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**Regional trade agreements in the context of  
WTO focusing on world trade of fish**

**by**

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## ABBREVIATIONS

ACP:	African, Caribbean and Pacific countries
AFTA:	ASEAN Free Trade Area
ALADI:	Latin American Association of Integration
APEC:	Asia Pacific Economic Co-operation
ASEAN:	Association of Southeast Asian Nations
CACM:	Central American Common Market
CARICOM:	Caribbean Community and Common Market
CBERA:	Caribbean Basin Area
CEFTA:	Central European Free Trade Agreement
CEPT:	Common Effective Preferential Tariff
CET:	Common External Tariff
CFP:	Common Fisheries Policy
CITES:	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COMESA:	Common Market for Eastern and Southern Africa
EAEC:	East Asia Economic Caucus
EAGA:	East ASEAN Growth Area
EEA:	European Economic Area
EEC:	European Economic Community
EFTA:	European Free Trade Association
EU:	European Union
FAO:	Food and Agricultural Organization
FTA:	Free Trade Agreement
FTAA:	Free Trade Area of the Americas
GATS:	General Agreement on Trade in Services
GATT:	General Agreement on Tariffs and Trade
GDP:	Gross Domestic Product
GSP:	General System of Preference
HACCP:	Hazard Analysis Critical Control Point
ILP:	Import Licensing Procedures
IMF:	International Monetary Fond
ISO:	International Organization for Standardization
LDC:	Least Developed Countries
MERCOSUR:	Southern Common Market Agreement
MFN:	Most Favoured Nation
MSC:	Marine Stewardship Council
NAFTA:	North American Free Trade Agreement
OECD:	Organization for Economic Co-operation and Development
PTA:	Preferential Trading Agreement
RTA:	Regional Trade Agreement
SADC:	Southern African Development Community
SCM:	Subsidies and Countervailing Measures
SPS:	Sanitary and Phytosanitary Measures
TBT:	Technical Barriers to Trade
TCP:	Technical Co-operation Project
U.N.:	United Nations
UNCLOS:	UN Convention on Law of the Sea
WTO:	World Trade Organization

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## **Executive summary**

The main objectives of this report are to give an overview of the existing regional trade agreements and to analyse their impact on trade of fish within a region, between regions, between a region and important trading partners.

Fish and fishery products are among the most traded foodstuffs internationally. About 22 million tonnes are traded annually (1998), with a corresponding export value of US\$ 50 billion. No less than 200 countries export part of their production and 190 countries import fishery products. The level of trade has been growing at an accelerating pace in the last decade, reflecting increased production, particularly in aquaculture, and increased demand. The largest exporters of fish and fishery products are the EU, Thailand, Norway, China, USA, Canada and Iceland. More than 50 % of world exports of fish products come from developing countries and their share is increasing. Concerning imports, the largest importers are the United States, the European Union and Japan. These three together import 75 % (in value terms) of internationally traded fishery products.

Throughout the last decade there has been a continual process where decision making on market access has been transferred from a national to a supranational and global level. The main international agreement regulating the flow of goods across borders is the General Agreement on Tariffs and Trade.

One of the main principles in the GATT/ WTO is the Most-Favoured-Nation Article, which guarantees similar trade conditions to all member states. The most important exception from this article is the permission to create regional trade blocks. The WTO regulations permit explicitly that regional groupings of countries enter into free trade agreements or custom unions to reduce the trade barriers between each other. Since the establishment of GATT in 1947, more than 100 regional trade agreements have been created.

This report describes nine of these agreements and analyses the trends in trade of fish, to get an impression of the impacts of the agreements on the regional trade in fish. In America, the NAFTA agreement covers the North; MERCOSUR and the Andean Community cover the South; and CARICOM covers the Caribbean. Together the agreements secure favourable trading conditions for the American continent. As for Europe, the EU is the most important legislative unit. In addition, EFTA used to have a strong position but has lost member states to the EU. However, EFTA with Iceland and Norway is still significant in fish trade. The ASEAN Free Trade Area (AFTA) covers 10 Asian countries, and has great importance for fish trade. Japan, however, one of the giants in world fish trade, is not a part of ASEAN/ AFTA. As for Africa, COMESA and SADC together cover nearly all Sub-Saharan countries. The regional trade agreements seem to be beneficial for the member countries, as shown in the various analyses of the fish trade. However, the GATT/WTO regulations are reducing their significance as they contain regulations on both tariffs and quotas, which are the basis for many of the regional trade agreements.

The world trade of fish is restricted by tariffs on fishery products for the various regions. In addition, there are several agreements in the WTO that have a strong influence on the fish trade. The Sanitary and Phytosanitary Measures and The agreement on Technical Barriers to Trade are among the most important, as these agreements try to prevent sanitary standards and quality measures as obstacles to trade. The Anti-Dumping Agreement is relatively wide, and thus contains a possibility for interpretation in the country's own interest. The Agreement on

Subsidies and Countervailing Measures is highly debated, which shows the necessity for an international regulation concerning state aided production. The Dispute Settlement Body and more stringent enforcement of WTO regulations is a sign of improvement, to show that international regulations actually work. The Committee on Regional Trade Agreements controls the establishment of new regional agreements, and this is an important control mechanism for the WTO. Last but not least, environmental issues are becoming more important, thus a section on sustainable fisheries and environment is included in the WTO chapter. In addition, agreements on preservation and environmental issues such as CITES have increased importance for trade in living resources.

## **1. Introduction**

Fish and fishery products are the most international of all foodstuffs. Annually, about 22 million tonnes<sup>1</sup> are traded (1998), with a corresponding value of US \$50 billion<sup>2</sup>. This export level amounts to 33% of global fisheries production, i.e. aquaculture and catch. No less than 200 countries export part of their production and 190 countries import fishery products. The level of trade has been growing at an accelerating pace in recent years, reflecting increased production, particularly in aquaculture and increased demand. This report is focusing mainly on trade of fish and fishery products on an aggregate level. In the analysis, all fish products, such as prepared and preserved fish and non-edible products: fish meal and oils are included<sup>3</sup>.

Throughout the last decade we have seen a continual process where decision making on market access has been transferred from a national to a supranational and global level. The main international agreement regulating the flow of goods across borders is the GATT/WTO-agreement. In addition, agreements on preservation and environmental issues such as CITES<sup>4</sup> have increased importance for trade in live and renewable resources. However, perhaps the most important regulations are the supranational agreements such as NAFTA, EU, MERCOSUR and ASEAN. Even if these agreements are adapted to the global regulations in principle, they are often more restrictive allowing more specified market access than the international agreements. The regional agreements are more adapted to each region and their specific needs of protection. As for bilateral agreements, these are more rarely used and some are replaced by agreements between the trade region and a single country.

This report has two main objectives:

1. To give an overview of the existing regional trade agreements and their role in international trade, focusing mainly on fishery products.
2. To analyse the different agreements' impact on trade (of fish); both within a region; between different regions; and between a region and other important trading partners.

The primary objective (1) is to give a description of the present situation with the different agreements and their international setting. In the report a regional trade agreement will be referred to as: *A contract involving more than two countries with the objective of simplifying trade through co-operation and common regulations*. To simplify the presentation, the main focus is on the nine largest agreements representing different parts of the world i.e. NAFTA, MERCOSUR, the Andean Community, CARICOM, EU, EFTA, AFTA (ASEAN), COMESA and SADC. The agreements are sorted by world regions; beginning with America, which is followed by Europe, Asia and Africa. Other agreements are commented upon in short, specifying member countries and contents. The regional agreements are seen in the context of the WTO, which now has 139 member countries, as is the most important international forum for world trade and gives boundaries to the member countries and the different regions. Hence, the WTO regulations and the various objectives for existing barriers to trade are explained.

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<sup>1</sup> Exports in product weight, see table 1

<sup>2</sup> Billion will be used in the American sense throughout the report, namely 1 billion = 1 thousand million

<sup>3</sup> The HS product codes used in the statistics are: 03, 1604, 1605, 150410, 150420, 2301200

<sup>4</sup> CITES is short for the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and is the only global treaty focusing on the protection of plant and animal species from unregulated international trade.

The second objective (2) is to assess the agreements' consequences on trade, mainly on fishery products, by using statistics to analyse changes in trade and to discover trends. Some comments and examples are given of how the regions interact, and the general trend envisaged is that the regions seem to enter into agreements with each other, resulting in broader agreements.

The chapter on the various regions is structured as follows: Each agreement is first presented with the member countries and time of establishment. Then, the objectives of the agreements are explained, cited as correctly as possible from the legal texts. As the most essential part of each chapter, the contents of the different agreements and their regulations of trade such as tariffs and other measures are described. For some important fish markets the tariffs are given in figures or percentages for different fish products as well as a discussion of their impact on trade.

By using statistics to analyse the trade and growth trends, the total trade of all goods is shown for some regions. This is in order to investigate whereas changes when the agreement came into force took to place for all products, or if they are specific for fishery products. It also gives the possibility to calculate how important fish trade is for the region relative to other products. As for fishery products, the total export and import values of all fish are given in figures for all regions. Then, the trends are shown for internal trade where statistics are available. Trade between the regions is then analysed, i.e. EU and NAFTA vs. the other regions, since these countries are the only ones with databases showing all details of trade flows and destination. Certain regions have single countries as important trading partners and the countries with highest significance for fish trade will be described.

An overview of the world fish trade will be given first in the following chapter (1) to provide a background for the various agreements and to show their role in international trade.

## Chapter 2: World fish trade

### 2.1 Evolution of trade and production of fish

The total world production of fishery products, i.e. captures and aquaculture, has an increasing trend. From 1980 to 1995 the world's production went up by more than 10 million tonnes every five years, and it is continuously augmenting except for a slight decrease in 1998 as shown in table 1. Captures have been relatively constant whereas aquaculture has been increasing.

World exports of fish products show a similar trend, with highly increasing quantities and values over the last 20 years. As a result, the exports' share of production has been increasing every five years from 1980 to 1995, but decreased to 33 % in 1998.

The developing countries are the numerical majority of the WTO membership. More than 50 % of world exports of fish products come from these countries and their share is increasing. Among OECD members, the largest exporters of fish and fishery products are Norway, the EU, the USA, Canada and Iceland.

Concerning imports, the largest proportion takes place in industrial countries, basically the United States, the European Union and Japan. These three together import 75 % (in value terms) of internationally traded fishery products.

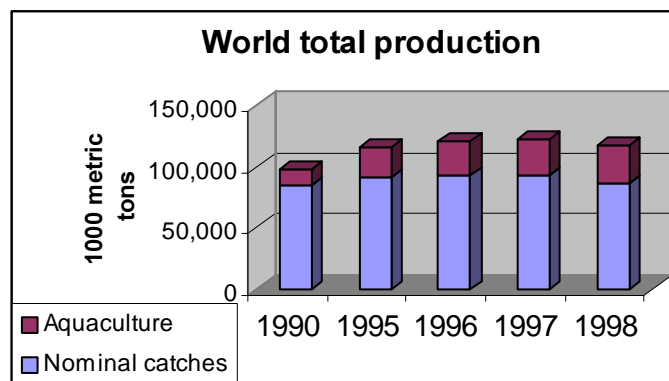
Table 1: Total world production, imports and exports of fish and fishery products

Trade Flow	1980	1985	1990	1995	1996	1997	1998
Total Production	<b>72,256</b>	<b>87,157</b>	<b>98,595</b>	<b>116,129</b>	<b>120,294</b>	<b>122,443</b>	<b>117,162</b>
Import Quantity	9,673	12,895	17,069	21,267	21,470	22,176	20,663
Import Value	<b>15,981</b>	<b>18,598</b>	<b>39,476</b>	<b>56,119</b>	<b>57,229</b>	<b>56,591</b>	<b>54,988</b>
Export Quantity	10,273	13,677	16,756	21,901	22,594	23,508	21,724
Export Value	<b>15,395</b>	<b>17,247</b>	<b>35,486</b>	<b>51,719</b>	<b>52,828</b>	<b>53,285</b>	<b>51,272</b>
%Exports of prod.quant	29.9%	32.6%	33.7%	38.5%	37.1%	37.7%	33.1%

\*Quantities in tonnes; values in US \$ 1,000,000; production and % exports in live weight; and imports/exports in prod.weight source: Fishstat 2000 & FAO Yearbook 1998, vol. 87

As shown in table 1, the trade value in fisheries in general has increased over the last 20 years, and the high figures underline the importance of international fish trade. Production has shown a positive long-term trend. While the production of capture fisheries has been relatively stable, aquaculture has expanded rapidly and is at present the most likely source of increasing supplies of fish for food as shown in figure 1. Relatively small increases in supplies are to be expected from capture fisheries. The rapid growth in aquaculture production has made the sector important to the economy of many developing countries and the sector has become an important source of supply. In general, aquaculture products have helped to stabilise supplies of traded products and to bring down prices over the years. This has made what were previously considered luxury products available at lower prices and has helped to expand markets. However, the majority of aquaculture products are not considered luxury products.

Figure 1: World total production of fish divided into aquaculture and catches (in 1000 metric tons)



	1990	1995	1996	1997	1998
Total Production	98,595	116,129	120,294	122,443	117,162
Nominal catches	85,511	91,577	93,474	93,619	86,299
Aquaculture	13,084	24,552	26,820	28,824	30,863

In general, the international trade in fish and fishery products increased until 1995 with a following stagnation from 1995 to 1998. The 1998 international import value was about US \$55.0 billion as opposed to US \$56,6 billion the year before. The reduction was partly a result of the El Niño warming event. (Even though the values decreased from 1996 to 1997 as well, due to the financial crisis, the corresponding quantities increased simultaneously.) This decrease is probably temporary, and seen in connection with earlier figures the growth has been enormous. The level of exports also decreased from US \$53,3 billion in 1997 to US \$51,3 billion in 1998. However, looking upon the figures from 1980 to 1990, the long-time trend is positive and the nominal values more than doubled in this period. Comparing the values, import values are always higher than export values because they include freight costs. (Note the interpretation of billion; footnote 2)

Another point to be noted is that when aggregating quantities, the different species are seen all together although their weights differ. Grouping them in seven commodity groups, as done in table 2, makes it possible to analyse the changes in traded quantities,. Since export quantities in theory should be equal to imports in the long run, I will comment only on exports. The figures are different as exports in e.g. December will be imports in January. Both export and import quantities are given in product weight to reflect the real trading value.

## 2.2 Traded commodities

Table 2: Traded quantities of fish products worldwide in 7 commodity groups (in 1000 tonnes)

Trade quantities, 1000 tonnes	Imports	Imports	Imports	Imports	Exports	Exports	Exports	Exports
7 fishery commodity groups:	1995	1996	1997	1998	1995	1996	1997	1998
Fish; fresh, chilled or frozen	10,128	10,633	11,023	11,224	10,663	11,375	11,973	12,003
Fish; dried, salted or smoked	616	650	656	635	680	717	744	703
Crustaceans and molluscs	2,846	2,966	2,977	3,076	3,028	3,238	3,427	3,362
Fish; canned	1,563	1,689	1,902	2,011	1,689	1,814	1,958	2,085
Crust. and molluscs, canned	403	449	454	438	369	414	435	433
Oils	1,129	871	811	486	947	868	769	436
Meals	4,581	4,211	4,350	2,792	4,526	4,168	4,203	2,703

Source: FAO Yearbook 1998, vol. 87

For **fresh, chilled or frozen fish**, the export quantities increased yearly from 1995 to 1998, to reach 12 million tons in 1998. (See table 2). **Dried, salted and smoked fish** have also increased their trade quantities in this period, except for a small decrease from 1997 to 1998. With an export quantity of 703 thousand tons, it ranges behind fresh fish and also **crustaceans and molluscs**. The latter group has increased the yearly trade quantities and exported 3,4 million tons in 1998. As for **canned fish**, the trend seems positive as well, with the United States providing a large part of the imports. The export level reached about 2,1 million tons in 1998. The trade of other **canned products such as crustaceans and molluscs** has had a yearly increase with a slight decrease from 1997 to 1998. The export quantity in 1998 for this group was around 400 thousand tons. The traded quantities of oils and meals have been drastically reduced with **oils** ending up at a level of 440 thousand tons for exports in 1998, while the traded quantities of **meals** were about 2,7 million tons for exports. This decrease was due to the El Niño phenomenon, which decreases catch of small pelagics and exports of fish meal and fish oil from South American countries.

### Comments on the most important species

- **Shrimp:** Thailand continues to be the world's main supplier of shrimp, with an export quantity of some 250 000 tons in 1998. While Asian countries experienced a drop in their shrimp exports in 1997, Ecuador increased their output due to the El Niño. The U.S. shrimp market is very strong due to the high value of U.S. dollar, and a strong domestic demand combined with limited supplies led to record prices in 1997 and expanding imports. Although Japan is the world's largest importer of shrimp, their imports fell in 1998 due to the financial crisis. India became the major supplier to Japan in 1997, replacing Indonesia, which had problems with diseases.
- **Tuna:** Japan is the world's major market for tuna products, and about 70 percent of domestic demand is provided by own production (264000 tonnes) while the remainder is imported. Japan imported about 330 000 tonnes of tuna in 1998, an increase from 1997. Tuna catches were low in 1997 due to the El Niño phenomenon. Thailand is also a significant trader of tuna, although the imports are processed and exported as prepared products of tuna such as canned tuna. Taiwan, the Province of China continues to be the largest supplier of shrimp to the Japanese market followed by the Republic of Korea.
- **Groundfish:** The world market for highly priced whitefish is starting to accept less expensive substitutes. However, the European market prefers cod, hake and Alaskan pollack, which results in higher prices. For the U.S. market, pollack remains the most

imported of species even though the imports from the Russian market have decreased. Imports of cod and flatfish, however, have increased. In general, as shown in the figures, there has been a great increase of world trade in fishery products. A part of this increase is due to the growing number of trade agreements, which facilitates trade of goods across international borders, as will be discussed in the following chapters.

The United States, Japan and the European Union are the major markets for fish and fishery products.

Considering the members of the European Union as one, the region is by far both the largest importer and exporter. From 1990 to 1994 both the imports and the exports from EU increased by 1 billion US\$, including intra-trade, and from 1994 to 1998 the region experienced a huge increase of US\$ 2,5 billion for exports and US\$ 4 billion for imports. In the figures for 1998 the expansion with Finland, Sweden and Austria is included, thus some of the increase is caused by these countries' accession.

### 2.3 Principal importers and exporters of fish

Table 3: Principal importers and exporters of fish products in 1998: (Valued in US\$ 1000)

Principal importers 1998		Principal exporters 1998	
EU	21,158	EU	11,667
Japan	12,827	NAFTA	5,382
NAFTA	9,871	Thailand	4,031
USA	8,579	Norway	3,661
China, H.Kong	1,612	China	2,656
Canada	1,195	USA	2,400

*Source: FAO Yearbook 1998, vol.87*

With an import value of US\$ 21 billion in 1998, EU becomes an important focus for exporting countries. (See table 3). This is the reason why we have seen many regions negotiating with the EU to reach various agreements. The most important products for imports are fresh, chilled or frozen fish; and crustaceans and molluscs.

The export value is significant as well exceeding US\$ 11,6 billion in 1998. Of the EU members, Denmark is by far the largest exporter (third largest in the world), far ahead of the other countries while superseded by Thailand and Norway in world context. The most important products for exportation are fresh, chilled or frozen fish; crustaceans and molluscs; and canned fish. The export quantities have been increasing over the past years.

To give an idea of the trade routes, volumes and differences, the shrimp market will be analysed for the most important markets for fish trade, namely EU, USA and Japan. Shrimp is the most prominent product from aquaculture in international trade, although this market has experienced down-periods like the major crop failures in Asia and Latin America in the beginning of the 1990s.

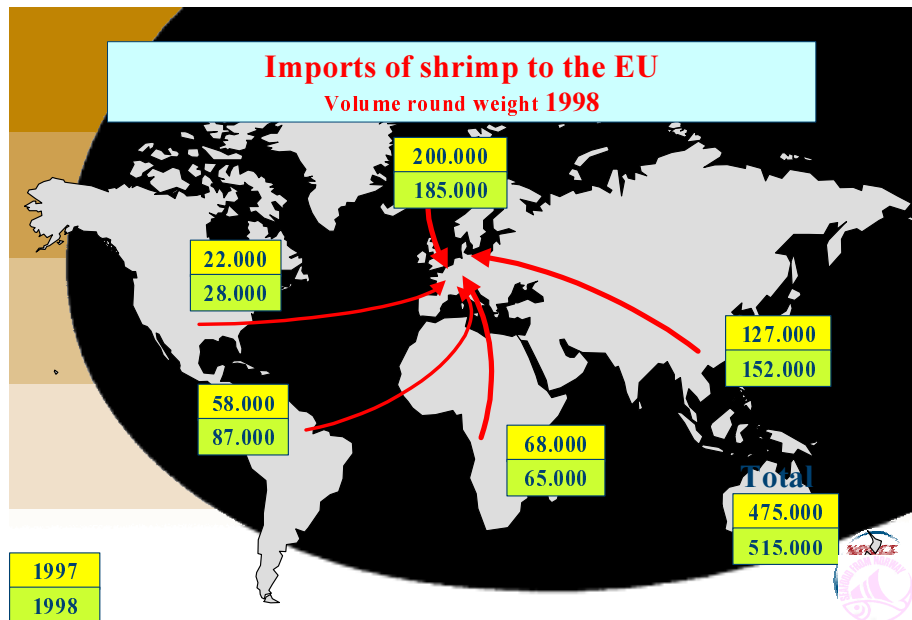


## 2.4 Illustration: Imports of shrimps to the EU, USA and Japan

### The European Shrimp Market

Figure 2: Imports of shrimps to the EU in 1997 and 1998 (in live weight, tonnes)

Shrimp is the most important product of importation. Figure X shows the various exporters to the EU, the world largest import market for shrimp, as the region imported shrimp for US\$4,2 billion in 1998.



The demand for shrimp in Europe is improving in parallel with the overall economic situation. Although prices went up in 1997 the demand remained high.

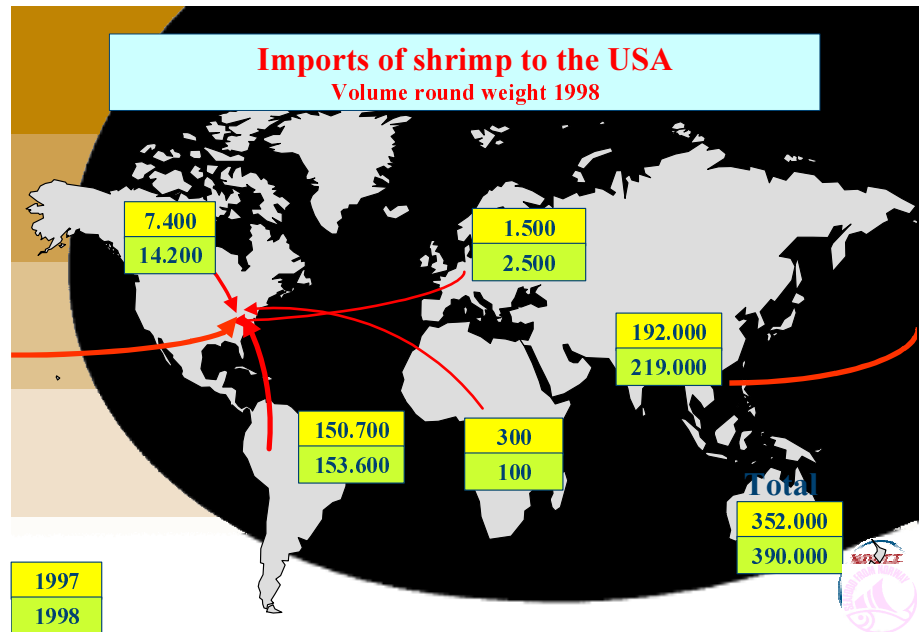
### The U.S. Shrimp Market

The USA is the second largest importer of fish products with an increasing import value over the years, reaching US\$ 8.6 billion in 1998 as shown in table 3. The most important product groups are fresh, chilled or frozen fish; fresh shrimps; crustaceans and molluscs; and prepared fish products, including canned tuna. The US are also significant exporters ranging fifth in the world with an export value of US\$ 2.4 billion, a figure which has been decreasing over the past years. Their most important exports are of fresh, chilled or frozen fish, crustaceans and molluscs, and meals and soluble.

Seeing the NAFTA region all together the trade values become highly significant in a world context. With imports of US\$ 9,9 billion and exports of US\$ 5,4 billion it ranges below the EU in both imports and exports, and below Japan in exports.

Figure 3: Imports of shrimps to the USA in 1997 and 1998 (in live weight, tonnes)

Shrimp is the most important species of US imports, with an import value of more than US\$ 3 billion. This figure shows the largest exporters to the US with the corresponding quantities in boxes. The US market remained strong in spite of the economic crisis in Asia, and at the discounted price level the shrimp consumption went back to the 1994 record level in 1998.



Source: The Norwegian Seafood Export Council

### The Japanese Shrimp Market

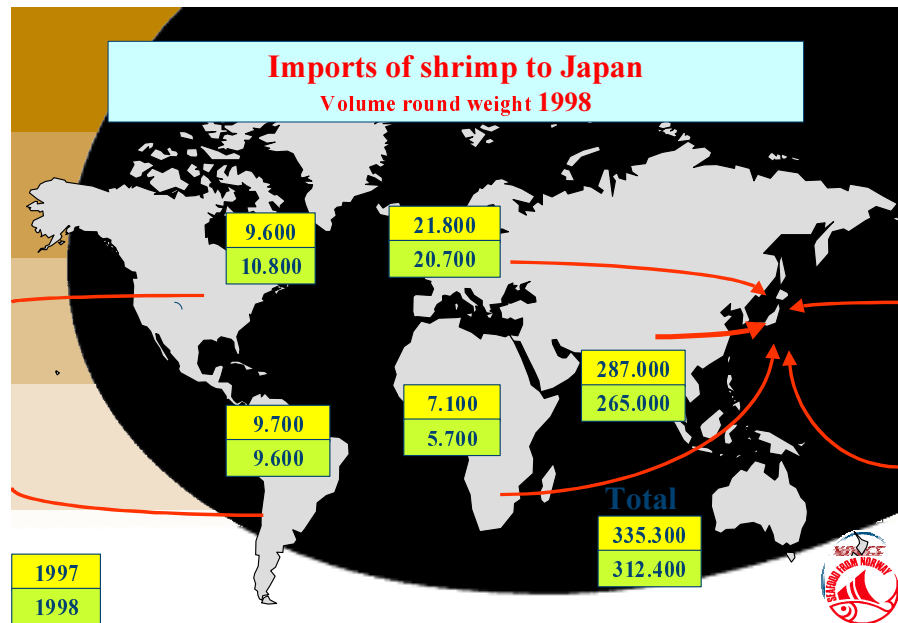
Japan is the world's largest importer of fish with an import value of US\$ 12,8 billion, accounting for 23% of world imports (1998), yet decreasing over the last years. This is due to the traditional consumption patterns, where fish is dominating chicken, beef and pork.

Its main imports are fresh, chilled or frozen fish, crustaceans and molluscs and prepared fish products. Shrimps have the highest import value, amounting to US\$ 3 billion in 1998, although the imports of shrimps had declined with the financial crisis. Tuna and swordfish are the largest in import quantity, and these two together with shrimps contain a large part of consumption. Thailand and Indonesia are the largest suppliers of shrimps, while Chile exports salmon, cod roe and crabs to Japan. When it comes to exports, Japan has a more modest position with an export value of US \$ 0,7 billion.

Figure 4. Imports of shrimp to Japan in 1997 and 1998 (in live weight, tonnes)

With an import value of US\$ 2,9 billion, shrimp is the most important fish product imported by Japan. The largest exporters to Japan are shown in the figure with respective figures for 1997 and 1998.

The economic crisis in Japan and the low value of the yen led to a lower demand for shrimp than in the previous years.



