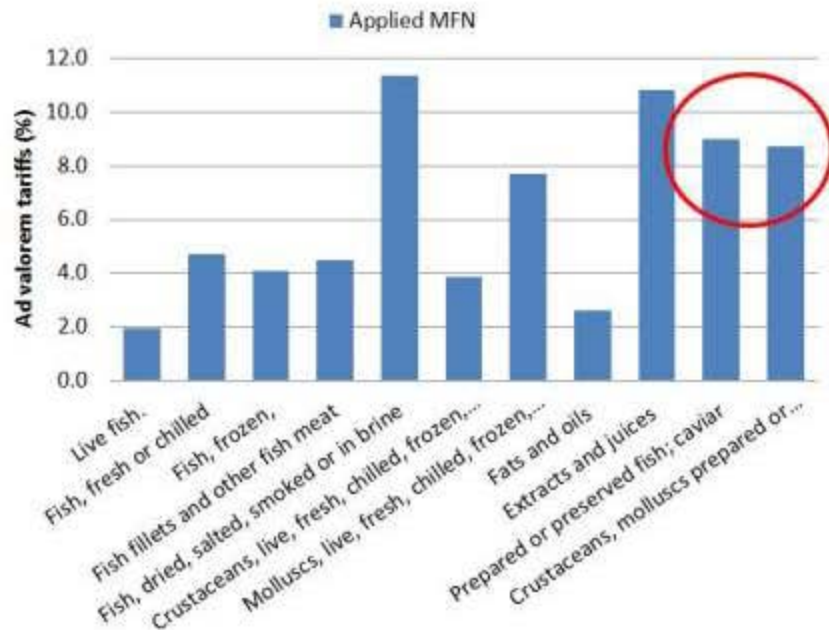
European Union Tariffs (2013)



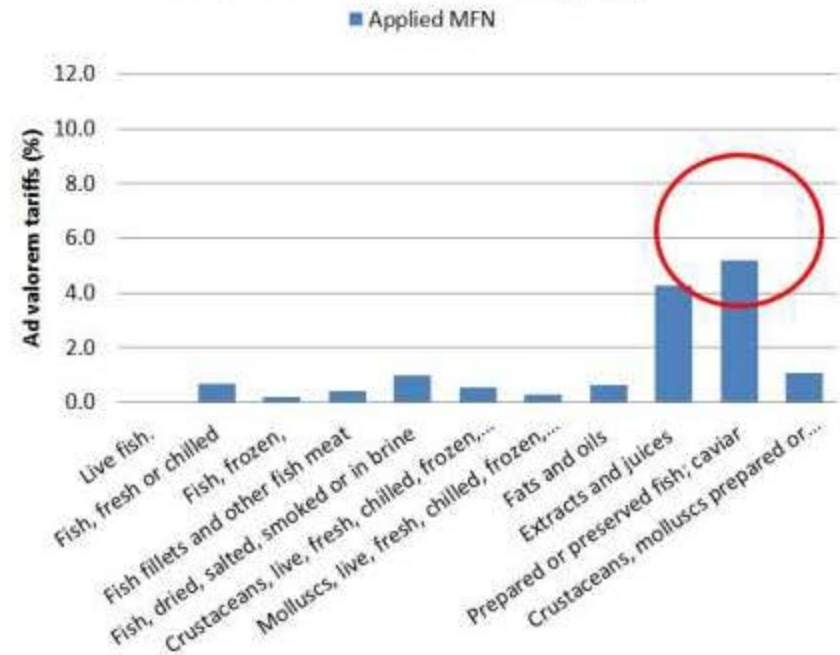
China Tariffs (2010)



Japan Tariffs (2012)



