



## FISHERIES TRADE

### Solomon Islands granted 'global sourcing' rules of origin

On 17 May 2020, the Interim Economic Partnership Agreement (IEPA) between the Solomon Islands and the European Union officially came into effect, making Solomon Islands the fourth Pacific Island country to accede to the EU-Pacific EPA, following Fiji, PNG and Samoa.<sup>2</sup> For now, Solomon Islands also remains a duty-free beneficiary under the EU's Everything But Arms (EBA) scheme, but will lose its status once it graduates from a 'least-developed country' to a 'developing country' at the end of 2024.

One of the key advantages of acceding to the IEPA is that Solomon Islands is able to utilize 'global sourcing' rules of origin (RoO). Effective 18 September 2020, fisheries products processed in Solomon Islands using fish sourced from vessels operating under any flag are eligible for duty-free access into EU markets, provided the vessel and its flag state meet the EU's IUU fishing and sanitary regulations.<sup>3</sup> Under the EU's standard RoO applied to EBA and other preferential trade agreements, only fish sourced from vessels which are flagged to and are at least 50% owned by Solomon Islands or EU nationals/companies is eligible for duty-free access. It is understood that this RoO derogation for the EU market will also be replicated in the UK-Pacific EPA.<sup>4</sup>

This news should come as a welcome relief for Solomon Islands' tuna processing plant, Soltuna, which periodically suffers from downtime due to raw material shortages, when the Solomon Islands' domestic tuna fishing fleet experiences poor catches. The financial viability of Soltuna's operations is contingent on duty free access for cooked tuna loins and canned tuna to the EU market to enable it to compete with lower cost processing locations in Asia and Latin America. The ability to now source and process tuna from non-Solomon Islands flagged vessels under 'global sourcing' will help to maximise Soltuna's productivity (currently around 140mt/day). At this stage, Soltuna's majority owner, Tri Marine, is yet to indicate any new development plans to further capitalize on 'global sourcing' and increase the plant's existing processing capacity.<sup>5</sup>

Global sourcing RoO also makes tuna processing in Solomon Islands more attractive to foreign investors. In recent years, Korean and Filipino interests have contemplated establishing new loining/canning operations in Solomon Islands (in Guadalcanal and Malaita provinces). It is anticipated that Solomon Islands' accession to the IEPA and the associated global sourcing RoO may resurrect foreign interest in tuna processing investments, which would have positive spin-offs for the Solomon Islands economy in terms of exports, taxation revenue, local employment and spending in local businesses, at a time when its other major export-revenue earning sectors, logging and mining, are in decline.

### European Parliament calls for temporary withdrawal of Philippines GSP+ status

The Philippines has benefitted from duty-free market access for canned tuna and cooked tuna loin exports to the EU under the GSP+ program since December 2015. As reported previously in *FFA Tuna Industry News*, to qualify for GSP+, the Philippines needed to ratify and implement 27 international conventions relating to human rights, labour standards, good governance and environmental protection. However, since obtaining GSP+ status, the EU has raised serious concerns about the Duterte Government's position on several critical human rights matters.

## CONTENTS

### Fisheries Trade

Solomon Islands granted 'global sourcing' rules of origin

European Parliament calls for temporary withdrawal of Philippines GSP+ status

### Fisheries Regulation

China and Taiwan fish added to the U.S. List of Goods Produced by Forced Labour

### Fisheries Management

Mounting pressure on IOTC to rebuild yellowfin stock

New report scopes transferability of fishing rights to support Regional Roadmap for Sustainable Fisheries

Pew estimates global value of tuna fisheries; makes economic argument for improved management

### Tuna Industry

ISSF announces a new conservation measure on social and labour standards

European fishing industry accuses China of subsidizing tuna loin exports and challenges expansion of the EU loin quota

Greenpeace launches new strategy to target US\$8.5 billion in tuna industry financing

### Tuna Price Trends

On 15 September 2020, the European Parliament (EP) released its fourth resolution on the situation in the Philippines (previous resolutions were released in 2017, 2018 and 2019). This resolution calls on the European Commission and the European External Action Service to initiate procedural steps which could lead to the temporary withdrawal of GSP+ preferences, unless substantive improvements are made by the Philippines government relating to human rights violations. This includes an immediate end to extra-judicial killings by armed forces and vigilante groups under President Duterte's 'war on drugs' and halting ongoing proceedings to reinstate the death penalty. There is also a call to refrain from lowering the minimum age of criminal responsibility from 15 to 12. The resolution raises concerns about shrinking civil society space, evidenced by ongoing attacks and threats on human rights defenders, including the murder of two activists and the conviction of two journalists.<sup>6</sup>

Despite the European Parliament's ongoing calls to revoke Philippines GSP+ status, President Duterte has vowed to continue his anti-drug campaign for the duration of his current presidential term which ends in mid-2022.<sup>7</sup> Despite the latest and previous European Parliament resolutions, the Department of Trade and Industry (DTI) Secretary, Ramon Lopez, has publicly expressed confidence that the Philippines will retain its GSP+ status.<sup>8</sup> However, the Filipino Senate's minority leader, Franklin Drilon, is appealing to the government to address these human rights issues to avoid possible trade sanctions, warning that preferential tariff rates on 6,000 products exported to the EU could be lost, as well as up to 200,000 jobs.<sup>9</sup>

Philippines' tuna fishing and processing sector is one of the major beneficiaries of GSP+ tariff preferences. Loss of GSP+ status would place Philippines tuna exports at a serious disadvantage on the EU market as it would revert to having to pay 20.5% import duty on canned tuna and cooked loins under the standard GSP, while other major competitors such as Vietnam and Ecuador would maintain duty free access. Indonesia is also in the process of negotiating a free trade agreement with the EU and could become another major competitor to the Philippines.

## FISHERIES REGULATION

### China and Taiwan fish added to the U.S. List of Goods Produced by Forced Labour

In September 2020, the U.S. Department of Labor published its *List of Goods Produced by Child Labor or Forced Labor*. For the first time, the list of goods included fish caught by the distant water fishing fleets of China and Taiwan. The 2018 list included Thailand's fishing industry on the basis of well-documented forced labour aboard its vessels. International pressure since then resulted in Thailand taking significant steps to correct the situation and it no longer appears on the 2020 list.

