

FFA FISHERIES TRADE NEWS

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SPECIAL FEATURE

Pacific Tuna Forum 2013²

On 18-19 September 2013, the Fourth Pacific Tuna Forum was held in Honiara, Solomon Islands. The conference was well attended by over 200 industry, government and NGO representatives from 25 countries. This year's theme was 'Broadening the tuna investment base in the region' and 33 presentations centred on issues relating to tuna resources and supply, the Pacific Islands tuna industry and investment opportunities, global tuna trade and markets, sustainability, eco-labelling and technological developments. The Forum was opened by high level representatives of the governments of PNG and Solomon Islands, the director of INFOFISH, and Mr James Movick, Director General, FFA. Mr Movick spoke on the need for proper critical assessment of investment proposals, recognition that investment can take many forms (e.g. direct foreign investment, joint ventures, domestic development facilitation) depending on which is most expected to maximise benefits for the specific host economy and society, and suggested that the region should focus on *meaningful* investment – that which sees value added to PIC economies.

The following summarises issues and perspectives raised in selected presentations at the Forum.

Key note addresses

Key note addresses were delivered by two prominent industry representatives in the Pacific region, Phil Roberts, Managing Director of Tri Marine International (Singapore), and Francisco Tiu Laurel Jr, President, Frabelle Fishing Corporation (Philippines).

Phil Roberts highlighted the significant level of development experienced by the Pacific Islands tuna fishing and processing industries over the past forty years. He noted that growth in the fishing sector has been largely driven by bold, entrepreneurial and skilled fishermen from the principal Asian tuna fishing countries – China, Korea, Philippines and Taiwan. On the processing side, the impetus has largely come from PICs themselves, through leveraging fishing access to attract onshore processing investments. The Parties to the Nauru Agreement (PNA) have led the way in purse seine fisheries management through the introduction of the Vessel Day



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Scheme in 2007; a landmark event in international fisheries management where an effort-based management scheme has been applied to a highly migratory resource covering a vast ocean area.

While commending significant achievements in the region, Mr. Roberts also highlighted some of the key challenges including an imminent need for Pacific Island governments to strengthen control over the fishery and create conditions conducive to local industry development. He reinforced that sound government policy is key to both increased tuna industry development in the Pacific Islands region and sustainable management of the world's largest tuna resource.

Francisco Laurel Jr discussed the issues of competitiveness of the Pacific Island tuna canning and fishing industry, based on actual experience to date of Pacific-based fishing and processing operations. Currently, large-scale longline operations, targeting bigeye and yellowfin for the Japanese sashimi market are losing money due to stagnant demand and the weakening yen. Small-scale longliners, mostly targeting albacore, are only making small margins or are also unprofitable. In contrast, purse seiners are profitable, largely due to sustained high prices, despite increasing vessels numbers and subsequent declines in CPUE. Mr. Laurel suggested a moratorium on fleet expansion be introduced, with a careful balance needing to be struck between growth of Pacific Islands' domestic fishing fleets and existing distant-water fishing fleets.

PIC processors' main comparative advantages continue to be lower landed raw material costs stemming from being closely located to fishing grounds and, for some PICs, duty-free market access for tuna to the EU. However, these advantages are offset by a plethora of disadvantages which escalate the cost of production, such as high freight, labour and utilities costs. He believes there is limited growth potential for loin and canned tuna production in PICs due to the high cost operating environment, but there may be potential for value-added processing of higher value fresh and frozen tuna products. Mr. Laurel echoed Phil Roberts' sentiments, by calling for full support from Pacific Island governments to provide sound policy and legislative support for tuna industry development.

Tuna resources and supply

Currently, around 2.5 million mt of tuna is extracted annually from the Western and Central Pacific Ocean (WCPO). Secretariat of the Pacific Community (SPC) scientists believe that catch levels of this magnitude will continue to be achievable in the

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short-term due to increased fishing capacity and efficiency. The WCPO tuna fishery is considered to be in better shape than other oceans – currently, three out of the four tuna stocks remain in a healthy state (skipjack, yellowfin and albacore), with only bigeye approaching an overfished state. However, SPC scientists indicate that WCPO catches could peak and then decrease in the long-term, like in other oceans. As effort is increasing in the WCPO tuna fishery, there are signs that vessels are having to fish harder for the same catch (i.e. declining CPUE), indicating that new approaches to managing tuna resources are required, including the introduction of harvest control rules.

Over the past four years, the value of purse seine fishing access in PNA waters has more than doubled due to the Vessel Day Scheme. The potential for considerably higher returns exists, but only if a number of issues with implementation can be addressed including compliance with fishing day limits set (by both PNA members and fishing fleets) and a standardised definition of a fishing day. As the fishery continues to expand with new vessels under construction, PNA members are under increased pressure to accommodate additional vessels with fishing days. Currently, fishing days are allocated to fleets by PNA members through bilateral negotiations; in future, more sophisticated allocation models may develop, such as auctions or tenders, with the potential to allocate days to individual vessels rather than entire fleets. PNA members may also consider pooling fishing days to provide multi-zone fishing access.

There is a plethora of information available to inform fisheries management and monitoring, control and surveillance, with information management systems being developed to collate and manage this information. While it is difficult for scientists to utilise real time data, improved timeliness in data collection enables the use of more up-to-date data in stock assessments and other scientific analyses. Industry operators gather detailed and valuable information that is useful for both scientists and regulators, which makes information sharing vital.