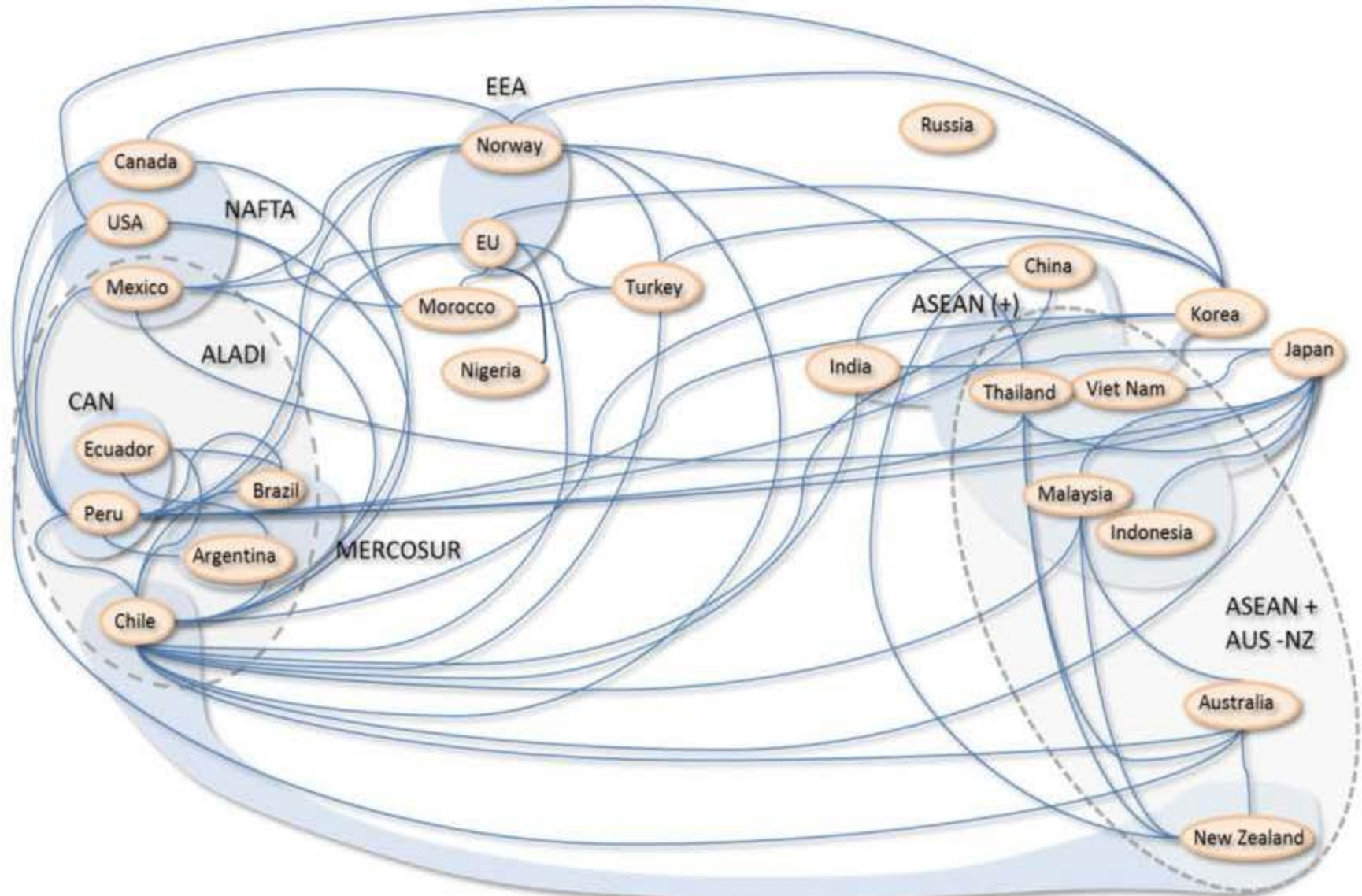
United States of America Tariffs (2013)



Regional Trade Agreements

- Besides unilateral liberalisation, tariffs have also been significantly reduced as a result of bilateral and regional trade agreements (RTAs);
- Today, these preferential deals form a highly complex web of regional integration schemes and bilateral agreements;
- While several of them focus on promoting deep economic integration, others are shallower in nature and remain limited to trade in goods;
- Most agreements, however, cover fish and fish products in a substantive - if not fully comprehensive – way;
- Concerns related to the discriminatory nature of RTAs, fragmentation, preference erosion and spaghetti bowl effect.