In his published Forward to the report, the Secretary of Labor, Eugene Scalia, noted that the one of the major objectives of the report was to shine a light on labour abuses in key sectors across the world. The Secretary noted this is done to "inform U.S. foreign and trade policies...and provide specific, actionable information to governments, businesses, non-profits, and other key actors in the global economy on how to combat child labour and forced labour."<sup>10</sup> As stated in the report, it is the intention of the report to encourage the conduct of risk assessments, performance of due diligence on supply chains and the development of strategies to address child labour and forced labour. The report does not recommend or impose penalties or import restrictions on listed products imported into the U.S. Rather, it is intended to add to international pressure to correct labour abuses.

**Despite EU threats to withdraw Philippines' GSP+ status, President Duterte vows to continue the 'war on drugs' associated with human rights violations**

**China and Taiwan distant water fishing vessels have been called-out for labour abuse of crews**

The 2020 report mentions that the list applies to all goods produced by forced labour or child labour, including seafood harvested on the high seas. The report recognizes the use of flags of convenience by some vessel owners but makes it clear that fish caught outside of territorial waters is listed by the country that has flagged the vessel. The report is notable as it represents the first time a country has been added to the list because its distant water fleets use forced labour. (China is the country, while Taiwan is listed as an “area”).

China is noted in the report as having the world’s largest distant water fleet, with over 3,000 vessels. Although not identifying tuna vessels specifically, the report mentions the variety of vessels in China’s fleet, “from longliners to purse seiners...”, and identifies the Philippines and Indonesia as supplying the majority of crews onboard. References in the report include media reports, the U.S. State Department, and NGOs as the sources for much of the information that led to China’s listing. Incidents of forced labour cited are situations where recruiting agencies deceive workers with false information regarding wages and terms of contracts, as well as incidences of the confiscation of workers’ identity documents onboard, long working hours, extended periods at sea, hunger and dehydration, degrading and unhygienic living conditions, verbal and physical abuse, preventing crews from leaving the vessel or ending their contracts, and not being paid promised wages.

Taiwan is mentioned in the report as having about 36 per cent of the world’s tuna longliner fleet, employing an estimated 35,000 migrant workers, mostly from Indonesia and the Philippines. Taiwan is cited for the litany of abuses also attributed to China, with sources also being the U.S. State Department, NGOs and media reports. Notable reports cited include those from the Stimson Center,<sup>11</sup> Greenpeace,<sup>12</sup> Human Rights at Sea,<sup>13</sup> and the Environmental Justice Foundation.<sup>14</sup> It is worth noting that for Taiwan, fish is the only commodity listed in the report as being produced by forced labour, whereas for China it is one of twelve distinct product categories.

The inclusion by the U.S. Department of Labor of fish from both China’s and Taiwan’s distant water fleets as being produced by forced labour has also been picked up recently by various global news outlets including print and online media<sup>15</sup>. Highlighting the subject of forced labour abuses within the distant water fishing fleets of China and Taiwan in the U.S. report is expected to contribute to spotlighting ongoing efforts to combat labour abuses generally in the global fishing industry.

## FISHERIES MANAGEMENT

### Mounting pressure on IOTC to rebuild yellowfin stock

In 2016, the Indian Ocean Tuna Commission (IOTC) adopted a resolution establishing an interim plan for rebuilding the Indian Ocean’s yellowfin stock (Resolution 16/01), which is in an overfished state, with overfishing occurring and is listed as ‘near-threatened’ by the International Union for the Conservation of Nature (IUCN). Under the latest iteration of the rebuilding plan (Resolution 19/01), scientists recommended a 20% reduction in yellowfin tuna catches on 2017 levels to enable recovery of the stock by 2027 to levels above the interim target reference point with 50% probability. However, this rebuilding measure has fallen considerably short, with total annual yellowfin catches continuing to exceed the 2017 level of 421,825 mt, let alone representing a 20% reduction. In 2018 and 2019, total yellowfin catch was 440,834mt and 427,240mt, respectively – 21-25% above scientifically recommended catch levels.<sup>16</sup>

*The US list is intended to add international pressure to correct labour abuses, rather than impose sanctions*

*IOTC has failed to reduce yellowfin catches by the required 20% to rebuild the overfished stock*

In the lead up to IOTC's 24<sup>th</sup> Annual Session, a number of major European retailers and brand owners who are members of the 'Global Tuna Alliance' (GTA) have made widely published decisions to cut or cease sourcing yellowfin from the Indian Ocean and have called for urgent action on management of the overfished stock. UK-brand Princes, which owns two canned tuna processing facilities in Mauritius, has committed to a further 10% reduction in yellowfin sourced from the Indian Ocean, taking its total reduction to 50% by 2022.<sup>17</sup> Tesco, which purchases canned tuna from Seychelles' Indian Ocean Tuna Limited, has threatened to cease sourcing yellowfin tuna and billfish all together from the Indian Ocean for its private label supply until an effective yellowfin recovery plan is adopted.<sup>18</sup> The UK's Co-op stopped selling private label and branded yellowfin tuna over seven years ago and re-affirmed that it has no plans to recommence doing so until a more strategic recovery plan is agreed by IOTC members.<sup>19</sup> Members of GTA, including Tesco, Princes and Co-op, are calling for a 25% reduction in yellowfin catch levels to rebuild the stock within two generations, equating to an annual catch level of around 325,000 mt.