Pacific Islands tuna fishery and investment opportunities

PNG's tuna fishing and processing industry is the most developed in the Pacific Islands region with 255 active fishing vessels (81 domestic/PNG charter; 174 foreign), three existing loining/canning facilities, an additional four new plants (two newly constructed, two due to commence construction by the end of 2013) and three more proposed processing developments still under negotiation. The industry

Like other oceans, WCPO tuna catches may peak and then eventually decline in the long term



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remains purse-seine focussed, with very little longline activity currently. Export production continues to be geared towards the EU market given PNG's duty free access. PNG's economic outlook is strong, with growth fuelled largely by gas and mining developments. However, considerable challenges exist for all sectors, including lack of infrastructure, law and order issues and contested land tenure.

Fiji's tuna industry centres on its domestic longline albacore fishery (around 65% of catch is albacore). The fishery is supported by well-developed onshore facilities, wharves, processing facilities and reliable air and sea-freight services. Domestic longline operations (currently 63 vessels) are under serious pressure from competition from subsidised foreign vessels fishing in adjacent high seas and neighbouring EEZs, which is resulting in dramatic CPUE declines and depressed prices. Albacore prices peaked at US \$3,500/mt in 2012 and are now less than US \$2,000/mt. Unless strong management measures are introduced for the Southern Albacore fishery, there are concerns that Fiji's domestic fleet will potentially 'drown' – earlier in the year, 76 longliners were tied up in Suva port. Investment opportunities in the catching sector are limited, but investment opportunities still exist in onshore facilities (e.g. processing, marketing, cold storage, packaging, supplies). One notable recent development is Fiji Tuna Boat Owner's Association attaining MSC certification for albacore caught by its Fiji-flagged member vessels.

Domestic development of the Solomon Islands tuna industry spans almost forty years, dating back to the 1970's with the establishment of a domestic fishing fleet (National Fisheries Development, NFD) and tuna cannery (SolTuna, formerly Solomon Taiyo). The industry suffered a major set-back in 2000 with the ethnic tension, but has since recovered and continues to develop. Currently, the domestic fleet consists of 7 purse seine vessels, 3 pole and line vessels and around 160-170 foreign-chartered longline vessels. SolTuna has major development plans including ongoing expansion of processing capacity (for both canning and value-added fresh/frozen tuna), cold storage and wharf development. Another two canned tuna/loin processing developments are proposed for Guadalcanal Province. Onshore investment in the longline sector has been driven by a recent policy change tying vessel licences to onshore developments – five new investments have been established over the past two years or so. A major challenge for the industry is value-adding catches at the source – currently, 135,000-150,000 mt is caught annually in Solomon Islands EEZ, but only 30,000 mt is processed locally. Solomon

PNG tuna fishing and processing industry is the most developed in the Pacific Islands region

PIC domestic albacore fleets are suffering from competition from subsidised foreign fleets



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Islands is subjected to the highest fuel, freight and utilities cost in the region, as well as high taxes on imported inputs. Poor infrastructure and limited access to EU rule of origin-compliant raw materials are also major development constraints.

In an effort to maintain valuable fishing access, distant water fishing nations are increasingly responding to calls from Pacific Island countries for greater investment in the region to facilitate domestic development. The number of domestic-flagged vessels is increasing in conjunction with joint venture vessel ownership arrangements between foreign fishing partners and PIC governments and/or local investors, as well as increased foreign investment in onshore facilities including canning/loining plants, longline fish bases and other supporting infrastructure.

Overall, a common theme echoed throughout the Forum was that Pacific Islands' domestic development should be responsible, rational and sustainable, and underpinned by strong development-conducive government policies. Economies of scale need to be harnessed to counteract very high costs of production. Pacific Island countries need to be flexible and open to cross-border investment, given significant differences in resource endowments and available factors of production. Lastly, PICs need to be diligent in choosing responsible and genuine investment partners.

Global tuna trade and markets

The Japanese tuna market is stagnating due to changing consumer preferences and diminishing household incomes. Household spending on fresh fish (including tuna) is in decline as consumers purchase increasing volumes of other fresh meat (chicken and pork). In 2002, the average volume of tuna consumed per capita was around 1.1 kg; in 2012 consumption had declined to around 0.75 kg. Prices have stagnated – the average tuna price has remained at around ¥230-250/kg over the past 10 years.

Latin America offers strong market opportunities for tuna – currently the region has the fourth highest level of canned tuna consumption (~437,500 mt in 2008) behind Europe, US and Asia. The Latin American diet is protein centric and tuna is a popular choice, particularly during Easter and spring/summer. Ecuador has the highest consumption of canned tuna (2.8kg/capita). The Latin American consumer is moving towards convenience products and while price is still the primary consideration, environmental sustainability is a rising

PICs need to be diligent in choosing responsible and genuine partners for investment



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factor in purchasing decisions. Product innovation is centred on formulation changes, the introduction of gourmet lines and packaging innovations, including easy-open cans.

While Asia accounts for the lion's share of global tuna trade, this is largely for the import of whole frozen round tuna for processing into cans/loins for re-export. Asian consumer markets have shown little growth for canned and non-canned tuna products, despite growing demand of other high value seafood species. Canned tuna is considerably more expensive than canned mackerel and sardines. Despite the growth in popularity of Japanese cuisine outside of Japan, particularly sashimi and sushi, these markets are more salmon-centric than tuna. In-store promotion for shelf-stable and fresh/frozen tuna products is lacklustre and media campaigns are limited.

