

CHAIR'S SUMMARY REPORT

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Introduction

“Globalisation” is a key context underlying most current policy discussions in fisheries including both capture and aquaculture fisheries. Globalisation is a concept that implies a “system” of complex linkages among international participants, including states -- a system that needs to work effectively and responsibly. The challenges, opportunities and expectations accompanying increased globalisation are at the root of some of the most heated policy discussions taking place in fisheries.

Opinions differ on whether globalisation is a positive or negative factor in the world economy and community, where these opinions vary according to whether one is facing perceived opportunities or risks from it. The overall goal for the global community should be to understand the policy, governance and other changes needed so that the benefits of globalisation can be maximized, and risks minimised or managed.

Against this background, the OECD's Committee for Fisheries, as part of its programme of work, is undertaking a large project on globalisation and fisheries¹, to better understand what is needed to make the global “system” work better, and ensure a wider sharing of its benefits.

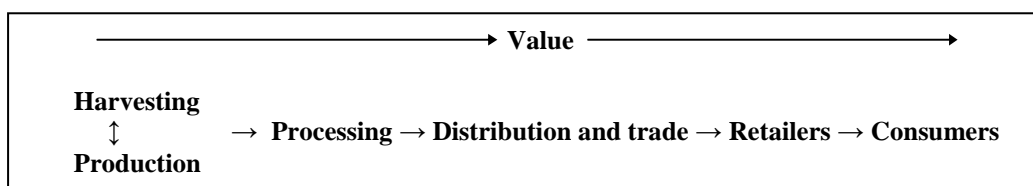
As part of this work programme, the Committee for Fisheries and its Secretariat, and the FAO Fisheries and Aquaculture Department jointly hosted a Workshop on the Challenges and Opportunities of Fisheries Globalisation, which took place in Paris on 16-17 April 2007. The Workshop brought together 130 policy makers and industry representatives (*e.g.*, producers/harvesters, processors, buyers, retailers), from both developed and developing countries to share views on the topic of globalisation and fisheries

The principal aims of the Workshop were to inform policy makers of participating countries to better understand the developments and challenges of globalisation in the fisheries sector from the range of perspectives along the value chain (see below), and to understand, from various points of view, the nature of policy issues raised and possible solutions. The challenge for policy makers is to understand, gauge and provide appropriate policy responses to the risks inherent in globalisation in fisheries (*e.g.* additional pressures of global demand on the wild fish stocks which in many cases

1. “Globalisation” is also a broader cross-cutting topic at the OECD, intended to be addressed by a number of its policy committees.

are already fully- or over-exploited; reliance on growing aquaculture production and its ability to absorb global demand; issues in meeting high sanitary and phytosanitary standards in relation to seafood consumption in developed markets; overcoming continuing barriers to trade in fish and fish products, services and investment; the increasing role of diverse players (such as consumers) in setting “standards” for production based on their tolerance for health, safety, quality and ethical risks in fisheries; satisfying the need for low commercial risks on the part of business in an inherently risky industry; the need to share value added among existing and new participants in fisheries along the value chain) while, at the same time, ensure that states and their industries/communities can respond and benefit from the emerging and changing opportunities of a global seafood market.

As globalisation can give rise to a complex set of relationships, a simplifying paradigm has been adopted by the Committee to ensure a balanced and comprehensive approach to the issue. The “value chain”, figuratively and simplistically² illustrated in the figure below shows the stages at which “value” is added to a product as it is transformed to meet a market need. Value-added increases as one moves from left to right in this chain. The fishing value chain starts on the left, with both harvesting and aquaculture “production”, and together these products move through to processing. The product is then consumed locally, or distributed or traded into markets (sometimes back into aquaculture production as feed), while some products go to retailers and then to consumers. It is illustrative of a framework that can be used to examine the impacts of globalisation in a complete way.



The challenge is to understand the impacts of globalisation at each level of activity, understand the linkages up and down the chain from producers to consumers and vice versa; and understand the policy, institutional practices and governance needs at each stage in the value chain in order to maximize benefits and minimize risks of globalisation.

The agenda of the Workshop was organised with such a framework in mind, in order to best organise information and feedback from each community of interest, with a series of sessions that addressed various aspects and issues of globalisation in each element of the chain.