Waitrose, on the other hand, has criticized other retailers for potentially "boycotting" Indian Ocean yellowfin tuna, reportedly condemning it as "fundamentally and morally wrong", given the potentially detrimental effects of abandoning coastal fishing communities and economies which are heavily reliant on the tuna industry. Waitrose will continue to source yellowfin from Maldives and Sri Lanka, and will work collaboratively with fishers, suppliers, governments, NGOs and other stakeholders to demand that improvements are made to management of the fishery.<sup>20</sup> Concerns about European retailers boycotting yellowfin tuna were raised by the Maldivian Government in a statement to IOTC members, echoed by Waitrose and World Wise Foods, as well as the International Pole and Line Foundation. The Maldivian Government has laid out a five-point plan to help rebuild the overfished yellowfin stock including fast tracking the adoption of a draft proposal to IOTC on a management procedure for yellowfin tuna (put forward by Australia) and scheduling an early annual session of the IOTC in the first quarter of 2021 to urgently address the yellowfin issue.<sup>21</sup>

There has also been strong lobbying on the rebuilding of yellowfin stock from the NGO community, including ISSF and WWF. ISSF is calling for the adoption of an effective rebuilding plan that gives full effect to the advice of the 2015 IOTC Scientific Committee, which ensures that *all* gears/fleets harvesting yellowfin are taken into account (some fleets/gears are currently exempt from Resolution 19/01) and addresses over-catches by some fleets.<sup>22</sup> WWF is calling for a 30% yellowfin catch reduction (10% higher than the scientific recommendation of 20%) for all gears/fleets, with removal of all exemptions.<sup>23</sup>

The measures contained within the interim yellowfin rebuilding resolution were due to be reviewed by the Commission no later than its annual session in 2020. However, in light of COVID-19, IOTC's annual meeting was held virtually on 2-6 November, with a significantly reduced agenda. Despite heavy lobbying, there was no discussion scheduled on new conservation and management measures or a new stock rebuilding plan for yellowfin. However, in response to widespread calls for urgent attention on yellowfin rebuilding, IOTC announced during the recent annual session that it will now hold a special session dedicated to yellowfin conservation and management in March 2021.<sup>24</sup> The greatest challenge moving forward will be getting IOTC members to agree on an allocation of yellowfin fishing rights between coastal and distant water flag states and multiple fishing gear types. Allocation has been a highly contentious and hotly debated issue in IOTC for a number of years now.

**Buyers  
'boycotting'  
IO yellowfin  
tuna will harm  
coastal fishing  
communities**

**A special  
session  
dedicated to  
Indian Ocean  
yellowfin  
conservation  
and  
management is  
scheduled for  
March 2021**

Pacific Island countries can draw lessons on the yellowfin overfishing experience in the Indian Ocean. Should WCPFC move towards establishing a total allowable catch for key tuna stocks, negotiations about quota allocation between fleets and gear types will be complex and potentially politically charged. Also, increasingly, market forces are coming into play, whereby key buyers of tuna are taking proactive and pre-emptive collaborative stances about RFMO action (or lack thereof) regarding responsible fisheries management and curbing overfishing.

## **New report scopes transferability of fishing rights to support Regional Roadmap for Sustainable Fisheries**

Pacific Island countries and territories have innovated cooperative regulatory strategies to manage fishing effort that have yielded exponential growth in economic benefits for Pacific Island countries and territories. However, initial growth has slowed and future gains are likely to be incremental and result from efforts to strengthen governance and enhance efficiency. One such potential enhancement is mechanisms for trading allocated fishing effort, an approach that economic theory suggests can lead to economic gains by enhancing efficiency in fisheries. Transferability is highly complex in transboundary, multi-species fisheries, and there has been interest among Pacific Island countries and territories in examining the potential costs and benefits of policy proposals for transferability.

A recent report undertaken by a group of researchers whose collaboration was facilitated through Pacific Catalyst, a research unit based at University of South Pacific in Fiji, offers an initial scoping of the potential for transferability of fishing rights in the region.<sup>25</sup> The study was initially proposed by regional leaders and aims to provide information that can assist policy makers and fisheries managers in the region to consider if enhanced transferability of fishing rights could support the goals agreed to in the Regional Roadmap for Sustainable Pacific Fisheries.

The multi-faceted scoping report defines transferability of fishing rights in the context of Pacific Island tuna fisheries as the extent to which the rights can be divided and traded on two levels: between states and between authorized users (e.g. fishing companies). Interviews with 21 senior Pacific Island fishery managers and thought leaders indicates a wide spectrum of familiarity and experience with the concept of transferability in fishing rights, frequent concern that transferability may erode Pacific Island countries and territories' control over fishing within their jurisdictions, and interest in considering other policy or management changes that might be more beneficial than enhanced transferability. Over half of the respondents expressed interest in cautiously exploring the idea further with safeguards for PICTs.

The report also developed models to assess the scale and potential economic benefits to be gained from introducing transferability with a focus on transferability with foreign-registered vessels in the purse seine fishery, and limited consideration of the tropical longline fishery. The model results indicate that for PICTs where purse seine fishing is more productive, the scale of economic gains to PICTs are likely to be modest at best; a result explained by the relatively small market size for trading fishing days, as well as assumptions that many foreign registered fleets are running vessel-level economic losses as part of vertically integrated firms. For the tropical longline fisheries, the basic conditions for transferability of fishing rights were not considered to be in place to consider transferability. An examination of legal issues and options for transferability of Pacific Island tuna fishing rights nationally and regionally indicated that no Pacific Island country has a functioning legislative scheme allowing for full transferability of tuna fishing rights between authorized users, and in four countries, legislation prohibits such transferability. The report reviews legal frameworks for transferability that could serve as models.

*A new report examines theoretical, political, economic and legal factors that would influence a move to transferability in PICT fishing rights*

Based on these findings, the report suggests that transferability of tuna fishing effort rights between users may be an innovation whose time has not yet come. However, the analysis suggests that there are opportunities for PICTs to strengthen other property rights characteristics of access that could serve as precursors to transferability and promote increased economic gains from fisheries management. In the purse seine fishery, these include expanding sub-regional cooperation, increasing national level pooling of zones to which fishing days apply, extending the duration of tuna fishing rights, and allowing transferability of tuna fishing rights between authorized users. The report also singles out the relatively flat or declining economic productivity in the longline fishery, suggesting that strengthening property rights characteristics of the authorizations to fish holds potential for advancing the goals of the Roadmap. Options that may help increase economic gains while creating demand for transferability include expanding sub-regional cooperation and setting a cap on fishing and allocating the fishing rights among the group of cooperating states; though of course, progress also depends on progress in the Western and Central Pacific Fisheries Commission.

