



WorldFish

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WORKING PAPER

Fish Trade and Poverty Reduction

Trade issues are central to current investment and regulation in fisheries and aquaculture. More than half of all fish produced is traded across international borders, and there is a net flow of fish from least-developed to developed countries – and a net flow of revenues in the opposite direction. Both capture fisheries and aquaculture are now global industries, and small-scale fishers and fish farmers are, to varying degrees, connected to the global market for fishery products. The costs and benefits of this increasing level of market integration have not yet been fully articulated and constitute a major information gap in the field of fisheries and trade. Specific questions that need to be answered include:

- To what extent does increased linkage with global markets benefit the poor and/or small-scale producers?
- In what ways does fish trade increase or decrease inequality, threaten or incentivize governance for resource sustainability, and contribute to or undermine local/national food security and economic growth?
- Can certification schemes and consumer demand for sustainable and ethically produced fishery products improve fishery and aquaculture sustainability?
- How can access to global markets for the poor be strengthened? How can small-scale producers be assisted to meet and maintain product quality standards demanded by international buyers?

While there is growing international investment in research to address these questions, this introduction to fish trade issues focuses on opportunities that have already been identified to strengthen the capabilities of the poor to benefit from trade, through investments in areas such as human capital development, market information, infrastructure, policy reform, improved resource governance, and provision and access to business development services.

1. POLICY CONTEXT

The 2008 World Development Report emphasizes the critical role of trade in agricultural produce and services as a means of reducing poverty. Small-scale producers of primary commodities – farmers and fisherfolk – are seen as a focus for development investment to enable them to participate in and benefit from improved access to markets for their products. At the same time, sustaining economic growth and ensuring it leads to poverty reduction depends on governments creating favourable conditions for investment by maintaining good infrastructure, communications, social services and rule of law, and by putting in place mechanisms such as social protection and progressive taxation that ensure poorer members of society also benefit from economic growth.

With growth predicated on the successful global marketing of natural resources, the sustainability of those resources is also critical, emphasizing the need for effective environmental and resource governance. Seafood certification schemes are one key market-based mechanism for improving the governance of traded resources. The idea is that consumers will demand sustainably and equitably harvested products, and these demand and price signals will encourage seafood traders to source their products from fishery and aquaculture enterprises that comply with the demands

of certification schemes such as ecolabelling and fair trade. Although their market share is small at present, major supermarket and restaurant chains in the US and Europe are putting pressure on suppliers to seek certification. Problems with traceability and full chain-of-custody certification remain.

Finally, in order for the global trade-based poverty reduction model to work, there is a *need to remove* barriers to trade, requiring extensive reform to existing trading and production systems. Reduction or removal of many traditional trade barriers such as tariffs and quantitative restrictions through the General Agreement on Tariffs and Trade (GATT) is one key mechanism. Despite significant tariff reduction by both developing and developed countries, non-tariff barriers (such as food safety, environmental standards and traceability requirements, sanitary and phytosanitary regulations) as well as the selective use of tariffs, continue to limit the access of fish to international markets. In 2001, the Doha Development round of WTO focused on negotiating for subsidies, and reduction on tariff peaks and tariff escalation, particularly for products categorized under the non-agricultural sector such as fish. The negotiations on these are still in progress.

2. FISH SUPPLY, DEMAND, CONSUMPTION AND TRADE

Global fish trade has tripled from US\$ 15 billion in 1980 to US\$ 78 billion in 2005, with developing countries accounting for more than 50 percent of the global export value. Asian developing countries are the largest fish producers, accounting for some 55 percent of global production; aquaculture provides a major – and increasing – share. The demand trend indicates an increased consumption of high-value food fish in developing countries brought on by rapid population growth, rapid income growth and urbanization – although the largest trade flow for high value food fish remains from developing countries to developed countries.

In recent years, South-South (developing country to developing country) trade has been expanding steadily. The increased fish supply and demand combined with regional trade agreements such as the ASEAN Free Trade Agreement and the Common Market for Eastern and Southern Africa, which focus on eliminating protective tariffs and harmonizing regional trade policies, are likely to result in further increases in South-South fish trade.

Where fish is a traditional part of the diet and where population and/or incomes are rising, and domestic fisheries are unable to meet demand, this first stimulates fish imports, and, as the cost of those rises, can then lead to innovation in domestic aquaculture production. This has been the case in Nigeria, Africa's biggest fish importer, and now one of its major aquaculture producers. Despite increases in aquaculture production, the supply-demand gap increases, and per capita consumption of fish in many developing countries where fish is an integral part of people's diet is still decreasing.

3. POTENTIAL BENEFITS AND BENEFICIARIES OF INCREASED TRADE

Trade in fish and fishery services (such as the right of other countries to fish within a national exclusive economic zone) can contribute significantly to export revenues and the national economy. For example, 41% of Mauritania's tax revenue comes from the fisheries sector, 83% of which derives from its fishing agreement with the EU. Senegal exports between 250 and 300 million USD worth of fish each year – revenues that exceed the cost of its annual staple grain imports¹.

Connecting to global markets can increase the value of resources, therefore increasing incentives for resource users and governments to invest in managing them.

The increase in prices at first sale can increase incomes of fishers and associated occupations. This leads to more cash in circulation, higher consumptive spending and localized economic growth. It can also lead to savings that may be invested in other sectors, reducing dependence on fishing for a livelihood. The additional money in circulation may lead to 'multiplier effects'.

If fisheries are shown to be productive components of the national economy by supporting an important export trade, this promotes government investment in infrastructure and service provision to the sector and those areas dependent on it, improving livelihoods and facilitating further private-sector investment.