Regional trade agreements covering fisheries among top importers and exporters



Trade Preferences: A Success Story?

- Trade preferences under various GSP:
 - Most OECD countries – and several emerging economies such as India, China, Korea, or Turkey.
- Where MFN rates are high, (e.g. EU) tend to remove tariff escalation for some while maintaining it for others (incl. other developing countries);
- Preferences have arguably facilitated the development of industrial processing plants:
 - e.g. canning factories or loining plants for tuna in ACP like Ghana, Kenya, Ivory Coast, Madagascar, Mauritius, Papua New Guineas, Senegal, Seychelles or the Solomon Islands.
- Preferences have eroded over time due to unilateral liberalisation or RTAs but have largely been preserved on the EU market and to some extent in the US to protect import competing industries by excluding some processed products from RTAs.

Trade Preferences in the US: the Case of Tuna and Tuna Products

HS Codes	MFN	GSP	LDC & AGOA	CBI
Chapter 3				
0302 - 0303 Fresh-chilled or frozen tuna	0	0	0	0
0304 Frozen fish fillets	0-6	0	0	0
Chapter 16				
1604 Prepared or preserved tuna (not in oil)	6-12.5	6-12.5	0	0
1604 Prepared or preserved tuna (in oil)	35	35	0	0
1604 Tuna in Pouches	12.5	12.5	0	0

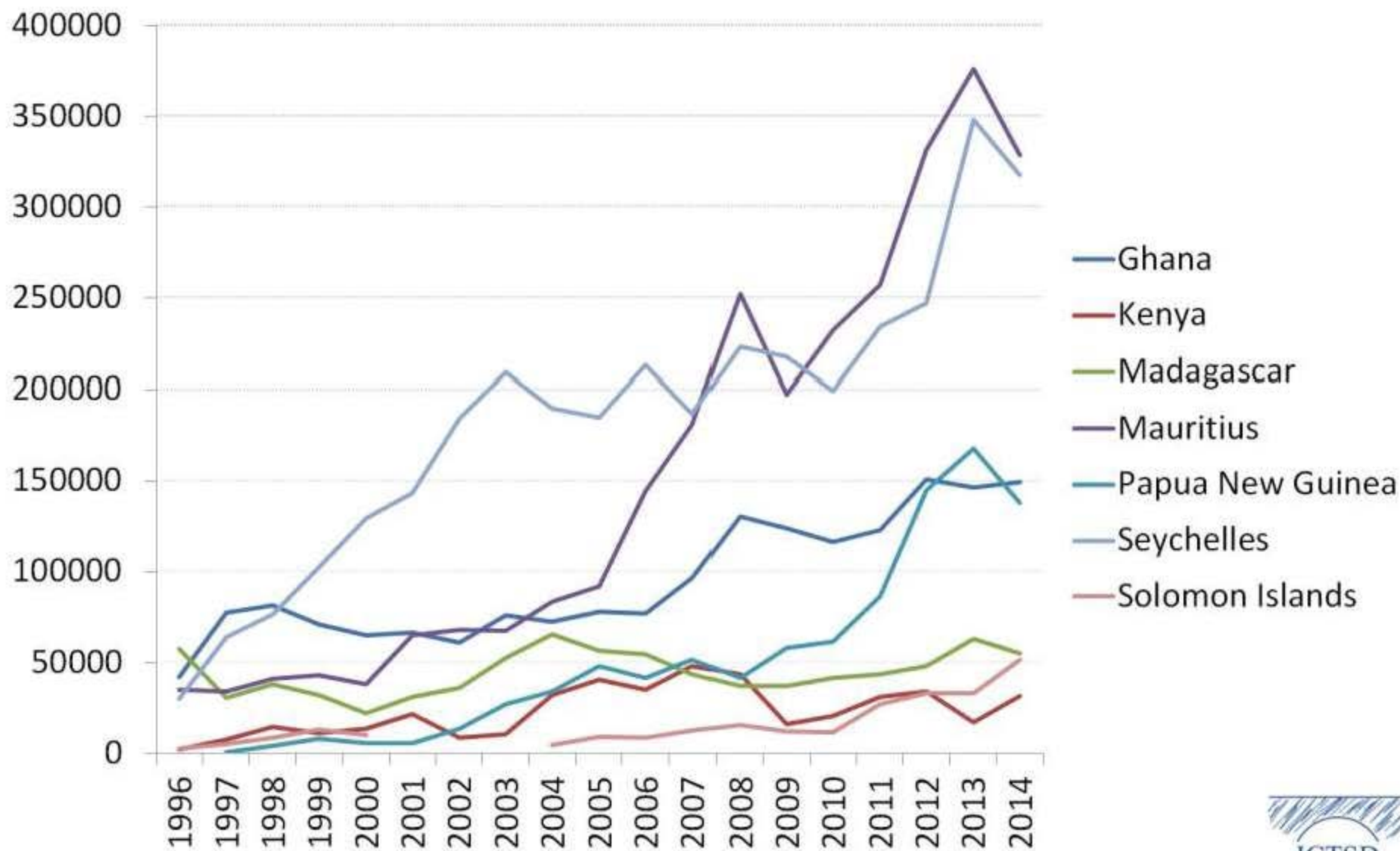
Source: Campling, L. (2015) Tariff Escalation and Preferences in International Fish Production and Trade. E15 Initiative, ICTSD and WEF, Geneva