### **Pew estimates global value of tuna fisheries; makes economic argument for improved management**

In October, Pew Charitable Trusts released *Netting Billions 2020: A Global Tuna Valuation*, a report that updates and expands its 2016 effort to provide the first global valuation of tuna.<sup>26</sup> The analysis focused on seven species of tuna – yellowfin, skipjack, bigeye, albacore and Atlantic, Pacific and southern Bluefin.<sup>27</sup> It found that between 2012 and 2018, the estimated end value of these tunas declined, while overall catch increased. All of the data have been made available in interactive formats, enabling the users to export data on catch volume, dock value and end value by region, gear, species and end product.<sup>28</sup> In the current report, Pew has expanded on the 2016 report finding with a global valuation with commercial data from 2016-2018. The figures do not include values associated with subsistence and artisanal fisheries, sport fisheries, unreported catch, or ecosystem benefits from tuna populations because of the difficulty of measuring and developing methods for these valuations.

Poseidon Aquatic Resource Management Ltd, an independent consultancy firm, conducted the research and developed a method for the sales valuations that underpins the report. Landings volume data were collected from RFMOs and the ISC (International Scientific Committee for Tuna and Tuna-Like Species in the North Pacific Ocean) and checked against FAO data. Market flows were mapped for individual fisheries for each basin and for smaller regions to determine which markets fish access and in which forms. Dock and end values were derived from estimates of wholesale price paid to fishers, retail price paid by the consumer, market surveys at supermarkets around the world, price records from 12 countries and market surveys at wholesale and retail markets. The analysis also includes fish meal and pet food prices for by-products for fish canning from a variety of sources.

The overall finding is that the seven tuna species are worth more than US\$40 billion from catch to final sale. Skipjack and yellow generated the highest revenue, a reflection of the high volumes caught for these species and accounted for more than 75 per cent of total end values. The three bluefin species were still by far the most highly prized at end market, with a single bluefin typically fetching dollar values higher than a ton of canning grade yellowfin. From this analysis, Pew builds an economic justification for strengthening tuna fisheries management. For instance, the report highlights that higher catch volume does not always translate into higher revenue. It also highlights that five fisheries that are classified as overfished – Pacific yellowfin, Pacific Bluefin, Atlantic bigeye, Indian Ocean yellowfin and southern

**Transferability of tuna fishing effort rights might be an innovation whose time has not yet come**

**Skipjack and yellowfin account for more than 75 per cent of the global value of tuna products**

Bluefin – have combined catches valued at US\$8.5 billion at final point of sale. From here, Pew argues that the value of these fisheries could be increased with sustainable management, which would also promote stability for industry. Pew specifically calls for harvest strategy approaches that encourage stakeholders to agree on long-term goals for fisheries and then determine the management action that best support these goals.

## TUNA INDUSTRY

### ISSF announces a new conservation measure on social and labour standards

As attention has turned to labour standards onboard fishing vessels, there has been a flurry of efforts aimed at identifying and improving working conditions at sea. These include state-based policy instruments such as Part V of the Pacific Islands Forum Fisheries Agency's Harmonized Minimum Terms and Conditions for Access by Fishing Vessels that sets out crew employment conditions as a requirement for vessels to qualify for fishing licenses, and the US Trafficking in Persons report which ranks countries' efforts to comply with minimum standards for eliminating trafficking and holds the potential for penalties such as restrictions on certain categories of foreign assistance. Private initiatives include the industry collaboration the 'Seafood Task Force' that has developed an auditing scheme for participating companies and their supply chains, and the Marine Stewardship Council's labour auditing procedures for MSC and ASC (Aquaculture Stewardship Council) certified seafood.

Recently, the International Seafood Sustainability Foundation - the international non-profit comprised of tuna industry and members of the scientific and NGO community - has entered into the labour standards fray, announcing that starting on 1 January 2021, member seafood companies will be required to have a policy for social and labour standards on fishing vessels that supply their tuna.<sup>29</sup> ISSF's new conservation measure called *Public Policy on Social and Labour Standards* requires participating companies to develop and publish a public social and labour standard and/or source policy that applies to the company and to its entire supply chain. This new requirement applies to all processors, traders, importers, transporters, marketers and fishing and supply vessels. The standards that participating companies develop or adopt must address are: forced labour, child labour, freedom of association, wage, benefits and employment contracts, working hours, health and safety, discrimination, harassment and abuse, and grievance mechanisms. Given the recent announcement, it is not yet clear if ISSF members will develop new procedures or rely on existing mechanisms, and what practices might change as a result. However, many ISSF members are also associated with the Seafood Task Force which has similar requirements and existing auditing procedures in place. ISSF members are audited yearly on their compliance with ISSF conservation measures and have recently reported that participating companies have 99.4 per cent conformance with ISSF's 27 conservation measures that have been in effect since 1 October 2019.<sup>30</sup>

### European fishing industry accuses China of subsidizing tuna loin exports and challenges expansion of the EU loin quota

The Europe-wide industry association representing 45,000 EU-based fishers – Europêche – submitted a request in late September to the European Commission for an anti-dumping investigation on imported skipjack tuna loins from China.<sup>31</sup> Europêche claims to have evidence demonstrating 'the existence of unlawful aids and tax breaks' by the Chinese Government to tuna loin and canned tuna exporters - subsidies and other supports that it alleges breach World Trade Organisation rules,

*ISSF members will be required to publish a public social and labour standard or source policy beginning in 2021*

*Europêche claims that Chinese loin exports benefit from subsidies*

damage the European fishing industry and deplete fish stocks. Europêche's President has requested the European Commission to initiate an investigation "with a view to impose as soon as possible countervailing measures against tuna exports to the EU".<sup>32</sup>

The anti-dumping case is tied to the broader issue of the EU's autonomous tariff quotas (ATQs) for tuna loins, which exporters from China – among others – use to access the EU market duty free (compared to the MFN tariff of 24%). Controversially, the EU Council has recommended increasing the ATQ from its current level of 30,000mt per year at zero duty to 35,000mt for 2021-23. As usual, this will be administered on a first-come, first-served basis and exporters from Asia rush to benefit from duty free access before the quota is filled. This expansion in ATQ volume is supported by European processors who claim that they need the sourcing flexibility for food security reasons in the context of the Coronavirus pandemic. However, Europêche and European trade unions argue that the expanded ATQ is simply a drive for profit.<sup>33</sup>

If the EU were to launch anti-dumping procedures against China on tuna loin imports it may have implications for skipjack caught in Pacific Island country (PIC) waters by Chinese boats. For example, the EU would be permitted to charge countervailing duties on Chinese exports, including on tuna loins which would result in a glut of loins on non-EU markets (e.g. the USA), negatively impacting, for example, Fiji's exports there.