Eleven emerging economies (labelled the '3G' countries) are expected to contribute almost 50% of population growth over the next year and have been identified as growth markets for canned tuna – Vietnam, China, India, Indonesia, Mongolia, Philippines, Iraq, Bangladesh, Egypt, Sri Lanka and Nigeria. Nine out of the eleven countries (excl. Philippines and Egypt) all presently have very low consumption rates of canned tuna. However, it is expected that as their economies become richer and more urbanised, the middle class will strengthen, presenting concrete business opportunities. Muslim populations are expected to grow (i.e. Nigeria, Indonesia and Iraq), driving up consumption of halal foods, including canned tuna.

Market access, sustainability and eco-labelling

While Europe is the largest tuna market in the world and offers duty-free access to Pacific Island countries, gaining market access is very challenging. Currently, only three PICs have market access to the EU – Fiji, PNG and Solomon Islands. Several other PICs aspire to gain market access (Cook Islands, FSM, Kiribati, Marshall Islands and Vanuatu) and are working to establish competent authorities to meet EU IUU fishing and food safety regulations, but there are many challenges to be overcome to meet these onerous requirements. In the case of food safety, where the competent authority falls under the responsibility of the Ministry of Health, it has proven very difficult to get budgetary support and traction for fisheries. With the support of FFA and SPC, PICs are working on developing a sub-regional or regional approach to establishing competent authorities, subject to the approval of such approaches by EU authorities. Should the EU and PICs fail to conclude a comprehensive Economic Partnership Agreement, those PICs

Latin America offers strong market opportunities for tuna, together with eleven '3G' emerging economies



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who opt not to become signatories of the Interim EPA or are not least-developed countries with duty free access under the 'Everything But Arms' scheme will revert to the EU's Generalised System of Preferences system and receive significantly less favourable duty preferences.

PICs attempted to negotiate improved market access for fisheries products to the US during the US Multilateral Treaty re-negotiations, but were unsuccessful. The US advised that trade and market access issues must be dealt with separately by US trade authorities. Instead, the US State Department agreed to a study being conducted to consider the development of improved trade arrangements which are more appropriate to the needs of PICs.

Seafood market access to China has experienced a raised profile over the last year or so, particularly regarding certification, as China is now implementing a range of new requirements. Unfortunately, many of these new requirements are not well understood, both outside and within China itself. China authorises countries (in a similar way that the EU does), but the process entailed for aspiring countries to be listed is unclear.

Over the last decade, sustainability concerns have increasingly influenced consumer choices for seafood products, particularly in Europe, and have given rise to the establishment of numerous sustainability certification schemes. A survey investigating the penetration of seafood sustainability certifications (i.e. Marine Stewardship Council, Friend of the Sea and Earth Island Institute) was recently conducted by Pacifical in 26 different supermarkets across Germany, UK, France, the Netherlands and Belgium. The survey concluded that there is wide penetration of the MSC eco-label in Germany and the Netherlands and good presence in Belgium, France and the UK for the frozen wild caught seafood segment, but not for canned and frozen tuna. Currently, there are only two MSC-certified canned tuna options available – Maldives pole and line skipjack and American albacore. PNA free-school skipjack is still not available on shelves. The EII dolphin safe logo is mainly only used in Germany, while the Friend of the Sea logo was only found in three supermarkets in two countries.

PICs struggle with onerous regulatory requirements for IUU fishing and food safety standards to maintain or gain EU market access

While there is wide penetration of the MSC eco-label in EU supermarkets for wild-caught seafood, there is low coverage for canned tuna and frozen tuna products



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PREFERENTIAL TRADE AGREEMENTS

Pacific EPA collapses under weight of fisheries issues?

The Pacific Islands delegation had a wasted trip to Brussels in October when comprehensive Economic Partnership Agreement (EPA) talks with the EU collapsed. It appears that fisheries issues were, indirectly, the major barrier to agreement. According to Robert Sisilo, the Pacific's lead negotiator, PNG withdrew because of EU insistence on 'commitments on conservation and management of fisheries resources' and concern that the terms of a comprehensive EPA would 'restrict what [PNG] already have in the Interim EPA' (i.e. global sourcing rules of origin).³

The EU suspended negotiations because, according to a senior EU trade official, it will not enter into a comprehensive EPA without signatories from the Interim EPA taking part (i.e. Fiji and PNG). While DG TRADE is the lead trade negotiating body on the EU side, competency for external EU fisheries relations falls under DG MARE, which is regarded with suspicion in the Pacific as representing the interests of the Spanish-owned industrial fleet.

There is now an atmosphere of considerable uncertainty about the future of a Pacific EPA with the EU. PNG has indicated that it will not move on a Comprehensive EPA unless the EU changes its position on fisheries, Samoa's ambassador to the EU, Fatumanava III Dr Paolelei Luteru has indicated that 'there is no timeframe in terms of another meeting', as a letter was sent to EU Commissioner for Trade in June 2013 with the ultimatum that unless the EPA was concluded by the end of the year the Pacific would pull out. However, Fiji trade minister Ayaz Sayed-Khaiyum has stated that, while the October meeting did not go ahead as scheduled, negotiations are not suspended.⁴

'It was a frustrating week' observed one member of the Pacific group.⁵ 'EU officials refused to discuss trade in goods and announced that there could be no negotiations, but then went ahead with a second day of talks at which concessions on fisheries conservation and management were expected. Nevertheless the Pacific Ministers made it clear that, on their side at least, the door is not closed and they hope to meet with Commissioner de Gucht in the near future.' An opportunity for such a meeting may occur in mid-December when the Commissioner is scheduled to visit Solomon Islands.