Trade Preferences in the EU: the Case of Tuna and Tuna Products

HS Codes	ACP	GSP+	EBA	GSP	MFN
Chapter 3					
0302 and 0303: Fresh chilled or frozen tuna for production under 1604	0%	0%	0%	0%	0%
0302 and 0303: Fresh chilled or frozen tuna for uses other than production	0%	0%	0%	18.5%	22%
03041: Fresh chilled fillet	0%	0%	0%	14.5%	15%
03042: Frozen fillets	0%	0%	0%	14.5%	18%
Chapter 16					
1604: Tuna loins to be processed	0%	0%	0%	20.5%	24%
1604: Canned tuna products with oil or others	0%	0%	0%	20.5%	24%

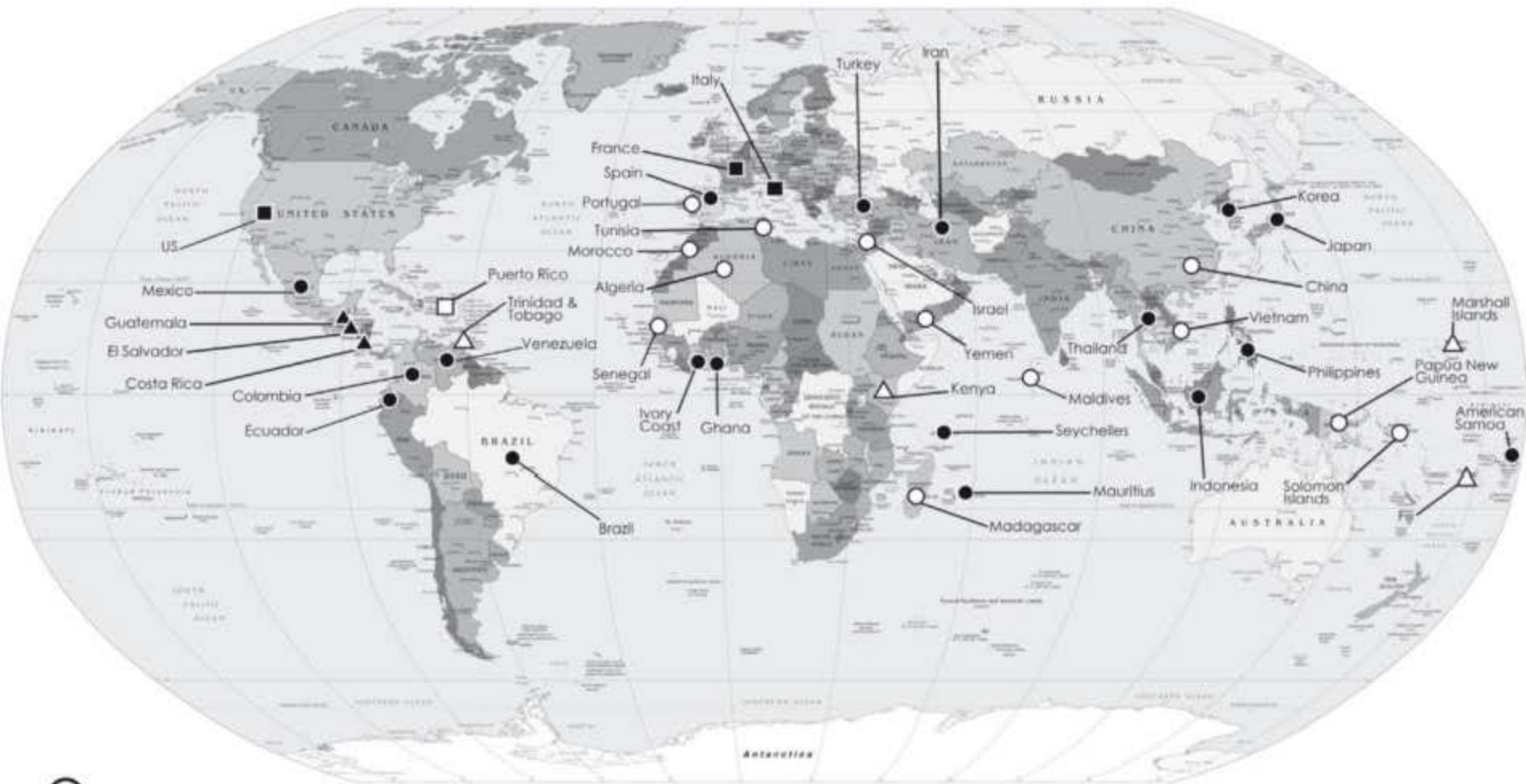
Source: Campling, L. (2015) Tariff Escalation and Preferences in International Fish Production and Trade. E15 Initiative, ICTSD and WEF, Geneva