Further, and a far more immediate effect, the expansion of the ATQ for loins represents direct preference erosion for PIC loin exporters such as Solomon Islands, as well as other countries benefitting from duty free trade to the EU such as Ecuador and Mauritius. In this respect there is an important potential ad hoc alliance between PICs and European fishers: Europêche directly recognises the negative impact of subsidised exports from China on 'seafood suppliers from developing countries that export to the EU market under preferential market access conditions'.<sup>34</sup>

## Greenpeace launches new strategy to target US\$8.5 billion in tuna industry financing

After several years of targeting big brands, trading companies and fishing fleets in the tuna industry, Greenpeace's investigative journalism unit 'Unearthed' has now turned its attention to the sources of finance that prop the industry up. It has identified around US\$8.5 billion in financing to the fishing divisions of corporations with 'threatened tuna populations in their supply chains'.<sup>35</sup> Around a quarter of this was loaned by Citi Group alone; a quarter by Morgan Stanley, HSBC, JP Morgan and several others; and the remaining half provided by banks in Japan, South Korea and Thailand.

In addition to a temporary media headline, Greenpeace's strategy should be set in the context of growing interest among institutional investors such as pension funds and insurance companies in sustainable investment funds. So-called ESG (environmental, social and governance) funds are on the rise globally, and one estimate suggests that ESG funds in Europe will reach €7.6 trillion by 2025, overtaking the value of conventional funds based there.<sup>36</sup>

Greenpeace is putting some banks on the spot by reviewing their sustainability claims against their investment patterns. For example, in July and to great fanfare, Citi Group launched a Five-year Sustainable Progress Strategy and a \$250 Billion Environmental Finance Goal.<sup>37</sup> Investments under this tranche of funding are required to comply with its *Environmental And Social Policy Framework*, which includes meeting a series of eight performance standards, including 'Biodiversity Conservation and Sustainable

**PICs risk being caught in the middle of Europe-China fisheries trade disputes and will suffer preference erosion from an expanded EU loins quota**

**Greenpeace holds banks to their sustainability commitments**

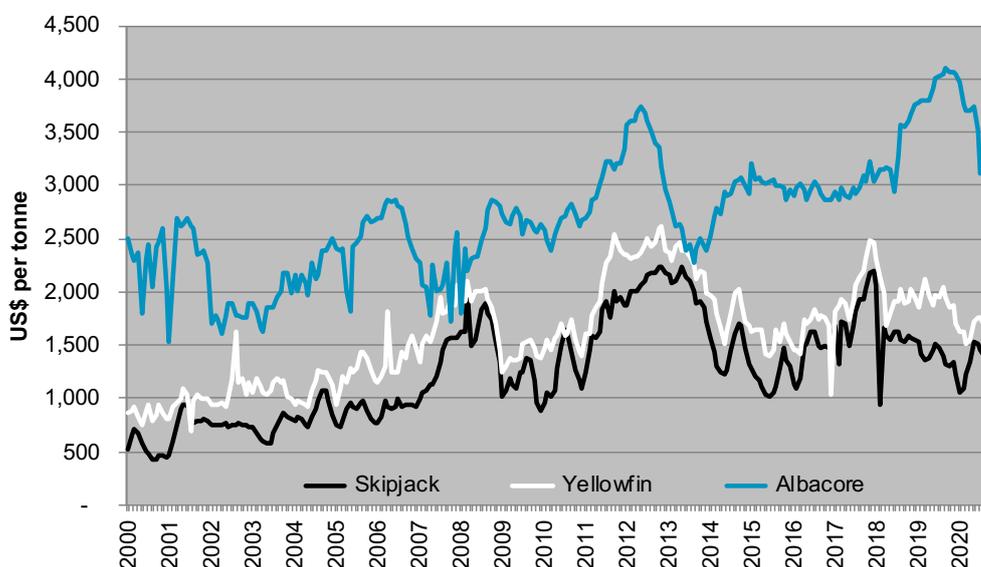
Management of Living Natural Resources’ and a prohibition on any investment in drift net fishing.<sup>38</sup> However, if the Greenpeace investigation stands up to scrutiny, the allegation that Citi Group is the single largest financier of companies trading ‘threatened tuna populations’, then it could be accused of using its Environmental Finance Goal as a greenwashing strategy.

The implication for PICs is that the ongoing sustainability of WCPO tuna fisheries are not *only* good for future revenue through enhanced vessel day pricing *and* for market access through customer demand for ‘green’ products, but are *also* good for future investment.

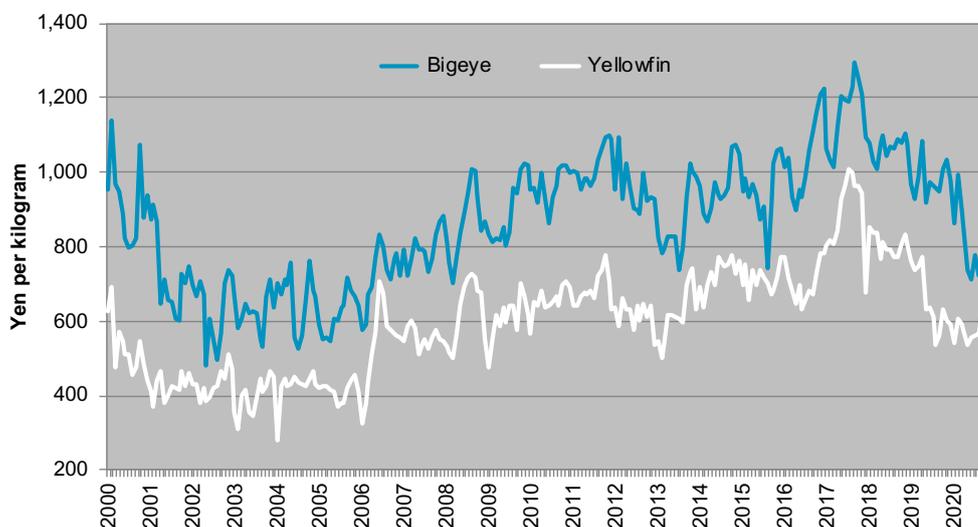
**Growing sustainable investment funds may represent an opportunity for PICs**

