

# Executive brief



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## Tuna sector: Issues and challenges

### 1. Background and key issues

While access fees for foreign fleets have traditionally been the main source of financial benefits derived from ACP tuna fisheries, increasingly ACP countries are seeking to develop their own tuna fishing capacities. In some tuna fisheries that are fully exploited, or even over exploited, this is likely to require a reduction of the third-country fishing effort deployed, if tuna stocks are to continue to be fished at sustainable levels.

ACP governments are also seeking to promote increased local value-added processing, with rules of origin under trade agreements such as economic partnership agreements (EPAs) potentially having important implications. Nevertheless, the linking of tuna fishery access to increased local processing is currently the main instrument for encouraging

increased onshore investment in ACP tuna fishing regions.

EU tuna vessels (purse-seiners, long-liners and some pole-and-line vessels) fish mainly in the Indian and Atlantic Oceans,

*“EU tuna fleets are seeking access to new tuna grounds through new fisheries agreements”*

although some also operate in the Pacific). They fish both under international regulatory frameworks and in the exclusive economic zones (EEZs) of coastal nations, including ACP countries, under both fisheries agreements and private arrangements. EU tuna fishing fleets are currently seeking access to new tuna fishing grounds, including through new fisheries agreements.

92% of the total EU tuna catch comes from these externally deployed fleets and it is mostly destined for the EU market, either in frozen or processed form. Around 400,000 tonnes a year is caught, and then processed in the EC, ACP countries or Generalised System of Preferences (GSP) beneficiary countries. The EU tuna sector is vertically integrated, with a growing engagement of international capital, particularly from Asia. The vertically integrated nature of the EU tuna industry provides the background to ACP efforts to promote local value added processing.

The operations of the EU fleet cannot be divorced from the supportive frameworks of fisheries and trade policy established in the EU. This makes discussions in the EPA negotiations on the rules of origin particularly sensitive.

Efforts are under way to harmonise management arrangements within regional fisheries management organisations (RFMOs), this is known as the 'Kobe process'. It includes discussions on the freezing or reduction of the fishing effort on tuna stocks. This provides an important background to ACP efforts to develop their own tuna fishing fleets.

## 2. Latest developments

### Issues over access to EU markets

#### Rules of origin issues

Selling processed tuna products from ACP countries onto the EU market has until now been constrained by rules of origin, which, because of the limited development of local ACP tuna fleets *de facto* limits the supply of raw material for processing to EU vessels. Two avenues are increasingly being explored

by ACP countries to address this: relaxation of the rules of origin, and the development of local ACP tuna fishing and processing through the promotion of

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investments. Important developments in these two aspects have taken place since July 2011, particularly in the Pacific.

Prior to a Pacific ministerial meeting preparing for the full EPA negotiations, the prime minister of Papua New Guinea (PNG) argued in August 2011 that the interim EPA (IEPA), and in particular the 'global sourcing' derogation to the rules of origin, had proved of great benefit to the Pacific by securing important market access for fisheries. (See Agritrade article '[Tuna fisheries remain key to Pacific trade negotiations](#)', 31 October 2011.)

This analysis was questioned in a report on the implementation of the Rules of Origin (RoO) 'global sourcing' derogation in the Pacific IEPA, commissioned by the EC and published in early 2012 (see Agritrade article '[European Commission publishes study on global sourcing in the Pacific](#)', 25 March 2012), which considered:

- the developmental effects on the PNG economy, particularly the impact on the conservation and sustainable management of fishery resources (including compliance with the sanitary and phytosanitary (SPS) regulation);
- the impact on combating illegal, unreported and unregulated (IUU) fishing in the Western and Central Pacific Ocean (WCPO);
- the impact of the RoO derogation on the EU market for canned tuna and

EU fishing and canned-tuna processing industries.

The report highlighted the fact that to date the impact on the development of the PNG economy has been 'negligible', as little use has been made of the derogation by the canners. However, it argued that global sourcing should help to achieve economies of scale, so that 'if and when PNG's margin of preference (24%) to the EU gradually erodes in light of more favourable trade preferences garnered by PNG's major competitors (e.g. Thailand, the Philippines), global sourcing will be a contributing factor in sustaining PNG's processing sector in the future'.

The study also pointed out some major challenges, namely:

- the necessity for PNG to make efforts to ensure that restrictions on the level of fishing effort are fully respected under current fisheries management systems;
- the need to address negative social and environmental issues associated with tuna-processing developments.