The following describes: 1) key messages that flow from the discussion at the Workshop; 2) a detailed account of the discussions on each element of the value chain that took place at the Workshop; and 3) an overview of the presentations by ministers and invited experts.

Key Messages from the Workshop

Regarding the **benefits of globalisation**, while the workshop did not shy away from issues and challenges, it was markedly positive about globalisation, in general.

² The illustration shown in this diagram is very simplified. For instance it does not include the tertiary sector -- or related services -- spawned by higher-value activities at points throughout the chain.

Globalisation was viewed as also *encouraging* and *enabling* responsible production, as the global community finds ways to work together to link demand and supply and overcome barriers of a fragmented global system of production and consumption. Globalisation will provide opportunities for a wide set of players, providing that certain conditions -- most notably responsibility and sustainability -- are met. It will be the responsibility of all -- including both producing states and markets³ -- to ensure that benefits accrue in a sustainable, resilient and inclusive global system that generates higher returns for all.

In a world where resources and economic returns are both being squeezed, **risk management** is increasingly characterizing each stage of the value chain, whether that be sustainability, health and safety, commercial and shareholder risk, or reputational risk (for retailers in developed states). Along the value chain, the accompanying increasing **relative concentration**, and hence power, within, and of, downstream components in the value chain has changed as globalisation has progressed. Not only do highest margins accrue as value added increases, reducing returns for producers and harvesters of commodities in developed and developing states alike, the potential mismatch between the increasing role in globalised fisheries for small-scale producers, in particular in developing countries, and increasing buyer concentration in developed countries creates particularly important policy challenges. This concerns both wild fisheries and aquaculture and is likely to be a growing problems as new sources for raw material are increasingly being produced in developing countries.

Sustainable and responsible fisheries management and production (aquaculture) is a *sine qua non* for all value chain elements in the fisheries sector.

- *Production*: not to undermine future production and market potential (resource and environmental sustainability, reputation);
- *Processors*: need security of supply, quality;
- *Investors and financial intermediation*: un-sustainability and poor practices are “bad bets” financially;
- *Exporters*: face standards (health and safety sustainability, labelling requirements);
- *Retailers/food service industry*: to protect their market “brand” and ensure sustainable high quality supply sources that meet market needs;
- *Consumers*: a sustainability “ethic” is increasing, as are concerns over food safety.

Pressure has been growing on policy makers and managers over the past decade from various stakeholder communities to ensure that fisheries are sustainable and well-managed (including the environmental impacts of their activities), and this pressure is expected to continue, if not increase.

For the **harvesting sector**, in an increasingly interdependent world, policies and norms should be adopted globally, to avoid a “race to the bottom”. In a globalised world, in the absence of appropriate fisheries management policies and implementation, fishing effort will move to fisheries that are characterised by open

³. By not providing a market haven for irresponsible product and by not setting unfair standards that interfere unduly with the trading system

access conditions, at a time when standards demanded by society increasingly value sustainable practices. It is also important that fishing activities are carried out within a framework that can generate flexibility and economic efficiency, while safeguarding social and cultural values that underpins community resilience. Concurrently, capture fisheries will face increased competition from aquaculture -- and both of them from alternative food sources -- which may put pressure on harvesting/production practices and on fishers' living standards. Hence, for policy makers, the key concern is to ensure that the fisheries management system is aligned with prevailing resource and market realities, so that the fishing sector is attractive for fishers, investors and consumers/society.

Aquaculture has a promising future in both developing and developed countries. In developing countries aquaculture provides particular opportunities in relation to capture fisheries, but is often characterised by small-scale family holdings that supply the domestic market and produce fish and crustaceans for exports. Meeting the diverse needs of small-scale producers is a priority for developing countries (*e.g.*, finance, capacity-building and technology transfer). Meeting the diverse requirements of the export market is often a challenge for small-scale producers. Collective action, including through cooperatives and "clustering", can however enhance their capacity to participate in the global value chain. For aquaculture in developed countries, the key challenge for policy makers is to ensure that aquaculture can fulfil its potential, given relatively higher cost structures, competition for oceans space, and in some cases environmental reputational issues. Hence, to keep the momentum to meet future global demand (and protein needs) and avoid the negative environmental effects associated with aquaculture, policy makers in all states need to articulate and develop aquaculture strategies and action plans to ensure sustainable production, market acceptance and the ability for products to enter into trade.