Source: The Norwegian Seafood Export Council

Compared to 1993, Asian countries have gradually reinforced their position as suppliers with Thailand as the world's largest exporter, followed by other strong exporters such as China; Indonesia; Taiwan, Province of China; and the Republic of Korea.

The El Niño phenomenon of 1997- 1998 and the Asian financial crisis in 1997 adversely affected the fishery products market. The El Niño is a meteorological phenomenon and this in particular is considered to be the second strongest "warm event" in the tropical and subtropical ocean in the last century. The Eastern Pacific, particularly the area off Western America, is the area most negatively affected by El Niño warming events and this case was no exception. Rising coastal sea temperatures and a weakening of the upwelling enrichment process caused a severe decline in biomass and total production of small schooling pelagics and other coastal resources that are otherwise readily available off the western coast of South America. This caused large losses in the fisheries sectors in the area and a worldwide shortage of fish meal and fish oil. So far, the 1997-1998 El Niño is known to have produced a 10 to 20 percent decline in total production from this area in 1997. This is a significant drop, as the region usually produces nearly 20 percent of total world fish landings.

The economic and financial crisis that engulfed Asia was also felt in other parts of the world, and led to a severe decrease in economic growth and international trade. An unavoidable consequence was a reduction in the demand of fish in Japan and emerging Asian economies, and fish exports to the latter decreased in volume. At the same time, the fisheries sectors of developed Asian economies faced hard competition from developing countries whose currencies were devaluated. Concerning supply, the economic crisis curbed the rate of growth in aquaculture worldwide. The stagnation and in some areas decline of certain aquaculture products that are traditionally exported to developed economies affected the value of global aquaculture production much more than its volume.

African countries have increased their share of world trade, including in fisheries, as shown by the figures for trade with the SADC and COMESA<sup>5</sup>. Different types of regional agreements have been developed, and the co-operation with developed countries is increased by e.g. the Lomé Convention (See the section on EU). The increase is also due to the introduction of the Exclusive Economic Zones (EEZ), which gave coastal countries preferential harvesting rights to resources within their EEZ and resulted in better registration of own catches. In addition, developing countries have built their own fleets and increased trade in general with developed countries.

Developing countries are also often providers of raw material, exported for further processing in other countries, especially in the case of duty escalation for value added products but also a growing supplier of reprocessed imported raw material. Increase in net receipts of foreign exchange by developing countries, deducting their imports from the total value of their exports, is impressive. The developing countries' share in world trade increased from US\$ 5.2 billion in 1985 to US\$ 17.2 billion in 1996<sup>6</sup>; hence the long-term trend is rapidly increasing. For many developing nations, fish exports represent a significant source of foreign currency earnings, and on the aggregate level much more than any other agricultural export product.

This chapter on world fish trade is given as a background for the regional trade of fish, to be able to see the regions in a world context. However, it is also necessary to evaluate how the regional trade agreements are bound by international regulations. The WTO has various regulations with a great impact on trade in fisheries, even though none of the existing agreements deal directly with fish trade. The following chapter will give an insight in the complex system of trade regulations, and perhaps better understanding of the debate on whether the regional agreements are positive or negative for world trade and the WTO and if it is possible for WTO to act jointly with them.

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<sup>5</sup> SADC is the South African Development Community and COMESA is the Common Market for Eastern and Southern Africa

<sup>6</sup> Fisheries Department Sub-Committee on fish Trade, COFI: FT/ VI/98/2

## **Chapter 3: The World Trade Organisation (WTO)**

### **3.1 About the WTO and the Uruguay Round**

The World Trade Organisation is the main international organisation dealing with the rules of trade between nations, and hence the primal forum for world trade. The organisation has three main purposes: The principal objective is to ensure that trade flows as freely as possible, by reducing trade barriers such as tariffs on international trade and making the regulations more transparent. Second, because the agreements are drafted and signed by the community of trading nations, often after considerable debate and controversy, one of the most important functions is to serve as a forum for trade negotiations. A third important side of the WTO's work is dispute settlement. There are often conflicting interests among the trading partners and agreements often need interpretation.

The WTO was established 1 January 1995, but the trade regulations started already in 1948 with the General Agreement on Tariffs and Trade (GATT). The GATT has evolved through several rounds of negotiations, and the most comprehensive round, known as the Uruguay Round, lasted from 1986 to 1994 and led to WTO's establishment. As a predecessor to this round, the Tokyo Round (1973-1979) dealt with tariffs, non-tariff measures and framework agreements. Whereas GATT had mainly dealt with trade in industrial goods, the WTO and its agreements now also cover trade in agricultural goods, services and intellectual property rights.

The multilateral trading system within the WTO is based on the various agreements, which give the legal framework for international commerce. As they are guaranteeing the trade rights of the different member countries, they also bind governments to keep their trade policies within what is agreed upon. At present, the WTO consists of 139 member countries. See list of member countries in annex 1.

To understand how the world fish trade is regulated, it is essential to consider the regulations of the WTO that are relevant for fish trade before analysing the regional regulations.

#### **The Uruguay Round and the relevant agreements for fish trade**

The result of the market access negotiations in which participating countries have made commitments to eliminate or reduce tariff rates and non-tariff measures for trade in goods is given in the Final Act of the Uruguay Round. The member states obliged themselves to reduce tariffs in five stages of an equal rate starting in January 1995 (and to be finished in 2000), with some listed exemptions. However, the member states were free to implement the reductions earlier or at fewer stages.

Concerning Non-Tariff Barriers, the Governments found it necessary to increase transparency and to extend the rules to trade. In contrast to the Tokyo Round, the Uruguay Round agreements on non-tariff measures apply to all WTO-members and have a multilateral status ensuring global coverage of the rules.

### 3.2 Tariff schedules

In the Uruguay Round, the fish and fishery products were not included in the Agreement on Agriculture since it was impossible to reach a compromise on this issue. Hence, fish and fishery products are treated as industrial goods, and are not bound by the agricultural regulations. (As a result, the Agreement on Subsidies is valid for subsidies in the fisheries sector.) Whereas tariffs on industrial products imported by developed countries were reduced by 40 percent on average, tariff cuts were only 26 percent for fish and fishery products in 1994. Tariff rates for the three largest importers of the WTO members; the EU, the USA and Japan, are very low or zero for some products. This is the case for most fish, whether raw, fresh, chilled or frozen, while the tariff rates remain high for processed products. However, the tariff rates escalate with the level of processing. Products, such as canned tuna, face exceptionally high tariffs in the most important markets.

The maximum time allowed by the Uruguay Round, up to year 2000, was needed for some WTO member countries to comply with their scheduled tariff reduction. While it is impossible to raise their rates, they can be lowered when the importing country faces high demand and insufficient supplies of fish.

A large number of fish products is given favourable treatment by several countries. The Generalized System of Preference (GSP)<sup>7</sup> or other preferential trade arrangements cover about 20 percent of the total international fish trade.

Major importing countries offer preferential rates to a wide range of fishery products. In Japan, 20 percent of the tariff lines on fishery products are granted reduced rates (GSP), and in addition, the Least Developed Countries (LDCs) have duty-free access to the GSP covered products. As for the United States, 20 percent of the total tariff lines on fishery products receive duty free access under the GSP scheme. The EU offers a duty-free access for all fishery products to the LDCs under the GSP scheme and to the African, Caribbean and Pacific (ACP) countries under the Lomé convention. In addition the EU is giving the Andean countries<sup>8</sup> and other countries from Central America favourable treatment in fish trade. Hence tuna is traded in exchange for programmes to combat drugs (lasting until 2001). EU also has a agreement on framework co-operation with MERCOSUR (1995), Chile (1996) and Mexico (1997). In other respects, the EU has for a long time had bilateral fisheries agreements with a number of third countries to obtain access for EU vessels in third countries waters.

### 3.3 The Agreement on Sanitary and Phytosanitary Measures (SPS)

The SPS Agreement was set up to avoid sanitary standards being operated to construct distortion or barriers to trade, and is one of the most relevant agreements for fish trade as sanitary measures could be used as protection of own products for importing countries.

The SPS has three main requirements:

- The requirement of using harmonization principles in the first resort;
- The requirement, when international standards do not exist, to use the alternative equivalence principle; and

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<sup>7</sup> The GSP affords non-reciprocal tariff preferences to developing countries

<sup>8</sup> The Andean community consists of Bolivia, Colombia, Ecuador, Peru and Venezuela

- The requirement for either scientific evidence or appropriate risk assessment if a country intends not to rely on harmony or equivalence but rather on its own domestic standards.

With the reduction of tariffs in general, sanitary measures have increased in significance. New regulations with regard to quality control, the Hazard Analysis Critical Control Point (HACCP), have been adopted by major importing countries like the U.S., the EU, Thailand and Brazil, and have been made compulsory for their fish processing industries. The regulations based on HACCP make the processor or trader fully responsible for the quality of the product in terms of food safety. Some companies, especially in developing countries, feel that this regulation is a non-tariff barrier on imports from developing countries, particularly on value-added products, due to the high investment needed. The EU members had to comply with the SPS regulations by 1 January 1996. Canada has applied a Quality Management Program based on the same principles as those of HACCP, which controls imported fish products to prevent mislabelling and unsafe products. Other OECD countries, which have adopted similar regulations based on HACCP, are Iceland, Canada, Thailand, Brazil, Morocco, Australia and New Zealand. The main exception to this scheme is Japan (with 32-35% of world demand of fish), which does not have a HACCP regulation yet, although some of the products are to be produced under these standards.

By now, all the major exporting countries have implemented the HACCP. In general, seafood safety has gained importance over the last years as a result of increased trade in fishery products, growing use of third-country processed products and its potential as effective non-tariff barriers to trade.

### **3.4 The Agreement on Technical Barriers to Trade (TBT)**

Technical regulations and standards are used extensively for fish trade and could constitute obstacles to trade. The TBT-Agreement is intended to ensure that requirements such as quality, labelling and methods of analysis applies to internationally traded goods to not be misleading to the consumer or discriminate in favour of domestic producers or goods of different origin. Thus, the TBT-Agreement would apply to a country intending to impose the use of eco-labels on internationally traded fish products. The ISO<sup>9</sup> environmental labelling standards are being developed as to increase the awareness of ecological products and promote environmentally friendly consumption. Even if Eco-labelling seems to be a less trade restrictive alternative, since it is voluntary and rely on the market mechanism of consumer preference, Eco-labelling requirements may hinder market access due to their cost. Eco-labelling for fish products started in 1997 with the establishment of the Marine Stewardship Council (MSC).

By using the MSC logo, the producers of fish products will give consumers the option to buy fish products derived from sustainable- and well managed sources. The certification process has been completed for Alaskan salmon, Australian rock lobster and the Thames herring. There are still problematic questions raised concerning eco-labelling, such as how to trace the process from catch to processing to retail level in a reliable way. In addition, possible negative consequences for small-scale fisheries in developing countries are of concern in the debate on Eco-labelling.

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<sup>9</sup> ISO stands for International Organization for Standardisation

### **3.5 The Agreement on Anti-dumping Measures**

In contrast to the SPS- and TBT- measures, the anti-dumping measures have not been extensively used in international fish trade. The USA imposed anti-dumping duties on imports of Norwegian Atlantic salmon, fresh and frozen, and as Norway protested this conflict was brought up for the GATT Dispute Settlement in 1991. More recently, there have been complaints by the EU (WT/DS136) that the US violates the anti-dumping regulations by GATT and WTO<sup>10</sup>. The EC contends that the US Anti-Dumping Act of 1916 still is in force and is applicable to the imports and internal trade of any foreign product irrespective of its origin, including products from WTO member countries. Hence, a panel was set up for dispute settlement in which India, Japan and Mexico reserved their third-party rights.

### **3.6 The Agreement on Rules of Origin**

The Rules of Origin are the criteria used to define where a product was made. They are linked to the application of trade measures such as quotas, preferential tariffs, anti-dumping measures and countervailing duties.

The agreement was established to provide common harmonized rules of origins on the non-preferential trade of members that would be objective, transparent and predictable. (These rules do not cover preferential arrangements such as free trade areas.)

### **3.7 The Agreement on Import Licensing Procedures**

Various types of import licences and import quotas are included in the ILP-agreement of the WTO. These include licensing schemes for live-, fresh-, chilled- and frozen fish; import control of certain species such as flying fish; import controls on fish products used as animal feed; and quantitative restrictions on import of smoked trout, cod, salmon, lobster and scallops.

Import quotas are maintained in two importing areas: Japan and Taiwan, Province of China. The republic of Korea removed its import restrictions in July 1997, and the same year changes were made to Japans import quota system. Mackerel, sardines, herring scallops, squid and cod were separated from the global import quotas and received individual quotas. Taiwan maintains import bans on squid, herring and mackerel.

### **3.8 The Agreement on Safeguards**

Of the three principal importers, the EU seems to be the only one to use safeguard measures on fishery products. There are two types of these measures within the EU; a safeguard clause and a reference price system. The safeguard clause protects the volume of imports, and is allowed if the imports of a product into the customs territory exceed a trigger level, which relates to the existing market access opportunity.

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<sup>10</sup> The EC alleges violations of Articles III:4, VI:1, and VI:2 of GATT 1994, Article XVI:4 of the WTO Agreement, and Articles 1, 2, 3, 4 and 5 of the Anti-Dumping Agreement.



The reference price system regulates the price of imports if the c.i.f. import price falls below a trigger price fixed on the average production prices in the EU during last three years.<sup>11</sup>

### **3.9 Dispute settlement**

Nearly 200 disputes have been handled by the Dispute Settlement Body since the establishment of the WTO in January 1995, whereas eight involved the trade of fish. The dispute settlement mechanism is unique in international context, and has recently been improved by greater speed and automaticity by eliminating competing dispute settlement forums. The WTO member countries bind themselves to the outcome of panels and, if necessary the Appellate Body, which functions as the Court of WTO. Low-income nations are enjoying the benefits of the dispute settlement system, which accords the smallest members the same weight as the bigger trading nations.

As follows, some examples are given to show how the Dispute Settlement works in practice:

In 1991, the United States prohibited the imports of tuna caught by Mexico in the Eastern Pacific Ocean by fishing fleets whose nets had allegedly caught and killed dolphins. The GATT Dispute Panel found that imposing a domestic environmental measure by means of import restrictions by the US was not in conformity with the GATT's general elimination of quantitative restrictions. In other words, the US could not embargo imports of tuna from Mexico simply because the Mexican way of producing tuna did not satisfy US regulations. However, the D.S. could have applied to the quality or content. In addition, the GATT rules did not allow one country to take trade action to enforce its own domestic laws in another country. The Panel Report was appealed and was never adopted under the old GATT regulations, as all decisions needed absolute majority.

The absolute majority is not needed under the present WTO regulations. If the Dispute Settlement Body do not by consensus reject a panel report after 60 days, it is automatically accepted. Still this dispute continues to create uncertainty, as the case has not yet been finally settled.

In 1995, two panels were established after a complaint by Canada, Peru and Chile with regard to a French Government order laying down the official name and trade descriptions of scallops. The two panels concluded their work, but suspended the proceedings in view of a mutually agreed solution among the parties in July 1996.

In August 1997, Chile filed a complaint in respect of a countervailing duty investigation by the U.S. Department of Commerce on imports of salmon from Chile. To avoid prohibition of exports, the Chilean producers offered to reduce their exports to the U.S.

Another example is the Australian measures affecting the imports of salmon. Since 1975 Australia has prohibited the import of fresh, chilled and frozen salmon due to alleged fish health concerns. Canada protested against this in 1997 (WT/DS18), and the Dispute Settlement Body declared that Australia violated the SPS regulations. The decision was

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<sup>11</sup> Uruguay Round of Multilateral Trade Negotiations (1986- 1994) - Annex 1 - Annex 1A - Agreement on Agriculture (WTO-GATT 1994) and document 374R1985 of the EU Commission

appealed in 1998, resulting in the same conclusion. In 1999 the United States requested a new review as Australia persisted in not complying with the decision.

Finally, the case where the United States prohibited imports of certain shrimp products. A panel was set up in 1997, after protests from Thailand, Pakistan, Malaysia and India (WT/DS58) against the US ban on imports of certain shrimp products from these countries. The US reason for stopping the imports was the environmental regulation in the Endangered Species Act, which prohibits importing shrimp, harvested using commercial fishing technology that may affect sea turtles. The Panel concluded that the US performance was not consistent with the Article XI: 1 because their protection measures discriminated against foreign suppliers.

### **3.10 Agreement on Subsidies and Countervailing Measures (SCM)**

The earliest GATT addressed only export subsidies on industrial products, thus including fish products. With the Tokyo Round, subsidised imports were regulated as well. The SCM-Agreement constitutes the existing international legal regime governing subsidies in the fishery sector. Although subsidies are widely used in many sectors of the fishery industry, they have seldom given rise to countervailing measures. However, the special duties on salmon from Norway and Chile imposed by the USA and EU are examples of how these measures can be used.

The SCM-Agreement of 1994 has a clear definition of subsidies:

*"A subsidy is a financial contribution by a government or any public body within the territory of a Member (i.e. direct transfer of funds, uncollected government revenue, extra purchase of goods, payments to funding mechanisms) or there is any form of income or price support in the sense of Article XVI of GATT 1994 and a benefit is thereby conferred."*

Subsidies in the fishery sector appear in various ways but are primarily provided to reduce the operating and capital costs of harvesting fish. The subsidies in question include those provided to reduce operating costs, fishing vessel construction or maintenance costs, or indirect costs such as income support and fishery management schemes. The SCM-Agreement made it possible to question present subsidies in different WTO countries. However, it has not yet resulted in significant reduction of subsidies in developed countries. An important aspect is the huge concern about the impact on subsidies on over-capacity, over-exploitation and trade. Thus, for several WTO- countries, fisheries is an area where achieving environmental objectives and removing trade distortions are complementary.

In the discussion of existing subsidies, EU representatives have emphasised that subsidies do not necessarily exert increased pressure on fisheries resources, as there was no direct link between subsidies and over-fishing. On the contrary it was the view of the EU representatives that subsidies could be designed to assist sustainable fisheries management.<sup>12</sup> As for other countries i.e. Australia, Iceland, New Zealand, the Philippines and the United States, they welcomed the High Level Symposia on Trade and Development and Trade and Environment to highlight what "the elimination of environmentally-damaging and trade-distorting

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<sup>12</sup> Comments by the European Community on the document, WT/CTE/W/80, on subsidies on aids granted in the fishing industry. WTO, Committee on Trade and Environment, Geneva, 1999

subsidisation of the fisheries sector" would do to the conservation and sustainable use of fish stocks and the promotion of sustainable development.<sup>13</sup>

Milazzo's studies in 1997, estimated global fisheries subsidies to be between US\$ 14 billion and US\$ 20 billion. In all, total economic support in fisheries, i.e. subsidies and trade protection, was estimated to be between one-fourth and one-third of total revenues. This indicates that subsidies, including trade protection such as tariff barriers, play an important role in the fishery sector. Mr. Milazzo maintains that subsidies may cause negative environmental impacts and are often highly non-transparent.<sup>14</sup>

Subsidies within the regions will be dealt with under some of the regional agreements in the following chapter, using the WTO definitions where suitable. Further information on this aspect will be given in future publications by FAO, CITES, OECD and other organisations involved in trade and fisheries as it is still under discussion.

### **3.11 Environmental concerns and sustainable fisheries**

GATT Article XX sets out limited and conditional exceptions for measures that are otherwise inconsistent with international trade obligations:

*"Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures; in relation to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption."*

It is important to note that there have been relatively few environmentally related disputes, even since the inception of the WTO in 1995. The Article XX only comes into play as a defence for an environmental measure if that measure is otherwise inconsistent with GATT obligations, in particular, Most Favoured Nation (I), National Treatment (III) and quantitative restrictions that are inconsistent with Article XI. Within the scope of these three obligations, there is already considerable scope for governments to institute regulatory measures aimed at domestic environmental protection policy concerns.

As mentioned, one of the disputes involving environmental issues was the United States' imports prohibition of certain shrimp and shrimp products. The case has contributed to clarify the degree of which GATT may constrain WTO members when trade rules and measures to implement environmental policy objectives intersect. The U.S. legislation intended to protect endangered or threatened sea turtles. (See more info under Dispute Settlement). The panel found that the measure qualified for provisional justification under the second part of Article XX cited above, but was applied in a manner that unjustifiably and arbitrarily discriminated against some WTO members. However, the Appellate Body made some important statements:

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<sup>13</sup> WT/CTE/W/121 Benefits of eliminating trade distorting and environmentally damaging subsidies in the fisheries sector - Submission by New Zealand

<sup>14</sup> Matteo Milazzo, Subsidies in World Fisheries: A Re-examination, NMFS 1997

- Exhaustible natural resources is capable of evolving over time
- The US demand of policy adaptation said nothing about how to achieve it and did not take the differences in condition between U.S. and the complainants
- The U.S. did not give any evidence to having tried to negotiate agreements or solutions prior to the import prohibition
- The U.S. discriminated in phase-in periods as some WTO members were given three years to implement the policies while the complainants had four months.
- In addition, the U.S. technology was made available to some shrimp exporters, but not the complainants.
- The U.S. did not provide the opportunity to apply for a certification.

The case suggests that Article XX provides considerable scope for justifying environmental measures with trade effects, even where those measures are otherwise inconsistent with WTO obligations.

Recently brought up for the Dispute Settlement Body (November 2000), is the dispute between the EU and Chile affecting the transit and importation of swordfish. EU maintained that Chile's impeding of the discharge; storage, transport and import of swordfish were inconsistent with GATT's Article V on freedom of transit and Article XI. Chile justified their measures in a conservation aspect. In addition to prohibiting Chilean fishermen from using Chilean ports for caught swordfish, Chile's law prohibits all ships catching swordfish both inside and outside its 200-mile coastal zone. Chile has demanded assistance from the UN Convention on the Law of the Sea (UNCLOS) to try to persuade the EU to enter into a swordfish conservation agreement with them. UNCLOS establishes the duties of countries to protect the marine environment in waters adjacent to their coastal lines.

Other important organisations such as CITES also have a great influence on environmental protection, but there is yet no sanction possibilities to make the members comply with their regulations.

### **3.12 The Committee on Regional Trade Agreements**

The WTO provides for the formation of Regional Trade Agreements (RTAs) among selected countries through Article XXIV of the General Agreement on Tariffs and Trade (GATT), subject to certain rules and conditions. The GATT recognises the regional agreements' contribution to the overall expansion of global trade, sets the criteria and procedures for the assessment of agreements and improves the agreements' transparency. The WTO has established the Committee on Regional Trade Agreements to examine if the RTAs are consistent with the WTO regulations and to examine the implications for multilateral trade. The Committee also examines how regional arrangements might affect the multilateral trading system and how the relationship between regional and multilateral arrangements could be improved. At present, 81 regional agreements are under examination in the committee. For several of those agreements, the examination has nearly been concluded, such as for EU, EFTA, CARICOM, CACM and ASEAN (AFTA). Simultaneously with this examination the members have devoted time to characterise and analyse the interaction between regional agreements and the multilateral trading system. Such analysis could eventually allow the committee to decide whether the WTO rules need to be further clarified and to make appropriate recommendations. The traditional debate on whether regional agreements

complement or challenge the multilateral trading system still is a frequent issue in the Committee discussions.

### **3.13 Conclusion**

The Uruguay Round on Multilateral Trade Negotiations reduced import duties and led to liberalisation of international trade. The new Multilateral Trade Negotiations will probably lead to further trade liberalisation and tariff reductions to the benefit of trade in fishery products, in particular value-added products. The most relevant agreements for trade in fish are the SPS- and the TBT- Agreements. The growing focus on environmental concerns has resulted in new issues such as Eco-labelling, certification and quality controls. Since the Agreement on Agriculture of 1994 did not apply to fisheries, the fishery sector is regulated by stronger disciplines such as the Agreement on Subsidies and Countervailing Measures, although there remains a lack of clarity as to which of the regulations that count for fisheries. Internationally, many reports are written and debates undertaken on the issue of reducing trade distortions for fish and fishery products, to try to reach a common understanding. The Dispute Settlement Body has improved the solving of disagreements between the different regions, and the Committee on Regional Trade Agreements gives an important control mechanism of regional trade, which have never existed earlier in a world context.

### **For further discussion**

In GATT 1994, some important regulations are stated concerning equal treatment of trading partners. In Article 1, the Most Favoured Nation should assure that customs duties and charges on imported and exported products should be the same for all trading partners. Article 3, on National Treatment recognise that internal taxes and other internal charges should not be applied to domestic products for protection purposes. In addition, Article XI contains regulations on quantitative restrictions and prohibits the use of restrictions other than duties, taxes or other charges, whether through quotas, import or export licences or other measures should hinder the imports from any trading partner that is member of the WTO.

However, there is a possibility to reserve some products from this regulation as Canada has done with certain fish products in annex 1 of the NAFTA agreement. As shown in the following chapter, most regions do not comply fully with all WTO regulations as there is a possibility for exemptions from the regulations in certain cases or for particular products.

The following chapter on the various regional trade agreements is meant to create a framework to be able to see the agreements in an international context and in proportion to the international regulations. The agreements are sorted after world regions beginning with North America, South and Central America, the Caribbean, Europe, Asia and then Africa. The chapters are structured as follows: establishment and contents; general trade in goods; regulations for fisheries and fish trade; internal trade; trade between regional blocks; and trade with important third countries.

## **Chapter 4: THE REGIONAL TRADE AGREEMENTS**

### **4.1 The North American Free Trade Agreement (NAFTA)**

#### **4.1.1 General Information**

##### Establishment and member countries:

The implementation of the North American Free Trade Agreement (NAFTA) began on January 1, 1994. This agreement removes most barriers to trade and investment between the United States, Canada and Mexico. The opening provisions of the NAFTA formally establish a free trade area between these three countries, consistent with the General Agreement on Tariffs and Trade (GATT). This agreement, in effect, superseded the bilateral Canada-US Free Trade Agreement (FTA) and added Mexico into the relationship.

##### Objectives

The objectives of the agreement are to eliminate barriers to trade, promote conditions of fair competition, and increase investment opportunities. In addition it will provide adequate protection for intellectual property rights, establish effective procedures for the implementation and application of the Agreement and for the resolution of disputes and to further trilateral, regional and multilateral co-operation. The NAFTA countries will meet these objectives by observing the principles and rules of the agreement, such as national treatment, most-favoured-nation treatment and transparency, i.e. making the regulations easy to interpret and comply with.

##### Contents

The agreement contains several different trade issues such as trade in goods, textiles and apparel, energy, agriculture, sanitary and phytosanitary measures, technical standards, antidumping matters, transportation, telecommunications and investments. This report will focus on the parts of the agreement relevant to fisheries and agriculture. Although the NAFTA has not created an own agreement on fish trade, these issues are included in the agricultural and the environmental section of the agreement. Because of the extent of NAFTA's market, it is a trading block with a global reach. It is also innovative, as it establishes linkages between economies with different levels of economic development. Linkages with other sub-regional integration schemes are under development in the coming Free Trade Area of the Americas (FTAA). This is a co-operation between NAFTA, MERCOSUR, the Andean Community and some other countries to create a common free trade area. Their first negotiations started in August 1998, with a meeting on market access. (Further information in a later chapter.) While the United States and Canada benefit from both a bilateral Free Trade Agreement and NAFTA membership, neither of these agreements discusses free trade in agriculture and fisheries.

In addition to tariff elimination among themselves, the three NAFTA members made other efforts to increase trade with non-NAFTA members. All three are members of the WTO and the Asia Pacific Economic Co-operation (APEC) forum, and they all participate in the FTAA initiative. The three NAFTA countries have also made bilateral agreements with important trading partners, like with Chile, EFTA countries, MERCOSUR and the Central Common American Market.

### Major trading partners for the United States

Trade with the European Union (EU) is of crucial importance to the United States as the EU is their largest trading partner, see table 4. This was the reason for launching the Transatlantic Economic Partnership in December 1998. The partnership outlines ways where the United States and the EU can co-operate to facilitate bilateral trade and strengthen the multilateral trading system. Bilaterally the initiative covers a broad range of issues, including regulatory barriers to trade in goods and services. In addition, a mutual recognition agreement (concluded in 1997) was implemented on December 1, 1998.