#### Investments in ACP tuna processing

Major challenges faced in the ACP fisheries sector are not only the promotion of investment, particularly in onshore processing, but also ensuring that

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*"Major challenges in the ACP fisheries sector are the promotion of investment – particularly in onshore processing – but also ensuring that this investment promotes responsible fishing"*

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this investment promotes responsible fishing. Summarising this, in a speech to the Pacific Tuna Forum 2011, the director of the Parties to the Nauru

Agreement (PNA) told tuna industry participants to work with the PNA or risk losing access to its rich fishing grounds (see *Agritrade* article “[Shape up or ship out](#)”, PNA tells tuna industry’, 28 October 2011).

### EPA negotiations and the tuna sector

In a number of tuna-exporting ACP countries which have not yet concluded their

EPA negotiation process, concerns have arisen as to the effects on investment of uncertainty generated by the EC’s September 2011 proposal to amend market access regulation 1528/2007. If this proposal is adopted and implemented, the regulation would see duty-free, quota-free (DFQF) access lapse from 1 January 2014 for those exporters whose governments have not signed, ratified and begun implementation of their EPA commitments. This would primarily impact on

Ghana and Côte d’Ivoire, which would face a large increase in tariff duties. While the governments of both countries are committed to concluding the EPA process before the deadline, there is concern that any bilateral signing of EPA agreements could undermine regional trade integration processes. This explains the delays in ratification and implementation of bilateral IEPAs, while efforts continue to elaborate a united regional approach to the conclusion of the EPA process.

Table 1: Tuna exports of Côte d’Ivoire and Ghana: Large tariff rises

CN code	Product description	Maximum changes in tariff levels
16041418	Prepared & preserved tuna and skipjack	20.5%
16041411	Tuna prepared & preserved in vegetable oil	20.5%

Source: Extracted from ‘The costs to the ACP of exporting to the EU under the GSP’, ODI, Final Report, March 2007

Similar regional considerations would apply in the Pacific, where, however, the government of PNG has pushed ahead with ratification and implementation of its EPA, but with the option being left open for other Pacific ACP governments acceding to the bilateral EU–PNG agreement.

### Market and industry dynamics in the global tuna sector

International tuna fisheries and trade are highly integrated. Since July 2011 further consolidation of the sector has

*“As part of consolidation of the international sector, Asian-based tuna multinationals are buying or planning to buy major European tuna companies with factories in ACP countries like Senegal, the Seychelles and Ghana”*

taken place, in particular with Asian-based tuna multinationals buying, or planning to buy, major European tuna

companies which have factories in ACP countries like Senegal, the Seychelles and Ghana (see *Agritrade* article ‘[Asian groups acquire European tuna companies](#)’, 19 February 2012).

Understanding the dynamics of this global sector is of paramount importance for ACP countries. In early 2012, the Pacific FFA (Forum Fisheries Agency) published a study (see *Agritrade* article ‘[Market and industry dynamics in the global tuna-supply chain](#)’, 5 February 2012), which described tuna supply-chain dynamics. It surveyed the main players in the tuna industry chain – fishing fleets, trading companies, processing and marketing companies – focusing on the segments involved in canned tuna, sashimi, and other value-added products (such as fresh and frozen products).

On canned tuna, the study confirmed that the most important canned tuna processor in the EU is Spain, with five major processing firms, four of which have their own fishing capacity. The sale of MW Brands to Thai Union Frozen

(TUF) is considered the most important development in the EU canned tuna industry in recent years. TUF now has a seat in the EU lobby group Eurothon, which is likely to fragment the political coherence of the EU tuna lobby over key strategic issues such as the tuna trade regime.

The study also revives the concept of a ‘tuna cartel’ in the Pacific, arguing that the region is in a strong position to drive up the price of canned tuna, by putting in place effective limits on fishing activity and controlling supply. This is crucial in an era of the increasing market power of large retailers which is likely to increase further in the coming years in the canned tuna supply chain. Regarding other value-added products, the study underlined the limited global demand for such products compared to traditional canned-tuna products. However, for those Pacific island countries that have ‘processing facilities with export canning lines, development of value-added products does offer opportunities for increasing profitability’.

## Tuna fishing capacity management: Sustainability and equity issues

The management of tuna fishing capacity, and the subsequent allocation of fishing possibilities remains the most difficult issue facing tuna RFMOs, of which ACP countries are a part. The environmental sustainability of ACP coastal states' aspirations to expand their fleets needs to be located in a context involving the historical rights and investment efforts made by distant-water fishing nations.

Since July 2011 important developments have taken place regarding the environmental sustainability of canned tuna sourcing (see *Agritrade* article '[Sustainability guide for canned tuna](#)', 9 December 2011). Most discussions and developments have been on the environmental sustainability of particular fishing methods, in particular pole-and-line fisheries and purse-seine fishing on free-swimming schools (i.e. those not using fish aggregating devices – FADs).