EU inflexibility on fisheries issues has damaged the progress of negotiations

Mixed messages are rife on the future of the Pacific EPA



For its part, in recent years the EU has turned its attention to free trade agreements (FTAs) with other countries and regions, especially in neighbouring regions and in Asia, which is the emerging centre of the world economy. In addition, the Pacific island EPA grouping was always the least politically and commercially important of the ACP sub-regions.

Thai-EU FTA may erode Pacific tuna trade preference

The EU and Thailand concluded the second round of negotiations for a free trade agreement (FTA) in Thailand on 20 September 2013. A wide range of issues were discussed including *inter alia* trade in goods, rules of origin, and trade and sustainable development.⁶

The treatment of canned tuna under the EU-Thai FTA is a contentious issue. The Spanish canned tuna industry, with backing from the Congress of Spain, have called for canned tuna to be excluded from the FTA, on the grounds that duty free access for Thai canned tuna will lead to unfair competition in the EU market and will significantly damage the Spanish industry.⁷ The Spanish National Association of Canned Seafood Producers (ANFACO) has called for canned tuna to be given the same treatment as in the recently concluded EU-Singapore FTA, which deems canned tuna to be a sensitive product and excludes it from the deal. However, recent reports from ANFACO indicate that Thailand may agree to compromise by agreeing to a reduction from the current 24% duty to 12%, rather than exclusion.⁸

The authors feel it is highly unlikely that Thai trade negotiators will agree to an exclusion of canned tuna, given the tuna processing industry is a highly significant sector in Thailand's economy.

There is an important commercial precedent for a tariff reduction to 12% for Thai canned tuna exports. For five years from 2003, Thailand, Indonesia and the Philippines shared an EU tariff quota of 25,000 mt of canned tuna at 12% duty. This was part of a compromise agreement to compensate these Southeast Asian countries for trade discrimination via the Cotonou Agreement's tuna preference for the ACP. EU and Thai tuna industry representatives interviewed in 2006 stated that this 'Cotonou compromise' quota was used within days (i.e. the product was warehoused prior to the opening of the quota and pushed through customs on the day it commenced).⁹ This indicates that ACP producers may not be able to compete with Thai exports at 12% duty. However,

Spain is calling for canned tuna to be excluded from the EU-Thailand FTA



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exports under this quota were not subject to EU rules of origin for fish; which allowed processors to source the lowest priced fish on the international market and therefore increase the profitability of the final product.

Importantly, an EU-Thailand FTA *will* contain rules of origin (RoO) and it is likely that the EU will argue that the same rules be applied to fish products as the EU-Singapore FTA. The RoO in the latter FTA follow the standard EU model where fish must be 'wholly obtained' (caught) by a vessel with 50% local or EU ownership.¹⁰ Given that the main supplier to Thai processors is the Taiwanese purse seine fleet, RoO will be a major hurdle for Thailand's full utilisation of a future 12% duty. Since EU trade negotiators have made it explicitly clear that the 'global sourcing' RoO derogation granted to PNG (and potentially other PACPs) under the Interim Economic Partnership Agreement (iEPA) was a one-off special exemption, it is likely that Thailand will push for cumulation provisions. This would enable Thai processors to potentially source raw materials from other ASEAN members which would be treated as originating provided the fish has been sufficiently worked by processing facilities in Thailand. As is typical in other agreements, cumulation provisions would only likely apply for a limited volume of raw material imports.

Given RoO constraints, it is also likely that Thailand would continue to lobby for the maintenance of the EU Single Duty Quota for cooked loins which currently permits 22,000 mt of tuna loins to enter the EU at zero duty, regardless of origin. (Note that this is different from the 'Cotonou compromise' quota discussed above.) To date, Thailand has been the major beneficiary of the loin quota. It is expected that the Spanish industry will continue to push strongly for social and environmental provisions to be incorporated into the FTA chapter on trade and sustainable development, particularly in light of human rights and labour issues in the seafood industry, including in Thailand, which are currently attracting considerable global attention.¹¹

Interestingly, as with the EU-Singapore FTA, the Spanish industry has only called for *canned tuna* to be excluded from the FTA with Thailand; Spain wants Thai *cooked loins* to be granted duty free status, as this production strategy of using loins sourced from lower cost developing country processors, such as Thailand, enables European processors to remain competitive.¹²

The third round of EU-Thailand FTA negotiations will be held in Brussels from 9-13 December 2013 and are expected to

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for Thai
canned tuna
processors due
to difficulties
sourcing RoO
compliant fish**

**Spain and
Thailand
united on
duty-free
access for Thai
tuna loins into
EU markets**



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focus on proposed draft legal texts from both sides. Market access offers for fisheries are expected to be discussed in the second quarter of 2014, at the earliest.¹³ Both Thailand and the EU are reportedly committed to concluding a comprehensive FTA and current indications suggest that an agreement may be concluded by late 2015, given the strength of the existing trading relationship – the EU is Thailand's third largest trading partner and Thailand is the EU's third largest ASEAN trading partner, with EU-Thai trade exceeding €30 billion in 2012.¹⁴

Ecuador GSP+ status set to continue in 2014

After some concern about Ecuador losing duty-free access to the EU market for canned tuna and loins because of the failure to complete an FTA and its possible exclusion from GSP+ status,¹⁵ it now seems certain that its duty-free access will continue into 2014 under the terms of the revised GSP+.¹⁶ This is of considerable importance because Ecuador is the number one supplier of tuna loins and second largest supplier of canned tuna to the EU.¹⁷ Tuna catch by the Ecuadorian fleet adds another layer of optimism to this country's prospects in the global industry: after some years of falling skipjack catches, catch in the Ecuadorian EEZ increased by eight percent over the first nine months of 2013 compared to the same period last year.¹⁸ This is despite almost 50% of the Ecuadorian fleet being subject to a fishing ban. Locally-owned fleets mean that Ecuador's tuna processors can meet EU rules of origin.