During 1998, Japan was under pressure to stabilise its economy after the financial crisis and at the same time to reduce its trade surplus with the United States. The U.S. preferred growth of domestic industries to imports of Japanese products. However, their overall trade surplus and its surplus with the United States rose significantly. On the other hand, the U.S. is by far the largest food exporter to Japan at present.

The fact that Canada is the second and Mexico the fourth largest trading partner of the U.S., underlines the importance of the NAFTA Agreement. On January 1, 1998, all Canadian goods could enter free of duty into the U.S. as this date marked the phasing out of tariffs according to the Canada-US Agreement. The NAFTA initially eliminated tariffs on more than one-half of U.S. imports from Mexico and more than one-third of U.S. exports to Mexico. U.S. exports to Mexico increased by 10% from 1997 to 1998, reaching US\$ 75.4 billion. U.S. imports from Mexico grew by 9% to US\$ 93 billion. U.S. exports to Canada expanded by 2.2 percent to US\$ 137.8 billion, and imports from Canada increased by 4% to US\$ 174.7 billion

*Table 4: U.S. Merchandise exports, imports and trade balance with major trading partners in 1998 (in US\$ billion)*

Major trading partners	Exports	Imports	Trade balance
EU (15)	140.2	174.9	-34.7
Canada	137.8	174.7	-36.9
Japan	54.9	121.3	-66.4
Mexico	75.4	93.0	-17.6
China	13.9	70.8	-56.6
Taiwan	16.9	33	-16.1
Korea	16	23.7	-7.7
World	634.7	907.6	-272.9

*Source: U.S. Department of Commerce Statistics*

### The Agreement's impact on agriculture

The agricultural provisions of the U.S.-Canada Free Trade Agreement (FTA), in effect since 1989, were incorporated into the NAFTA. Under these provisions, all tariffs affecting agricultural trade between the United States and Canada, with a few exceptions for items covered by tariff-rate quotas, were removed before January 1, 1998. This date marked the fifth round of tariff cuts under NAFTA, further opening the market.

Mexico and Canada reached a separate bilateral NAFTA agreement on market access for agricultural products. The Mexican-Canadian agreement eliminated most tariffs either immediately or over 5, 10 or 15 years. Canada and Mexico are, respectively, the second and third largest export markets for U.S. agricultural products.

Under NAFTA, all non-tariff measures affecting agricultural trade between the United States and Mexico were eliminated on January 1, 1994. These barriers including Mexico's import licensing system, which had been the largest single barrier to U.S. agricultural sales, were converted to either tariff-rate quotas or ordinary tariffs. The immediate tariff elimination applied to a broad range of agricultural products. In fact, more than half the value of agricultural trade became duty free when the agreement went into effect.

#### **4.1.2 Relevant regulations for fish trade**

##### Sanitary and Phytosanitary Measures (SPS)

The SPS standards are taken to protect human, animal or plant life or health from risks, which may arise from pests or diseases, food additives or contaminants. The disciplines contained in the NAFTA are to prevent the use of SPS measures as disguised restrictions on trade. To avoid creating unnecessary barriers to trade, the NAFTA encourages the three countries to use relevant international standards in the development of their SPS measures. Although the NAFTA encourages trading partners to adopt international and regional standards, the agreement explicitly recognises each country's right to determine the necessary level of protection. This flexibility allows each country to set more stringent standards than international legislation, as long as they are scientifically based.

##### Export subsidies

The three NAFTA countries will work towards the elimination of export subsidies in North America, in pursuit of the broader objective of eliminating subsidies worldwide. The United States and Canada will be allowed to provide export subsidies into the Mexican market to counter subsidised exports from other countries. Neither Canada nor the United States is allowed to use direct export subsidies for agricultural products being sold to the other, and both countries are required to consider the export interests of the other whenever subsidising agricultural exports to third countries.

##### Internal support

Under the NAFTA the members should endeavour to move towards domestic support policies that have minimal trade or production distorting effects, or towards policies exempt from domestic support reduction commitments under the World Trade Organisation.

##### Subsidies in the US

The United States has allocated modest amounts of financial resources to assistance programs. They have introduced two programs, which can be considered as subsidy programs. The Market Promotion Program deals with export market promotion of US-produced agricultural and fishery products. Secondly, the Surplus Commodity Program considers food removal of domestic surplus, Pacific salmon products in particular.

##### Grade and quality standards

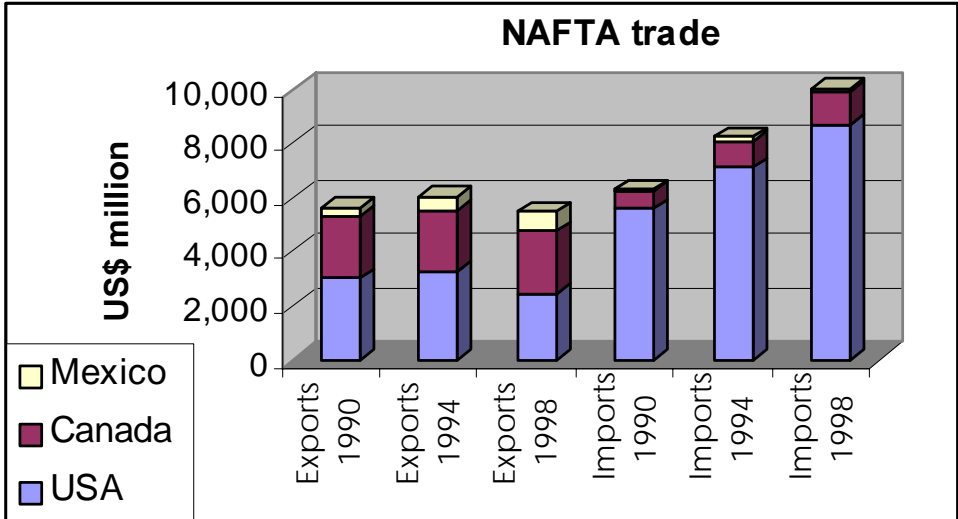
Regarding the classification, grading or marketing of a domestic product, the countries will provide no less favourable treatment for similar products imported for processing.



**4.1.3 Trade in fishery products**

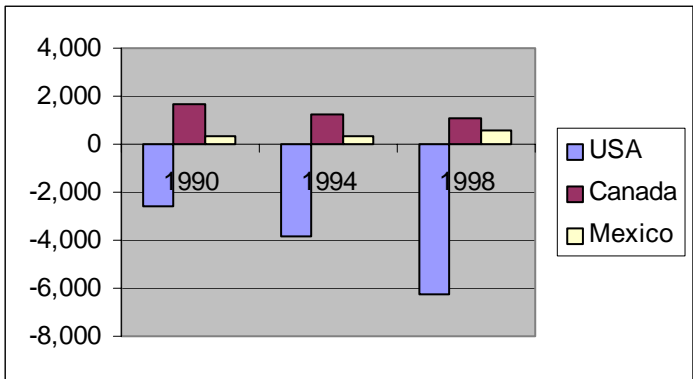
As shown in figure 5, there is a change in exports in 1994, when the agreement came into force. The export values increased for the U.S. and Mexico as the previous trade restrictions between the two ceased to exist. The simultaneous reduction in Canada's trade values can be a result of U.S. change of preferential trading partners. This again changed versus 1998, as the U.S. exported less fish products, while the two others increased their exports of which a large proportion to the U.S. Imports have been steadily growing, due to the facing out tariffs and other restrictions, reaching a level of US\$ 10 billion in 1998. The United States is far ahead in this context with an import value of US\$ 8.7 billion in 1998 (87%) while Canada increased to US\$ 1.2 billion (12%) and Mexico decreased from 1994 to 1998 to reach US\$ 0.1 billion (1%).

Figure 5: NAFTA's total exports and imports of fish and fishery products (in US\$ million):



Source: Fishstat 2000, FAO  
 Note: Intra-trade is included

Figure 6: NAFTA's trade balance in fish and fishery products (US\$ million)



The trade balance shows the growing trade deficit of the U.S., whereas Canada and Mexico are in the opposite situation with a trade surplus, providing respectively 42% and 13% of the export value.

#### 4.1.4 Fishery regulations and tariffs

There is no specific chapter in the NAFTA that deals exclusively with fishery-related trade in goods or investment. There are a number of provisions, however, that deal with the fisheries sector.

Under annex 301.3 Canadian measures are stated as exemptions to articles 301 (national treatment) and 309 (import and export prohibitions). Canada exempted certain provincial legislation controlling exports of unprocessed fish from those particular obligations, national treatment in accordance with GATT, and no less favourable treatment of state or province or any competitive or substitutable goods.

Section B of annex 401 contains rules of origin for fish and crustaceans, molluscs and other aquatic invertebrates. These rules are used to determine which products are covered by the agreement and thereby are eligible to benefit from the tariff provisions of the agreement. According to the Canada- U.S. Free Trade Agreement, all fishery products traded between these two countries should be duty free after January 1,1998. (Annex 401.2) At present, there is duty-free trade between the two countries.

In annex 1, Canada contains specific reservations from the National Treatment (articles 1102 and 1202) and Most-Favoured-Nation obligations (articles 1103 and 1203). The Coastal Fisheries Protection Act secures control of foreign fishing activities in Canada's economic zone including access to Canadian ports. This access, including inter alia transshipment of fish catches, is only granted to vessels from countries with which Canada has favourable fishery relations. There is also a part about investment; fish processing enterprises that have a foreign ownership level of more than 49% are prohibited from holding Canadian fishing licences.

Under annex IV Canada takes an exception to article 1103 MFN obligation respecting foreign investment, as regards international agreements in force involving inter alia fisheries.

In respect of tariffs, the NAFTA called for the elimination of tariffs over maximum 10 years. The NAFTA did not affect the phase-out of tariffs, which had been agreed upon under the Canada-US Free Trade Agreement (FTA). The phase-out of FTA tariffs was completed on January 1,1998, so all tariffs on originating goods were eliminated. Hence, the present situation is that all Canadian fish and sea products enter into the U.S. duty-free.

In 1994, many of the tariffs between Canada and the United States were already zero tariffs, and Mexico committed itself to remove many of its tariffs against goods of the other two parties either immediately or within 10 years. This was the case for fish and fish products; the tariffs of many products were eliminated immediately, others were to be phased out over five years and others again over 10 years.

To give a short overview, the different categories are presented with belonging tariffs in percent.<sup>15</sup>

- Category A should be entirely duty-free by January 1994, this includes livers and roes (3%), crabs (8%), oysters in shell (Free), prepared salmon (3%), herring (6 and 8%),

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<sup>15</sup> The North American Free Trade Agreement, tariff schedule of Canada (Annex 302.2)

mackerel (12.7%), anchovies (Free and 7%), caviar (Free), fish-meat products (8%) and snails (7.5%).

- Category B's tariffs were to be removed in five equal stages starting in 1994. This group contains dried scallops (4%), tunas and skipjack (14%); Atlantic bonito (7%), fish-sticks and fillets (7%) prepared meals (11.5%) and prepared crabs (8.2%).
- Category C has tariffs to be removed over 10 years from 1994 (to 2003) and contains rock lobster (8%).
- Category D was duty free when the countries entered into agreement, and are still to be kept duty-free. This category contains products such as all live fish, all fresh, chilled or frozen fish except crustaceans and molluscs and prepared products of shrimp, squid, lobster meat and pickled herring.

As the tariffs have been reduced, the internal trade within the region has had a substantial increase. (See table 5) The removal of tariffs has made a huge difference for Mexico, and has resulted in an increase in both imports and exports. The U.S. trading pattern changed partly due to Mexico's possibility to provide fish products at a lower price than Canada, although the two countries provide different kinds of fish. Tariffs had a great influence on external trading partners as well, and the external tariff rates for the U.S. are given below:

#### The United States tariffs for in product groups for Most-Favoured-Nations (MFN)<sup>16</sup>

- Live fish have no tariffs.
- Fresh or chilled fish are duty free except for plaice (1.1c/kg), scaled eels (3%) and livers and roes (15%).
- As for frozen fish, sole, flounder, sardines and dogfish have a tariff of 1.1c/kg and livers and roes have 15% tariff. The rest of the species are duty free under the MFN.
- All fillets are duty free, but some types of fish meal have 6% tariffs.
- Dried, salted and smoked fish have an average tariff of 5% for MFN countries and 25% for Afghanistan, Cuba, Laos, North Korea and Vietnam. However, they are duty-free for NAFTA members, developing countries under the GSP and CBERA (Caribbean Basin area) and the Andean Community (because of the Andean Trade Preference Act). Some of these prepared products are duty-free such as herring (whole), mackerel, cod, shark, cusk, haddock and hake.
- Crustaceans are all duty-free, the only exception is crabmeat with a tariff of 7.5%
- Of molluscs, snails are the only tariffed item with 5% tariff.
- Oils have tariffs of 2.5%, 1 c/kg and 1.7c/kg+5%
- As for prepared and preserved fish e.g. caviar, the tariffs vary between 0% and 35%. Perhaps the most important ones are canned tuna with 35% MFN, 21% for Mexico and Free for Canada, Israel and GSP members. Sardines and anchovies in oil are duty-free. Fish sticks and similar products have 10-11.5% tariffs and products containing meat of crustaceans have a tariff of 10%. Caviar has a rate of 15%.
- Of prepared and preserved crustaceans, the products taxed are shrimps: 5%, lobster: 10%, boiled clams: 10%, oysters and snails: 5%. The other products are duty free.

As commented upon for some of the product groups, the tariff agreements between different world regions have given certain countries duty free imports of specific fish products. This simplified list of tariffs shows how the U.S. protects their own products with the use of this trade restriction. Import duties on foreign products are an efficient way of regulating and

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<sup>16</sup> The Harmonized Tariff Schedule of the United States, 1998

influencing trade patterns. The U.S. imports have increased with market access for several new trading partners. New regulations, aiming at perfect competition, make it more difficult for the United States to retain their trade barriers as other trading partners will compete with inland products and find new markets if barriers are kept high. However, imports have increased for the U.S. due to changes in demand and less local supply of certain species. In addition, the increase is partly a result of the different agreements tearing down obstacles to trade.

More generally, the NAFTA contains a strong commitment to sustainable development and environmental protection and enforcement. For example, it recognises the right of each NAFTA country to maintain standards higher than those recommended by international organisations. The agreement also recognises that the NAFTA countries should not lower their health, safety or environmental standards in order to attract investment. (September 2000)

#### 4.1.5 Internal trade of fishery products

Table 5: NAFTA's internal trade of fish and fishery products:

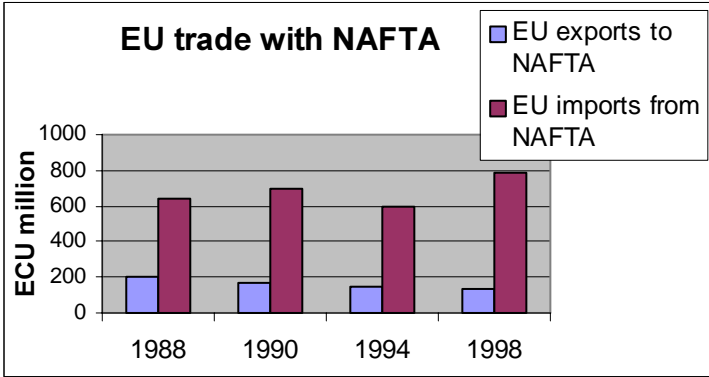
Internal trade	1990	1990	1994	1994	1998	1998
<b>IMPORTS</b>	quantity	value	quantity	Value	quantity	value
To Canada-From US	111,058	315,804	156,887	401,035	190,929	492,355
To Canada-From Mexico	206	2,735	225	2,991	1,037	4,634
To US-From Canada	366,377	1,196,255	282,258	1,149,395	332,600	1,425,139
To US-From Mexico	53,300	284,324	62,956	334,213	80,370	485,989
<b>EXPORTS</b>	quantity	value	quantity	Value	quantity	value
From Canada-To US	362,366	1,216,068	284,561	1,219,982	327,855	1,498,918
From Canada-To Mexico	30	134	32	416	66	279
From US-To Canada	105,388	329,356	146,140	398,265	186,914	472,990
From US-To Mexico	14,573	23,796	19,297	55,740	20,180	62,291

*\*Quantities in tons, value in US \$ 1000; converted with rates from the Bank of Canada*

As shown in table 5, Mexico has increased her trade with both Canada and the US as a result of the NAFTA Agreement and the elimination of tariffs. While Canadian imports from the US increased, the export quantities to the US were reduced in 1994. This is probably a result of Mexico entering the already existing agreement between the US and Canada. The quantities have increased again in 1998, but have not yet reached the levels of 1990. However, the corresponding values are higher in 1998 than earlier. In general, all the three trading partners seem to benefit from the NAFTA Agreement. Both imports and exports are included in the table as the figures differ due to re-exports and other disturbing elements.

**4.1.6 Trade with other regions (EU and NAFTA)**

Figure 7: Exports and imports of all fish products from the EU to NAFTA countries (in ECU million)



*Note: internal trade is included, and EU expansion in 1995*

When considering the trade of fish between NAFTA and the EU, the total value of exports from the EU to NAFTA shows a decreasing trend. The U.S. reduced their imports from the EU as other trading partners could provide fish products at a better price. However, the EU exports to Canada increased from 1994 to 1998 as Canada imported more fish products in total, after a decrease until 1994.

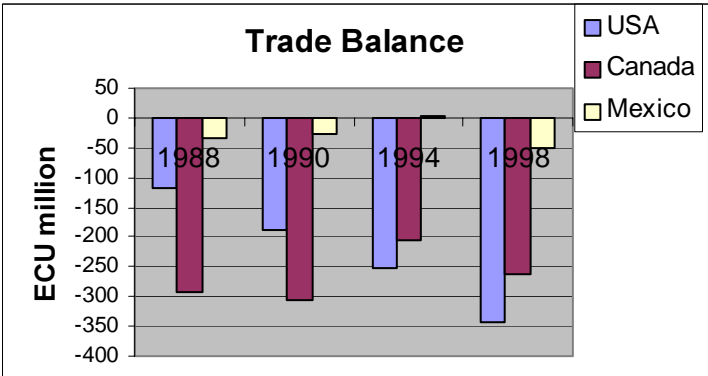
The situation was the opposite for Mexico, which received more fish from the EU before 1994 than in 1998. NAFTA is one of EU’s most important trading partners as the EU imports amounted to ECU 800 million in 1998 from these three countries.

The total value of EU’s imports from NAFTA shows a quite different trend. The U.S. exports for an increasing amount to the EU, and the same counts for Mexico and Canada although the latter two experienced a decreasing trend until 1994. A reason for this is the increased demand in the NAFTA region and the reduced production making less fish products available for exports.

Co-operation between the regions and The Transatlantic Partnership is thus essential for both parties.

Figure 8: Trade balance of fish products for the NAFTA countries with EU trade (in ECU million)

As for NAFTA’s trade with the other regions, this will be analysed in the chapters on the different agreements.



#### **4.1.7 NAFTA's trade with third countries:**

##### **Chile**

The 1999 U.S. trade surplus in total with Chile totalled roughly US\$143 million, a 1.4 billion decrease from 1998. US imports from Chile in 1999 totalled US\$ 2.9 billion, while U.S. exports to Chile were 3.1 billion. Despite the reduction in U.S. exports to Chile, due in part to an economic slowdown in 1999, Chile was the 32<sup>nd</sup> largest export market of the United States in 1999.

Chile has a generally open trade regime and unilaterally reduces its applied tariffs. On January 1, 2000, Chile's uniform ad valorem tariff decreased from 10% to 9% for virtually all imports from countries without free trade agreements with Chile, including the United States. The uniform tariff is set to decline by 1% per year, until it reaches 6% in 2003. Chile maintains a complex price band system for certain agricultural products that keeps domestic prices within a predetermined range. In general, Chile does not subsidise exports. However, Chile has several export promotion measures to help non-traditional exports. The government provides exporters with quicker returns of value-added taxes than it provides to other producers. In addition, it provides a simplified duty drawback program for small exporters, which does not reflect actual duties paid on imported components.

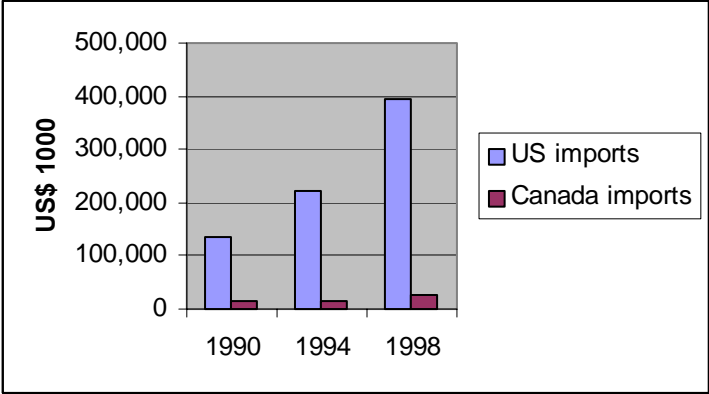
As the trade between Chile and Canada is of great value for the NAFTA region, the Canada-Chile Free Trade Agreement will be summed up as follows:

The Canada and Chile interim bilateral free trade agreement provides a bridge to Chile's eventual accession to the NAFTA Agreement and creates momentum for the broader Free Trade Area of the Americas initiative. The Agreement covers trade in goods and services, investment and dispute settlement mechanisms. A key feature is the elimination of the Chilean duties, which is levied on all imports, and will be particularly favourable to Canada. It also contains the exclusion of over-quota tariffs for supply-managed products and an agreement on competition policy. All fish and fishery products should enter Chile on a duty-free basis according to the agreement. Canada's access to the Chilean market provided through this FTA for key exports in inter alia the agricultural sector is comparable to or even better than that provided to competitors through Chile's agreement with MERCOSUR. Canada and Chile have agreed to maintain their respective duty drawback programs, which allow for the refund of customs duties levied on imported materials and components incorporated into exported goods. Canada and Chile have negotiated a mutual exemption from the application of anti dumping duties in the agreement. Canadian exports will be protected against future Chilean anti-dumping actions, a guarantee unavailable to U.S. and other exporters in the market.

There have been several conflicts between the U. S. and Chile, one of particular importance for fisheries. In July 1997, the U.S. made accusations of dumping against the Chilean aquaculture industry. At that time, Chile is the world 's second largest salmon producer after Norway. Chile's annual salmon exports amounted to US\$ 400 million, of which US\$ 180 million was for exports to the United States. To solve the conflict, Chilean salmon producers offered to reduce the salmon exports to the U.S. market and limit the growth of exports to 10 percent per year. In 1991, Norway was de facto forced out of the U.S. salmon market over accusations of dumping, and Chile feared the same outcome. A significant difference of the two cases is that the complaint against Norway excluded fillets whereas the case against Chile included such.

Mexico and Chile originally signed a trade pact in 1991, which was expanded in 1998 to include not only goods, but also intellectual property rights, technical barriers to trade, and sanitary and phytosanitary measures.

Figure 9: Imports of fish and fishery products from Chile to Canada and the United States (in US\$ 1000)



The imports from Chile of fish products is essential for the United States and Canada, and amounted to respectively US\$ 400 million and US\$ 28 million in 1998. The trend is growing, and the agreements with Chile have eased market access of fish even further. Chile is one of the largest suppliers of fish to both the United States and Canada.

**Thailand**

Thailand’s exports in 1999 totalled US\$ 58.5 billion, and the main export markets are the U.S., Japan, the EU and the ASEAN region. The country’s major import sources are Japan, the EU, the U.S., Singapore, Malaysia and Taiwan. In line its WTO Uruguay Round commitments, Thailand has opened its market to a wider range of products. In 1998 overall economic growth was close to 4.5% and imports rose over 17% in 1999.

Thailand has on of the highest and broadest tariff levels among the ASEAN countries. However, the government plans to gradually cut tariffs on raw materials to 5%, semi-processed goods to 10% and finished products to 20%. As a member of AFTA further tariff reductions are to be made.

Thailand is one of the largest countries of Southeast Asia and has vast sea resources as its seaboard coastline lies alongside the Gulf of Thailand and the Andaman sea. With a fleet of 50,000 vessels, Thailand is one of the world’s largest seafood producers. It also has a large prawn farming industry. The exports from Thailand mainly consists of fresh shrimps, crustaceans and molluscs as well as prepared fish products such as canned tuna. Frozen fish exports, mainly shrimps and prawns, were valued at US\$ 2.5 billion in 1996 and canned fish were worth US\$ 805 million.

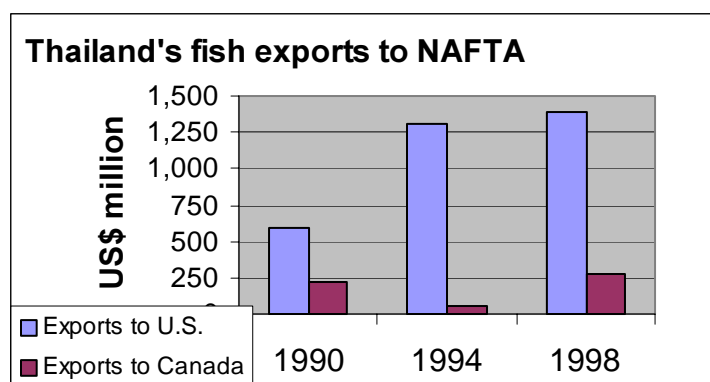
Thailand’s total exports of fish decreased in the period between 1994 and 1998. This reduction was partly due to the Asian financial crisis, as the ASEAN region conducts is one of the most important export markets for Thailand. Imports, however, increased even in this period and will continue to increase as demand for fish is high\_and if Japan’s supplies of fish remain on the same level.

Table 6: Thailand's trade of fish (in US\$ 1000)

Thailand	1990	1994	1998
Export value	2,264,937	4,192,574	4,038,054
Import value	794,423	844,421	864,580

Figure 10: Thailand's exports of fish to NAFTA

Thailand's exports to NAFTA	1990	1994	1998
Exports to U.S.	592,888	1,307,158	1,394,680
Exports to Canada	223,970	61,752	273,952



Thailand is one of the most important suppliers of fish, mainly shrimps and canned tuna, to the U.S. market. The increase in exports was enormous from 1990 to 1994 as U.S. demand increased, while the increase from 1994 to 1998 was not as high. The stagnation of exports could be due to the financial crisis, as exports from Chile to the U.S. increased significantly in this period.

Exports to Canada, however, experienced the opposite from 1990 to 1994, namely a large reduction. This stabilised versus 1998, and ended at the same level.

## **4.2 Southern Common Market Agreement (MERCOSUR)**

### **4.2.1 General information**

#### Establishment and member countries

The MERCOSUR is a treaty establishing a common market between the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay. Chile and Bolivia are associate members. The Chilean senate ratified Chile's associate membership in the MERCOSUR trade block in September 1996.

MERCOSUR started out as a customs union in January 1995 based upon the Argentina-Brazil agreement on integration. New protocols were concluded on issues such as land- and sea transportation and food processing industry. At present, MERCOSUR is the world's third largest trading bloc.

#### Objectives

The parties shall undertake to forge closer relations with the aim of encouraging the increase and diversification of trade. In addition they should prepare for subsequent gradual and reciprocal liberalisation of trade promoting conditions which are conducive to the establishment of the Interregional Association, taking into account, in conformity with WTO rules, the sensitivity of certain goods.



## Contents

The common market involves free movement of goods (including fish products), services and factors of production. Inter alia the elimination of customs duties and non-tariff restrictions on the movement of goods, the establishment of a common external tariff and the adoption of a common trade policy in relation to third states and co-ordination internationally. During the transition period a trade liberalisation programme which consists of progressive, linear and automatic tariff reductions accompanied by the elimination of non-tariff restrictions will regulate the market. These eliminations were made with the objective of arriving at a zero tariff and no tariff restrictions for the entire area by December 31, 1994. Hence, there is free trade with no tariffs between the four countries at present. Further information about this programme could be found in annex 1, to the agreement.