## TUNA PRICE TRENDS<sup>39</sup>

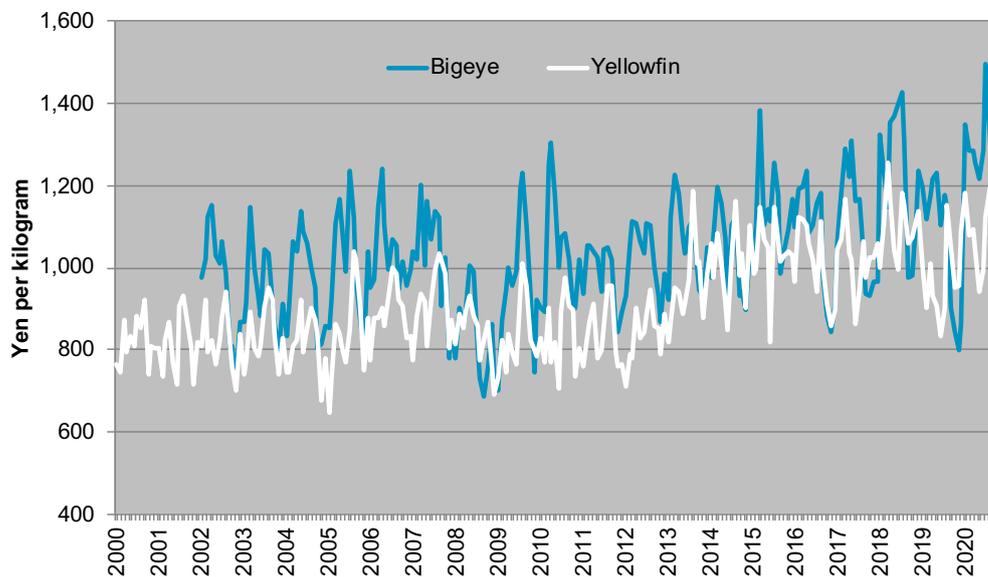
### Bangkok canning-grade prices to September 2020<sup>40</sup>



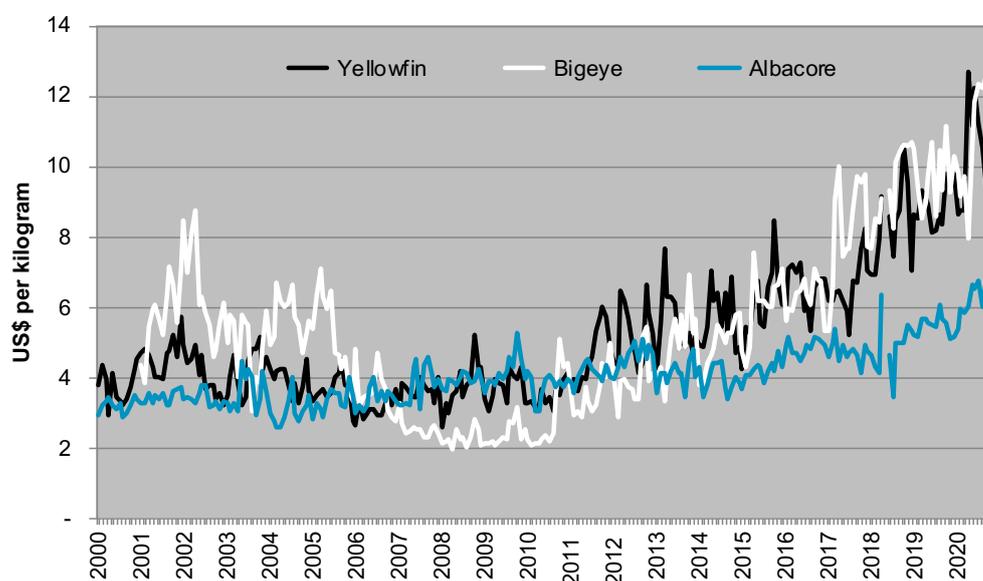
### Japan frozen sashimi prices (ex-vessel, Japanese ports) to October 2020<sup>41</sup>



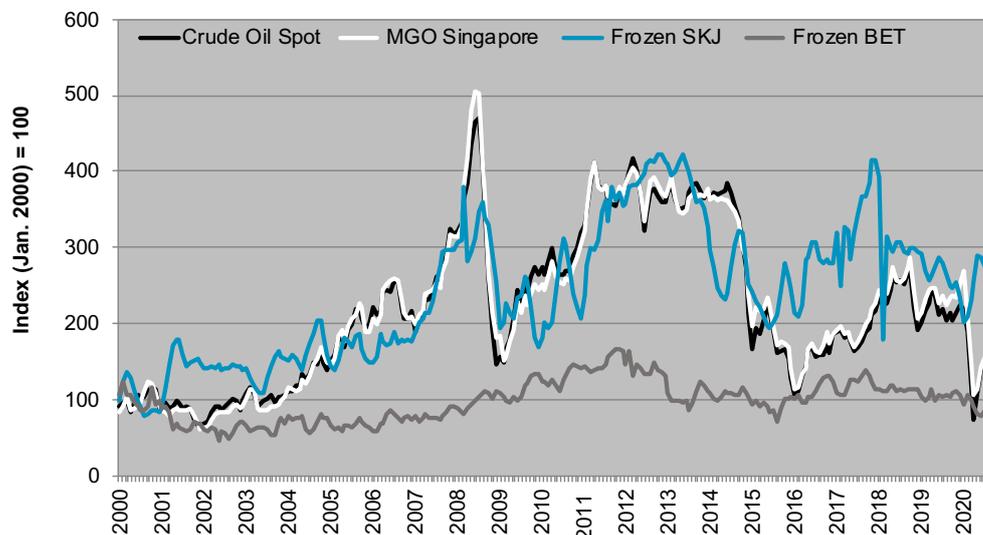
### Japan fresh sashimi prices (origin Oceania) to September 2020<sup>42</sup>