Confirmation of Ecuador's GSP+ status is in addition to the possibility of the Philippines graduating to GSP+ status for the first time in 2014,¹⁹ which would represent a major new source of preference erosion for ACP countries.

FISHERIES DEVELOPMENT

PNG tuna workers unionise

In late 2011 the International Transport Workers' Federation (ITF) and the International Union of Foodworkers (IUF) started a pilot project in PNG aimed at unionising industrial workforces in the fishing and fish processing industries. ITF's work with the local PNG Maritime and Transport Workers Union (MTWU) resulted in the unionisation of tuna processing workers and employer commitments to improved working conditions and pay.²⁰

According to Liz Blackshaw, ITF/IUF Fisheries Programme Leader, the campaign 'directly led to the unionization of over 5,000 workers in the fisheries sector in the country'.²¹ For

Market access offers for fisheries will not be discussed before second quarter of 2014

Ecuador continues duty-free access to EU under revised GSP+ and local raw material supply increases, despite fishing ban



example, in August 2013, workers at RD Tuna won the right to form an independent union. They voted to dissolve the internal company union, establish a local branch of MTWU called RD Tuna Cannery Branch, and to adopt the laws of the well-established and independent MTWU.

FISHERIES MANAGEMENT

FFA receives award for improving regional fisheries management

Conservation International recognised FFA's work in 'improving tuna fisheries management in the Pacific Islands region' by giving the Agency the Pacific Ocean Commissioners Award.²² This is the second year that the Award has been given.

The Executive Vice President of Conservation International, Dr Gregory Stone, said that '[c]onserving this resource for the Pacific is essential for human wellbeing in this region and we congratulate the FFA on their outstanding work in this area'.²³ On receiving the award on behalf of FFA, Director General James Movick said that it is recognition for the efforts of people and organisations across the Pacific islands who work in intra-regional solidarity with fisheries bodies such as FFA to 'strengthen a cohesive and unified approach on protecting the Ocean's resources into the future'.²⁴

WCPFC members struggle with a measure for tropical tunas for 2014-2017²⁵

At the upcoming Tenth Annual Session of the Western and Central Pacific Fisheries Commission (WCPFC10) to be held in Cairns from 2-6 December 2013, one of the major, and possibly most contentious, agenda items will be the multi-year management programme for tropical tunas (2014-2017). At WCPFC9, members were only able to reach agreement on temporary measures for 2013 under CMM 2012-01 (Conservation and Management Measures). A working group was established to draft text for consideration at the 9th Technical and Compliance Committee (TCC9) and WCPFC10 for measures for 2014-2017 to be covered under CMM 2013-01.

On 27-30 August, the Working Group met in Tokyo for what the Chair hoped would be a smaller, more informal meeting than the annual session, where members could 'roll up their sleeves' and tackle some of the key outstanding issues. Given the importance of this measure to WCPFC members attendance at the working group was higher than expected, bringing with it a level of formality and diplomacy that stifled more technical-level discussions.



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The focus of discussions at the Tokyo Working Group largely centred on two proposals, by Japan and the Parties to the Nauru Agreement (PNA). Given there were some elements of agreement between the two proposals, the Chair requested the two be merged into a single proposal with areas of disagreement highlighted as bracketed text. Following discussion of the combined text by members, Philippines joined PNA and Japan in re-drafting, hence becoming a co-sponsor of the proposal. The joint proposal by PNA, Japan and Philippines is currently only one of three proposals on the table for CMM 2013-01. Following the Tokyo Working Group and just prior to TCC9 (held in Pohnpei, FSM on 29 September – 10 October) the US also submitted a proposal. The Chair has now also provided a third proposal that seeks to build on elements of the US and “Joint” proposals.

Key elements of all proposals include FAD management and effort management for the purse seine fishery, catch and effort limits for the tropical longline fishery, and capacity management for both the purse seine and longline fisheries.

For FAD management, PNA, Japan and Philippines propose a continuation of the composite FAD measure implemented in 2013, whereby WCPFC members can opt for additional FAD closures or a total limit on annual FAD sets, on top of the existing three month FAD closure. The rationale for supporting FAD set limits is that this approach offers more flexibility to vessel operators and can be more effective overall in reducing fishing mortality on juvenile bigeye than FAD closure periods for only a portion of the year. This position is supported by FFA members, while the US (supported by the EU) has concerns this approach is overly complex and risky from a compliance point of view. The US instead proposes up to six months FAD closure, broken into two periods.