### 4.2.2 Trends in trade of goods

Figure 11: Total exportation of goods from MERCOSUR (in US \$ million)

**de forma tal que las exportaciones de bienes comienzan a ser uno de los motores del crecimiento económico...**

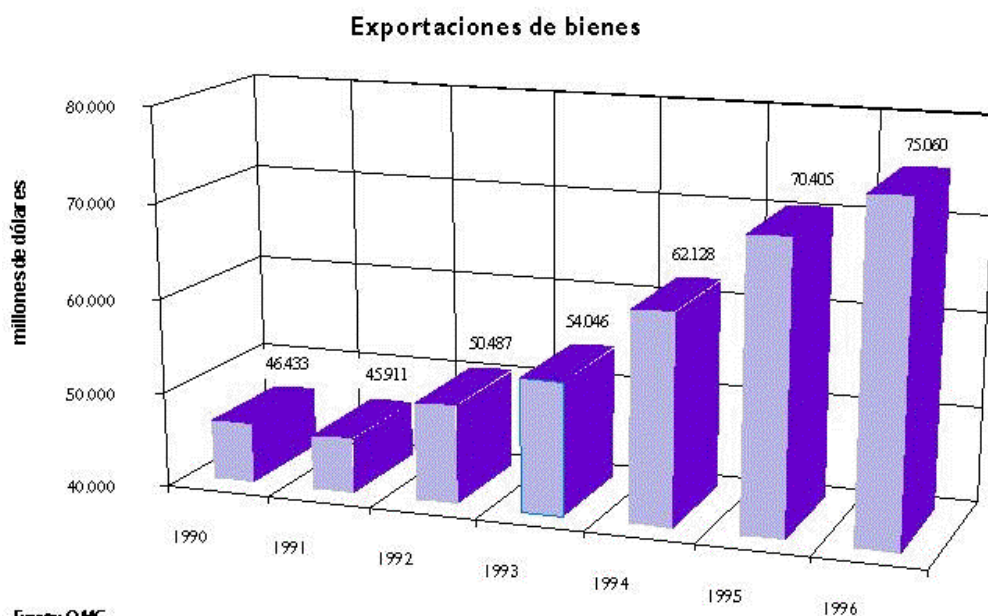


Figure 11 shows a yearly increase in exports of goods from the MERCOSUR region, with an exceptional jump from 1994 to 1995 as the agreement came into effect. Close co-operation between Brazil and Argentina is the key to MERCOSUR's impressive growth. With MERCOSUR, trade between Argentina and Brazil has doubled as a consequence of low tariffs between these countries. Argentina accounts for about 27 percent of the MERCOSUR GDP; Brazil's share exceeds 70 percent. MERCOSUR countries have preferential trade agreements with one another and have an average trade-weighted external tariff of 17 percent. The increase in trade of fishery products is thus in accordance with general exports of goods.

Currency devaluation in Brazil in the beginning of 1999 led to trade tensions among its members, mainly between Brazil and Argentina. Argentina's economy shrank by three percent in 1999, partly because of reduced exports to Brazil. There is much commercial interchange of raw materials and products, but the commercial relations seem very affected when a part

takes very serious economic measures, as with the Brazilian devaluation. At present, the commercial flow recovered towards Brazil.

Another expressed problem is represented by the existing regional taxes in Brazil, which can cause greater disadvantages than the federal taxes.

There have been new investments and commercial operations intra-MERCOSUR, amounting to more than US\$ 2000 million, only in the autumn 2000. The majority of the money come from original companies of the partner countries or from international companies situated in the region.

Table 7: Intra-MERCOSUR trade in goods (in US\$ million)

Intra-MERCOSUR Trade	1980	1985	1990	1995	1996
<b>Argentina with Brazil, Jan-May (in US\$ million)</b>					
Exports	765	496	1,423	5,484	2,450
Imports	1072	612	718	4,161	1,949
Trade Balance	-307	-115	705	1,323	501
<b>Argentina with Paraguay, Jan-Nov (in US\$ million)</b>					
Exports	189	72	147	629	220
Imports	85	20	41	81	61
Trade Balance	105	52	106	548	159
<b>Argentina with Uruguay, Jan-Nov (in US\$ million)</b>					
Exports	182	99	263	645	257
Imports	148	66	116	272	116
Trade Balance	34	33	147	373	141
<b>Brazilian Total Trade with MERCOSUR, Jan-May (in US\$ million)</b>					
Exports	20,132	25,639	31,414	46,506	19,079
Imports	22,955	13,153	20,661	49,663	19,048
Trade Balance	-2,823	12,486	10,753	-3,157	31

Source: USDOC, International Trade Administration, 1997

Argentina's export to the MERCOSUR countries experienced a boom in 1995, when the tariffs were eliminated as a result of the agreement. The same counts for imports, showing that trade improved in general between the four countries. Trade was reduced in general from 1995 to 1998, but the effects were most severe for the fishery sector.

#### **4.2.3 Relevant regulations for fish trade and tariffs**

##### Tariffs and barriers to trade

There is no specific agreement on fish trade within MERCOSUR; hence this sector is included in other sectors of the agreement. The zero tariff rates between the four countries on all fish and fishery products have increased the internal trade, especially the exports from Uruguay and Argentina to Brazil. For MERCOSUR imports from non-member countries, the tariff rates are 13% on all live, fresh, chilled or frozen fish, with exemption for bacalao. As for the prepared and preserved fish, the external tariffs are 19%. Problems related to trade barriers have referred to sanitary issues, but have been generally well solved. Argentina, Brazil, Chile and Uruguay have obtained a co-operation agreement, which includes a unique sanitary certificate.

Uruguay, although harmonisation of tariffs is obtained with the EU, still faces problems with the shipments of hake and fresh swordfish to Spain, concerning customs and other disadvantages that affect the quality and thus the prices. In addition there are problems related to subsidies e.g. the refunds by Argentine ports to favourise fish trade with MERCOSUR countries.

Dispute Settlement

Like in the case of the WTO, MERCOSUR also has a system of dispute settlement. Preferably the disputes shall be settled by direct negotiations, though if no solution is found it will be taken to the Common Market Group for advice. Should the problem still be unsolved the Council of the common market will give advice in accordance with the agreement.

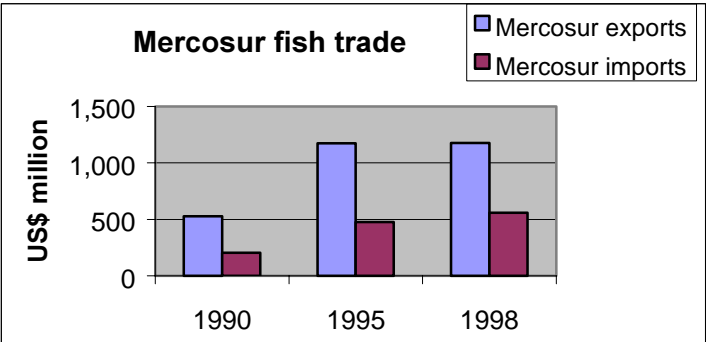
Safeguard clauses

If imports of a given product damage or threaten to damage a country’s market seriously as a result of increase in imports, the country can request the Common Market Group to limit imports. In order not to interrupt any trade flows, which may have been generated, the importing country shall negotiate a quota for imports of the product in respect of which the safeguard clause has been invoked. The safeguard clauses apply for one year, but can be extended for another year when appropriate.

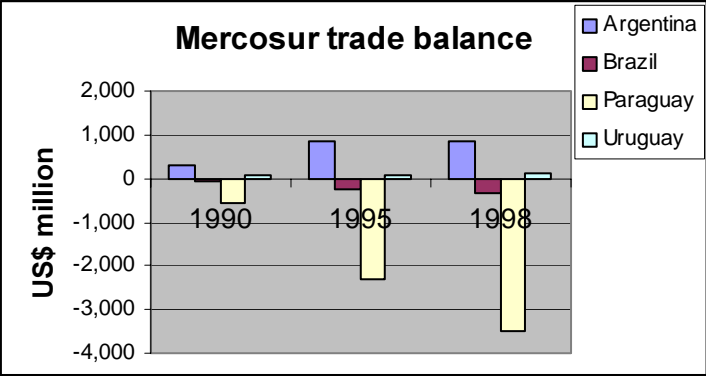
**4.2.4 Total Trade in fishery products**

*Figure 12: Total exports and imports of fish and fishery products from the MERCOSUR (in US\$ million)*

As shown in figure 12, the MERCOSUR countries experienced an enormous growth in exports of fish from 1990 to 1995, when the agreement came into force. Argentina is leading in exports amounting to US \$ 900 million in 1998. The most important products exported are hake (fresh, chilled or frozen) and squids.



When it comes to imports, Brazil is by far the largest importer with an import value of US \$ 455 million in 1998. The Brazilian values have been increasing heavily with some help presumably from the agreement. Imports have been increasing for all the countries, so the trend for fish products is positive and seems to be growing. Seeing the imports and exports together, in the trade balances, Argentina has a large trade surplus due to the high export values, while Brazil shows a trade deficit.



*Note: the figures include intra-trade*

**Figure 13: Trade balance of fish trade from MERCOSUR from 1990 to 1998 (in US\$ million)**

Comparing trade of fish with the trend for goods in general, the fish trade experienced a boom in 1995 when the agreement came into force, as well as the goods. However, as the exports of goods continued to grow to 1998, the fish exports stagnated at the 1995 level.

**4.2.5 Internal trade of fish**

As for the internal trade, Brazil and Argentina account for the highest trade values. Argentina imported for US\$ 12 million in average between 1995 and 1997 from Brazil, but exported for US\$ 133 million to Brazil in the same period. This large amount is due to the zero tariffs between the two countries. Brazil’s imports from Argentina and Uruguay increased as a result of the MERCOSUR Agreement, and the average figures for fish products amounted to respectively US\$ 144 million and US\$ 30 million as shown in table 10.

Table 8 and 9: Internal trade of fishery products in average 1995-1997 in US\$ 1000:

Imports to:	WORLD	ARGENTINA	BRAZIL	PARAGUAY	URUGUAY
ARGENTINA	76,490		12,335		1,768
BRAZIL	479,402	143,628		417	30,249
PARAGUAY	2,899	408	582		96
URUGUAY	9,577	1,186	614	0	

Exports to:	WORLD	ARGENTINA	BRAZIL	PARAGUAY	URUGUAY
ARGENTINA	987,441		133,457	757	2,333
BRAZIL	139,862	11,966		2,007	578
PARAGUAY	50		20		
URUGUAY	100,221	1,601	26,855	96	

To comment on trade trends, there was a reduction in general trade from 1995 to 1998, but the effects were most severe for the fishery sector. There was over-fishing of hake in the Argentina/Uruguay fishing zone, which led to lower a necessary reduction of catches in this period. At the same time, Argentina made a quality division of their fish exports, where the highest quality fish went to Spain, middle quality to the rest of the EU and the lower quality fish to Brazil. As a result, the region increased their imports of fishery products, particularly Brazil, from other regions. The recent financial crisis in Brazil in has also had an impact on the Brazilian market of fish.

**4.2.6 MERCOSUR and other regions**

To deepen the process of integration in Latin America, **the Andean Community** (see next section) **and MERCOSUR** have made an agreement for the creation of the Zone of Free Commerce between the countries. In addition they have opened to the participation of the other members of ALADI (the Latin American Association of integration) to expand the economic area. The objective is to eliminate the restrictions that affect commerce and to facilitate the free circulation of goods and services. In a three-step process the two agreements have negotiated: an Agreement of tariff preferences (1998), fixed margins of preference in the frame of ALADI and an Agreement of Free Commerce, in effect from the 01.01.2000.

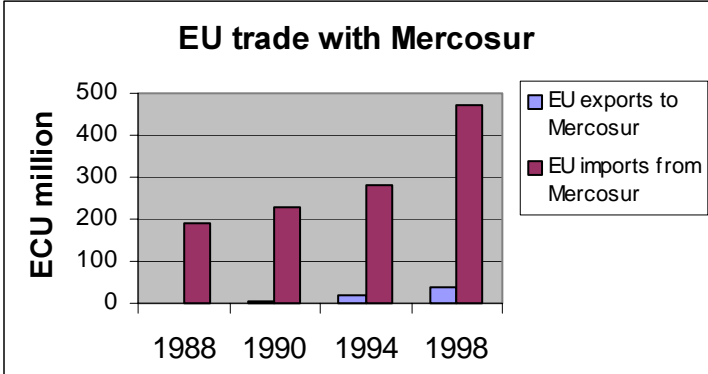
At present there are some conflicts between the two regions based on sanitary measures. MERCOSUR has developed an Agreement on Sanitary Measures with Chile called CONOSUR which contains harmonized sanitary measures. Ecuador has entered into an Equivalency Agreement with Brazil also containing sanitary measures. However, the agreement with Brazil did not give Ecuador easier access to the MERCOSUR market. The difficulties rests on that the Andean Countries, Ecuador and Peru in particular, feel that their exports to MERCOSUR are obstructed by these sanitary measures as countries such as Argentina has very strict sanitary controls. Trade with MERCOSUR, especially Argentina, of fishery products is essential for Ecuador and Peru, thus the feeling of being downprioritized for Asian countries is devastating the countries' possibility to co-operate and facilitate trade.

**MERCOSUR** has also entered into co-operation **with the EU**, to extend commercial liberalisation by removing tariff barriers and non-tariff barriers, and commercial disciplines such as restrictive practices of the competition, customs, norms of origin and safeguards. Safeguards has been a difficult barrier for MERCOSUR's access to EU markets, hence an agreement with Belgium was made to facilitate trade between the two regions.

The MERCOSUR countries will also improve the commercial relations with third countries within the regulations of GATT. The countries will identify sensible products and product quality, to strengthen their competitiveness internationally. An agreement on this issue is expected by 2001.

**4.2.7 Trade with other regions (EU and NAFTA)**

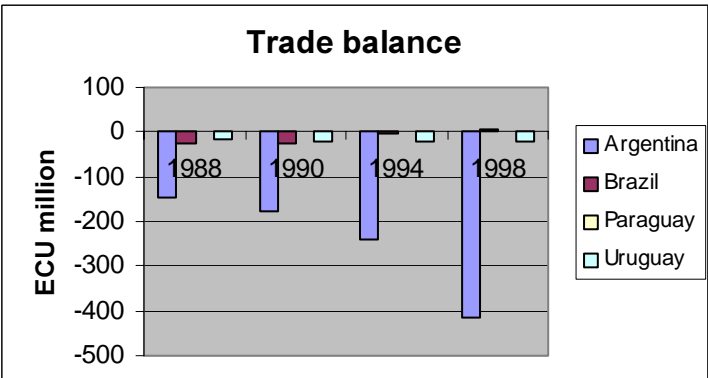
*Figure 14: EU's export and import values of fishery products with MERCOSUR countries (in ECU million)*



The export figures show an enormous growth in exports to all MERCOSUR members especially Brazil and Argentina. The EU exported to these countries for respectively 25 million and 10 million ECU in 1998, and the figures seem to be increasing due to the agreement between EU and MERCOSUR.

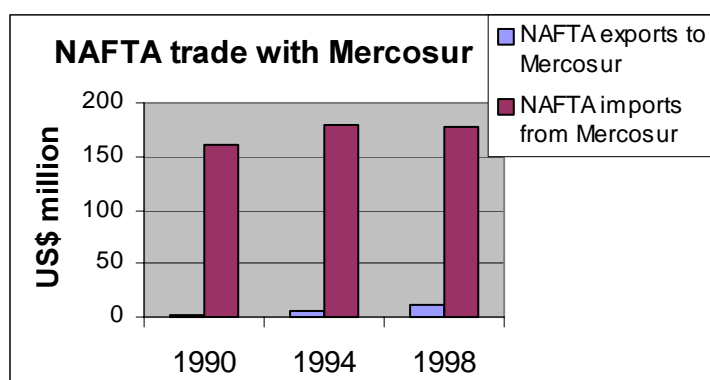
Figure 15: Trade balance between EU and MERCOSUR in fishery products

As for EU's imports from this region, the values have had an unambiguous increase for Argentina and Uruguay. Brazil and Paraguay, however, experienced a decline in 1994, but the imports are on their way up again. In all, the region has increased their trade with the



EU, and EU has a growing trade deficit mostly due to Argentina's increasing exports.

Figure 16: NAFTA trade with MERCOSUR (in US\$ million)



Source: NMFS database of fish trade and DFO Fisheries and Oceans of Canada- Note: The figures do not include Mexico's trade because of unavailable statistics.

NAFTA is one of MERCOSUR's most important trading partners concerning fishery products. The MERCOSUR countries exports for a large amount every year to the United States and Canada, and the trade had a peak in 1994 with an export value of US\$ 176 million. The various agreements between countries of NAFTA and of MERCOSUR have eliminated a large part of the earlier tariffs and import restrictions, and thus led to facilitation of fish trade.

## **4.3 The Andean Community**

### **4.3.1 General information**

#### Member states and objectives

The Andean Community is a political, economic and social integration process undertaken by Bolivia, Colombia, Ecuador, Peru and Venezuela. It began in 1969 with the signing of the Agreement of Cartagena.

The agreement has three main objectives:

- To promote the balanced and harmonious development of the member countries under equitable conditions, through economic and social integration and co-operation;
- To accelerate their growth and the rate of creation of employment;
- To facilitate their participation in the process of regional integration, looking ahead toward the gradual formation of a Latin American common market.

During the last years, the Andean countries have established a Free Trade Area that has sparked a remarkable boom in inter-regional trade.

Using the trade liberalisation program as their main instrument, Bolivia, Colombia and Venezuela completed their market openings in 1992 by removing all tariffs that still existed at that time on products traded with their partners. Ecuador, for its part, completed the process in January 1993 when it opened its markets to imports from Venezuela. Colombia, Peru and Venezuela also have trade agreements with Chile.

### 4.3.2 Tariffs, in general and for fish

In an integration process, the application of the Common External Tariff (CET) within the framework of a free trade area makes it possible to shape a customs union. The CET was adopted in 1994 with a four-tier structure of 5, 10, 15 and 20% for Colombia, Ecuador and Venezuela. For fish products, these three countries' tariff rate is the latter, namely 20%. Bolivia is authorised to apply for national tariffs of 5 and 10% for goods in general and a special regime has been established for Ecuador. As for fish products, Bolivia and Peru have a tariff of 10%.

There is also a list of zeros, which contains 31 sub items that receive special treatment. A list of exemptions was created as well, in annex 4, but is expected to be phased out by June 2000. The member countries may also request temporary suspensions in case of temporary supply shortage or national emergency. Furthermore the Andean countries have adopted common legislation in inter alia Sanitary and Photosanitary measures and Customs procedures.

### 4.3.3 Co-operation and agreements with other regions/countries

The decision of the Andean Countries to establish the Common market in 2005 is a major step forward in the further development of the Andean integration. The achievement of this ambitious project calls for elimination of all remaining barriers to trade in goods in the enlarged sub-regional market and completing the formation of the Customs union by fully adopting a modern and efficient CET. The countries should progressively take the necessary measures to guarantee the free movement of services, capital and persons. By 2005, tariffs are due to be completely eliminated, and therefore the target date of CET is set to the same year. The negotiations to form the Free Trade Area of the Americas (FTAA) are also scheduled to conclude then. **The FTAA** consists of the members of MERCOSUR, NAFTA, The Andean Community, CARICOM and in addition Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The objective of this co-operation is to have a strong position in trade by bringing the agreements together and to broaden economic integration. The FTAA have established working groups on Market access, Customs procedures and rules of origin, Investment, TBT, SPS, Subsidies, Antidumping and countervailing duties and Smaller economies where the different members have responsibilities the various sectors.

Recently the Andean Community signed a trade agreement with Brazil, hoping to develop a free trade area with MERCOSUR in the future. In addition, the Andean countries are making efforts to attain closer relations with CARICOM and sees Guyana as a bridge between the two groupings. There have also been meetings to promote trade relations with China. The Andean Community is trying to reach an agreement with the Central American Common Market (CACM) to strengthen the relations between the two integration schemes. It should be pointed out that although the trade between the bodies does not represent any significant percentage of their total trade, it has been a constant and growing element. The Andean Community in 1997 exported goods for US\$904 million to the CACM countries and had an import value of US\$124 mill.



Some of the Andean countries are in addition initiating negotiations for bilateral agreements. This counts for Peru and Ecuador, both seeking a free trade agreement with Mexico, and Bolivia as an associate member of MERCOSUR.

Andean countries and the WTO

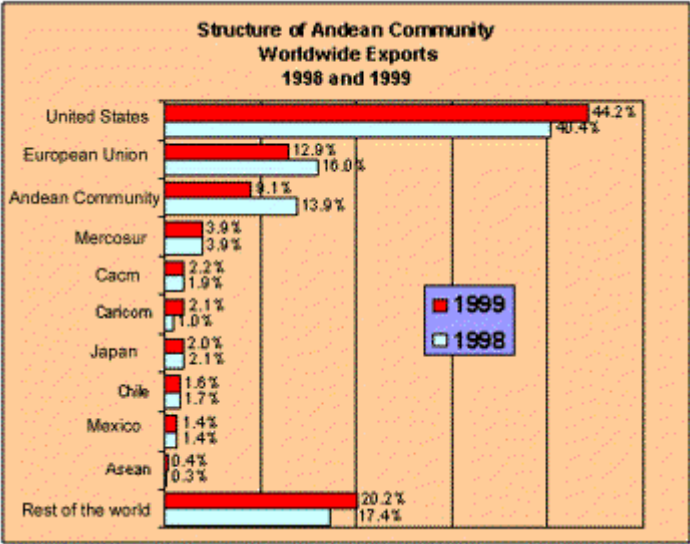
The Andean countries are aware that the sphere of competence the WTO takes in issues is of crucial importance to their development strategies, and that the subjects it addresses are closely tied in with those of Andean integration. This is why they have increased their participation in the multilateral trade negotiations. There have also been recommendations on strengthening Andean co-ordination within the WTO on particular issues.

**4.3.4 Trade in goods**

EXPORTS 1999

Figure 17: Andean Community exports in 1998 and 1999

The United States is the most important trading partner for the Andean countries, receiving 44.2 percent of the exports in 1999, which is a 4 percent increase from 1998.



The European Union was the only market outside the Andean Community to reduce its purchases, in this case by almost 11 percent, bringing down its share of Andean worldwide sales from 16 percent to close to 13 percent. Even so, it continues to be the second largest destination market for Andean extra-Community exports because of the zero duty for exports from the Andean to the EU. The trend in trade of fishery products between these two regions is shown in figure 17.

In South America, the Andean Community has augmented its sales to the MERCOSUR by 11percent and Chile by 8 percent from 1998 to 1999, and these trading partners represent 4 % and almost 2 %, respectively, of the Community’s total worldwide exports.

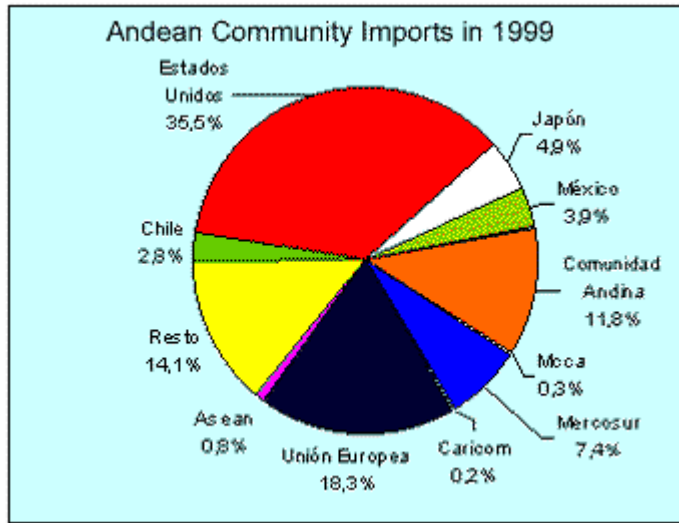
The Central American Common Market (CACM) and the CARICOM (see next section) have each increased their share to over 2 percent of Andean worldwide sales, the former demonstrating a 26 percent growth and CARICOM, -a sharp increase of 145 percent. Mexico kept its purchases from the Andean Community at a level of somewhat over 1 percent of the total by buying 13 percent more.

The Asian countries also purchased more Andean goods than the previous year. Japan accounted for 2 percent of Andean worldwide sales, with a growth approaching 5 percent. The purchases made by ASEAN, although representing less than half a percent of the total, were up 38 percent.



## IMPORTS 1999

Figure 18: Andean Community imports in 1999



Imports from third countries, for their part, dropped 25 percent in 1999 due basically to the Andean crisis that forced the countries of the sub-region to cut back their overseas purchases. At the level of both economic areas and the countries analysed, the Andean Community reduced its purchases from all markets.

The United States continues to be the sub-region's main supplier, accounting for 36 percent of its worldwide purchases, despite a 21 percent reduction in Andean imports from 1998 to 1999.

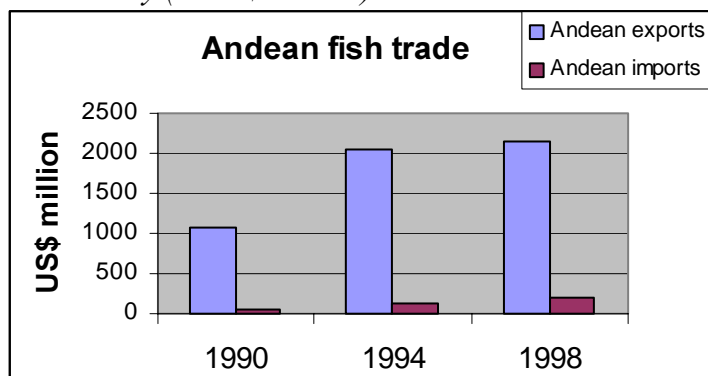
The European Union follows it in order of importance, which although it has seen its sales to the Andean Community decline by 25 percent, is still the source of 18 percent of Andean imports.

With a plunge of almost 50 percent in sales to the Andean market, Japan brought down its participation from 7 to nearly 5 percent. The MERCOSUR maintained its importance as supplier of more than 7 percent of Community imports, despite making 26 percent less sales to the sub-region. Mexico, for its part, kept its share at almost 4 percent, although it saw its sales to the Andean Community decline by a quarter (25%).

The partners whose sales to the Andean Community suffered least were Chile (-8 %), which raised its share to nearly 3 percent, and ASEAN (-18 %), which supplies almost 1 percent of Andean worldwide purchases. The CACM and CARICOM, as sources of Andean Community imports, together now account for only one-half a percent after their sales to the sub-region dropped by more than 40 percent.

### 4.3.5 Total trade of fishery products

*Figure 19: Total value of exports and imports of fish and fishery products from the Andean Community (in US\$ million):*



Export of fish products is important for the Andean community. The export values show an increasing trend with a large increase from 1990 to 1994, probably due to the market openings with reduction of tariffs. As Ecuador has increased their exports unambiguously, the

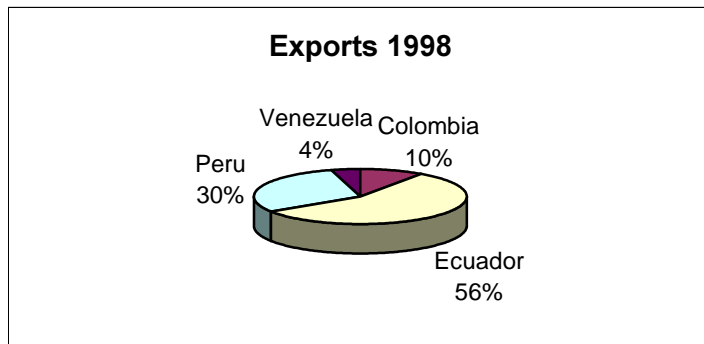
**Figure 20: Export shares in the Andean community 1998:**

other countries experienced a peak in 1994 with a following decrease in 1998.

