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COMMITTEE ON FISHERIES

SUB-COMMITTEE ON FISH TRADE

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TRADE IN FISHERIES SERVICES

Executive Summary

This paper provides initial information to allow for a comprehensive discussion and further dialogue regarding the importance of trade in fisheries services. This paper highlights the importance of fish trade in both goods and services, in particular the current lack of coverage of trade in fisheries services in statistical and analytical terms, and the benefits of having comprehensive data and information on trade in fisheries services at the global scale. Other relevant issues are also presented along with the historical background of how each theme has already been dealt with at FAO.

Suggested action by the Sub-Committee

- Provide guidance for the development of a possible framework for the capture and collation of fisheries services information;
- Advise FAO on future work in this field, particularly the need for further consultation to assess such a framework; and
- Provide information about relevant national, regional and inter-regional experiences related to trade in fisheries services, especially in the context of its importance, existing models, classification and data collection.



INTRODUCTION

1. According to FAO statistics, fish is currently the most traded animal protein worldwide in value terms. The fishing industry is also characterized by a wide range of product types and participants, which make trade global, diverse and complex. Regarding trade flows, there is a general pattern of supply from developing to developed countries primarily to cover insufficient local production or to fulfil a particular demand linked to the multitude of species not locally produced. This intensive international trade flow of fish and fishery products generates an associated economic activity – the occurrence of trade in services related to fish production and distribution. However, FAO analysis is mainly related to merchandise goods (fish and fishery products) and does not take into consideration trade in associated services, such as research and development, hiring of personnel, training, construction of infrastructure facilities, maintenance, repair and hiring of crew for vessels, among others.

2. In a global economy, services can be an important element that adds value to products, contributes to countries' GDPs, and has a direct link with employment, capacity building, and foreign direct investment flows. Trade in services is mainly relevant for sectors that have a strong international association pattern between countries or that are dependent upon technology, innovation, training and transportation. However, data coverage of trade in services does not match its wide-ranging aspects, mainly because of limitations (especially in the level of aggregation) of currently existing models and classifications.

BACKGROUND

3. Trade in fisheries services is not a new theme for FAO. In April 1985, when the Committee on Fisheries (COFI) decided the establishment of a Sub-Committee on Fish trade (COFI:FT) “to serve as a multilateral framework for consultations on international trade in fishery products”¹, its terms of reference were defined with an explicit mention of “trade-related services”². Nevertheless, since its inception, only one particular discussion on the issue of trade in fisheries services took place.

4. At the Sixth Session of COFI:FT in June 1998, the Secretariat presented fisheries services in paper COFI:FT/VI/98/7³ “as to include a range of activities: managerial expertise, harvesting, processing, policing and vessel monitoring services; the use of ports and port-related services; and training, research, stock assessment and data analysis services”. The investigation presented in the paper focused on services associated with harvesting exercise (rent of a natural resource), with an examination of its economic rationale and calculation of benefits. In the final report of this Sixth Session, FAO was instructed to carry out further studies on “trade in fisheries services”⁴. Unfortunately, funding for this work was not provided.

TRADE IN SERVICES – THE ROLE OF INTERNATIONAL ORGANIZATIONS

5. Many international organizations have a pivotal role in regulating and assessing trade in services on a global scale. Particularly, in the regulatory framework, the World Trade Organization (WTO), since the end of the Uruguay Round, has played an important role in the area of trade in services. In WTO Agreements and associated documents, general principles that should apply to trade in services are set,

¹ FAO. 1985. Report of the Sixteenth Session of the Committee on Fisheries. Rome, 22–26 April 1985 (available at www.fao.org/docrep/014/am682e/am682e.pdf).

² “Discussion of suitable measures to promote international trade in fish and fishery products and formulation of recommendations to improve the participation of developing countries in this trade, including trade related services; (emphasis added)”

³ Document entitled “Trade in Fisheries Services” in the section “Issues of international trade, environment and sustainable fisheries development” (available at <ftp://ftp.fao.org/docrep/fao/meeting/013/ai529e.pdf>).

⁴ FAO. 1998. Report of the Sixth Session of the Sub-Committee on Fish Trade. Bremen, Germany, 3-6 June 1998 (available at www.fao.org/docrep/005/X0325T/X0325T00.HTM).

along with individual lists of service commitments by countries organized by mode of supply. This grouping of services into modes of supply is primarily constructed upon the analysis of the territorial presence of the supplier and the consumer at the time the transaction takes place⁵. Also, several other organizations have developed specific classifications for services⁶ to facilitate data collection (in many cases with harmonization objectives) or, in some situations, to accomplish very specific purposes. However, the majority of those classifications have been constructed only with an aggregated structure and by taking into consideration particular needs, making precise and sectorial analysis difficult or almost impossible to be carried out in a consistent, significant and effective way.

TRADE IN FISHERIES SERVICES

6. The importance of developing countries and small-scale producers in the supply of fish and fishery products to international markets, in addition to the unique role of vessels in fish production, naturally leads to trade opportunities in fisheries services. Regardless of whether the fish is wild caught or from aquaculture, demand for services can arise throughout the supply chain. The diverse localization of fish production sites around the globe in different maritime zones can impose service needs that cannot be fulfilled locally or that are more competitive if delivered from abroad, such as research and development, monitoring, control and surveillance, hiring of personnel, training, construction of infrastructure facilities and marketing, among others. Also, a whole set of vessel related services can be delivered on a transboundary basis, such as those associated with ports, construction, maintenance, repair and crew hiring and training. Services linked to vessels are largely traded internationally, particularly with regard to the possibility of their operations being performed in distinct zones of the sea (territorial sea, exclusive economic zones (EEZs) or high seas) or as a result of the level of sophistication of the vessels involved. This pattern is predominantly evident in the case of vessels operating in non-contiguous areas of the territory of the country of their flag or in the case of chartering highly sophisticated fishing or factory-style vessels.