In late 2011 it was announced that the NGO Greenpeace was able to persuade nearly all retailers in Britain – the world's second-largest consumer of canned tuna – to commit to selling only tuna caught without FADs (see *Agritrade* article '[Western Pacific tuna: The world's first sustainable industrial fishery?](#)', 7 September 2011).

Two months later, the International Seafood Sustainability Foundation (ISSF), a platform grouping scientists and industry (including European purse-seiner companies), published a new technical resource paper on pole-and-line caught tuna. This report, entitled 'The promotion of pole-and-line tuna fishing in the Pacific islands: Emerging issues and lessons learned' (see *Agritrade* article '[The impact of](#)

[increased demand for pole-and-line caught tuna on Pacific islands](#)', 12 November 2011), highlighted the important benefits related to labour and selective fishing arising from pole-and-line tuna fishing. The report also considered whether the current favourable publicity over pole-and-line fishing could evolve into a public backlash against purse-seining, commenting that current commitments by retailers to buying only pole-and-line tuna could evolve into commitments not to buy tuna from FAD-associated purse-seine fishing – 'should a certified product become available'.

Interestingly, a further two months later, and despite ISSF opposition (see *Agritrade* article '[ISSF opposes the MSC eco-labelling of Pacific skipjack fishery](#)', 31 October 2011), this became reality, when the Marine Stewardship Council (MSC) announced that the purse-seine operations of the PNA skipjack tuna fishery that are targeting free schools, had been certified as sustainable (see *Agritrade* article '[The world's first certified purse-seine fishery](#)', 5 February 2012). The eight Pacific PNA countries have formed a partnership with a Dutch company to create the Pacific's own brand of FAD-free skipjack. The new product is designed to fill the expected surge in demand for ecologically caught tuna, notably from Britain.

This move was welcomed by NGOs (see *Agritrade* article '[NGOs welcome PNA eco-labelled fishery](#)', 19 February 2012). However, challenges remain over the management of the skipjack fishery by the PNA, taking into account catches in waters outside PNA control. In that context, the role of the Western and Central Pacific Fisheries Commission (WCPFC) is vital, as it must implement reference points that identify an acceptable level of fishing, as well as a population size that should be maintained.

## EU-ACP tuna agreements

The EC proposals published in July 2011 for reform of the common fisheries policy (CFP) are now under discussion both at Council of Ministers and European Parliament level, and there seems to be growing consensus that the EU will increase its involvement in tuna RFMOs, providing more support for scientific research and monitoring control and surveillance (MCS) operations.

In order to establish a more level playing field for the EU fisheries sector it is being argued that since non-EU fleets do not have to abide by the same level of environmental and social

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standards, market access arrangements should be increasingly linked to respect for environmentally and socially sustainable fishing practices. This is particularly stressed in a new piece of legislation that is being discussed, that will allow the EU to take trade-related measures against countries allowing 'unsustainable fishing', particularly those countries which do not implement RFMO recommendations.

Since July 2011 several EU-ACP tuna agreements have been renewed, including:

- A new fisheries partnership agreement (FPA) and protocol between the EU and Mauritius under which, in exchange for fishing opportunities for tuna vessels, the EU will pay Mauritius €660,000 per year, out of which €302,000 will be earmarked to support Mauritan



fisheries policy. In addition, in order to avoid adverse effects on small-scale fishers, EU vessels will only be allowed to fish beyond 15 miles (currently 12 miles) from the coastal baseline. The FPA *ex ante* evaluation stated that 'whilst the status of coastal resources is alarming, the status of high-seas demersal banks remains satisfactory. The main challenge faced by the authorities for the future is to lower fishing effort in the lagoons by transferring it in offshore areas' (see *Agritrade* articles '[New FPA between the EU and Mauritius](#)', 30 April 2012 and '[Mauritius and the EU identify their mutual interests in concluding a new FPA](#)', 19 January 2012). A clause on the respect of human rights has been introduced into the protocol, which also includes conditionalities relating to the implementation of sectoral policy. In this regard, the FPA *ex ante* evaluation argued that, 'although the fish-processing sector is well developed, particularly through the concept of "sea-food hub" ... to continue its growth the Mauritian industry must preserve its competitiveness in a global context of tariff erosion and be in a position to respond to consumer concerns for sustainable fishing'.

- A new FPA protocol between the EU and Mozambique under which the financial contribution is divided into payment for access rights and payment for the support and implementation of Mozambique's sectoral fisheries policy (see *Agritrade* article '[New protocol for the FPA between the EU and Mozambique](#)', 3 March 2012). The agreement also deals with some long-standing issues such as the shortcomings observed by the Mozambican administration in catch declarations by EU ship-owners. In the new protocol, from 1 July 2012, electronic exchange of all catch and reporting data based on an electronic logbook will replace the paper version

of the catch reporting. Moreover, compulsory catch reports cover not only tuna species, but also shark species.