### US imported fresh sashimi prices to September 2020<sup>43</sup>



## Crude oil, canning-grade frozen skipjack (SKJ) and frozen bigeye (BET) price index to October 2020<sup>44</sup>



<sup>1</sup> Prepared for the FFA Fisheries Development Division by Professor Liam Campling, School of Business and Management, Queen Mary University of London, Dr Elizabeth Havice, University of North Carolina at Chapel Hill and Mike McCoy, independent consultant, all Consultant Fisheries Trade and Market Intelligence Analysts, Fisheries Development Division, FFA. Desktop publishing by Antony Price. The authors would like to thank FFA for their 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.

<sup>2</sup> EC 2020, 'Solomon Islands provisionally applies the EU-Pacific EPA from 17.5.2020'. Accessed 15 November 2020 at: [https://ec.europa.eu/taxation\\_customs/news/solomon-islands-provisionally-applies-eu-pacific-epa-1752020\\_en](https://ec.europa.eu/taxation_customs/news/solomon-islands-provisionally-applies-eu-pacific-epa-1752020_en)

<sup>3</sup> Notice pursuant to Article 6(6)(f) of Protocol II concerning the definition of the concept of 'originating products' and methods of administrative cooperation under the Interim Partnership Agreement between the European Community, of the one part and the Pacific States, of the other part (2020/C 308/02), *Official Journal of the European Union*, 17 September 2020. Available at: <https://op.europa.eu/en/publication-detail/-/publication/47dae5c5-f8ad-11ea-991b-01aa75ed71a1/language-en>

<sup>4</sup> Industry representative, pers. comm., November 2020.

<sup>5</sup> Industry representative, pers. comm., November 2020.

<sup>6</sup> European Parliament 2020, Motion for a Resolution with request for inclusion in the agenda for a debate on cases of breaches of human rights, democracy and the rule of law pursuant to Rule 144 of the Rules of Procedure on the situation in the Philippines, including the case of Maria Ressa (2020/2782(RSP)), B9-0295/2020, 15 September 2020. Available at: [https://www.europarl.europa.eu/doceo/document/B-9-2020-0295\\_EN.html](https://www.europarl.europa.eu/doceo/document/B-9-2020-0295_EN.html)

<sup>7</sup> *ibid.*

<sup>8</sup> Joyce Rocamora 2020, 'No reason' for EU to revoke PH's GSP+ status: Lopez', *Philippine News Agency*, 18 September 2020. Available at: <https://www.pna.gov.ph>

<sup>9</sup> Toan Dao 2020, 'Possible EU sanctions may hurt Philippines' tuna exports', *Seafood Source*, 22 September 2020. Available at: <https://www.seafoodsource.com>

<sup>10</sup> Bureau of International Labour Affairs 2020, List of goods produced by child labour or forced labour. Available at <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

<sup>11</sup> Stimson Center 2019. Shining a light: the need for transparency across distant water fishing. 1 November 2019. Available at: <https://www.stimson.org/2019>

<sup>12</sup> Greenpeace 2020, Briefing on Taiwan for the US Department of Labor 2020 List of Goods Produced by Child Labor or Forced Labor, 5 May 2020. Available at: [https://www.greenpeace.org/usa/wp-content/uploads/2020/05/Greenpeace-Briefing-to-US-DoL\\_May-5-2020\\_FINAL.pdf](https://www.greenpeace.org/usa/wp-content/uploads/2020/05/Greenpeace-Briefing-to-US-DoL_May-5-2020_FINAL.pdf)

<sup>13</sup> Human Rights at Sea 2019, Baseline study on the awareness and application of human rights in Taiwan's fishing industry, October 2019. Available at: <https://www.humanrightsat-sea.org/2020/07/02/180-survivors-on-board-the-ocean-viking-without-a-designated-port-for-disembarkation/>

<sup>14</sup> Environmental Justice Foundation 2018, Illegal fishing and human rights abuses in the Taiwanese fishing fleet, 5 December 2018. Available at: <https://ejfoundation.org/reports/>

<sup>15</sup> See for example, 'The Outlaw Sea', *The Economist*, 23 October 2020, pp. 49-51; 'US includes Taiwan on forced labour list due to fishing industry abuses', *Seafood Source*, 1 October 2020. Available at: <https://www.seafoodsource.com>

<sup>16</sup> Shem Oirere, 'IOTC data indicates tuna still overfished', *Seafood Source*, 23 September 2020. Available at: <https://www.seafoodsource.com>

<sup>17</sup> Jason Holland 2020, 'Princes makes further cuts to Indian Ocean yellowfin tuna sourcing, urges action from IOTC', *Seafood Source*, 20 October 2020. Available at: <https://www.seafoodsource.com>

<sup>18</sup> 'British supermarket Tesco threatens to stop buying Indian Ocean yellowfin tuna without improvement management', Seychelles News Agency, 5 October 2020. Available at: <http://www.seychellesnewsagency.com/>

<sup>19</sup> Jason Holland 2020, 'UK retailer refusing to sell yellowfin tuna until overfishing is addressed', Seafood Source, 9 October 2020. Available at: <https://www.seafoodsource.com>

<sup>20</sup> Dominic Welling, 'UK retailer Waitrose bucks 'boycotting' trend, stands by Indian Ocean yellowfin tuna fishery', *Intrafish*, 30 October 2020. Available at: <https://www.intrafish.com>

<sup>21</sup> "Boycott' of Indian Ocean tuna worries Maldives fisheries ministry", *Undercurrent News*, 29 October 2020. Available at: <https://www.undercurrentnews.com>