In line with Article 30 of the WCPFC Convention, the Small-Island Developing States (FFA members) have called for the ‘disproportionate conservation burden’ to be addressed, resulting from the cost of conserving bigeye being largely borne by PNA members’ in-zone purse seine fishery, while the benefits are accrued by distant water fishing nations’ longliners, mostly operating in high seas areas. SIDS have stressed that unless this issue is addressed they will not agree to additional FAD measures over and above the existing three month FAD closure, and propose a US \$15 million transfer payment for every additional month of FAD closure. The transfer payment is part of a package deal, together with a five-month in-zone FAD closure (or equivalent FAD set limit), plus a complete high seas

**WCPFC
members are
considering
three
proposals
for a revised
conservation
and
management
measure for
tropical tunas**



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FAD ban in 2017, as well as a reduction in longline catches.

Effort limits for the PNA purse seine fishery will still be applied through the Vessel Day Scheme and are proposed to remain at 2010 levels. A limit on fishing days in the high seas is also included in all three proposals, but the number of high seas fishing days available and the method of allocation is still being negotiated, with the US proposal seeking to allow a significantly higher level of effort than the status quo.

The PNA, Japan and Philippines proposal calls for a reduction in longline bigeye catches to around 60,000 mt annually. The US proposes the setting of a total allowable catch (TAC) of 75,000 mt; of which 10,717 mt would be available for the development of SIDS tropical longline fleets. The US is defensive about catch reduction for the Hawaii longline fleet on the grounds that the fleet is uniquely different from large-scale distant water freezer longliners and mostly operates outside of 20°N-20°S.

In addition to a reduction in bigeye catches, FFA and French Polynesia propose the closure of the Eastern High Seas pocket surrounded by the EEZs of Kiribati, Cook Islands and French Polynesia in line with a directive from Pacific Island leaders, given ongoing compliance failures under existing 'Special Management Area' arrangements. To contribute to addressing the disproportionate conservation burden issues, FFA proposes a high seas closure for longline fishing during the FAD closure period for vessels that do not unload catch in SIDS or flag/chartering state ports. These two proposals are currently bracketed in the PNA, Japan and Philippines proposal.

On the whole, WCPFC members have acknowledged the need for a freeze on non-SIDS capacity in both the purse seine and longline fleets and this is reflected in both proposals.

Overall, substantial differences in opinion remain. In the joint PNA-Japan-Philippines proposal there is still bracketed text on points of disagreement, as well as wider disagreement on certain issues from the entire WCPFC membership. It is likely that discussions on CMM 2013-01 will dominate the WCPFC10 agenda. Given the marked differences in positions on key issues, there is a risk that the resulting measure, if agreement can be reached, could be weak.

FFA members have called for a US\$15 million/month transfer payment for each additional month of FAD closure to address the 'disproportionate conservation burden'

WCPFC members acknowledge the need for a capacity freeze for the purse seine and longline fisheries



TUNA MARKETS

New investments for trading company Tri Marine

Recent months have seen two important investments for Tri Marine International (TMI), both of which reveal the emphases across industry of 1) generating growth through scale in the price sensitive canned sector and 2) securing access to raw material.

First, in September, the International Finance Corporation (IFC), the private sector lending arm of the World Bank, announced a US\$10 million loan to SolTuna Limited (formerly SolTai), the long-standing tuna processing firm located in Noro, Western Province in the Solomon Islands. SolTuna is majority-owned and controlled (51.5%) by Tri-Oceanic Overseas Holdings, an affiliate of TMI. The other primary shareholder is the Solomon Islands National Provident Fund (31.4%). The loan will support a portion of a proposed US\$31 million expansion and upgrade of the plant aimed at increasing raw material processing capacity from 90 to 150mt per day, adding cold storage and constructing improved housing for workers.²⁶

To be eligible for the loan, SolTuna was subject to an environmental and social assessment that reviewed: the sustainability of the target tuna species supplied by the National Fisheries Development fleet (NFD, another subsidiary of TMI); labor and working conditions for SolTuna employees; the local impacts of proposed upgrades (e.g. displacement through land-lease or acquisition); emergency preparedness; and, environment, health, safety and social management performance of contractors and suppliers (primarily NFD).²⁷

Second, in October, Bolton Group and TMI announced an agreement for Bolton to acquire a minority interest in Tri Marine. Bolton Group is Europe's largest branded tuna company and owner of leading Italian brand Rio Mare. Tri Marine is a trading company that sources raw material, has forward and backward ownership and management linkages in tuna fishing and loining and processing firms around the world. The two firms have been engaged in commercial agreements for over 25 years and announced that the partnership strengthens Bolton Group's supply chains and raises the commitment between the companies. Renato Curto, President and CEO of TMI indicated that the merger is a key strategy for both firms to promote growth and limit risk through 'scale, diversification and shared ownership'.²⁸