Hygiene and sanitary standards in the fisheries sector irrespective of various perceptions of "fairness" were outlined as generally "non-negotiable" in developed markets, where tolerance for health and safety risk is low and likely falling. Despite challenges for developing states, the workshop (which included many developing country representatives) took a positive view overall of the merit of health and safety standards, given the realities of demand in major markets that place a high premium on safety and security of food products generally. It was noted that reforms being undertaken to meet standards and associated capacity building, are enabling products to enter more markets. There are interesting examples from Africa and Asia about what can and is being done to enable products to meet rigorous standards in developed country markets. Rather, the issues raised were more in their application, stability, predictability and transparency, not in their existence *per se*.

An issue for private sanitary and hygiene standards as well as eco-labels (see below) is the extent to which they potentially create barriers to trade that may be incompatible with WTO principles (as articulated in the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures and the Agreement on Technical Barriers to Trade (TBT)), recognizing that private standards are not subject to WTO disciplines. In this regard a major challenge for policy makers is to how to deal with private standards that may be trade distorting but which remain outside the purview of the WTO.

Harmonisation and equivalency of public standards is also a challenge that needs to be addressed. For developing countries, in particular, technical assistance is necessary

to ensure that these countries can meet requirements set by developed markets and still remains reliable suppliers. In particular, small-scale producers face the risk of being excluded from the global value chain if they cannot comply with hygiene and sanitary standards. Providing technical assistance should reflect enlightened self-interest by OECD countries that increasingly rely on developing countries to supply their markets.

Retailers are also developing their own sanitary and hygiene standards, *inter alia* through buying specifications that help to protect the value of their “brand”. Voluntary private standards (including the demand for certain eco-labels), on top of safety/quality standards, are becoming a requirement for doing business in many developed markets. This has raised concerns about market access for developing country producers, as private standards are often costly to comply with. While there is recognition that minimum standards are necessary to ensure food safety and quality, private standards can be higher than those set by governments. Hence an emerging policy issue is the impact on the trading system of a system of fragmented public and private standards, where the international dispute recourse only relates to government standards.

Demands for eco-labels and sustainability “campaigns”, which aim to ensure that fish and fish products are sourced from sustainably managed fisheries by informing consumers of the sustainability of the fisheries from which products are sourced, have increased in recent years⁴. The proliferation of labelling schemes and campaigns with potentially incompatible criteria and requirements however, pose a challenge for producers and policy-makers alike, compounded by other standards and labelling requirements⁵. For producers who are seeking certification for their fisheries, this may entail substantial costs. For policy makers the key challenge is to ensure collectively that practical minimum criteria for both capture fisheries and aquaculture are in place, mechanisms are in place to ensure they can be met even by relatively information-poor but sustainable fisheries, and that action is taken as far as possible to ensure consumers are not bombarded with misleading information about what they are purchasing. The most important action governments can take is to ensure that fisheries are well managed, so that if markets demand it, then the relevant fisheries can meet certification requirements.

Retailers and other operators are starting to invest in partnerships along the value chain to ensure that their sourcing requirements are adequately met. However, globalisation is creating an increasingly complex environment that involves a larger number of interactions. For example, as OECD countries outsource processing activities, the supply chains become increasingly complex, reflecting the need for more sophisticated logistics and traceability schemes⁶.

Many **developing countries** are expressing a feeling of frustration at not being able to fully reap the benefits of the globalisation process in terms of access to value-added activities. Resource access, capacity to meet international management standards, perceptions of biases in access arrangements for some, trading rules, tariff escalation and tariff peaks, high standards and perceived non-tariff barriers (NTBs), the

4. The Marine Stewardship Council (MSC) now boasts over 700 products from certified fisheries across markets in 26 countries.