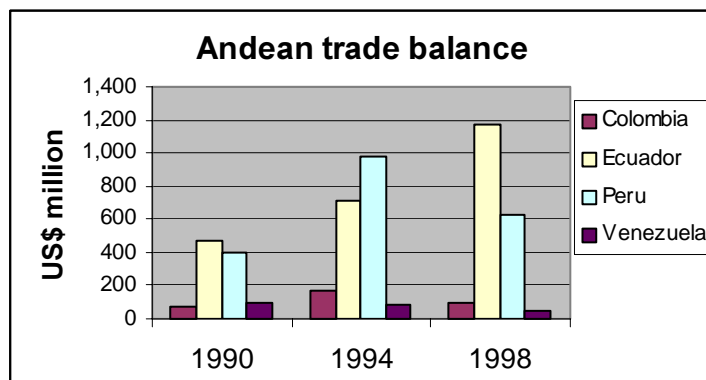
However, the exports in general increased from 1998 to 1999 as co-operation between the regions is becoming more apparent (The FTAA).

The export shares of the different countries are shown in figure 20.

Ecuador provides 56% of the region's exports where canned tuna and frozen shrimps are the most important products, whereas Peru exports 30% being mainly fishmeal and fishoil.



As for imports of fish the values have increased enormously for all countries from 1990 to 1998. Part of the increase could be due to the Common External Tariff in 1995. However, the



Andean crisis led to a reduction of total exports in 1999, probably counting for fishery products as well. When considering the long time trend it still seems to be positive and growing as co-operation is increasing in this area. All countries have a positive trade balance, with Ecuador as the largest exporter in 1998 having the highest trade balance.

*Note: Bolivia's trade is too small to show in the figure*

**Figure 21: Trade balance for the Andean countries in fishery products (values in US\$ million)**

#### 4.3.6 Internal trade of fish

The large amount of exports in fishery products from Ecuador and Peru is also shown in table 10. However, the tables show the allocation internally. Exports to Ecuador and Venezuela from Colombia amounted to respectively US\$ 49 million and US\$ 14 million in average from 1995 to 1997; hence the internal trade is significant. Colombia imported fish for a large amount from Peru as well, US\$ 28 million on average.

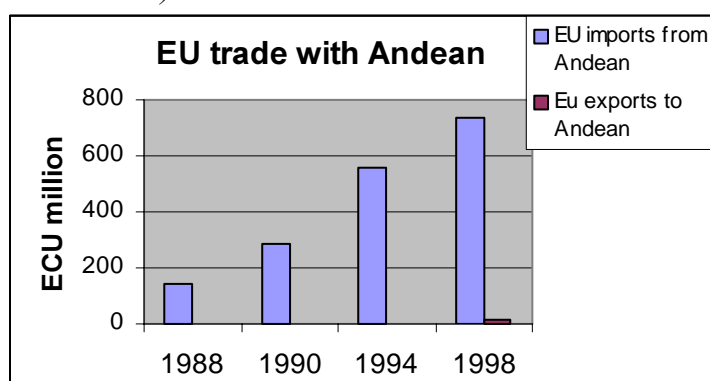
Table 10 and 11: Internal trade of fishery product in average 1995-1997 in US\$ 1000:

Exports to:	WORLD	BOLIVIA	COLOMBIA	ECUADOR	PERU	VENEZUELA
BOLIVIA	115					
COLOMBIA	256,313			1,186	133	1,881
ECUADOR	1,006,217	386	49,018		2,392	3,868
PERU	1,183,474	2,548	7,545			7,288
VENEZUELA	92,282	8	13,629	319	532	

Imports to:	WORLD	BOLIVIA	COLOMBIA	ECUADOR	PERU	VENEZUELA
BOLIVIA	2,337			270	453	14
COLOMBIA	117,302			54,768	28,284	11,315
ECUADOR	11,454		5,759		1,702	61
PERU	5,157		0	1,824		751
VENEZUELA	24,118		5,439	3,469	6,430	

#### 4.3.7 Trade with other regions: EU and NAFTA

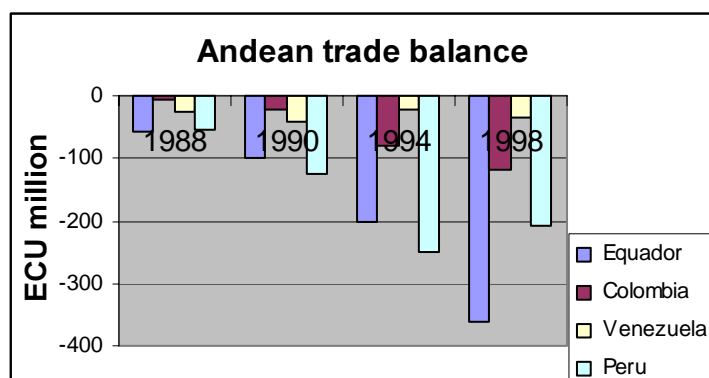
Figure 22: Exports and imports of fish and fishery products from EU to Andean countries (in ECU million)



Note: The accession of Sweden, Finland and Austria in 1995 and intra-EU trade are included in the figures

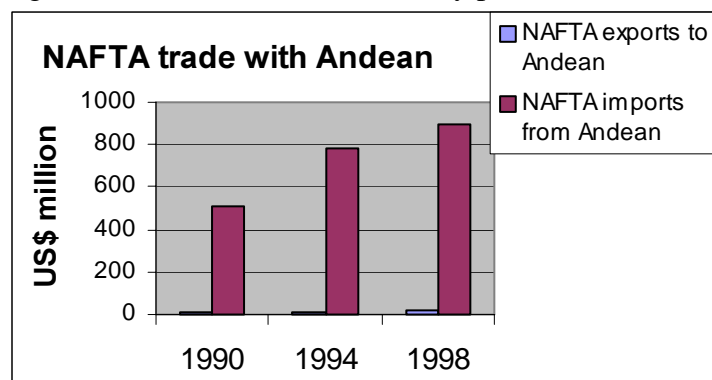
The zero duty for imports to the EU from Andean countries has contributed to the exceptional growth in EU imports from the Andean, also for fishery products. EU imports of fish products increased in general in this decade, but the relative share from Andean countries has increased drastically. Thus co-operation between the two regions is a current issue in trade discussions.

Figure 23: EU trade balance in fish products with Andean countries (in ECU million)



The context becomes even clearer when shown in a balance sheet. As EU imports for a large amount from the Andean and the exports are relatively insignificant. The EU has a trade deficit with all these countries, which is increasing. Especially Ecuador and Peru, as being the largest exporters of fish in general, have a growing trade surplus to the EU.

Figure 24: NAFTA's trade in fishery products with the Andean Community (in US\$ 1000)



The same trend in fish trade counts for NAFTA. Imports have been growing during the last decade showing a positive trend.

*Note: Statistics for Mexico are not included while intra-trade is.*

The negotiation towards a Free Trade Area of the Americas is the closest the Andean Community has been to improving relations with Canada and the U.S. The imports increased more from 1990 to 1994 than later, partly due to the reduction in U.S. demand between 1994 and 1998. As for the following years, the demand has increased again thus imports are expected to increase. Exports from the U.S. and Canada to this region have grown, but are of low significance in proportion to imports.

The negotiation towards a Free

#### 4.3.8 Trade with third country: Japan

Japan is one of the largest actors on the world market. Its imports have increased over the last decades from ECU 101 billion in 1980 to ECU 253 billion in 1998. Japan has gone from a trade deficit in 1980 to a trade surplus in 1998. The exports amounted to 94 billion in 1980, and increased to ECU 350 billion in 1998.

Concerning fish, Japan is the largest single fish market in the world. The country's fish imports account for 16% of total world imports of fish in quantity and 30% in value. However, it should be noted that Japan is also a large fishery nation, thus the massive fish imports to Japan actually represent only about half of Japanese domestic consumption. Tuna, shrimp and swordfish are the most imported products. The seafood imports were hit hard by the economic recession in 1998, as illustrated in table 12, but seems to be recovering after the appreciation of the Yen in 1999. While exports of fish have declined over the last decade, Japan continues to be the largest importer of fish as a single country.

Table 12: Japan's trade of fishery products

Japan	1990	1994	1998
Export value	854,170	821,925	739,799
Import value	10,904,945	16,580,070	13,032,751

Japan signed the UN Convention of Law of Sea in June 1996 and as a consequence, 200 nautical miles Exclusive Economic Zones were applied. The Total Allowable Catch (TAC) system was introduced in 1997. The challenge for Japan is to re-establish the suitable framework for the fishery policy concerning the fishery management in the EEZ. The problem of over-fishing because of mismanagement of the fishing effort has created problems for the industry.

Japan's top food suppliers in 1998 were the U.S., providing 28%, followed by China (11%), Australia, Canada (6%) and Thailand (5%).

Considering the seafood imports over the last decade (1985 to 1997), there were significant changes in 1997. Imports grew dramatically at the expense of decreased domestic fish supply. According to statistics from the Ministry of Finance, the total import of seafood in fiscal 1999, i.e. from April 1999 to March 2000, was 2.9 million tons.

Japan has traditionally been a large salmon fishing nation. However, the domestic salmon catch is declining, while imports are becoming more important. USA, Canada and Russia are the main suppliers of wild salmon to Japan. For farmed salmon, Chile and Norway are the large players in the Japanese salmon market. From 1994 to 1999, the division between wild and farmed salmon changed from two-thirds of wild salmon in 1994 to two-thirds of farmed in 1999. This implies increased imports from Chile and Norway if the trend continues.

Together with the continuing demand for high quality products, the pressure to lower the price is strong, and thus it is exceptionally difficult for suppliers to fulfil consumers' demand.

Because of globalisation, together with the deregulation of food imports, food in Japan is diversified which makes the Japanese food market highly competitive. However, the seafood market is in transition. Seafood consumption is stagnating compared to meat.

#### 4.4 The Treaty Establishing the Caribbean Community and Common Market (CARICOM)

##### 4.4.1 General information

###### Member states and establishment

CARICOM is a further extension of the customs union CARIFTA that was formed in 1968 in order to improve employment opportunities in the Caribbean region. The members implemented a free trade area with special treatment for agricultural imports. In July 1973, they established CARICOM to co-ordinate economic policies and development planning, and CARICOM now consist of the following states: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St.Kitts-Nevis-Anguilla, St.Lucia, St.Vincent and the Grenadines, Suriname, Trinidad and Tobago. The islands are shown in the following figure x:



Figure 25: Map of CARICOM

###### Objectives

The principal objectives of the community is economic integration of the member states by the establishment of a common market aimed at strengthening, co-ordinating and regulating economic and trade relations among members. This is to obtain sustained expansion and integration of economic activities to divide the benefits equally noting the special needs of the Less Developed Countries and for the achievement of greater measure of economic independence and effectiveness in international affairs.

The second objective is the co-ordination of the foreign policies of Member States. The third objective is aimed at functional co-operation including the efficient operation of certain common services, and the promotion and advancement of their social, cultural and technological development.

A common external tariff has been established, but is not uniformly applied by the members of CARICOM due to disagreements on the levels of tariffs applied to certain products.

#### **4.4.2 Fisheries and relevant regulations**

##### Fisheries

The community, in collaboration with national, regional and international agencies and organisations, shall promote the development, management and conservation of the fisheries resources in and among member states on a sustainable basis. This is stated in an own article (IX) on fisheries management and development, whereas the rest focuses mainly on preservation and not on trade. However, the trade of fish products is regulated in the new Protocol IV in the Treaty of Charaguaramas, which contains general regulations on trade. It also underlines that members shall co-ordinate their trade policies with third states or regional groupings.

##### Import and export duties

Protocol IV states that member states shall eliminate all restrictions on imports and exports other than as specified in the protocol and these regulations will be put into effect in 2000. As a result, member states shall not apply any import or export duties on goods of Community origin traded within the Community. There will be no possibility for internal charges on any products or to make substitutes not produced in the importing Member State.

There shall not be any quantitative restrictions on the import of goods, which are of common market origin. Quantitative restrictions refer to quotas, import licences or other measures with equivalent effect, including administrative measures and requirements restricting imports or exports. The exact same regulation counts for exports to member states. If a product benefits from export drawback, i.e., refund of charges on imports of products that are to be exported with domestic raw material, then the members do not have to treat it as a good of the community. An exemption to this regulation is if the product may cause serious injury to domestic producers; if so they shall be free to impose restrictions.

Other general exemptions are stated in article 29, as for fisheries the rule of preventing shortages or conservation of natural resources and protection of endangered species that could be used. Member states shall establish and maintain a Common External Tariff in respect of all goods, which do not qualify for Community treatment in accordance with determinations of the Council for Trade and Economic development.

Export promotion is secured through the establishment of an effective trade information system. In addition the members will establish a regime for the free movement of goods and services within the single market.

Exceptions for commodities imported from third countries are stated in Article 32, which provides for the reduction or suspension of the CET in situations where a product may be produced in one or more member states. However, in quantities insufficient to meet the demand of the common market and subject to the requirement, the originating goods receive Most-Favoured-Nation treatment in respect to the imported goods.



#### 4.4.3 Total trade of fish

The trade of fish by CARICOM had a significant increase in the past decade, but the trade values vary within the region. As shown in figure 26, CARICOM experienced a large increase in exports from 1994 to 1998, and the export shares are shown in figure 27. Both imports and exports have had a positive trend, except for a decrease in 1994, and this is expected to continue with the liberalisation of trade restrictions.

Bahamas is the largest fish exporting country in this region, with an export value of nearly US\$ 60 million in 1998, which corresponded to 33% of total exports.

Figure 26: Total value of imports and exports from CARICOM (in US \$ million)

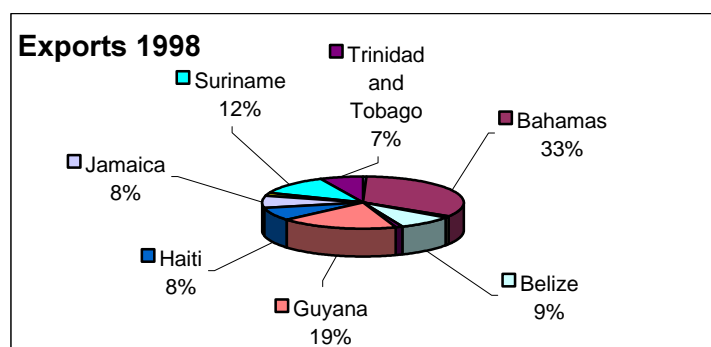
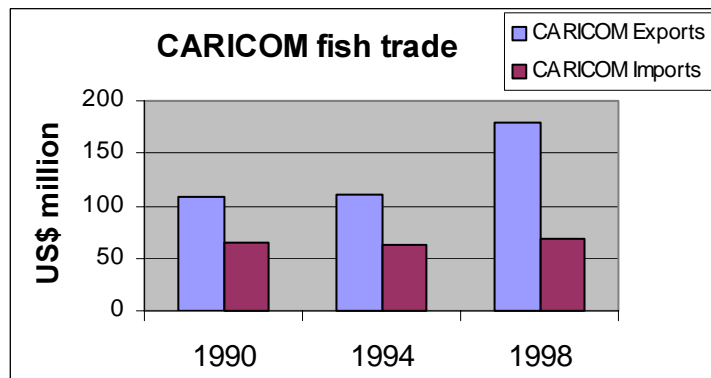


Figure 27: Export shares of fish products in CARICOM, 1998

#### 4.4.4 Latin America and the Caribbean

Panama is the only country in the region that is not a member of any trade agreement, if one includes bilateral agreements. However, Panama is initiating negotiations with Chile to form a free trade agreement. In the period from 1991-97 trade between the MERCOSUR countries rose fivefold, to account for one-fourth of total exports. (However, the recent financial turmoil, depressed commodity prices and regional economic slowdown have hurt Latin America and the Caribbean's trade performance, with interregional trade suffering disproportionately.) In addition to MERCOSUR we have the Latin American Free Trade Association, The Central American Common Market, The Andean Group and the Caribbean Community.

The impressive growth in U.S. export to Latin America and the Caribbean is a result of fundamental changes in economic, fiscal and trade policies in the countries of this region. The countries are abandoning the protectionism and heavy government intervention of the past for market-oriented trade policies to be able to compete in the global market. They have been reducing their tariffs and non-tariff barriers through the implementation of the Uruguay Round as well as through unilateral restrictions.

As part of the wider trade liberalisation, the region's average external tariff decreased in the period from 1980 to 1990, from over 40 percent to about 14 percent. Concerning multilateral trade the region has made a commitment to open markets under the WTO. Although regional agreements allow countries to have preferred trading partners, this region has lowered average



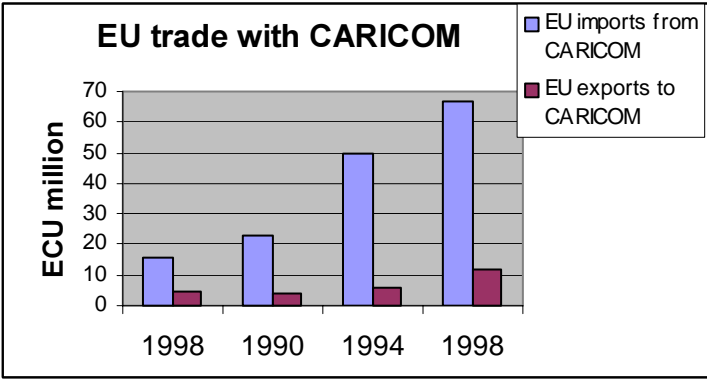
protection beyond multilateral levels. Generally, tariffs are to be eliminated within 10 years, with exemptions rarely exceeding 6 percent of tariff lines.

The objectives of regional agreements go beyond trade liberalisation. First, they include export diversification and second, this integration attracts foreign investment. Regional commitments are harder to reverse than unilateral reforms. Critics are concerned that regionalisation is leading to trade diversion. (The proliferation of agreements may create a multiplicity of norms and regulations in the region, reducing transparency and raising transaction costs.) Restrictive rules of origin in free trade areas as well as significant sectional activity in the phasing-out of tariffs and preferences may offset the liberalising effect of tariff elimination.

Some countries have raised tariffs in the face of growing trade imbalances and weakening tax revenues. Local trade frictions have been growing, in particular within MERCOSUR, and the use of antidumping measures and other administrative measures is increasing and threaten to undermine stable and predictable market access.

**4.4.5 Trade with other regions (EU and NAFTA)**

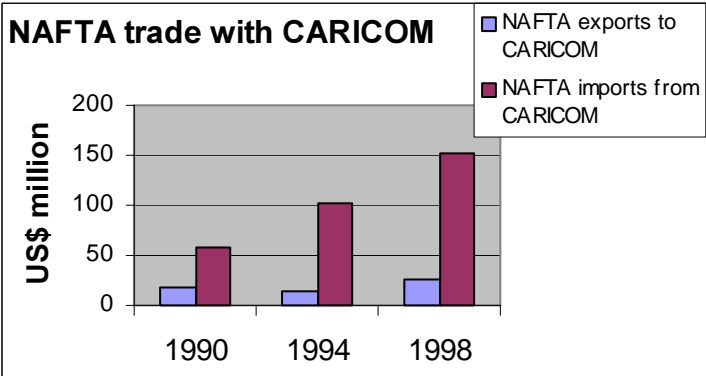
Figure 28: EU’s trade with CARICOM in fish and fishery products (in ECU million)



EU’s trade with CARICOM has increased in the last decade, also in fisheries. Both imports and exports show prosperous figures. CARICOM’s exports to EU are of a relatively higher value than imports. Then in the four-year period from 1990 to 1994, exports from the EU went down a little, simultaneously with a huge

increase in imports from some US\$ 23 million to 50 million. Furthermore the exports increased quite a lot from 1994 to 1998 while imports decreased somewhat.

Figure 29: NAFTA’s trade with CARICOM in fish and fishery products (in US\$ million)



There has been impressive growth in US trade with the Caribbean as a result of the changes in trade policies and their movement from protectionism and government intervention to reducing tariff and non-tariff barriers and more market-oriented policies.

## **4.5 The European Union (EU)**

### **4.5.1 General information**

#### Member states

The European Union is the result of a process of co-operation and integration, which began in 1951 between Belgium, Germany, France, Italy, Luxembourg and the Netherlands. The Treaty of Rome established the European Economic Community (EEC) in 1957. The European Union, as we know it today, was established by the Treaty of Maastricht in 1993 as a broader framework and retained the EEC as a legal entity. The aims of the EU include the abolition of restrictive trading practices and free movement of labour and capital within the union. A single market with free movement of goods, services, capital and labour was established in January 1993. After nearly fifty years and four waves of accessions; (1973: Denmark, Ireland and the United Kingdom; 1981: Greece; 1986: Spain and Portugal; 1995: Austria, Finland and Sweden), the EU today has fifteen member states and is preparing for its fifth enlargement, this time towards Eastern and Central Europe.

#### Objectives

The main objectives of the organisation are:

- To promote economic and social progress
- To assert the identity of the European Union on the international scene through inter alia common positions within international organisations and action in international crises.
- To introduce European citizenship (for civil and politic rights)
- To develop an area of freedom, security and justice
- To maintain and build on established EU law

In addition to the founding treaties there have been three major reforms which have made great impact on the European institutions: The Single European Act, which entered into force in 1987, the Treaty of Maastricht (1993), as mentioned, and the Treaty of Amsterdam (1999). The EU launched a new Market Access Strategy in February 1996 to make its trade policy more proactive and reflect the current needs of European exporters. In this process the EU is ensuring that its trading partners comply with their international commitments, whether in the WTO or other fora, by focusing on inter alia sectional trade barriers and the WTO bound tariffs i.e., maximum tariffs under the WTO. The database at the heart of this strategy consists of five main sections: sectoral and trade barriers; applied tariffs; WTO bound tariff; Info-Point on World Trade in Services (GATS); and Exporters' guide to import formalities. The EU's main objective now is to concentrate resources on removing specific barriers to maximum economic benefit, through: WTO Dispute Settlement; bilateral agreements; bilateral consultations; bilateral market access packages with non-WTO countries and the Millennium Round.

### **4.5.2 EU and other regional organisations**

The 15 member states of the European Union, as a whole, have a common commercial policy towards non-member countries. The main basis of the common commercial policy is article 133 of the Treaty of Amsterdam (1999). Trade has been important for the European Union since its earliest days four decades ago.

The Agreements between **EU and EFTA** is commented upon in the following section on EFTA. The EFTA, with Norway and Iceland as principal exporters, is at present EU's most important supplier of fishery products.

The Free Trade Agreement (FTA) between **EU and Mexico**, which includes trade of fish products, officially entered into force on 1 July 2000. This agreement is commented upon in the NAFTA section.

The commission has decided upon increased economic co-operation with the Western Balkan Countries by proposing an agreement on agricultural trade liberalisation between **EU and the Balkans**. The proposal aims to abolish remaining tariff ceilings for certain industrial products originating in Albania, Bosnia–Herzegovina and Croatia and to improve access for agricultural products including processed agricultural products and fishery products. The EU is the most important trading partner for the Balkan countries. While trade liberalisation in agricultural products towards the Balkans have a small impact on the EU market, it can make a big difference in efforts to stimulate economic activity and trade in the western Balkans.

The development of the **East Asia Economic Caucus (EAEC)**, lead by Malaysia, may be a natural response of Asian countries against two big blocks in the world; EU and NAFTA. However, a reinforcement of this agreement could have a negative economic impact on the non-Asian countries. As **APEC** has a less restrictive economic policy and is a more open organisation, perhaps more emphasis on this organisation would be a good approach towards strengthening the Asian region and increased international free trade.

#### 4.5.3 Trade of goods

Table 13 show's the EU's increasing trade with the world over the last years, With an export value in 1998 of ECU 732 billion and imports amounting to ECU 712 billion, it has become one of the leading traders in the world market. This trend has continued towards year 2000. EU's largest trading partner for goods in general is NAFTA, to which EU exports for ECU 185 billion. The Mediterranean Basin and Latin America are also significant markets for exports, whereas ASEAN and Japan (not in ASEAN) are larger suppliers.

Table 13: Total trade of goods from/to EU, values in ECU billion

EU trade of goods (in billion ECU)	Imports 1995	Imports 1996	Imports 1997	Imports 1998	Exports 1995	Exports 1996	Exports 1997	Exports 1998
World (excl.EU)	545.25	581.07	672.57	712.37	573.28	627.01	721.13	731.58
NAFTA	118.59	127.79	154.2	168.41	118.17	130.7	162.91	184.81
ASEAN	34.62	38.88	46.65	52.17	37.02	41.17	45.87	30.49
Latin America	30.43	30.22	34.65	35.53	32.39	35.6	45.18	49.46
Mediterranean	32.1	35.27	41.34	42.38	50.61	56.87	65.26	67.73
Japan	54.3	52.56	59.88	65.78	32.9	35.77	36.1	31.53

Source: EU-Eurostat/comext;23/9/99

As fisheries were not included in the Common Agricultural Policy, the Common Fisheries Policy was adopted in 1983 to deal separately with this issue. In addition, several regulations have been made on specific issues as supplements to the Common Fisheries Policy as follows.

#### **4.5.4 The Common Fisheries Policy**

The Common Fisheries Policy (CFP) is the EU's instrument for the management of fisheries and aquaculture. It was created to manage a common resource and to meet the obligation set in the original Community Treaties. There were several measures dealing with fishing vessels and a common market, however, the CFP was not adopted until 1983 after difficult negotiations. The CFP had an objective to create a common market inside the Community and to match production to demand. These original objectives have been complemented by the creation of the single market and the gradual opening up of world trade. At the bilateral and multilateral levels, fisheries agreements became necessary when distant water fishing vessels from the Community lost access to their traditional grounds following the extension of fishery zones. Fishing rights for such vessels have been negotiated with many non-Community countries in return for various forms of compensation whose nature depends on the interests of the third country concerned. The EU is also involved in negotiations with international organisations and regional fisheries organisations to ensure rational fishing.

Eastern European countries applying for EU membership, like Poland, Estonia and Latvia, have to adapt to inter alia the CFP regulations before being accepted as new members of the EU. Important consequences of this are a large reduction of their fishing fleet and adaptation of sanitary and photosanitary measures for all fish products.

As the Common Fisheries Policy focuses mainly on resource management, other agreements have been made that have more impact on trade.

#### **4.5.6 Fisheries and recent regulations<sup>17</sup>**

The basic provisions concerning the organisation of the market in fishery products was revised to take account of market developments, changes in recent years in fishing activities and the shortcomings detected in the previous regulations. Because of the importance of the fishing industry to the coastal regions the EU will encourage market stability and support sustainable fishing while complying with WTO regulations. The widening variety of supply, particularly of fresh and chilled fishery products, makes it essential to provide consumers with a minimum of information on the product's characteristics and to secure the quality. As a result, regulations have been made on labelling requirements, tracability, the HACCP (Hazard Analysis and Critical Control Point) regulation and ISO 2002 rules (described in chapter on WTO). This becomes particularly important for all non-members who market goods in a specific region. (Compare with WTO's TBT regulations)

##### Customs arrangements:

To ensure adequate supply to the Community of raw materials intended for the processing industries, the tariff duties for certain products shall be totally or partially suspended autonomously for an indefinite period in accordance with annex IV (fresh and chilled products of certain species). The commission should be notified about the prices and import quantities, and the prices should be equal to the customs value of the products. There are also regulations on safeguard measures in case of disturbance in imports or exports.

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<sup>17</sup> EU Council regulation no.104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products

### Regulation on state support:

In the fisheries sector, the Common Fisheries Policy (CFP) limits the grant of national aid. The action in this sector has to comply with the objective of establishing a balance between stocks and their exploitation, and as a consequence state aid is only justified if it is in accordance with the Policy. The CFP also states rules within processing and marketing. The aid to exports or trade in fishery products within the community is incompatible with the Common Market.