Beneficiaries include producers, traders, associated trades (ice provision, food processing, etc.) and service industries that benefit from more cash in circulation. Consumers may benefit from availability of higher-quality products as supply-chains are upgraded to meet international standards.

¹ FAO. 2006. Contribution of Fisheries to National Economies in Western and Central Africa. New Directions in Fisheries 3, Sustainable Fisheries Livelihoods Programme. FAO, Rome.

4. RISKS TO SMALL-SCALE PRODUCERS AND LOW-INCOME CONSUMERS FROM THE GLOBAL FISH TRADE

Traditional, artisanal and small-scale fisheries have often been excluded from trade-related fisheries development, because complying with food quality standards and other trade regulations can be costly for small-producers currently supplying local and domestic markets. Small-scale producers may also lack business contacts and trade networks, access to finance and market information, and may be remote from infrastructure and support services such as ice-plants, processing factories, ports and transportation networks. Lack of access to price information and long marketing chains affects compliance with trade standards and adds costs to implementation of trade and resource management regulations. For example, small-scale fishers may be dealing with traders or companies who are monopolizing the market, partly through restricting the flow of information, and through their role in providing finance and credit, which leaves fishers and fish farmers with no bargaining power over price.

There is no doubt that exports can contribute to the higher earning in foreign exchange. However, without good governance mechanisms on macroeconomic and international borders, it may lead to illegal exports across borders, and "black market" exchange rates. There is also evidence that connecting developing-country fisheries to new global markets accelerates the decline of the resources, as local governance systems are unable to cope with the pressure of increased value and demand that results from such. In extreme cases, such as those for high-value, sedentary species such as giant clams, sea-cucumbers and pearl oysters, the experience of connecting with a global market may be that of a short-lived boom, followed by localized resource collapse as the 'roving bandits' of the global fishing fleet and their associated traders move from one reef or island to another, serially mining the resources.

As well as fostering 'boom and bust' cycles, export trade-orientated fisheries can result in wastage of resources due to discard and by-catch, or to environmental damage. Prawn trawling, for example, catches large volumes of lower-value fish species, which are commonly discarded, although some schemes have been attempted where collector boats co-operate with prawn trawlers to take any by-catch to sell in domestic fish markets. This, however, has the effect of promoting 'dumping' of low-cost fish in local markets, undermining small-scale producers and traders. Export-orientated intensive aquaculture can also be destructive to critical fish habitats, such as estuaries and mangroves. Both exporters and consumers in importing countries, may be benefiting at the expense of other producers and users of environmental goods and services in exporting countries, by not paying for degradation of un-priced environmental costs.

Food security concerns are often raised in the context of increasing fish trade. However, if the higher values generated by exports are distributed appropriately, they can help contribute to food security. Also in those cases where decreased access to high-quality protein is observed, it is simplistic to assume that fish exports are to blame. Even when fish is sold in local markets, it is 'exported' from the producing household, and their food security is determined by the catch and sale of fish, not by its consumption – and revenues can be inequitably distributed within households too. Food security issues can, however, arise where an export-orientated fishery excludes local producers or causes the collapse of the resources, with reduced incomes and food purchasing power resulting.

Finally, one of the key risks to developing-country producers and traders is the lack of information on international trade and of capacity to assess the value of resource stocks. This weakens the position of fisheries sector actors in international trade negotiations.

5. PRINCIPLES FOR INVESTMENT IN PRO-POOR FISH TRADE

- i. Strengthen governance systems before (or at least concurrently) with investments that facilitate greater linkage of developing-country fisheries to global markets. Success will lead to an increase in resource rents. Governance failure will leave resources depleted, future revenues squandered, local diets impoverished, and people poorer than before, and with fewer options to escape poverty. Options include clarifying and strengthening individual and communal property rights and investing in monitoring, control and surveillance systems for resource management.
- ii. Invest in building the capabilities of small-scale producers to engage in both international trade and local resource governance. This might include specific training in seafood processing and handling to meet export market requirements, or in participating in resource management. It may also include investments to help small scale fishers/fish farmers link to export markets through grassroots dissemination of information and guidelines, or support to marketing collectives for small-scale producers.
- iii. Ensure policy coherence between trade, poverty reduction and fishery governance. Trade policy, food security and regional and national development policies need to align if the poor are to benefit from increased global market linkages. For example, a fisheries department working with community representatives to develop a co-management scheme will be more effective if it accounts for the influence of actors in the global marketing chain on resource use patterns.
- iv. Promote both consumer awareness and producer compliance with sustainability standards, such as ecolabelling and ethical trade. As consumers put pressure on major seafood buyers (such as supermarkets) to buy ethically and sustainably sourced fish, ecolabelling and ethical trade are growing in importance. So far these schemes have most bearing on fisheries supplying European and North American markets where consumer awareness of the issues is growing. Successes include the sustainability certification of a number of major fisheries, and some improvement in environmental and social conditions in intensive export-orientated shrimp farming. Ecolabelling schemes are not yet common in Asia, but this is likely to change.
- v. Analyse and inform global trade policies to remove perverse subsidies and support sustainable production. This includes removal of tariff barriers, development of global codes and standards and withdrawal of subsidies that create unfair competition in trade and/or contribute to accelerating resource decline by allowing fishing to continue beyond the point at which it would be profitable without subsidies. Partnerships with organizations representing small-scale producer organizations are useful in ensuring that the global trading system works for the poor.

6. FURTHER READING

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