5. Such as health claims, organics, Country of Origin and the like.

6. Integrated global traceability, which can handle health and safety, sustainability (and increasingly, legality) of fisheries products is an emerging policy and operational issue.

increasing advent of private standards, lack of resources, logistics and knowledge makes it often difficult to enter, and find a sure niche⁷ in, the complex, information-demanding and “high tech” markets of developed countries. Aid agencies and donor institutions have an important role in this area. It is critical that developed countries devote attention and resources to ensuring a level playing field in the globalised fisheries system.

Investment opportunities in the fisheries sector, including the capture sector, are numerous. **Financial institutions**, however, caution that investment will increasingly only proceed when certain conditions (including good governance practices and sufficient country credit ratings) are in place. In this regard policy makers should note that vertically-integrated companies seem, based on current evidence, only to invest in the capture sector when it is characterised by well-established property rights and a good fisheries management system that can ensure sustainable fisheries. Otherwise, vertical integration generally starts at the level of processing.

Thus overall, while globalisation is a positive development as it creates new opportunities, there is concern about how the **benefits** from globalisation are being – and will be -- shared. Conditions for access to both resources and markets -- and the capacity to manage both of them well – will play an important role in shaping the globalisation process and how the benefits from globalisation are distributed.

Summary of the Discussion

To capture the richness of the discussions that took place at the Workshop the following synthesis of the discussions is organised around the value chain elements.

Capture fisheries

Workshop participants shared the view that the sustainable management of fisheries resources should be at the centre of government's policy concerns. While acknowledging the difficulties in achieving responsible and sustainable fisheries it was observed that more efforts in the area were needed globally. In this regard it was observed that the use of fisheries to pursue purely short-term social objectives (rather than ensuring sustainable fisheries that can provide longer-term resilience and durable social outcomes) has resulted in lack of coherence in policy making. This is equally important for developing countries where, often, long-term food security is a dominant need.

Seafood businesses are reliant on secure and stable supplies of fish. This is the basis for the economic viability of all the parts of the fisheries value chain. It is therefore crucially important that policy makers get management right. In this respect, secure, enforceable and long term “user rights” for fishers and/or their communities, as relevant, were seen as a primary way forward for fisheries managers. The views of the financial and other downstream sectors were in this respect clear: unless capture fisheries are run as a long-term viable business, it is unattractive for investment (whether financial or direct investment). The result could be lower investment levels and lack of technological or other investments in global fisheries.

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The example of moving towards specialty markets like organic farmed products is interesting in this context, as a way of creating new marketing opportunities for developing countries⁷ in areas where market premium also occur (unlike what has been experienced, to date, for eco-labelled products).

International fisheries, *i.e.* fisheries on the high seas outside the EEZs, are a particularly important area of challenge. Some fisheries – including straddling stocks -- are under the management authority of regional fisheries management bodies, others are trans-boundary stocks shared between or among two or more countries, and still others remain under no management regime. The increasing demand for fish, coupled with the ease of transferring fishing vessels to alternative flags has led certain fishing operations to explore international stocks that are managed under real or *de facto*⁸ open access conditions. Furthermore it is difficult to monitor and control vast areas of ocean space. With regard to international fisheries the workshop identified several policy implementation gaps that should be urgently addressed. These include: lack of implementation and enforcement of the conservation and management measures adopted by RFMOs and other international fisheries bodies; developing countries' view that high seas allocation criteria have been biased to existing players and prevent access by emerging players; and the need to strengthen flag-state control, in particular in states with little or no capacity to control the activity on the high seas, of vessels carrying their flags.

Another important issue for discussion was the role of international access agreements (alone or in combination with trade agreements) in providing both capacity-building and access to returns from unutilised national fisheries resources for some developing states (in Africa and also small island developing states). Discussions centered on the pre-conditions necessary to ensure that those developing states are able, as capacity is developed, to increasingly exploit higher value added activities -- and higher job and income growth associated with them.

Aquaculture

The aquaculture sector in developing and developed countries has witnessed spectacular production increases over the past two decades; and there is nothing to suggest that this will change. Production increases are driven by further technological developments, increased demand for seafood and the fact that aquaculture (compared to capture fisheries production) provides more stable supplies, something that food service companies and retailers in particular value.