### Subsidies<sup>18</sup>

Subsidies within the European Community are provided through The Common Fisheries Policy. Two categories may be classified as domestic fisheries subsidies according to the WTO definition of subsidies (1994); structural programs and market price supports.

The EU adopted a structural policy program for a 10-year period from 1986 to 1996. Then in the period from 1994 to 1999, they made a restructuring program for the EU fisheries sector. The latter had total budget outlays of US\$ 3.2 billion or US\$ 530 million per year. This funding was allocated to 6 major objectives; adjustment of fishing effort, fleet renewal and modernisation, processing and marketing, aquaculture, port facilities and generic product promotion.

The EU implements a number of measures to support domestic fishery prices, including a minimum import price program (reference price), removal of excess supplies from the market and impeding storage costs. During the 1980s these price supports were given at fairly modest levels, annually about US\$ 25 million. In addition the EU supports the Pesca Community Initiative for seafood promotion, labelling and quality enhancement.

In summary, the EU's budgeted domestic subsidies that enhance fishing effort and capacity include about 60% of EU's structural program and all the EU price support programs.

### Anti-dumping<sup>19</sup>

Dumping is often seen to relate to any cheap or below-cost imports, but the reality is more complicated. The 1996 Anti-Dumping regulation and Decision provide for the imposition of anti-dumping duties, but only when the following conditions are met:

- A finding of dumping: the export price at which the product is sold on the EU market is lower than the price on the producer's home market;
- A material injury to EU's industry: the imports have caused or threaten to cause damage to a substantial part of the industry within the EU, such as loss of market share, reduced prices for producers and resulting pressure on production, sales, profits, productivity etc.;
- The interest of the EU: the costs for the EU of taking measures must not be disproportionate to the benefits.

Anti-dumping measures will only take place if they are shown to be in the broader EU interest. The year 1999 saw a big increase in anti-dumping and anti-subsidy activities in the EU. That is the key finding in the Commission report on EU's anti-dumping and anti-subsidy activities.<sup>20</sup> The report concludes that the rise was due in part to the economic crisis in Asia. However, the report adds that this steep rise could be an exception to the trend. Moreover, the

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<sup>18</sup> This is based on Milazzo's World bank report (1998)

<sup>19</sup> Existing trade policy instruments; Protection against dumped imports, EU 364/96, April 2000

<sup>20</sup> The 18<sup>th</sup> annual report to the EU Parliament, 1999

report mentioned that the volume of imports affected by defence measures was relatively low considering the EU is the second largest importer in the world.

General tariffs on fish products imported to the EU:

- For live fish, the tariffs range between 0% and 16%
- Fresh and chilled fish are tarified as follows: trout 8% and 12%, salmon 2% and 8%, flatfish have tariffs of 8% and 12%, tunny have 22% duty, herring has 15% tariffs, cod is levied by 12%. Of other fish, sprat are tarified from 13 to 23%. Haddock has 13% tariffs, coalfish has 7.5% tariffs and mackerel 20%. Shark has 6%, while eel is duty-free. Hake, perch, frogfish and lump-fish have 15% tariffs while Ling, Norway haddock and pollack have a duty of 7.5%. Liver has 10% tariffs.
- Frozen fish also have varying tariffs depending on species, about the same as for fresh and chilled fish.
- Most Fresh or chilled fillets have tariffs of 18%. Exceptions to this are trout with 12% tariffs and Atlantic salmon of 8%. As for frozen fillets the tariffs are 15% for herring, mackerel, halibut, lump-fish, shark, swordfish, frog fish and 7.5% for the rest. Exceptions to this are Pacific salmon, 2%, and trout with 12%.
- Dried, salted or smoked fish are grouped into tariff categories: Liver and roe have 11% tariffs; salted or dried fillets have 15-20% tariffs; smoked fish have 13-16% tariffs; and dried fish or salted fish that is not smoked have 10-15% duties (including dried and salted cod).
- Crustaceans can be divided into shrimps, with tariffs of 12% and 18%; crabs with 7.5%; crawfish with 7.5 and 12%; Rock lobster with 12.5% tariffs and other lobster from 6 to 16%.
- Molluscs have the following categories: oysters with 0% or 9%; scallops with 8%; mussels with 8% and 10%; snails are duty-free; squids have 6% or 8% tariffs; and octopus has 8% tariffs.
- Oils are categorized as follows: cod-liver oil has 4.2% tariffs and other oil has either 11.9% tariffs or is duty-free.
- As for prepared and preserved fish, the fish whole or in pieces have the following tariffs: 5.5% for salmon; 20% for herring; 12.5% for herring; 25% for tunnes and mackerel; and 20% for other fish. Conserved or prepared in other ways, the fish have tariffs from 5.5 to 25%, canned tuna and sardines having the highest tariffs.
- Finally, prepared crustaceans has tariff-rates of: 20% for shrimps, lobster and mussels; and 8% for crabs.

**4.5.7 Total trade of fish**

EU’s trade in fishery products shows an increasing trend as EU has opened further to international markets. EU has become the largest trader of fish products in the world, both in imports and exports, with values of respectively US\$ 21.2 billion and US\$ 11.7 billion in 1998.

Figure 30: Total value of trade in fish and fishery products to/from the EU (in US \$ million)

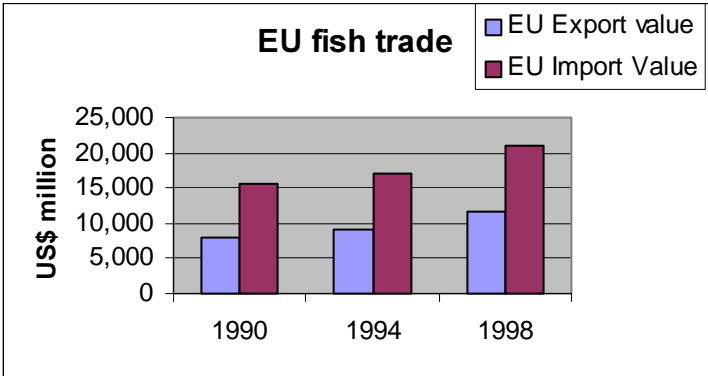
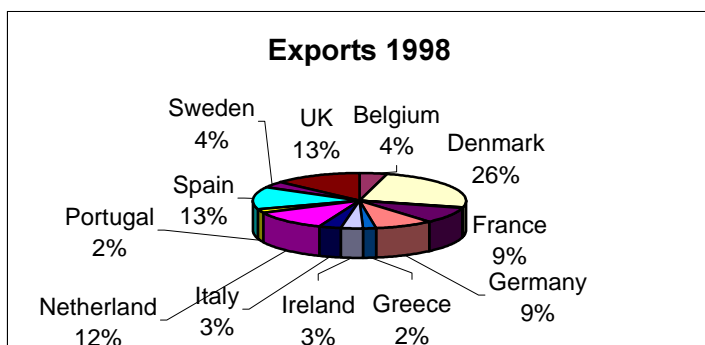
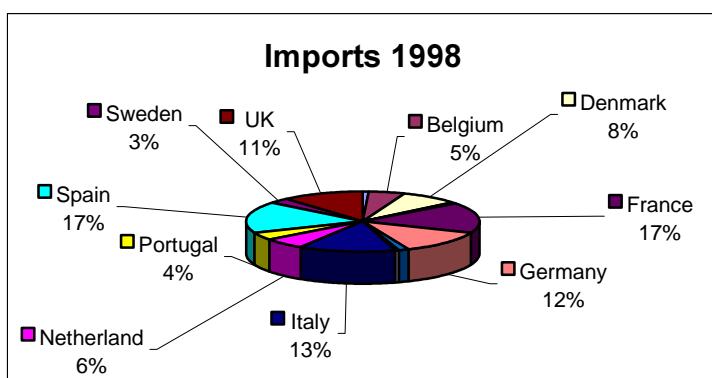


Figure 31: Export shares EU 1998



As shown in the figure 31, the relative shares of exports of fish is significant for the European region, with Denmark as the largest supplier covering 26% of exports, followed by the U.K., Spain and the Netherlands.



As for imports, reflected in figure 32, the demand is concentrated in a few countries namely Spain and France, followed by Italy, Germany and the U.K. Imports of fish products have increased although tariffs on fish are fairly high, in particular on processed products.

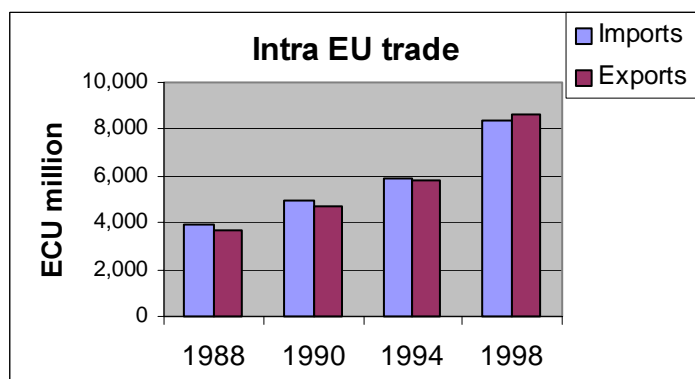
By comparing the trade of fish to trade of goods (in table 13) the trade of fish seem to follow the trend in trade in general, namely an increase in both imports and exports from 1994 to 1998. However, as figure 32 includes the internal EU trade and the accession of Sweden, Finland and Austria (1995), part of the increase in the figure from 1994 to 1998 will be due to these events.

Figure 32: Import shares EU 1998

#### 4.5.8 Internal trade of fish

Figure 33: EU's internal trade of fish and fishery products (in ECU 1000)

Intra EU trade	1988	1990	1994	1998
Imports	3,938,146	4,961,651	5,881,163	8,399,883
Exports	3,710,829	4,687,260	5,777,635	8,610,803



**EU's internal trade of fish more than doubled from 1988 to 1998 as a result of elimination of tariffs and other trade restrictions within the union. The trends in both imports and exports have been positive, and in 1998 the internal trade constituted a larger relative share of the region's total trade in fisheries than earlier.**

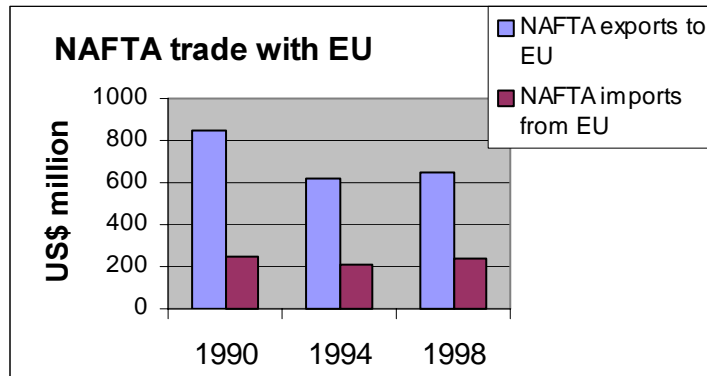
**This explains the increase in international trade in spite of the expected reduction in European demand.**

#### 4.5.9 Trade with other regions: NAFTA

## EU and bilateral relations

US-EU trade relations were marked by both co-operation and confrontation during 1998. In December, they launched the Transatlantic Economic Partnership to facilitate bilateral trade between the US and EU and to strengthen the multilateral trading system. Bilaterally, the initiative covers a broad range of issues, including regulatory barriers to trade in goods and services.

Figure 34: NAFTA's trade in fishery products with EU (in US\$ million)



There has been a significant reduction in the trade between EU and the U.S. and Canada, though more visible for exports than imports. (The trade is analysed with EU as basis in the part on NAFTA). The reason for this is increase in demand and less fish available for exports as catch and aquaculture have gone down.

### 4.5.10 The Lomé Convention

First signed in 1975, the Lomé Convention provides a package of aid and trade measures to seventy developing countries in Africa, the Caribbean and the Pacific -- the ACP. At present, some countries claim that the Convention no longer fulfils the expectations laid down 25 years ago. Others see a troubling shift in European policies and argue that defence of the preferences and support provided by Lomé is crucial to their own development and survival.

Europe's relations with the seventy ACP countries have suffered from the geo-political and economic changes in Europe and elsewhere: The end of the Cold War and the rapid development of a global market have made the ACP countries more marginal; The dissolution of the Soviet Union moved Eastern European countries closer to the EU; and the loosening of East-West rivalry and migratory pressure from the Mediterranean have led to fundamental re-assessment of the EU external policies. It is not yet clear where the ACP will stand in a new configuration of the EU external relations in the future. However, The European Commission stresses the need to focus on development in a new millennium Round with the WTO and that the EU must be forthcoming in opening their markets to further developing countries in general.<sup>21</sup>

The very premises on which the Convention was created are no longer as important as they once were. There is a dwindling sense of common interest. When the first Lomé Convention was signed in 1975, there were strong historical ties and visible mutual interdependencies between the former colonies and the nine EEC member states. Since then, the *raison d'être* of the special relationship is disappearing and the foundations for any new rationale have not yet been defined.

<sup>21</sup> Speech of Pascal Lamy of the European Commission on the U.S. council for International Business, N.Y., 8 June 2000.



Despite the preferential access to the EU market offered under the Convention, ACP exports to the EU has deteriorated in the last two decades. (EU's imports from ACP countries decreased as Asia and Latin America became more favourable suppliers.) Trade is still considered to contribute to development. The question is how trade co-operation can be adapted to become a more suitable instrument of development, and to more effectively address the challenges faced by ACP countries in the 21st century. Guaranteed supplies of raw materials at stable prices may have become less of an issue for the EU these days, as it can source them more reliably and cheaply elsewhere and wants to protect own producers. As opposed to this, the ACP countries stress the importance of using ACP countries as outlets for its products and develop spheres of influence. In a growing division of the world in trading blocs it is essential to link up with larger trading partners to obtain a counterweight to other major trading partners for e.g. the Caribbean region and the Asian block.

For many ACP countries, the trade provisions are the most valuable part of the Convention. However, recognising the limitations of current Lomé trade provisions (which are primarily based on preferential market access), most support the search for new forms of trade co-operation which can assist the ACP become more competitive in the world market.

As it stands, many of the basic Lomé trade provisions are incompatible with the spirit of the Post-Uruguay Round/later arrangements policed by the World Trade Organisation (WTO). The ACP exception to the most favoured nation (MFN) principle is more difficult to defend than before, for two main reasons:

- Discrimination among developing countries: ACP countries receive more favourable access than countries of a similar level of income, which makes the provisions unacceptable as an advance on the MFN treatment for developing countries.
- Non-reciprocal nature of Lomé preferences: The trade agreement between the EU and the ACP cannot be accepted as an exception in the context of a regional trade agreement (WTO article 24) because it is non-reciprocal.

Discussion of **economic and trade co-operation** has revealed agreement on the main aim of promoting the progressive integration of the ACP countries into the global economy and reducing the risk of marginalisation, notably where the least developed countries are concerned. The parties agree on the need to take account of the experience and gains of 25 years of Lomé co-operation (the *acquis*). There is also agreement on the need to strengthen the partnership aspect of the future agreement. The new approach proposed by the EU - which would create a new trade dynamic through economic partnership agreements introducing reciprocity into trade relations and strengthened co-operation in a number of non-tariff fields - should be examined in greater depth. The two parties believe regional integration is an appropriate way to promote integration into the global economy. They also agree on the need to take account of the ACP countries' varying needs and development levels. The two sides agree that there should be a transitional period but disagree on its duration. Furthermore they agree on the need to negotiate a WTO waiver and on the importance of drawing up a time frame for the changes to the trade co-operation framework.

Two meetings of the economic and trade co-operation group (on 12 and 21 January 2000) produced agreement on some important points: The need to secure a waiver for a period of transition (during which the status quo would be maintained), which the parties undertake to defend jointly in the WTO; the intention to work together in the WTO to defend trade arrangements after the transition period; the importance of taking an integrated approach, not

restricted to market access but also covering trade-related matters; the EU's commitment to granting duty-free access for essentially all LDC products.

#### Effects on fish producers

Agreements under the Lome Convention often provide financial compensation to the counterpart developing country in return for access to fish stocks existing in a developing country's territorial water. For instance, under the EU-Senegal Agreements (1997-2001), direct payment as well as annual grant from the European Development Fund will be provided to Senegal. Fishery agreements of this nature have several implications for the local fishery industry. Vessels from developed countries, with far greater fishing capacity than that of local fishing industry, put an increasing pressure on over-fishing in their coastal waters. Thus, this situation is making fisheries management more difficult and put the future availability of fish stocks in danger.

The duty-free access to the European market has contributed to over-fishing in many ACP countries. On the other hand, by looking exclusively at the tariff barrier, the tariff reductions could ease the exports of high-tariff commodities such as canned tuna, sardines and anchovies through future tariff-negotiations.

#### Effects on fish trade

To view the effect on ACP countries we can use the fish trade between the EU on the one hand and CARICOM (Caribbean), ASEAN (The Pacific), COMESA and SADC (African region) on the other.

The EU's imports of fishery products from the Caribbean region has increased exceptionally and the exports somewhat. This could be a result of the favourable treatment some of these countries get, like market access, exception from the MFN-Agreement (Most Favourable Nation), duty-free access for all LDC-products (Least Developed Countries). The agreement is non-reciprocal. As for the African region, the trend is similar. Imports have increased significantly as the African countries experience no tariffs, thus they have become a more important supplier of fish to Europe than earlier. The exports from EU to these countries have been relatively low and stable. Some of the Pacific countries are members of the ASEAN Free Trade Agreement (AFTA), so the trade between these regions will be commented upon as well. The EU's imports of fish products from this region have been increasing while exports have been stable and even reduced a little. However, imports have not been increasing as much as for the other regions relative to the earlier years. From an ACP point of view, this could be because only some of the ASEAN countries are members of the ACP and thus are covered by the MFN and favourable conditions.

Summarised, the ACP seems to have had some influence on the trade between Europe and Developing countries, and from both sides this is an initiative worth developing, as it is essential for the welfare of LDC's and important for relations in international trade.

## **4.6 The European Free Trade Association (EFTA)**

### **4.6.1 General information**

#### Establishment and member countries

The European Free Trade Association was founded in 1960 by Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK. Finland became a full member in 1986, while Iceland and Liechtenstein joined in 1970 and in 1991 respectively. Since its foundation a number of countries have left to join the EU, and the member states of EFTA are now Iceland, Norway, Liechtenstein and Switzerland.

#### Objectives

The first objective of EFTA's founding members was the introduction of free trade among themselves in industrial goods. This was realised in 1966 when tariffs or import duties were removed from all products except agricultural products. Free trade in fish and other marine products came into effect in July 1990. EFTA is not a customs union and its members retain their freedom in trade policies towards non-member countries. Its broader objectives include expansion of economic activity, increased productivity and rational use of resources, securing of fair competition in trade between member states and contributing to the harmonious development and expansion of world trade and the progressive removal of barriers to it.

### **4.6.2 EFTA and other trade regions**

#### EFTA and the EU

The European Union has been the most important trading partner for the EFTA countries since their establishment. At the same time, EFTA continues to expand free trade by negotiating free trade agreements, in particular with East and Central European Countries. If these countries will enter the EU before EFTA countries do, they will experience an increase in import tariffs from zero to 20 % in a transition period. As an example, the Central European countries receive duty-free quotas of fish from Norway at present, but would as EU members have to adapt the EU tariffs on imports from Norway.

An important step for European trade was taken in 1972 when EFTA countries signed free trade agreements with the EU abolishing import duties on industrial products as of July 1977, including fish products. From then on, EFTA became the vehicle for joint efforts by the EFTA members to deepen their preferential relations with the EU. The European market became more prominent by the forming of the European Economic Area with the objective to provide a free flow of goods, services, capital and persons within Europe. All members, except Switzerland, are now participating in this agreement. However, the EEA does not include the EU's Common Agricultural Policy (CAP) or its Common Fisheries Policy.

#### EFTA and Mexico

A free trade agreement, which includes trade of fish, has been agreed upon and will be signed in the end of November 2000. The agreement is expected to come into force 1 July 2001. The most important consequences for the fishery sector is elimination on tariffs on dried and salted cod and salted fish of all whitefish species, a tariff which is 30% at present. Tariffs on fresh, smoked and frozen salmon will also be eliminated whereas tariffs on fresh and frozen fillets of salmon and trout will be eliminated over three years.

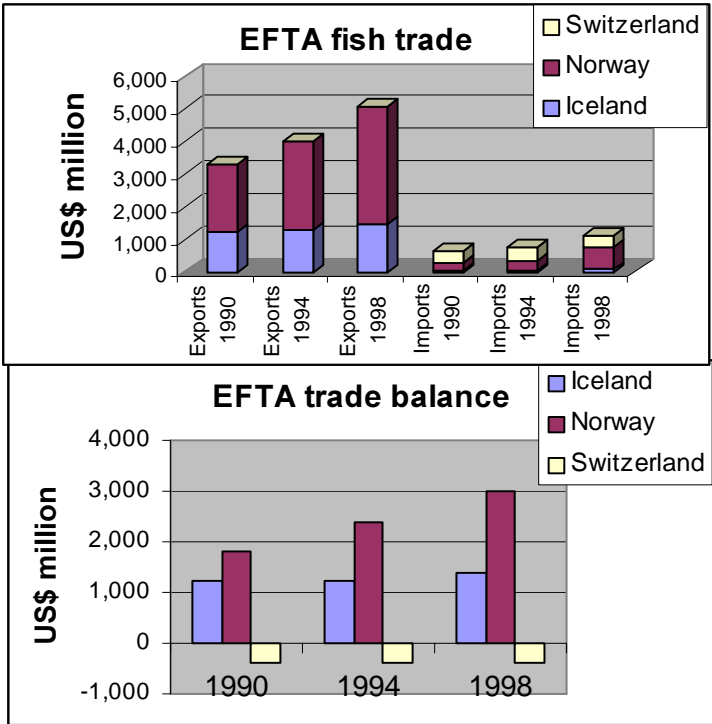
Fresh, smoked and frozen salmon is the most important products exported to Mexico after dried and salted cod. In 1994, the competition on the market increased for EFTA countries due to the Mexican devaluation and the NAFTA agreement. The situation got worse even more when EU's free trade agreement with Mexico came into force 1 July 2000.

4.6.3 Fisheries and the European Economic Area (EEA)

The fisheries sector is of major importance for the EFTA EEA states, fish accounting for around 75% of Iceland's total exports and being of considerable importance also for Norway, as Norway is the second largest exporter of fish in the world. Some 60% of Iceland's seafood exports and 65% of Norway's go to the EU markets. Under Protocol 9 of the EEA agreement the EFTA states abolished duties and quantitative restrictions on a range of fish products from the EU (e.g. molluscs, crustaceans, various oil products). At the same time the EU abolished such restrictions on certain fish from the EFTA states (e.g. cod, haddock, halibut and saithe) and agreed to reduce duties progressively on certain other fish products (e.g. molluscs, crustaceans and caviar). A third category, however, does not benefit from any concessions under the EEA agreement: such as salmon, Norwegian lobster, mackerel, herring, shrimps and prawns. Mackerel and herring tariffs are particularly high at 20%, whereas unprocessed salmon tariffs are only 2%. Prepared fish, however, have higher tariffs. As already mentioned the EFTA states do not adopt EU legislation in the fisheries area, and in addition Iceland and Norway retain certain restrictions on ownership and establishment in the fisheries sector. However, there are certain differences between Norway and Iceland as explained further in the section on Norway.

4.6.4 Total trade of fishery products

Figure 35: Total imports and exports of fishery products from EFTA



Export of fish products is important for EFTA, especially to the EU. Both imports and exports have been increasing over the years, and co-operation with the different trade regions makes trade flows easier across borders.

Norway had an export value of US\$ 3,661 million in 1998 followed by Iceland with 1,434 million. This results in a positive trade balance for both Norway and Iceland whereas Switzerland is an importing country. Norway's trade surplus has been increasing while Iceland's fish trade has remained relatively stable. As for Liechtenstein the trade statistics available are zero.

Figure 36: Trade balance of EFTA in fish products from 1990 to 1998

**4.6.5 Internal trade of fish**

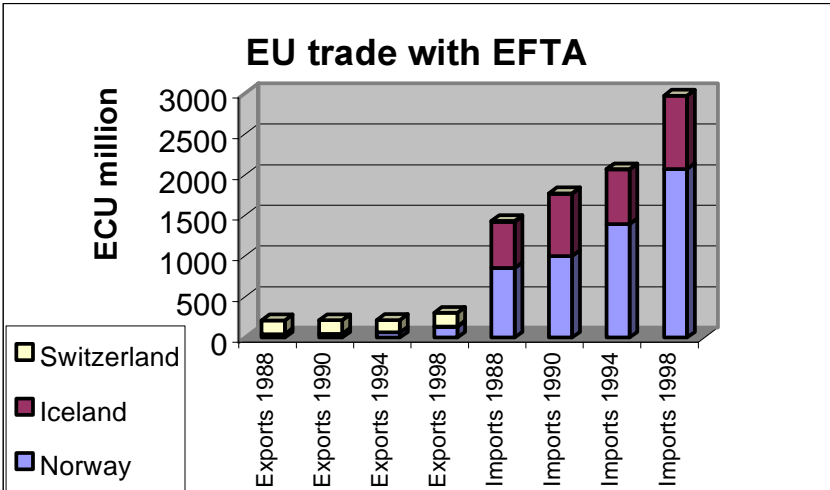
As EFTA was reduced to four member countries with the accession of Sweden, Finland and Austria to the EU in 1995, it is of importance to see how this affected the trade between the remaining countries. Norway’s imports from Island had a large increase from 1995 to 1998 due to change of suppliers. As a curiosity, Swiss fish exports to Norway increased a ten fold in the same period, although the total figures are quite insignificant. Exports are significant as well, in particular to Switzerland, and continue to increase. A special feature to notice is that Norway has changed from being a net exporter from this region, to being a net importer due to Iceland’s supplies.

Table 14: Norway's trade of fishery products with other EFTA countries (in NOK 1000)

Imports from	1988	1990	1995	1998	1999
SVEITS	1,279	790	106	1,232	1,398
ISLAND	111,605	94,142	218,484	589,406	575,460
LIECH.STEIN	0	0	0	0	0
<b>Total</b>	<b>112,884</b>	<b>94,932</b>	<b>218,589</b>	<b>590,638</b>	<b>576,858</b>
Exports to	1988	1990	1995	1998	1999
SVEITS	228,476	240,950	224,670	267,760	287,420
ISLAND	14,836	32,944	19,208	113,923	170,795
LIECH.STEIN	63	51	929	220	0
<b>Total</b>	<b>243,374</b>	<b>273,945</b>	<b>244,807</b>	<b>381,902</b>	<b>458,215</b>

**4.6.6 Trade of fish with other regions (EU and NAFTA)**

Figure 37: EU trade of fish products with EFTA (in ECU million)



While EU's exports of fish products to the EFTA region have been relatively stable, imports have been increasing, particularly from 1994 to 1998. This increase is due to the elimination of tariffs as a result of the EEA Agreement and the loosening up of other trade restrictions. Norway and Iceland are the largest suppliers of fish and fishery products for the EU.

As shown in Figure 37, EU has an increasing trade deficit with Norway, as Norway's exports keep growing and imports are stable. For Iceland, the trade balance has varied a bit, but still the figures for 1998 contain the highest exports. As for Switzerland, they import more than they export from EU so they have a trade deficit (the opposite for EU). Switzerland is not a part of the EEA.

Figure 38: EU's trade balance with EFTA (in ECU million)

The statistics show that the EEA Agreement has led to increasing fish trade between the regions, and thus been beneficial for both regions.