EU Imports of Processed Tuna from Selected ACP Countries (1996 – 2014 '000 USD)



Source: COMTRADE

The Geography of World Canned Tuna Production



○ = full canning (i.e. from whole fish, may also produce loins for export)

□ = canning only (or predominantly canning only)

△ = loining only (or predominantly loining only)

Black symbols = Annual production over 25,000mt.

White symbols = Annual production 5,000-25,000mt.

World Map Courtesy of the University of Texas Libraries, The University of Texas at Austin.

Sources: Estimates for production for each country are based on Fishstat Plus Database (using average annual production for 2000-2004), FIDI data for export data for 2004, author estimates (China, Venezuela, Vietnam), industry sources (for American Samoa, Brazil, North Africa, the Middle East and Puerto Rico), interviews (for Fiji, PNG and Solomon Islands).

Rules of Origin

- Differ from one country to the other;
- Relevant to the extent that significant preferences exist (e.g the case of the EU);
- In the case of EU, relatively homogeneous among preferential schemes allowing for cumulation opportunities;
- Remain criticised in spite of simplification:
 - Condition for definition of “wholly obtained” (ownership criteria, crew requirements, leasing/chartering of vessels);
 - Value tolerance of 15 percent in the definition of “sufficiently worked or processed products”.

Controversial Issues around RoO: The Case of the EU

- The notion of “wholly obtained” and the EEZ controversy:
 - According to existing EU RoO:
 - Vessel registered and flagged by EU or pref. receiving country, and
 - Owned at 50% by individual from EU or pref. receiving country, or
 - Owned by judicial person:
 - with head office and main place of business in EU and
 - 50% owned by nationals or public entities in EU member state or pref. receiving country
 - CARIFORUM and Namibia’s declaration on fish caught in EEZ and landed locally should enjoy originating status.
- Global sourcing in PACP as a means to foster transformation:
 - Fish is deemed originating if transformed from fresh/frozen to pre-cooked, packaged or canned (from HS 03 – 1604,1605) regardless of where the fish is caught or the status of vessels;
 - While innovative, so far restricted to PACP and limited impact.