<sup>22</sup> ISSF 2020, *ISSF Position Statement – Indian Ocean Tuna Commission, Virtual Meeting, November 2-6, 2020*, 8 October 2020. Available at: <https://www.iotc.org>

<sup>23</sup> WWF Oceans Practice, *WWF Position for the 24<sup>th</sup> Session of the Indian Ocean Tuna Commission*, November 2020. Available at: <https://www.iotc.org>

<sup>24</sup> 'IOTC to hold special meeting to address yellowfin overfishing', *Undercurrent News*, 9 November 2020. Available at: <https://www.undercurrentnews.com>

<sup>25</sup> Transform Aqorau, Kamal Azmi, Elizabeth Havice, Stuart Kaye, Stuart Kininmonth, Moses Mataika, Sarah McTee, Anthony Morrison, Lars Olsen, Mark Soboil, Salmone Taufa, Alice Thomas-Smyth, and John Virdin 2020. *Assessing the Potential for Transferability of Access Rights to Enhance Sustainability in Large Pacific Tropic Fisheries*. Ni Report 20-09. Durham, NC: Duke University. Available at: <http://www.pacificcatalyst.org>

<sup>26</sup> Raiana McKinney, James Gibbon, Esther Wozniak, Grantly Galland 2020. *Netting Billions 2020: A Global Valuation of Tuna*, October. Washington DC: Pew Charitable Trusts. Available at: <https://www.pewtrusts.org/-/media/assets/2020/10/nettingbillions2020.pdf>; Grant Galland, Anthony Rogers and Amanda Nickson 2016. *Netting Billions: A Global Valuation of Tuna*, May. Washington DC: Pew Charitable Trusts. Available at: <https://www.pewtrusts.org/en/research-and-analysis/reports/2016/05/netting-billions-a-global-valuation-of-tuna>

<sup>27</sup> An overview of the report is available here: <https://www.pewtrusts.org/en/research-and-analysis/reports/2020/10/netting-billions-2020-a-global-tuna-valuation>

<sup>28</sup> Interactive features available here: <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2020/netting-billions-2020-global-values-and-trends-for-tuna-fisheries>

<sup>29</sup> ISSF 2020. *Seafood companies to commit to measure requiring a publicly available policy addressing social issues throughout the tuna supply chain*, ISSF Press Release. 29 October 2020. Available at: <http://www.iss-foundation.org>

<sup>30</sup> ISSF 2020. *Newest ISSF participating company compliance report shows 99.4 percent conformance with ISSF Conservation Measures*. 6 November 2020. Available at: <http://www.iss-foundation.org>

<sup>31</sup> Europêche Press release, 'lodges anti-dumping complaint against Chinese tuna exports - EU fishing sector requests the abolition of tariff derogations for imported tuna loins', EP(20)51, Brussels, 28 September 2020. Available at: <https://europeche.chil.me/post/europeche-lodges-anti-dumping-complaint-against-chinese-tuna-exports-eu-fishing-319254>

<sup>32</sup> Europêche 2020

<sup>33</sup> Contrast the different positions across these two reports: Dan Gibson and Matilde Mereghetti 2020, 'Latest EU tariff-free import proposals castigated by Europeche', *Undercurrent News*, 21 October 2020. Available at: <https://www.undercurrentnews.com/2020/10/21/latest-eu-import-free-tariff-proposals-draw-wrath-of-europeche/>

Dan Gibson 2020, 'European processors defend zero-tariff ATQs, stress need for 'level playing field'', *Undercurrent News*, 22 October 2020. Available at: <https://www.undercurrentnews.com/2020/10/22/european-processors-defend-zero-tariff-atqs-stress-need-for-level-playing-field/>

<sup>34</sup> Europêche 2020

<sup>35</sup> Luke Barratt 2020, 'Western banks provide billions in backing for firms driving tuna species to collapse', *Unearthed*, 28 September 2020. Available at: <https://unearthed.green->

[peace.org/2020/09/28/western-banks-finance-companies-responsible-for-overfishing-tuna/](https://www.peace.org/2020/09/28/western-banks-finance-companies-responsible-for-overfishing-tuna/)

<sup>36</sup> Siobhan Riding 2020, 'ESG funds forecast to outnumber conventional funds by 2025', *Financial Times*, 17 October 2020. Available at: <https://www.ft.com/content/5cd6e923-81e0-4557-8cff-a02fb5e01d42>

<sup>37</sup> Citi Group 2020, Citi Announces New Five-Year Sustainable Progress Strategy to Finance Climate Solutions and Reduce Climate Risk, press release 29 July 2020. Available at: <https://www.citigroup.com/citi/news/2020/200729a.htm>

<sup>38</sup> Citi Group 2020, *Environmental And Social Policy Framework*, New York: Citi Group, p. 15-17. Available at: <https://www.citigroup.com/citi/sustainability/data/Environmental-and-Social-Policy-Framework.pdf?ieNocache=672>

<sup>39</sup> All databases are provided by the Fisheries Development Division at FFA.

<sup>40</sup> Customs Department, Thailand. [http://www.customs.go.th/statistic\\_report.php?ini\\_content=statistics\\_report&ini\\_menu=nmenu\\_eservice&left\\_menu=nmenu\\_eservice\\_007&lang=en&left\\_menu=nmenu\\_eservice\\_007](http://www.customs.go.th/statistic_report.php?ini_content=statistics_report&ini_menu=nmenu_eservice&left_menu=nmenu_eservice_007&lang=en&left_menu=nmenu_eservice_007)

<sup>41</sup> FFA database

<sup>42</sup> Japan Customs. [http://www.customs.go.jp/toukei/info/index\\_e.htm](http://www.customs.go.jp/toukei/info/index_e.htm)

<sup>43</sup> US National Marine Fisheries Service <https://www.st.nmfs.noaa.gov/apex/f?p=213:5>

<sup>44</sup> US Energy Information Administration. [http://tonto.eia.doe.gov/dnav/pet/pet\\_pri\\_spt\\_s1\\_m.htm](http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_m.htm)