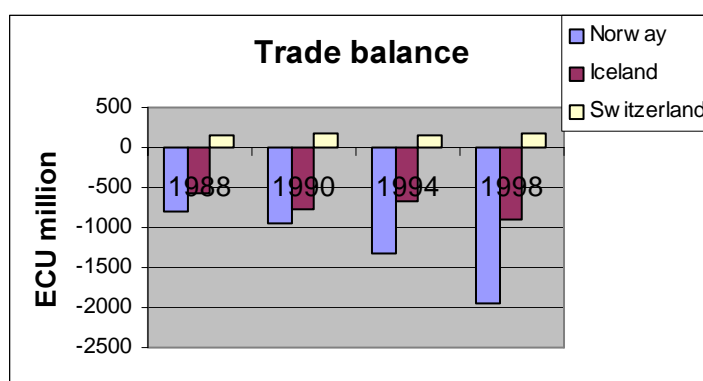
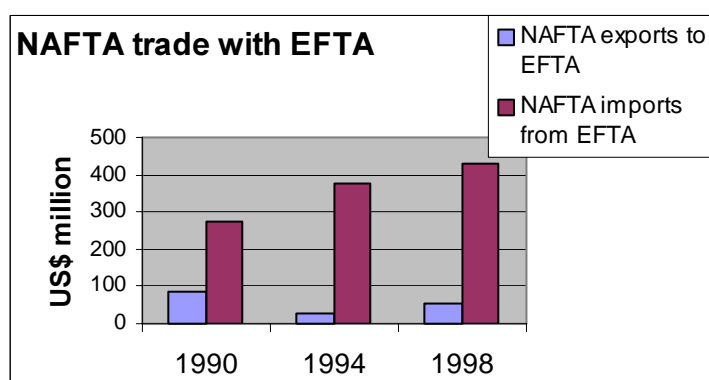


Figure 39: Trade between NAFTA and EFTA in fish and fishery products (in US\$ million)



As NAFTA's fisheries production from captures and aquaculture has decreased, their need of imports has been increasing. Norway and Iceland, as growing world suppliers of fish, have increased their exports to NAFTA as well. As for NAFTA's exports to EFTA, it has been reduced for the same reason, less production.

Note: The figures do not contain Mexico's trade

An elimination of tariffs would be beneficial for NAFTA, but not for EFTA as their imports are relatively small. There is no existing agreement between the two regions.

#### 4.6.7 Trade with third country: Russia

Table 15: Russia's trade of goods with the world and the EU (in ECU 1000)

Russia's trade of goods:	1993	1995	1998
Total exports	37,615	59,323	62,198
Total imports	22,845	35,473	37,888
Exports to EU	17,089	21,491	23,075
Imports from EU	12,699	16,128	21,045

After the dissolution of the Soviet Union, and the opening towards Europe and the rest of the world, trade has increased. As shown in table 15, the trade with EU has a positive trend with an increase of ECU 4 million every three years. The total exports have increased as well, although the largest changes came in the period of dissolution of the Union and total change of economy. However, the financial situation in Russia makes it difficult to compete with others on the European market

Russia is also involved in various agreements with other earlier republics of the Soviet Union such as the Commonwealth of Independent states (CIS). A further description of the CIS with member states is given in a later section. However, Russia is the driving force behind the CIS,

which is a trade agreement trying to pursue the economic co-operation between the earlier republics of the Soviet Union. In addition, Russia has a free trade agreement with Kazakhstan and Belarus, which seems to function quite well despite the low development of the economies.

Russia wants to become a member of the WTO, but has a lot of economic measures to carry out before they can be in a position to negotiate. In addition they need to change the legal system, raise capital, build the infrastructure, revise their barriers to trade.

Concerning fishery products, Russia has exported a huge amount of cod to Norway and some to Iceland. The EU is also an important market for the Russian whitefish. In all Russia is an important supplier of whitefish on the global fish market providing about 1.5 million tonnes of pollack; 200 000 tonnes Atlantic cod (including haddock); 150 000 tonnes Pacific cod; and halibut and flatfish in addition. Other species such as crabs and seaweeds are exported as well. As for pelagics, they are mainly traded internally.

Table 16: Russia’s total trade of fishery products in US\$ 1000

Russia/ Soviet Union	1990	1994	1998
Exports	933,448	1,720,459	1,169,769
Imports	162,985	253,797	272,149

Table 16 shows that total fish exports from Russia has decreased since 1994 while imports have increased.

*4.7 The Association of Southeast Asian Nations, ASEAN Free Trade Area (AFTA)*

**4.7.1 General Information**

Establishment and Member countries

The association of Southeast Asian Nations (ASEAN) was established in 1967 to accelerate economic growth, social progress and cultural development in the region. At the fourth ASEAN Summit in Singapore in January 1992, the ASEAN heads of government formally agreed to establish an ASEAN Free Trade Area. The Asian economic ministers signed the agreement on the Common Effective Preferential Tariff (CEPT) Scheme for AFTA, and this is the main scheme for the realisation of the free trade area.

There are now 10 members of AFTA corresponding to the members of ASEAN: Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam (1995), Laos (1997), Myanmar (1997) and Cambodia (1999).

Objectives

The ultimate objective of AFTA is to increase ASEAN’s competitive edge through the elimination of inter-regional tariffs and non-tariff barriers. According to the CEPT Agreement, the countries of ASEAN would reduce inter-regional tariffs on all manufactured items including processed agricultural goods and remove non-tariff barriers over a 15-year period commencing 1 January 1993. In 1995 all members agreed to include unprocessed agricultural products and to reduce the time frame from 15 to 10 years.

The realisation of the AFTA was accelerated by the economic crisis in 1997. The leaders of ASEAN also have a vision of creating a competitive ASEAN Economic Region with free flow of goods, services, investments and capital.

The issue of liberalisation of goods has also been brought up by APEC (The Asia-Pacific Economic Co-operation 1989) by the initiative of Accelerated Tariff Liberalisation. In 1998, the APEC negotiated internally to eliminate tariffs and reduce other trade barriers in 8 sectors before the end of 2005, including fish and fishery products. In the meeting they agreed to include end-rates, end-dates and product coverage in the 8 key sectors. All the ASEAN/AFTA countries are members of APEC, except for Cambodia and Laos.

**4.7.2 Trade aspects and legislation**

Trade aspects

Subsequently, work has been focused on the elimination of Technical Barriers to Trade (TBT) and the harmonisation of Sanitary and Phytosanitary Measures (SPS). The principles for SPS have been developed, including facilitation of inter-ASEAN trade, consistency with international standards, transparency and technical justification of SPS. As for the regulations on SPS and TBT of the Uruguay Round in WTO, these do not apply to Laos, Cambodia and Vietnam since these three ASEAN countries are not members. All ASEAN members apply to the Codex Alimentarius legislation on labelling.

Co-operation in fisheries has been focused on aquaculture development and the development and improvement of fisheries post harvest technologies and harmonisation of quality assurance of fishery products. The Manual on Good Shrimp Farm Management Practices was officially launched in September 1998 and distributed to all member countries for use. In addition, a survey on traditional fish products in the ASEAN region is being implemented. To facilitate inter-ASEAN trade in fish, a framework compilation of fisheries sanitary measures has been prepared. Finally, a mechanism for collaboration between ASEAN and the Southeast Asia Fisheries Development Centre for Sustainable Fisheries development in the Southeast Asia region has been established.

**4.7.3 Trade of goods**

Table 17: ASEAN exports of goods in US\$ million for 1996 and 1997

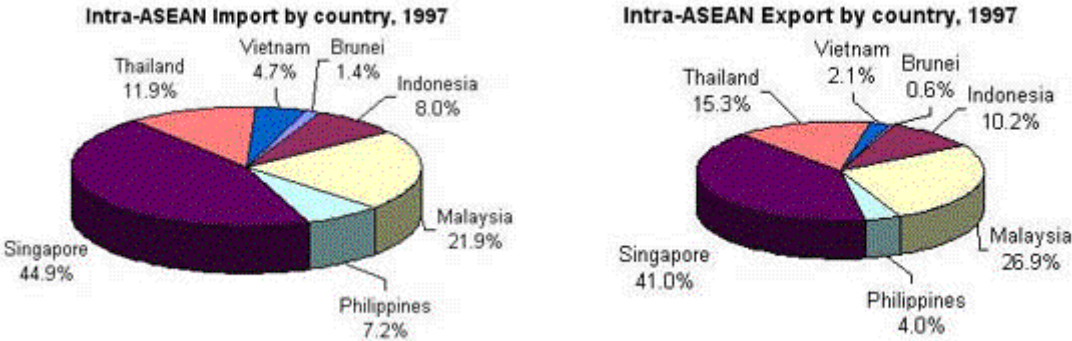
Country	Intra-ASEAN		Extra-ASEAN		Total-ASEAN	
	1996	1997	1996	1997	1996	1997
Brunei	446.38	496.41	2,046.87	2,217.73	2,493.25	2,714.14
Indonesia	8,238.24	8,785.55	45,606.32	42,488.71	53,844.56	51,274.26
Malaysia	22,668.11	23,163.22	51,578.54	54,294.45	74,246.65	77,457.67
Philippines	2,969.58	3,434.82	16,565.46	21,792.90	19,535.04	25,227.72
Singapore	33,951.94	35,348.90	83,397.45	92,825.38	117,349.39	128,174.29
Thailand	11,714.09	13,190.12	44,180.61	44,631.93	55,894.70	57,822.05
Vietnam	2,431.48	1,832.88	4,824.39	7,067.11	7,255.87	8,899.99
ASEAN	82,419.82	86,251.90	248,199.65	265,318.22	330,619.47	351,570.12

The ASEAN region in total is one of the largest traders in the world with exports exceeding US\$ 350 billion in 1997. Exports have been increasing from 1996 to 1997, when the



agreement came into effect, for all the Asian countries. Singapore has the highest export value of US\$ 130 billion, but these figures reflect transitory trade and not the own production of the country. Singapore is followed by Malaysia with US\$ 77 billion (1997). The same trend is shown for both internal and external trade. Singapore provides 45% of internal imports and 41% of exports, while Malaysia covers a relative share of 22% of internal imports and 27% of exports internally. At least partly as a result of the AFTA agreement, the internal exports increased by US\$ 4 billion and external exports by US\$ 17 billion from 1996 to 1997.

Figure 40 and 41: Relative shares of intra-ASEAN imports and exports of goods:



Internal trade

Within three years from the launching of AFTA, exports among ASEAN countries grew from US \$ 43.26 billion in 1993 to almost US\$ 80 billion in 1996. In the process, the share of inter-regional trade of ASEAN’s total trade rose from 20% to almost 25%. There is a growing intra-ASEAN trade, particularly involving Malaysia and Singapore.

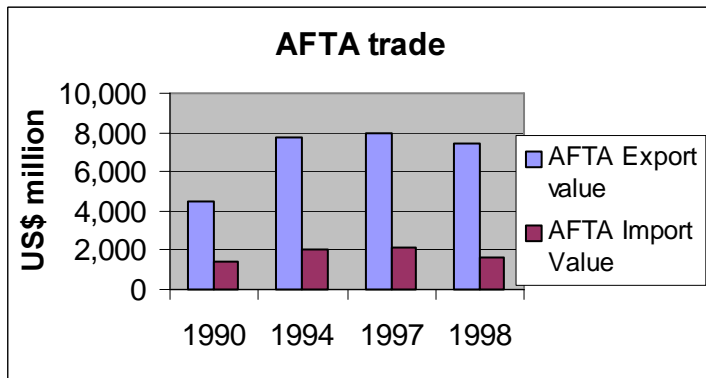
**4.7.4 Total trade of fishery products**

Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam are, by any measure, major fishery countries. Four of the ASEAN states are major importers of fish and fish products, importing more than 100 thousand metric tons of fish. Six of the ASEAN states are major exporters of fish and fish products with country exports valuing over 0.5 billion US dollars. For Malaysia and Singapore, import and export values are roughly equivalent. Brunei and Laos are principally importing states. Cambodia, Indonesia, Myanmar, the Philippines, Thailand and Viet Nam are solely fish exporting states. For Indonesia and Thailand, the value of fish and fishery products exports far exceeds one billion US dollars.

Concerning exports, countries such as Thailand and the Philippines are processing fish, which is harvested outside the state and export it to non-ASEAN markets. Thus, the fish-exporting sector is independent of local supply. The ASEAN countries are frequently in competing positions in both the intra- and non-ASEAN markets, which discourages certain types of co-operations and coordination.

The external ASEAN trade is dominated by specific species and products such as shrimp and canned tuna, although sophisticated producers are increasingly entering the processed seafood and ready-to-eat seafood markets.

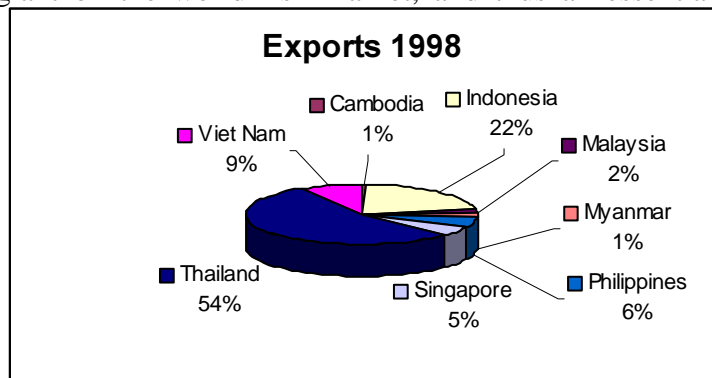
**Figure 42: Total imports and exports of fish and fishery products from AFTA -countries (in US \$ 1000)**



The same trend as for goods in general is evident for fish products. Trade in fishery products has increased from the AFTA countries and both imports and exports had a peak when the Free Trade Agreement came into effect in 1997. Exports are more significant in value than imports. The exports reached a value of US\$ 8 billion in 1997, followed by

a slight reduction in 1998. A few countries count for most of the fishery exports, i.e., Thailand (54%), Indonesia (22%) and Vietnam (9%). Imports have been relatively stable amounting to nearly US\$ 2 billion.

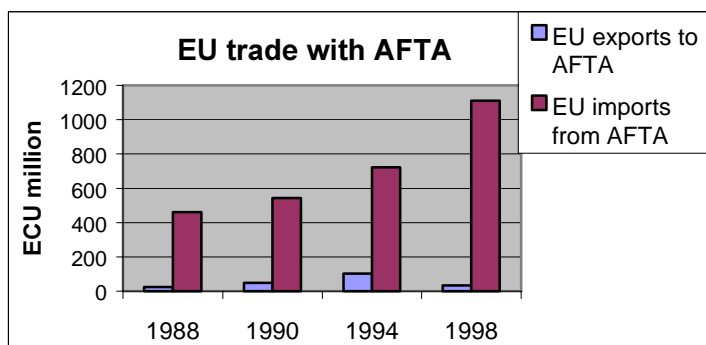
These figures prove AFTA to be a giant on the world fish market, and thus an essential partner for other regions.



**Figure 43: Export shares, AFTA 1998**

#### 4.7.5 Trade with other regions (EU and NAFTA)

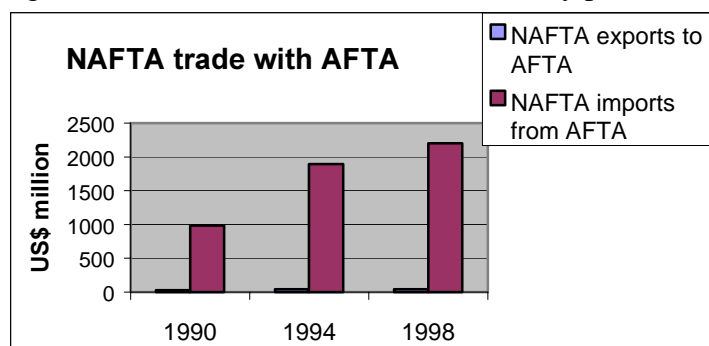
**Figure 44: EU trade in fishery products with ASEAN countries (in 1000 ECU)**



EU is an important trading partner for the Asian region as it represents a relatively high share of Asian exports. The trade increased considerably between 1994 and 1998, as the tariffs and non-tariff barriers were reduced and the EU expanded with 3 members in 1995. EU's imports from Asia exceeded

ECU 1 billion in 1998, and the positive trend seems to be continuous. Favourable trade relations with the region are thus essential for EU. As for EU's exports to AFTA, the values are relatively low.

Figure 45: NAFTA's trade in fish and fishery products with AFTA (in US\$ 1000)



The U.S. and Canada have increased their imports of fish from ASEAN. Between 1990 and 1994 the increase was higher than between 1994 and 1998, exceeding US\$ 2 billion in 1998. Exports are relatively low and stable. The AFTA countries are the most important suppliers of fish to NAFTA together with Chile. As

U.S. demand increases and own production is reduced, NAFTA imports are expected to increase even further in the coming years.

#### 4.7.6 Trade with third countries: China

China is an important trading partner in world context especially regarding fishery products. The total exports of goods amounted to US\$ 195 billion in 1999 and imports reached a value of US\$ 166 billion, which gave China a trade surplus of US\$ 29 billion. Japan is the largest trading partner of China, in spite of the economic slowdown in Japan. China made several reforms in foreign trade and economic co-operation during 1998. Efforts were made to operate foreign trade and economic co-operation in a legal framework as a result of anti-dumping investigations. In addition policies and measures for exports were published and the allocation mechanism for export quotas was further improved. The U.S. wants to grant China permanent normal trade relations (PNTR) to ensure access to the Chinese market. However it is doubtful that the U.S. will grant this before China has formally acceded to the WTO. China's accession to the WTO may be delayed until year 2001 due to the fact that the laws and regulations will have to be in accordance with WTO regulations.

Hong Kong SAR's trade relations with mainland have improved significantly, although the financial turbulence made a temporary disturbance in trade. Fish exports are essential for the Hong Kong region. Taiwan, Province of China, has increased their mainland exports and remains the fifth largest trading partner of the mainland.

China also has close relations with the European Union, with exports of US\$ 13 billion and imports of US\$ 8.5 billion in the first six months of 1998. According to Chinese customs statistics, the EU remains the fourth largest trading partner of China, after Japan, U.S. and Hong Kong. In addition to the growing trade between the two regions, EU is an important source of foreign government loans for China. There are also impeding factors between the two regions such as the quantitative restrictions that EU put on categories of Chinese exports and their frequent anti-dumping investigations on Chinese products. The South East Asian financial turbulence has, to some extent, affected the trade co-operation between China and the ASEAN. In the first half of 1998, the trade amounted to US\$ 11 billion, a decline compared to the previous years. Specifically, China's exports dropped by 12.9% to US\$ 5 billion and imports rose by 3.8% to 6 billion. However, these disturbances are temporary and the trade co-operation is expected to get back to the track of rapid and steady development.

When it comes to trade in fishery products, China's trade figures did not seem to be affected by the economic disturbances. In fact, both import and export values increased from 1994 to

1998, as the trade relations with EU and some Asian countries became more favourable. The figures for 1999 indicate that the growth in fish trade will continue for China's part.

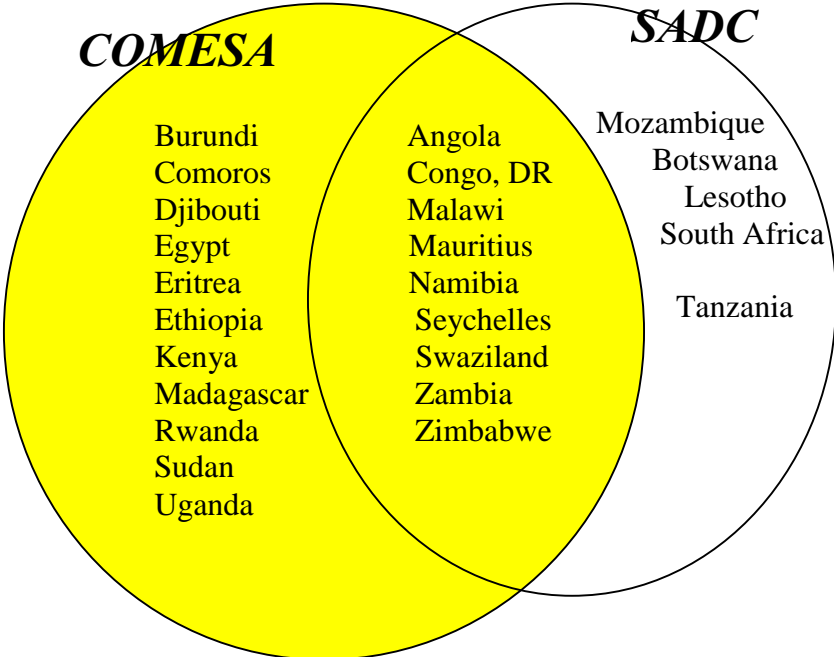
**Table 18: Trade of fishery products 1990-1998, from China and provinces (in US\$ million)**

Country	Trade flow	1990	1994	1998	1999
China	Export value	1,302	2,389	2,744	3,140
China	Import Value	207	866	1,011	1,290
China, Hong Kong SAR	Export value	672	170	115	
China, Hong Kong SAR	Import Value	1,112	1,652	1,630	
Taiwan Province of China	Export value	1,275	1,822	1,593	
Taiwan Province of China	Import Value	426	610	552	

The values for China, Hong Kong and Taiwan Province of China, however, decreased from 1994 to 1998 due to reduced trade with the Asian countries with financial turbulence.

**4.8 The Common Market for Eastern and Southern Africa (COMESA)**

As shown in figure 47, the COMESA and the Southern African Development Community (SADC) together cover most of the African region. Hence, these will be preferential in the following chapter:



**Figure 46: Regional trade agreements in the African region**

#### **4.8.1 General Information**

##### Establishment and Member States

The COMESA was established in November 1993, superseding the Preferential Trading Agreement (PTA) for Eastern and Southern African states. At its inception COMESA had 10 members: Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Somalia, Swaziland, Uganda, Zambia and Zimbabwe. Since that time its membership has expanded to 20 members with the addition of Angola, Burundi, Comoros, the Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. The following countries were members but have withdrawn: Lesotho, Mozambique, Somalia and Tanzania.

Tanzania, one of the COMESA founding members, left the grouping on 2 September 2000 due to fear that the infant industries, like the manufacturing sector, would be devastated in the competition from economic giants like Egypt in a Free Trade Area (FTA).

The PTA and hence the COMESA, was established to take advantage of a larger market size and to allow greater social and economic co-operation, with the ultimate objective of creating an economic community. The main priority of COMESA is now focused on the achievement of an FTA by the year 2000 based on the successful implementation of the trade liberalisation and transport facilitation program over a period of over 16 years. The treaty envisions a fully integrated, internationally competitive regional economic community where goods, services, capital and labour are free to flow across national borders. In pursuit of this objective a tariff reduction programme has been made, to eliminate tariffs by October 2000. The August meeting in Namibia for the South African leaders concluded that they have completed their plans for the Free Trade Zone due to come into effect on 1 September 2000. The launching of the FTA took place on 31 October 2000 in Lusaka.

##### Objectives

The aims and objectives of the COMESA Treaty and Protocols are to facilitate the removal of structural and institutional weaknesses of its members through the creation and maintenance of:

- A full free trade area guaranteeing the free movement of goods and services produced within the COMESA region, and the removal of all non-tariff barriers.
- A customs union under which goods and services imported from non-COMESA countries will attract a single tariff rate.
- The free movement of capital and investment supported by the adoption of common investment practices.
- A gradual establishment of a payments union based on the COMESA clearinghouse and the eventual establishment of a common monetary union.
- The adoption of common visa arrangements, leading eventually to the free movement of bona fide persons.

#### **4.8.2 Tariffs and regulations**

The fulfilment of the complete COMESA mandate is regarded as a long-term objective, and the achievement of the FTA will be made by annual reduction of inter-COMESA tariffs. Members have also agreed to adopt a formula on the rules of origin for preferential trade that

require the local content to be not less than 35 % of the ex-factory cost of the goods. COMESA member states have further agreed to establish a customs union with a common external tariff of 0%, 5%, 15% and 30% by 2004. According to article 45 of the COMESA treaty, "member states shall reduce and eventually eliminate import duties on products origination in the member states." In spite of the 1993 agreement that member states reduce import tariffs by 100 percent by 2000, so far only 11 countries have fulfilled the benchmark and will launch the FTA on the 31 October. Countries that will be entering the FTA are Egypt, Madagascar, Eritrea, Djibouti, Kenya, Sudan, Malawi, Mauritius, Uganda, Zambia and Zimbabwe. Other member states, such as Rwanda and Burundi have reduced their tariffs by 60 percent, while Seychelles, a relatively new member, has not reduced tariffs but has committed itself to eliminate the tariffs before August 2001. War has prevented Congo and Angola from reducing tariffs while Namibia and Swaziland have also not reduced any tariffs because of the difficulties they face due to their membership in the Southern African Customs Union dominated by South Africa.

COMESA sees its contribution to the process of regional integration and regional economic development as being able to work together, and to co-operate fully with its member states and the other regional bodies.

#### **4.8.3 Discussions of the Free Trade Area**

There are many concerns regarding the establishment of the Free Trade Area in October 2000, among the main ones expressed by the member states. I will comment on the following:

- The revenue that governments received in form of customs duties (import tariffs) will cease to exist.
- Removing the tariffs and the non-tariff barriers expose the businesses and industries that were protected by these to intense competition.
- Membership in other regional groupings can cause difficulties when implementing agreed programs and new decisions.

In regard to loss of revenue, it was decided that member states were allowed to gradually reduce tariffs by 10% every two years commencing in October 1994 from the baseline of 60% which had been achieved in 1992 to zero tariffs by October 2000. This is to give the member states sufficient time to deal with the negative impact of the FTA. In order to ensure fair competition and transparency among economic operators in the region, the Secretariat is formulating a regional competition policy, which is consistent with the principles of the WTO.

The countries that are members of both COMESA and SADC should conduct their trade on the basis of one regime.

All these critical views need to be held up against the benefits of the union:

- Competition usually results in cheaper and better quality goods.
- The utilisation of scarce resources becomes more efficient.
- A regulated trade area gives more stability, predictability and credibility.
- The FTA will attract cross-border and foreign investment.
- Trade facilitation will reduce business cost
- Stretching over a large area, the FTA will enhance the bargaining power of the member states, and the region will become more internationally competitive.

- The mechanisms for dispute settlement promotes peaceful co-existence and the COMESA can be used as a forum in matters of resolving political conflicts

#### 4.8.4 Internal Trade of goods

Intra-COMESA trade, valued at about US\$ 4.2 billion (in 1998), is growing at the rate of 20% per year. Of this 2.1 billion is intra COMESA imports and the other half is intra COMESA exports. Trade with third countries is growing at about 7% per year. The total value of COMESA exports was US\$ 24 billion in 1998, while the imports were almost the double at US\$ 45 billion.

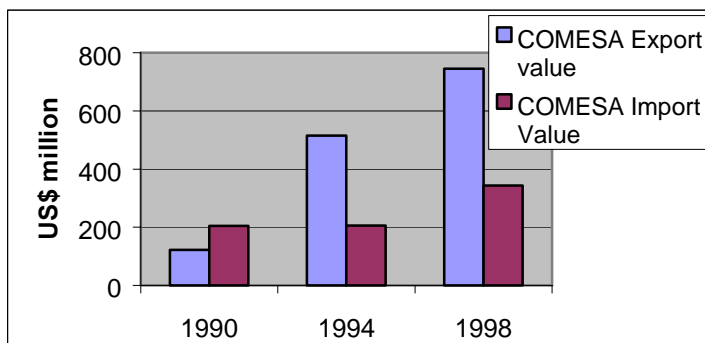
#### 4.8.5 Trade in fishery products

##### COMESA Fisheries policy

The fisheries sub-sector in the Common Market for Eastern and Southern Africa (COMESA) play a very special and critical role in the economy of the region. Fish is an important commodity in the COMESA region as a source of high quality animal protein, income and foreign exchange revenues. Fish also makes significant contribution to the economy of the region as a source of foreign exchange. In addition to an annual catch potential of 6 million metric tons of fish, aquaculture is developing. With an increasing demand for fish there is need to exploit the regions vast fisheries resources fully and rationally.

*Figure 47: Total exports and import values of fish and fishery products from COMESA*

(in US\$ million)



COMESA's exports of fishery products have been growing enormously in the past decade.