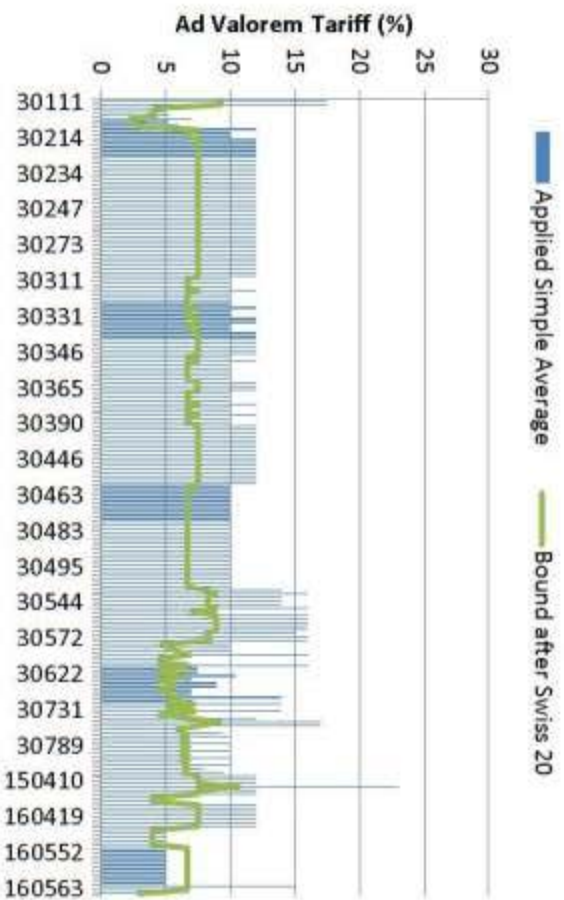
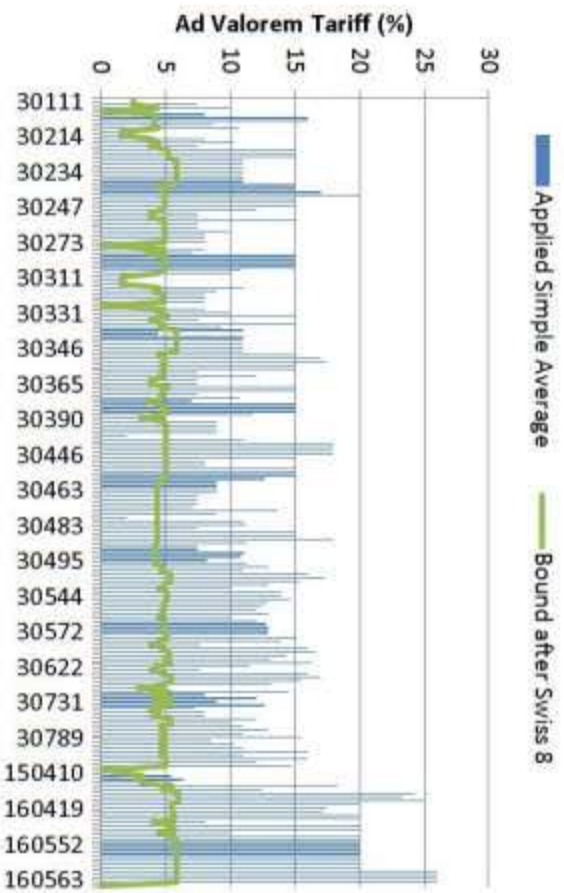
Assessing the Impact of Tariff Liberalisation

- From an environmental perspective:
 - No clear empirical evidence of a direct effect (positive or negative) of tariff policy on fish stocks;
 - In theory it should depend on supply response to change in prices but many factors are involved (state of stock, management scheme, domestic policy, firm strategies, etc.);
 - Unlikely to be a major factor or principal mechanism of depletion of resources.
- From a trade perspective:
 - Change in production structure and geography (affect the distribution of the cake more than the size);
 - Will benefit efficient producers (e.g. Thailand, Philippines) but can affect preference dependent countries.