It is useful to observe that there are basically two very different production systems in aquaculture in place and that these serve very different political, economic and social objectives, and therefore need to be addressed differently. Among OECD countries, the aquaculture sector is composed of high tech companies, high stocking densities of carnivorous species while in the developing countries, fish farming is often characterised by small scale, extensive family holdings that may even be an add-on to other income-generating activities. This difference makes it sometimes difficult for developing countries' fish farmers to respond to market requirements and developments. This may require different institutional set ups. Pooling or clustering of small scale farmers into larger cooperative ventures has been successful and may provide an answer to future developments in this segment.

With a view to sharing knowledge, the Network of Aquaculture Centres in Asia-Pacific (NACA) was highlighted as a particularly interesting venture, and it is in the process of being replicated in the Americas and more recently, considered for Africa. NACA is an intergovernmental organisation that uses networks of expert contact points

^{8.} For instance, where collective management is weak or ineffective.

and capacity-building activities to promote rural development through improvement of incomes, production and foreign exchange earnings. NACA also seeks to diversify farm production.

Availability of finance in small-scale aquaculture can be an important impediment to further growth in developing countries and hence on the ability to benefit from globalisation. The emergence of micro finance institutions may assist, in some cases, to overcome the limited access to formal credit available to small-scale operators. Concurrently, carving out speciality markets (*e.g.* organic aquaculture, which may also come with prospects for capacity-building by some certification schemes) may provide for a new orientation and strategy to further growth potential. For example the Swiss Import Promotion Programme provides assistance to farmers in developing countries to convert into the more lucrative organic farming segment. This segment is foreseen to have substantial future growth, as consumers in developing countries are increasingly oriented towards health concerns and organic foods distinguishing themselves from general eco-labelled products by commanding market premium.

Many OECD countries are in the process of reassessing the role of aquaculture in their domestic fisheries, and the public policies to be applied in aquaculture to increase its ability to reach its potential. One example concerns the 2002 initiative by the EU Commission to propose a strategy for the sustainable development of European aquaculture. Aquaculture growth in the EU has been lagging behind (and stagnating since 2000) the growth in global aquaculture. As a result, the EU is analysing the causes for this wide difference to see if a better framework for future aquaculture development can be created. Other OECD countries are also examining their aquaculture policies with a similar view, given their possible disadvantages competitively overall in global aquaculture, and the struggles for aquaculture to find a strong niche in diversified developed economies, especially where it suffers reputational issues in relation to oceans space and environmental effects.

A key policy concern for aquaculture is the mixed “image” that the sector often faces as a safe and sustainable source of fisheries products. The use of medicines, the risk of contaminants, impacts of escapees, impacts of intensive aquaculture on marine ecosystems, fish welfare etc. in the production systems creates potential image and marketing problems for the aquaculture sector. An interesting problem is to identify the role of governments versus producers in terms of addressing such issues, and how public regulation finds its correct balance between constraining and enabling private operators.

Seafood processing

The Workshop demonstrated how seafood processing has undergone major changes over the past two decades as this part of the value chain has been in a favourable position to benefit from globalisation. The regulatory environment in the seafood processing value chain element is primarily concerned with trade, and seafood safety and hygiene. It is also in the processing sector that major consolidations have taken place; mergers and acquisitions are used to reduce risk and increase shareholder value. International consolidation in the value chain makes it easier to take advantage of cost differences, keeping an eye on market developments and more generally to ensure that costs are reduced and margins maximised in a sector where the price-cost squeeze is an increasing issue.

Processors of fish and fish products, in most developed countries, indicated clearly that they rely increasingly on imported raw material for their businesses as domestic fish stocks are fully or overexploited. Such processors are seeking to reduce the costs of the imported raw material, *inter alia*, through a reduction in tariff levels, which, for certain products and in certain markets, remain high. This will both help the processing industry and consumers. Such imports – including aquaculture products -- may help drive prices on domestic raw material down, and may have an adverse impact on the prices fishers receive for domestic raw material. In this regard it was argued as crucial that the domestic fleet operate under conditions that ensure efficiency and allow for them to “manage to market” (*e.g.*, quality, specialised products) and reap maximum returns, within the parameters of conservation constraints.