**New
investments
in Tri Marine
businesses
and activities
emphasise
growth
and risk
management
through scale**



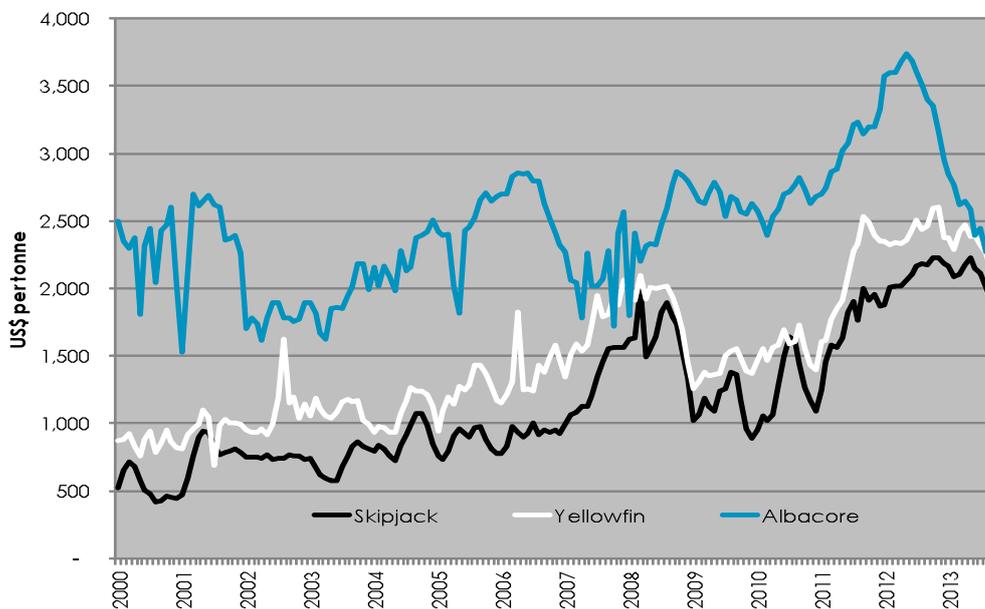
FFA

Bolton Group's move is a further indication of its expansionary strategy

The acquisition has fueled discussion about the significance of the move for each of the two companies. Talk about Bolton Group centres on market direction of the firm, which also recently acquired a 40% share of Calvo Group, the Spanish canned tuna leader. Media reports have speculated on Bolton's intentions to strengthen its position in the UK and move into the US, where it currently does not have a market presence. For TMI, reports suggest that the firm will use proceeds from the purchase to fund strategic growth initiatives focusing on development of diversified sources of fish supply from sustainable fishing grounds and adding value at or near the source of the catch to 'share economic benefit' and secure supply for the long-term.²⁹ In the mean-time, the acquisition represents a move towards vertical integration: the two companies have global fishing activity, raw material trading capacity, processing supervisory expertise, processing factories and brand presence across Europe.³⁰