- A new protocol between the EU and Cape Verde, where the reference tonnage to be caught in the waters of Cape Verde by EU vessels is fixed at 5,000 tonnes of tuna per year. Issues identified by both parties include necessary progress in relation to stock assessments, and MCS. Support for strengthening MCS will assist the EU policy in relation to IUU fishing.
- A new protocol for the Kiribati-EU FPA has been finalised. The reference tonnage agreed in the protocol is 15,000 tonnes, which corresponds to fishing authorisations to be allocated to four purse-seiners and six long-liners from Spain, France and Portugal. The Commission welcomed this renegotiation that 'confirms the commitment of the EU to work with its partners on strengthening sustainable fisheries wherever its fleets operate'. It needs to be noted that, according to data released earlier on by the Spanish 'Cluster of Fishing enterprises active in third countries waters' (CEPPT), another 11,500 tonnes of tuna is caught by vessels under joint ventures in Kiribati.

It is also noteworthy that the tuna agreement protocol with Gabon was not renewed because of the proposal to include a human rights clause and conditionalities for payment (see *Agritrade* article '[Human rights clause and conditionality for payment block the renewal of the EU-Gabon FPA](#)', 3 March 2012). For EU vessels, this 'non-renewal would mean the cessation of fishing activity, since the "exclusivity clause" provided for in the partnership agreement remains in force. This clause makes it impossible to issue fishing authorisations to European vessels outside of the agreement, even in the absence of a protocol.'

### 3. Implications for the ACP

#### Investments in sustainable tuna fisheries

Establishing an appropriate investment framework for the promotion of increased onshore processing, within broader efforts to strengthen fisheries resource management, is an important challenge facing ACP governments. A multiplicity of areas for strengthening ACP capacities exist, ranging from improved fish stock assessments, through strengthened monitoring and control systems to the promotion of better stakeholder dialogues and good governance in the fisheries sector.

What is clear is that in order to design and implement a successful strategy for developing sustainable tuna fisheries, ACP countries have to take into account the fact that the sector is very dynamic and constantly changing. As a consequence they require a better understanding of what shapes and influences change in the global tuna-supply chain.

This suggests the need for a more permanent tool, an 'observatory', to enable ACP countries to remain informed of ongoing global tuna-industry developments, and develop their capacity to analyse and more widely use the information produced in the elaboration and implementation of their fisheries management and fisheries investments strategies. The development of a permanent tool of this nature may require specific support, and ACP countries should look at how the EU and other partners interested in sustainable fisheries can support such an initiative.

While rules of origin issues are important in ensuring full utilisation of any installed

tuna processing capacity in ACP countries, in some countries important questions also arise over the nature of the tuna fishery to be encouraged, with

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*“Commercial investment considerations need to be weighed against the local economic benefits derived from more small-scale catching operations and the more sustainable nature of certain modes of fisheries exploitation”*

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commercial investment considerations needing to be weighed against the local economic benefits derived from more small-scale catching operations and the more sustainable nature of certain modes of fisheries exploitation.

In this context it should be borne in mind that getting better prices is not the only objective that ACP governments may wish to pursue. Job creation is an equally important issue, and this

can be achieved either by developing an ACP fishing fleet employing local crew, and/or by developing onshore tuna processing. Putting an eco-label on a rather low-quality tuna meat, like the MSC certification in the Pacific, is unlikely to command a premium on price. But the main benefit in this case would therefore be that sales of eco-labelled tuna would get a boost, and lead to more jobs being created in the onshore processing sector. It is important that such a contribution to job creation is recognised through appropriate labelling, provided that such jobs involve decent working conditions.

### Developing active strategies for participation in RFMOs

A critical question for ACP coastal states involved in the tuna fishery is how to reconcile their aspirations for the development of their own tuna fishing fleets with the efforts of RFMOs to ensure

that only sustainable levels of fishing effort are deployed. Clearly more effective engagement of ACP authorities within RFMOs is essential. In the first instance this could be based on joint efforts to strengthen the information base on the total fishing effort being deployed in ACP waters. Improving transparency in this respect would appear to be an important first step in any debate on opening up increased tuna fishing opportunities for emerging ACP tuna fleets, within the sustainable fishing limits agreed within RFMOs.

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5. International Seafood Sustainability Foundation website

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#### About this update

This brief was updated in September 2012 to reflect developments since the publication of the first *Agritrade* brief on the Tuna sector in November 2011.

Other publications in this series and additional resources on ACP—EU agriculture and fisheries trade issues can be found online at <http://agritrade.cta.int/>



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