Unequivocally, major processors are now sourcing raw material globally, as local sources cannot support investments at the scales that allow efficient and profitable production. Examples are many, but the most vivid example is whole fish from the North America and Europe being flown to China for filleting and packaging and for re-export to the North American and EU markets. This takes place as developed markets increasingly focus on higher value-added secondary and tertiary activities, similar to other industries facing globalisation and increased competition for lower costs primary producers. An interesting observation is that a similar shift will occur within developing countries. As labour costs grow and greater economic development takes hold, China is also concerned about a shift of processing to other low-cost countries such as Vietnam and India.

However, changes in seafood processing were shown as differing in the developing and developed countries. In developed countries seafood processing is focussed on developing high value-added products (*e.g.*, ready and/or portion-controlled, uniform-quality meals) that calls for sophisticated production equipment and methods, and hence access to capital. In developing countries, supported by a pool of less expensive labour, the existence of tariff escalation and stringent sanitary and hygiene controls in major import markets, processing is often focused on less sophisticated methods of transformation (*e.g.* filleting, canning). The further outsourcing of production to developing countries is inhibited in particular by sanitary and hygiene requirements (see above) that can be hard to meet other than in segmented production streams (in partnership with developed markets).

For developing countries’ policy makers the key towards more value added production is to implement a strict sanitary and hygiene control system and to lobby for a reduction in tariff rates, in particular on high value-added products. In this respect, developed countries also play a crucial role in ensuring that the necessary capacity building and expertise is available in developing countries.

Retail and Distribution

Retail and distribution, including food services, provided the workshop with some of the more revealing emerging changes in the nature of the value chain and in the relative power of different components – especially large buyers and retailers in developed country markets. Accompanying this are a number of new issues relating to key players in the global distribution network, as described above.

Companies in this element of the value chain act as the proxy for the final consumer in global markets, and are -- especially in some markets as the UK and US -- acting upon emerging or expected consumer and/or ENGO (environmental non-governmental

organisation) concerns to force changes further upstream in the value chain (production and harvesting).

To ensure strong and responsible market “branding”, many large companies (buyers) in this value chain element are developing individual buying specifications, whether they relate to food safety and quality standards or sustainability standards. These standards may be higher than public standards for a variety of reason. In some cases, sustainability standards are being adopted because of a perceived lapse in public regulation which may endanger future sustainable supplies. In such cases, private standards can aid in the choice of specific longer-term suppliers to these large retail establishments, and thus reduce supply risk. In other cases, the private standards may be driven by the desire to meet current or future expected consumer ethics, to forestall activities and protests from ENGOs for retailing choices (especially in the UK), or some combination thereof.

Retailers were frank in saying that in some cases their actions precede consumer awareness, and form part of retailer marketing/branding that is then intended to become part of consumer values. This is why it is difficult, analytically, at this time to show price premium for eco-certified products (other than organic, for which there is a defined market segment that is willing to pay more for certified products). Save one restaurant chain, which is establishing supplier relationships that involve capacity building, retailers were also fairly frank in suggesting that they do not see it as part of their responsibility to do the technical consultations and capacity building as an adjunct to their core mission but rather, that is left to the public sector. This aggravates the need for public capacity building. Again, as described above, the international system of recourse regarding unjustified trade barriers in the WTO is built around public standards that exceed “reasonable” risk. It was noted in the workshop that it will be a test of the international trade governance to deal with the onset of private standards, especially when they are intended to replace lagging public standards, or where branding seeks higher-than- public standards.

The result of health and safety standards, organics, sustainability and other aspects of corporate social responsibility, as well as NGO and ENGO campaigns, has been a proliferation of standards and labels that are confusing to consumers and buyers alike. Buyers are enforcing their own rigour and simplification by choosing selected standards they will respect, especially where international guidelines exist (e.g., MSC eco-label, which is the only full eco-label that conforms to the FAO multilateral eco-labelling guidelines for capture fisheries).

As seafood demand continues to grow, increasing demand is being satisfied from aquaculture sources in both developed and developing countries. This is likely to further change the market dynamics in the future and will set additional new standards on responsible⁹ aquaculture. There is as yet no internationally accepted guideline on aquaculture sustainability, which will give an advantage to existing schemes whether or not they will meet future multilaterally agreed guidelines (e.g., Aquaculture Certification Council (ACC)).

⁹ Broadly defined, including environmental responsibility.