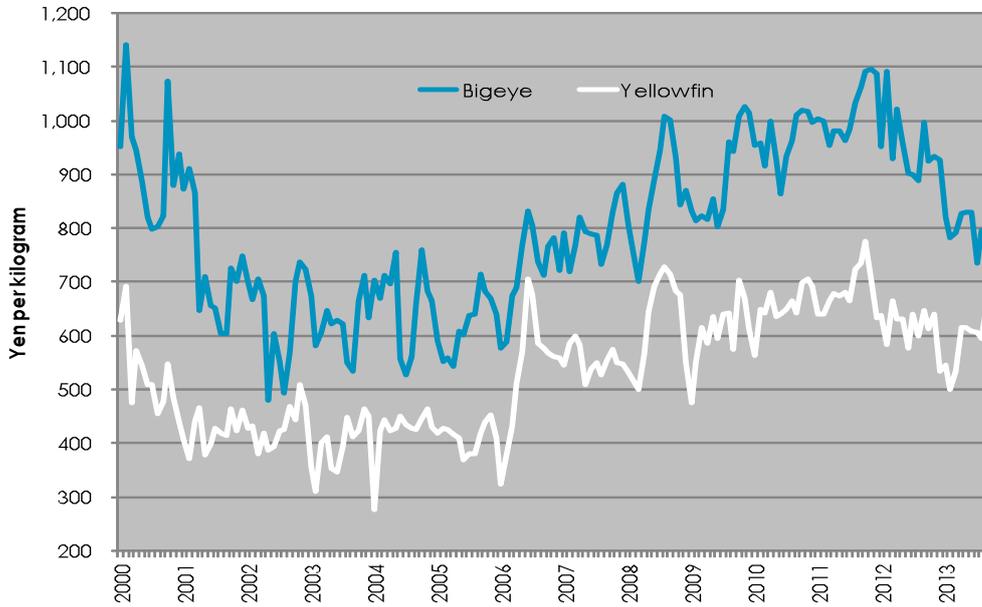
TUNA PRICE TRENDS

Bangkok canning-grade prices to September 2013³¹

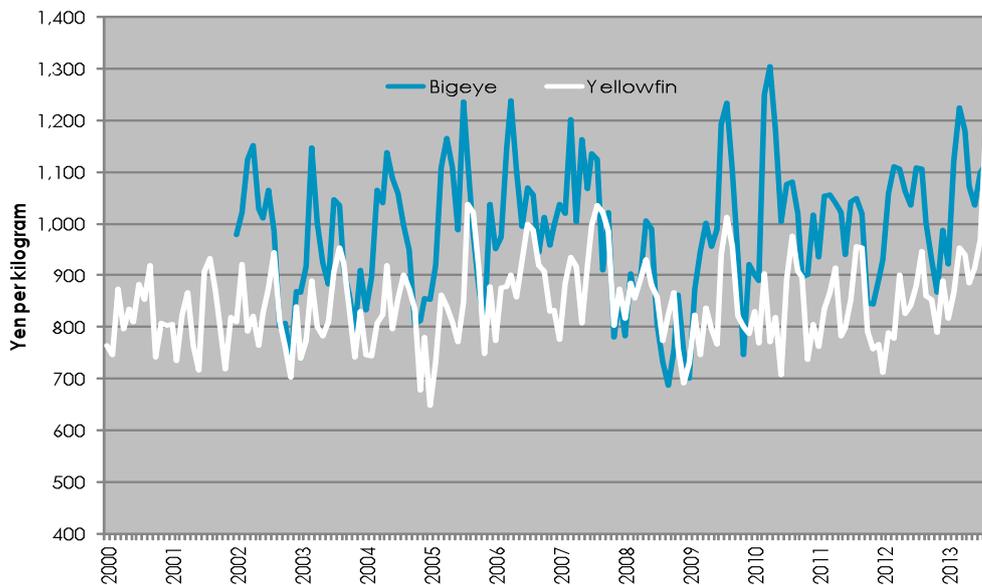




Japan frozen sashimi prices (ex-vessel, Japanese ports) to September 2013³²

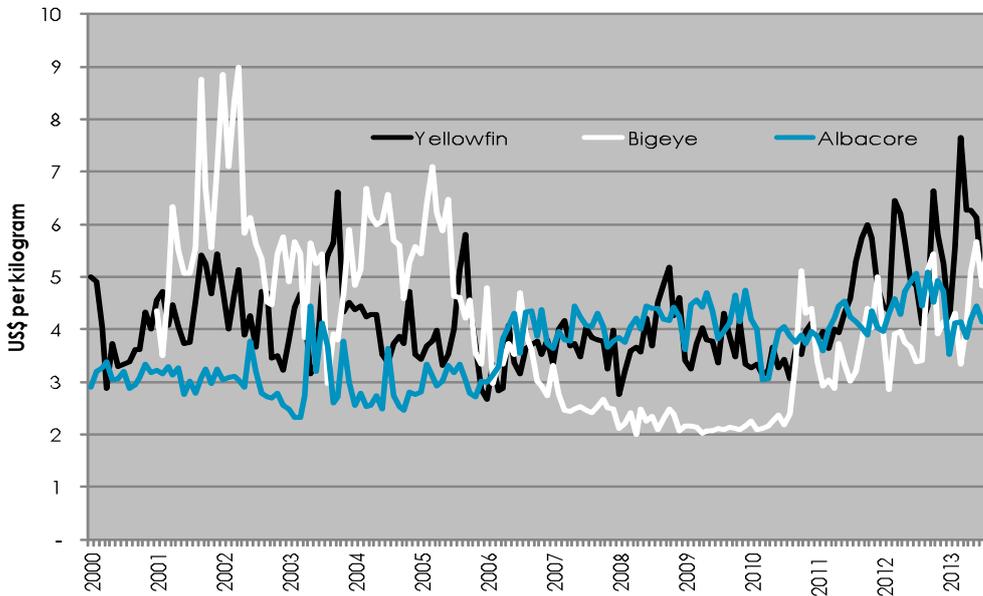


Japan fresh sashimi prices (origin Oceania) to September 2013³³

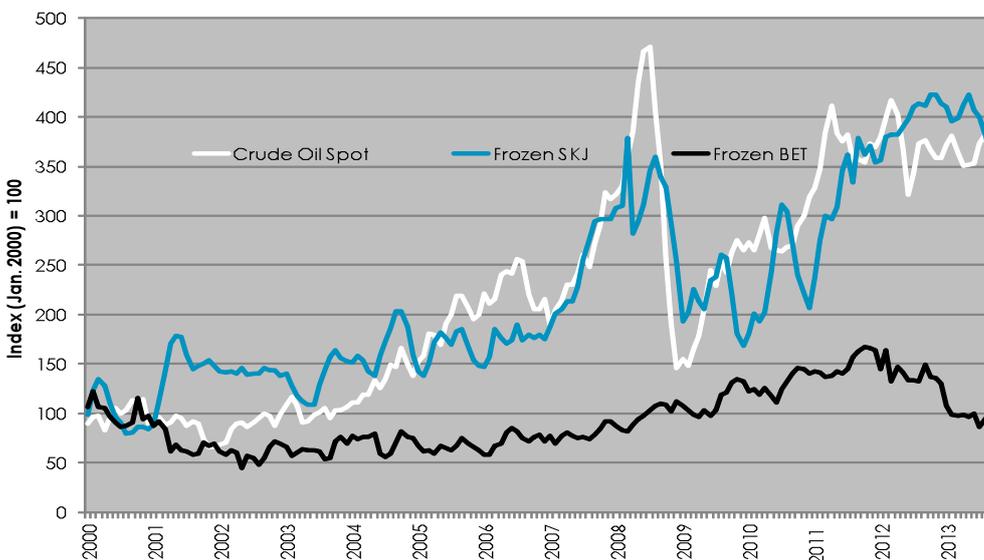




US imported fresh sashimi prices to August 2013³⁴



Crude oil, canning-grade frozen skipjack (SKJ) and frozen bigeye (BET) price index to September 2013³⁵





¹ Prepared for the FFA Fisheries Development Division by Liam Campling, Consultant Fisheries Trade Analyst, FFA and School of Business and Management, Queen Mary, University of London and Elizabeth Havice, University of North Carolina at Chapel Hill. Desktop publishing by Antony Price. The authors would like to thank Mike Batty for his input on an earlier draft of this briefing. The contents of this briefing (including all analysis and opinions) are the responsibility of the authors and do not necessarily reflect the positions or thinking of the FFA Secretariat or its Members.

² This article summarizes key points from numerous presentations delivered during the Pacific Tuna Forum 2013. The programme and list of presenters is available at: <http://www.infofish.org/ptf2013/Programme.html>. Presentations will be made available for purchase from Infofish (www.infofish.org).

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