NAMA Negotiations

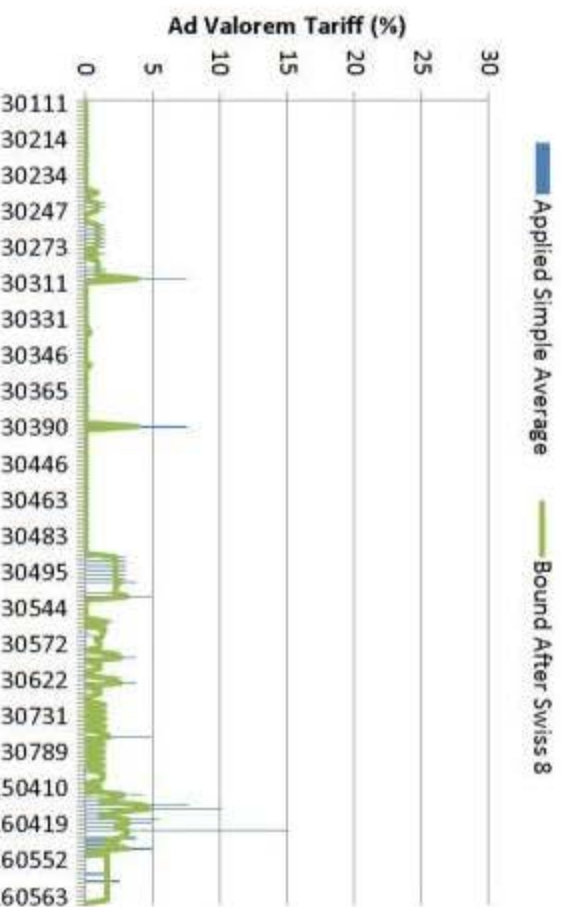
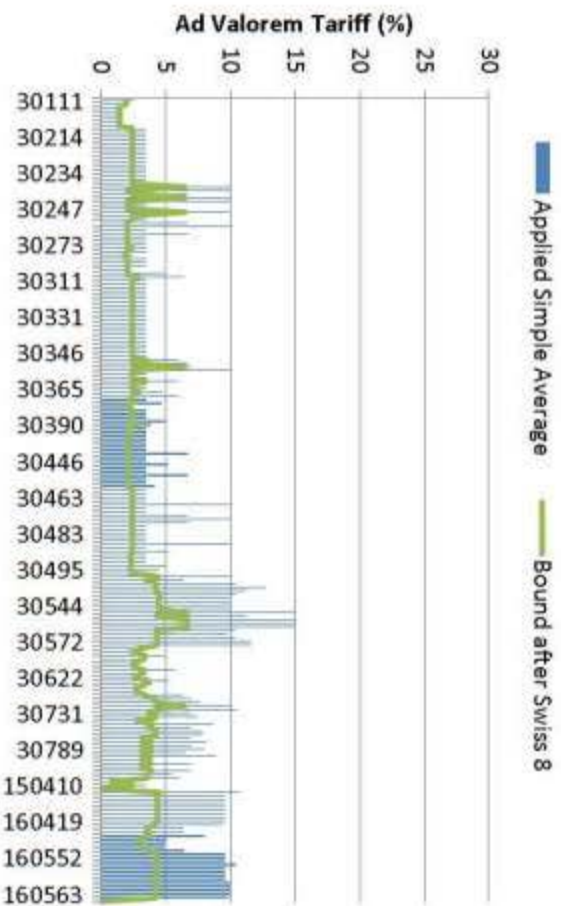
European Union

China



Japan

United States



Prospects from a Development Perspective

- Market access conditions will continue to evolve:
 - More erosion of pref. likely to occur (e.g. Thailand RTA, Philippines GSP +);
 - Other measures are becoming more prevalent (e.g. subsidies, SPS, public and private standards, certification schemes, etc.) .
- Possible Responses:
 - More flexible RoO (e.g. PACP) or derogation from RoO (e.g. Mauritius or Seychelles) to deal with falling preference margins. Might however be difficult given that strict RoO benefit import competing interest in preference granting states;
 - Need for adjustment mechanism (e.g. through international financing mechanism like AfT);
 - Need for financial, technical and institutional support to deal with NTM (see other presentation in this panel);
 - Experience of Ecuador granting temporary subsidies to its private sector to offset the cost of US import duty after losing its preferential access.