7. For recipient countries, the fulfilment of a specific need regarding trade in fisheries services can create a new frontier for increasing their fish production in a more competitive and sustainable way, enhancing their participation in international trade, and empowering the participants throughout the supply chain. These benefits are particularly tangible if services are provided in highly specific spillover sectors, such as training, research and development, operations, infrastructure, vessels and personnel.

8. In contrast, trade in fisheries services can play a significant role for supplying countries. It can allow them to transfer knowledge, technology and to provide highly skilled labour to service-scarce countries. All these aspects can increase productivity abroad, allowing economic gains for both the recipient and the supplier countries, including the possibility of the latter obtaining more diversified imported fish products at a lower cost. Also, an international flow of services can generate benefits for private companies and a better allocation of economic inputs that are underused in the supplying country, with overall benefits for the economy. For countries implementing or enhancing their management system, trade in fisheries services may provide an opportunity to benefit from lessons learned by recipient countries and supplying countries and the impacts (positive or negative) in management efficiency and effectiveness.

⁵ For an explanation of the modes of supply: www.wto.org/english/tratop_e/serv_e/cbt_course_e/c1s3p1_e.htm

⁶ Such as the International Standard Industrial Classification of All Economic Activities (ISIC), the Central Product Classification (CPC), the Balance of Payments Manual (BPM), the Extended *Balance of Payments Services Classification* (EBOPS), the Manual on Statistics of International Trade in Services (MSITS), among others.

THE IMPORTANCE AND BENEFITS OF INFORMATION AND ANALYSIS ON TRADE IN FISHERIES SERVICES

9. The importance of trade in services cannot be underestimated in any comprehensive analysis of the fish economy for the promotion of international trade to benefit countries. However, taking into consideration that services, in general and not only for fisheries, are not covered in the same way and with the same level of detail as the merchandise sector, analyses, empirical research and other analytical tools produced so far are limited, are not robust, or, if they do exist, tend to be biased. Also, during the last decade, many articles and reports published by experts and international organizations encapsulated trade in fisheries services into a single dimension associated with economic advantages linked with the rent of a natural resource to a foreign country (by access or chartering agreements). Nevertheless, fisheries services encompass multifaceted modalities and forms of trade that cannot be restricted to one dimension. Thus, any analysis by FAO and others must take into consideration an adequately detailed perspective to avoid a restricted approach.

10. The development of a framework would allow a more precise identification of traded services within the sector (such as the activities performed, the amount being traded, its origin and destination, among other information). Also, a framework would permit studies on how trade in fisheries services behaves worldwide: its flows; its potential to affect the sector, employment and the economy; any particular growth in demand for a particular service; market opportunities, among other issues. Such a framework will also allow for the possibility to develop analyses, including time series, which already exist for the trade in merchandise (fish and fishery products), permitting examination on how trade in fisheries services evolves over time, how each activity performs, its possible and actual contribution to further development of the sector at a national level, its impact on improving value in national economies and necessary actions to allow better participation of developing countries in this sector.

11. As trade in services is a much more complex issue than that of merchandise, and acknowledging the limited scope in current articles and reports, primary research could enrich the understanding of this topic, which will take into consideration existing models, classifications and data collection and possibly lead to a framework able to fulfil the particular needs of the fishing sector.

CONCLUSION

12. The economic activity associated with fish and fishery products encompasses both merchandise trade and services trade. As is the case for the trade in goods, the characteristics of the fish and aquaculture sector also make the trade in services very particular, with the potential to generate differentiated and comprehensive economic returns and externalities, if sustainability and equity considerations are observed.

13. While the global picture on the extent and value of the trade in fisheries services has yet to emerge, selected examples from developing and developed countries indicate that such impacts in economic and social terms can be substantial. Balanced outcomes can be feasible corollaries for trade in fisheries services, including the reduction of overcapacity and overfishing, in line with the United Nations Sustainable Development Goals (SDGs), in particular SDG 14.

14. To reach an effective win-win situation on trade in fisheries services, where participating countries and stakeholders would be able to take real advantage of an efficient allocation pattern, including cost and benefits flows, further information and analysis is needed. Also, a more comprehensive overview of this missing dimension would make a significant contribution to the FAO Blue Growth Initiative, regarding better basic availability of information and analysis on energy use, fish production, employment, innovative financing, and cost sharing, with overall benefits for countries.

15. The importance of these services should be taken into consideration in any comprehensive overview of the fisheries and aquaculture sectors. Trade in services can have a significant role in the process of production, with positive outcomes for productivity, employment, transfer of know-how and

income distribution, empowering the stakeholders throughout the value chain. In order to allow FAO to play a positive and efficient role for countries, especially within the terms of reference of COFI:FT and in line with FAO's Strategic Objectives 2⁷ and 4⁸, a framework on trade information and analysis for fisheries and aquaculture services could act as a pivotal tool for having a real and extensive overview of the sector.

⁷ Make agriculture, forestry and fisheries more productive and sustainable.

⁸ Enable inclusive and efficient agricultural and food systems.