The main contribution to the growth came from Namibia and from the Lake Victoria countries where exports of Nile Perch alone account for some US\$ 250 million per year. (Tanzania, with exports amounting to US\$ 80 million in 1998 is no longer a

member of COMESA.)

Market access has improved since the reduction of trade barriers and import restrictions in Europe and the U.S. With co-operation agreements like the Lomé Convention, the African countries receive favourable treatment in trade with the EU. Exports of fishery products amounted to US\$ 744 million in 1998; an increase of 84% from 1990, as exportation of food is an important income source for the region. Concerning imports, the value was US\$ 344 million in 1998. As opposed to exports, the imports have been relatively stable with a slight increase towards 1998. The agreement signed in 1993, seems to have had a large positive effect on COMESA's trade in fishery products and thus beneficial for the region.



### COMESA and the WTO

The goals of COMESA are consistent with those of the WTO, as COMESA's goals are to improve the living standards of its people and to develop their overall economies through integration of trade and investment. Integration includes trade liberalisation and harmonisation of investment incentives and regulations aimed at stimulating inter-regional economic co-operation as well as attracting foreign investment.

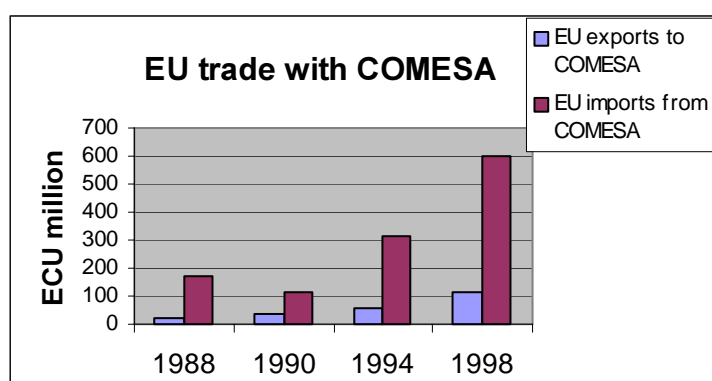
#### **4.8.6 Trade with other regions (EU and NAFTA)**

##### EU regulations and consequences for the African region

According to a new study by World Bank researchers<sup>22</sup>, European Union food safety standards estimated to save not even one life a year are likely to cost African countries some US\$700 million in lost exports. The study examines the effects of a European regulation limiting the amount of aflatoxins - a cancer causing substance produced by moulds - in imported food.

The EU regulation insists on a tighter aflatoxin standard than those recommended by Codex Alimentarius, which sets international food standards, or by the World Health Organisation and Food and Agriculture Organization of the U.N. The regulation was made in 1998 for implementation in 2000.

Figure 48: Imports and exports of fishery products from EU to the COMESA region (in ECU million)



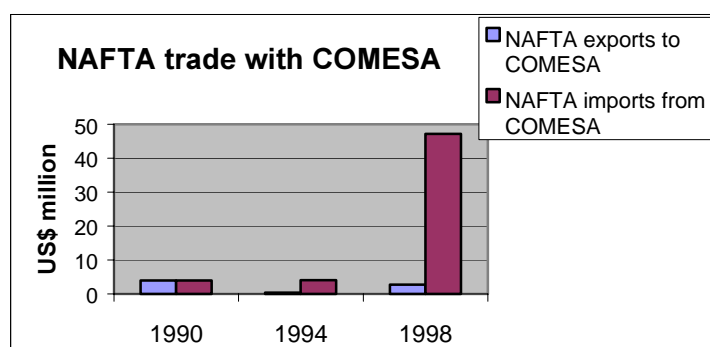
The EU's imports from COMESA have been increasing heavily in the last decade, amounting to ECU 600 million in 1998. In recent years, the EU has seen trade as a means of helping the economies in COMESA countries, thus exports to EU markets have been facilitated. Although the increase has been relatively small for most countries, the changes for Uganda,

Kenya and Tanzania were quite large. The three countries' exports included large amounts of Nile Perch from Lake Victoria, which are brought to EU markets by airfreight. In December 1997, the EU decided to prohibit the imports of fresh seafood from these countries due to a change in quality control measures. The impact of these measures was severe in the seafood industry of these exporting countries, creating a loss of employment and foreign exchange earnings of millions of US\$. The present situation is that the EU now permits imports from Kenya and Uganda but not from Tanzania. Simultaneously there was also a decrease in imports from the Seychelles as Europe changed suppliers. As for exports, the values are relatively small but increasing.

<sup>22</sup> Tsunehiro Otsuki, John S. Wilson and Mirvat Sewadeh: A case study to quantify the trade effect of European food safety standards on African exports, The World Bank, 2000



Figure 49: NAFTA's imports and exports to COMESA of fishery products (in US\$ million)



NAFTA's imports from these African countries increased enormously from 1994 to 1998. The values increased from about US\$ 5 million to nearly US\$ 50 million in this period, which is a ten-fold increase. Exports, however, have stayed relatively low and stable.

The enormous increase in imports is partly due to the increasing demand by the U.S. and Canada simultaneously with a reduction in own production, which resulted in a need for increased imports.

A particularly difficult challenge for developing countries is formed by the quality regulations in the global market. The African region has made a great effort to strengthen their fish inspection services and upgrade their production systems in order to comply with the quality requirements, in particular with the HACCP approach as described in the WTO chapter. In addition, FAO has financed a TCP<sup>23</sup> project for COMESA, which deals with upgrading of quality and safety for fishery products. Even though the importing countries such as EU and the U.S. made little effort to help the African countries reach compliance, the developing countries saw a sharp increase in fish exports from 1994 to 1998. However, it is important to maintain compliance to not lose this market access in the future.

## **4.9 The Southern African Development Community (SADC)**

### **4.9.1 General information**

#### Establishment and Member states

The Declaration and Treaty establishing the SADC, which replaced the Southern African Development Co-ordination Conference, was signed in August 1992 with the objective of working towards economic liberation between the member states. The current member states are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

#### Objectives

The Treaty does not only cover economical issues but also functions as a political organisation with principles of inter alia equality, solidarity, human rights and democracy. The trade and development contract signed in 1996 seeks to establish a SADC free trade area within eight years, i.e., 2004 and the gradual elimination of tariffs and non-tariff trade barriers to trade in the interim. Then it was only ratified by five member states, but the new aim is achievement of this free trade by the year 2008. Others are in agreement on a tariff liberalisation program, currently being negotiated, and this program is less ambitious than the

<sup>23</sup> TCP stands for Technical Co-operation Project

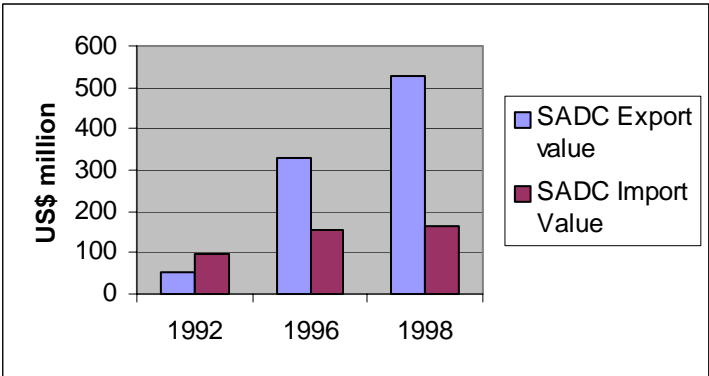
one under CBI and COMESA. Also, unlike agreements under the CBI, these trade liberalisation agreements among SADC countries allow for special treatment of sensitive products, agricultural products in particular.

### 4.9.2 Latest development

Malawi has called on COMESA member states to consider merging with SADC to avoid duplicating the economic development efforts. According to the President of Malawi, the SADC is now concentrating on the improvement of the economy through increased trade. COMESA members say that a free trade area in the region will create a wider market for goods produced in the region to the outside world. The SADC is also currently involved in an institutional restructuring to be properly prepared to meet the challenges of the international environment. The SADC should position itself in a world of accelerating global integration by forming regional blocks to facilitate trade with other organisations. The President of Mozambique said the plans are to establish the Southern Africa Free Trade Zone in 2000. These policies include the liberalisation of trade, of foreign exchange regulations and of the financial sector in general.

### 4.9.3 Total trade of fish

Figure 50: Total value of imports and exports from SADC of fish and fishery products (in US\$ million)



The exports from the SADC show the same trend as for COMESA. The exports experienced a large increase after the signing of the agreement in 1992, and an even further increase from 1996 to 1998, exceeding ECU 500 million. Imports have been relatively stable amounting to ECU 170 million in 1998.

**4.9.4 Trade with other regions (EU and NAFTA)**

The trade between SADC and the EU has been increasing over the last decade, with an exception for imports to the EU from 1988 to 1990. Imports of fish products to the EU from COMESA have been increasing heavily, exceeding ECU 600 million in 1998. This corresponds to double values every four years, thus trade with the EU is important for the economies of the SADC countries. Exports from the EU to COMESA have increased as well, although not at the same pace.

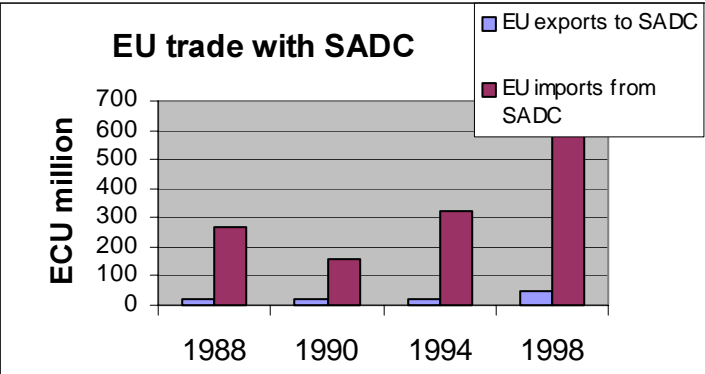


Figure 51: EU’s trade with SADC in fishery products 1988-1998 (in ECU million)

The same trend shows for NAFTA as well. Imports to Canada and the U.S. from the NAFTA region has more than doubled every four years, reaching a value of over US\$ 800 million in 1998. As opposed to imports, the export values have decreased but are fairly stable. Part of the increase is due to the signing of the agreement in 1993, and the positive trend is continuing. Compared to COMESA’s trade with NAFTA, the similar result is shown i.e. an enormous increase in NAFTA’s imports from African countries.

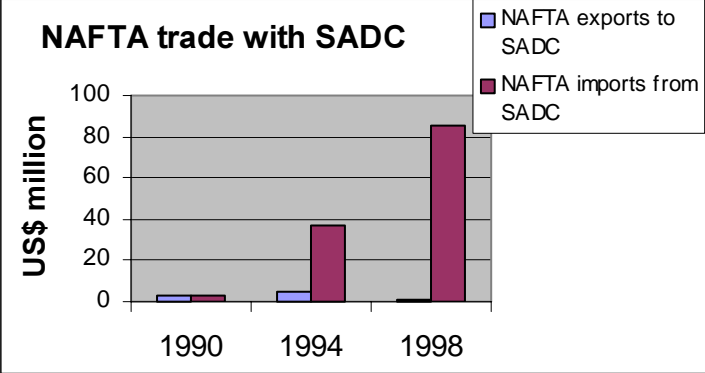


Figure 52: NAFTA’s trade of fishery products with SADC (in US\$ million)

**4.10 Other Regional Free Trade Agreements**

**4.10.1 The Cross-Border Initiative in Eastern and Southern Africa (CBI)**

This agreement comprises a common policy framework developed by 14 participating countries in Eastern and Southern Africa and the Indian Ocean with the support of IMF, The World Bank, the EU and the African Development Bank. The aim of the policy framework is to facilitate cross-border economic activity by eliminating trade barriers to the flow of goods, services, labour and capital. Further information can be found at <http://www.imf.org/external/np/cross/index.htm>

#### Subsidies and developing countries

The extent to which subsidised fishing by industrialised countries limits the ability of developing their own sustainable fishing industries with true market prices and full market access has yet to be established. However the GLOBEFISH data indicate a very low level of subsidies in the developing world, and for African countries the level is insignificant.

#### **4.10.2 The Economic Community of West African States (ECOWAS)**

The treaty establishing the Economic Community of West African States came into force in June 1975. At present, the following states adhere to the treaty: Benin, Burkina Faso, Cape Verde, the Gambia, Ghana, Guinea, Guinea-Bissau, Côte d'Ivoire, Liberia, Mali, Mauritania (non-member by 1 January 2001), the Niger, Nigeria, Senegal, Sierra Leone and Togo. The community's main objective is to promote co-operation and development in all fields of economic activity such as agriculture, forestry, animal husbandry and fisheries. The first stage in this co-operation entails the harmonisation of internal and external policies and the second stage, a common agricultural policy.

#### **4.10.3 The West African Economic and Monetary Union (UEMOA)**

In addition to the Agreements included in the figure of African trade agreements there are several agreements for the region on economic co-operation. UEMOA as one of the most important economic agreements, involves Benin, Burkina Faso, Côte D'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo. This agreement entered into force in October 1999, and was notified by the Committee on Regional Trade Agreements in January 2000.

#### **4.10.4 The Commonwealth of Independent States (CIS)**

The Commonwealth of Independent States was established in December 1991. It is a voluntary association consisting of the following states: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The main purpose of the commonwealth is to develop and strengthen co-operation and to serve the cause of peace and security. The CIS has no common fisheries policy, but co-ordination is achieved through bilateral and multilateral agreement within the CIS.

#### **4.10.5 The Central Europe Free Trade Agreement (CEFTA)**

CEFTA is a multilateral agreement for creation of a free trade zone by a gradual removal of duties for industrial goods, liberalisation of trade for agricultural products and free competition on the territories of the member countries. Poland, Hungary, The Czech Republic, Slovakia, Romania, Slovenia and Bulgaria signed the agreement in 1996 to prepare for EU membership by establishing free trade areas. The CEFTA resulted from the efforts of its members to join the EU as a large proportion of their foreign trade is with EU member countries. The CEFTA is harmonised with the GATT and the WTO principles.

Accession of new member countries from Eastern and Central Europe to EU could have large impact on trade in fish products as countries such as Poland for the time being import duty-free from Norway and Iceland.

#### **4.10.6 The Latin American Economic System (LAES)**

The Latin American Economic System was established in 1975 by the Panama convention. It is a regional intergovernmental organisation grouping 27 Latin American and Caribbean countries: Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, The Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela. The objectives of LAES is to promote a system for consultation and co-ordination aiming to achieve consensus on regional economic issues, both within the LAES and in proportion to other countries or regional groupings.

#### **4.10.7 The Central American Common Market (CACM)**

The CACM is a customs union between Guatemala, El Salvador, Honduras and Nicaragua with the eventual objective of becoming a Common Market. Even though the contract was signed in 1960, they have not reached any agreement on timetables yet. Export subsidies and unfair trade practices are also dealt with in the contract. The member countries plan to adopt a standard Central American tariff with the long-term intention of unifying the economies of the four countries.

#### **4.10.8 The Latin American Integration Association (ALADI)**

The Montevideo Treaty established the ALADI in 1980 by Argentina, Bolivia, Brazil, Chile, Colombia, Cuba (1998), Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The organisation aims to pursue the integration process in the region leading to its harmonious and balanced socio-economic development. In particular, the organisation's duties include the promotion and regulation of reciprocal trade, development of economic complementarity, and support of actions for economic co-operation to encourage market expansion. Member countries have established an area of economic preferences, comprising a regional tariff preference, regional and partial scope agreements, and created conditions favouring the participation of countries at a relatively less advanced stage of economic development in the economic integration process, based on principles of non-reciprocity and community co-operation.

#### **4.10.9 East ASEAN Growth Area (EAGA)**

In 1994, the governments of Brunei Darussalam, Indonesia, Malaysia and the Philippines took the initiatives to develop their region by regional economic co-operation. Fisheries are one of the sectors in the agreement as a result/because of the growing importance of fisheries and resource depletion in relation to fish stocks. The high value tuna is of great importance to the Philippines, and as for Malaysia deep-sea fishing has significant potential.<sup>24</sup>

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<sup>24</sup> More information on EAGA could be found on the internet: <http://agrolink.moa.my/eaga>

#### **4.10.10 Indonesia/Malaysia/Singapore Development Triangle**

The Group of Three is a free trade area between Indonesia, Malaysia and Singapore and was established to promote economic development for the common benefit of the three countries. In the area of agriculture there has already been existing co-operation, but with this agreement a working group for agriculture and fisheries has been established to improve the present conditions. Fisheries are particularly important for Indonesia and the government welcomes participation of private ventures in this area. Restrictions on imported fishing boats biased the composition of the Indonesian fleet towards certain areas, products and markets, and do not allow equal competition with Thailand and Malaysia. In addition they made an agreement to allow Indonesian aquaculture to compete without duties on imported shrimp feeds.

#### **4.10.11 The South Asian Association for Regional Co-operation (SAARC)**

The following countries established the South Asian Association for Regional Co-operation in 1985: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Their main objective is to promote economic and social development in member states through co-operation in certain areas such as agriculture, environment and transport.

#### **4.10.12 South Asian Preferential Trade Agreement (SAPTA)**

The South Asian Preferential Trade Agreement is a trade agreement between Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. The SAPTA agreement came into force in 1995, and was notified by the Committee on Regional Trade Agreements in 1997 under the enabling clause.

#### **4.10.13 The Bangkok Agreement**

Bangladesh, India, Lao People's Democratic Republic, Philippines, The Republic of Korea, Sri Lanka and Thailand entered into The Bangkok Agreement in 1976. Later the same year, the agreement was notified to the GATT.

#### **4.10.14 The South Pacific Forum (SPF)**

The South Pacific Forum was established in 1971, and provides the opportunity to discuss international matters for the South Pacific region and common issues such as a free trade area. In 1998, the members of this forum was: Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Plau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. The main objective is to promote regional co-operation among members on important economic issues. The region has an own agency for fisheries and wants to co-operate in a multilateral treaty with the United States.

#### **4.10.15 The South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA)**

The SPARTECA agreement is an economic co-operation including trade between the following countries: Australia and New Zealand and Cook Islands, Fiji, Kiribati, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu and Western Samoa. The agreement entered into force in January 1981 and was notified to the GATT.

#### **4.10.16 The League of Arab States**

The Arab League was founded in 1945 and comprises Algeria, Bahrain, the Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, the Libyan Arab Jamahiriya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, the Sudan, the Syrian Arab Republic, Tunisia, the United Arab Emirates and Yemen. The broad objectives of the Arab League are to develop co-operation and strengthen complementarity among the member states in economical, cultural, scientific, social and military fields.

#### **4.10.17 The Tripartite Agreement**

This agreement entered into force the 1 April 1968, and is an agreement between Egypt, India and Yugoslavia. The agreement was notified to the GATT in 1968, under the Enabling Clause. However, the turbulence in Yugoslavia over the past decade have probably had a devastating effect on trade between the three countries.

#### **4.10.18 The Gulf Co-operation Council (GCC)**

The Gulf Co-operation Council is a unified economic agreement between Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The agreement was notified to the GATT, under the enabling clause in 1984.

## **Chapter 5: Norway's trade of fish with other countries**

### **5.1 General Information**

Norway is at present the second largest exporter of fish in the world, with exports to more than 150 nations. Far more than 90 percent of the fish farming industry's total production is exported. The EU is the most important market for Norwegian seafood exports, and in 1999, Japan was the most important single country market. Exports to the U.S. in 1999 amounted to NOK 1.4 billion. However, the share of Norwegian seafood exports to the U.S. has decreased in the last decade partly due to the extra duties on fresh salmon.

Compared to Norwegian exports of goods in general, fish exports amounts to 8.8 percent of the total, ranging second after crude oil.

Norwegian fish exports grouped by species, as in table 19, shows the importance of salmon and cod. The two together accounts for more than half the total export value of fish. Mackerel, herring, coalfish and shrimps also constitute a relatively high share of exports.

Table 19: Norwegian exports of fish in total grouped by species, 1999:

Norwegian fish exports, 1999	Quantities	Values
Salmon	338,128	10,771,149
Cod	169,685	6,396,185
Mackerel	305,942	1,984,701
Herring	539,106	1,844,672
Shrimps	35,548	1,311,664
Trout	35,144	1,258,725
Coalfish/Pollack(US)	70,875	1,242,289
Haddock	35,517	840,232
Ling	8,350	373,273
Turbot	17,032	372,865
Norway haddock	21,710	275,003
Tusk	7,000	241,388
Other crustaceans/ molluscs	3,732	76,924
Other fish	491,545	2,827,432
<b>TOTAL</b>	<b>2,079,313</b>	<b>29,816,501</b>

*Source: The Norwegian Seafood Export Council's monthly statistics.*

*Note: Quantities in tonnes, values in NOK 1000, Preliminary figures.*

Mackerel and herring did not obtain as good results in 1998 and 1999 as before due to the crisis in Russia that caused a price fall in all markets. Also the meals and oils experienced a fall in demand in 1999. For other types of fish the exports improved and the cod had an enormous increase from previous years due to higher prices and a lower value of the Norwegian krone. The increased demand for salted and dried cod also played an important part.

Within the WTO, EU is Norway's largest single market with a market share of 61% of the total export value in 1999. 20 % of the fish exports went to Asia, 7% to Eastern Europe, 6% to North America and 4% to Latin America. The following table 20 shows the most important single markets in 1999, where Denmark, Great Britain, France and Portugal are the largest importers of Norwegian fish within the EU.



Table 20: Norway's most important export markets for fish in 1999 (in tonnes and NOK):

Norway's most important export markets 1999		
	quantity	value
EU	1,015,102	18,173,934
Japan	282,732	4,419,503
USA	37,886	1,354,406
Brazil	20,165	799,979
Polen	157,474	793,406
Russland	163,981	639,893
Totalt	2,079,313	29,816,501

*Note: preliminary figures.*

*Source: the monthly statistics of the Norwegian Seafood Export Council*

More detailed tables of the exports will follow in section on trade.

## 5.2 Market access

Concerning tariffs, goods from developed countries have the lowest tariffs, although the tariffs increase with the level of processing. The goods originally from developing countries tend to have higher tariffs due to the typical products exported such as textiles. An exception to this trend is the EU with an average tariff of 12 percent. The EEA-Agreement gives Norway favourable treatment compared to the WTO-bound tariffs in the EU. However, the EEA does not eliminate tariffs and does not include all exported products. The EU tariffs are low for raw fish that EU is not self-supplied with, whereas processed fish have high tariffs regardless of supply.

The fishery industry in Norway is the export industry most exposed to barriers to trade.

As a result of a general lowering of tariffs, the non-tariff barriers to trade have become more important. An example of this is the U.S. where part of the salmon market is practically closed for imports from Norway due to the punitive duties that originate from the salmon-conflicts in 1991. (See section on anti-dumping). Norwegian exports meet technical barriers to trade as Norway supports legislation that is set by internationally accepted standards. The barriers to trade impede full exploitation of the industry's potential. It is an important objective for the fishery industry of Norway to secure market access to export markets similar to that of competing nations.

Countries such as the U.S, Canada, Australia and New Zealand have average tariffs of 0-5%. Many fast growing economies with market potential such as China, Taiwan, South-Korea, Mexico and India have high tariff protection. This makes it desirable for Norway to enter into co-operation with these countries.

### 5.2.1 Market access in Europe

Trade in fish and fishery products to/from the EU is regulated by the EEA agreement, various bilateral agreements and by EU's tariffs bound by the WTO. Since fish is not included in the free trade section, exports to EU meet significant tariff barriers and the fish farming industry

in particular is vulnerable for dumping- and subsidy-accusations. Products from herring, mackerel, salmon and shrimps are not covered by the EEA and face the tariffs, which the EU committed to through the WTO.

EFTA has negotiated free trade agreements with most Eastern European countries, giving Norwegian fish products duty-free access to Central and Eastern Europe. The free trade agreements of EFTA have given Norway a more favourable access to the Central and Eastern Europe than to the EU. Norwegian exports to these countries have increased significantly over the last years with Poland as the largest market. The main exports are species, which meet high tariffs in the EU.

The regional blocs are continuously expanding. A large part of the Eastern European countries are now in negotiation of membership in the EU. An expansion towards the East could have large consequences for market access of Norwegian fish to the new member countries. The Eastern European countries will, as new members of the EU, use EU's tariffs for fish products and the EEA agreement will replace the present free trade with these countries. Hungary, Poland, Estonia, the Czech Republic and Slovenia are among the countries, which have free trade agreements with EFTA at present. These countries are also the first in line concerning EU membership.

Visions of better market access, and development in trade:

- The EEA agreement does not provide the necessary access to the EU's main market. However, the agreement is in place and there is no opening for larger changes.
- 1995: Sweden, Finland and Austria left the EFTA for EU membership, and Norwegian exporters lost important duty free markets.
- 1997: Norwegian exporters of salmon are accused of dumping, and Norway makes an own agreement on salmon with the EU, which restricts salmon exports.
- 1999: Norway negotiates a veterinary agreement with EU, which facilitates exports to the region
- 2001 and onwards: When Eastern European countries become members of the EU, Norwegian exporters will have less market access to the area.

An expansion towards Eastern Europe will be the end for Norway's trade agreements with the new member countries, and these will be incorporated in the EU's external trade policies including the EEA agreement.

The increase in purchasing power in the Central and Eastern European countries has made this region a promising market for Norwegian fish. Patterns of consumption will over time turn towards luxury products due to the increase in income. On the other hand, the higher tariffs these countries get in the EU, the larger the negative consequences for Norwegian exports will be for fish not covered by duty-free quotas. Herring and mackerel, products that are not covered by the EEA, dominate exports to Eastern European countries.

Even if EU has high external tariffs, there is free trade internally for agricultural goods, including fish. Thus membership in the EU for the Eastern European countries will result in a change in competition since Norway's competitors within the EU will have duty-free access to the new member countries for their products.

At present, EU has WTO-bound tariffs between 0% and 26% towards third countries. The Eastern European countries which are about to become members of the EU, have WTO-

bound tariffs between 0% and 35%. What complicates the matter is that these bound tariffs are mostly higher than the tariffs used.

When Sweden, Finland and Austria joined the EU in 1995, there was internal free trade of fish in EFTA (from 1992). As a result of lost market shares, Norway was given compensation with duty-free quotas for Norwegian fish products exported to the EU. Even if a quota compensates somewhat, this system often becomes bureaucratic and the potential for increased future exports is reduced. It is obvious that it is in Norway's interest to secure similar agreements linked to the accession of Eastern and Central European countries. In addition, Norway should use its experience gained previously to work with the importers and processors in the fishery industries in "Accession countries" to assure duty free imports, at least in a transition period.

Negotiations with EU about adapting the EEA agreement to expansion of the EU will probably take place simultaneously with WTO negotiations of reduced tariffs. These negotiations will reduce EU's tariffs and improve Norway's market access in the EU. Tariff reductions within the WTO would also reduce Norway's tariff preference in the EU for products covered by the EEA. For these products, Norway could meet increased competition from non-European countries and lose market shares.

### **5.3 The EEA Agreement's influence on exports of Norwegian salmon to the European market**

Concerning trade of fish, the most important EU regulation is Protocol 9 about trade of fish and sea products. Protocol 9, article 4 has 3 important statements:

1. Support by the state to the fishery sector, which leads to distortion of competition, shall be removed.
2. Laws concerning the market arrangements in the fishery sector shall be changed not to distortion of competition
3. The parties to the contract should do their best to secure conditions for competition, which makes it possible for the other parties to reserve themselves from using anti-dumping measures and protective duties.

In connection with Protocol 9, a Common Statement was made of how to interpret Article 4 in the right manner. Concerning market access, a possible distorted competition should be evaluated in connection with the principles of the Common Regulation of a common market arrangement. Competition restrictive practices done by enterprises are not covered by this regulation.

The objective of protocol 9, art.4 was to find solutions for the Norwegian market arrangement to function next to the European without a distortion of competition. The Norwegian market arrangement is the Law of Trade of Raw Fish from 1951 which accounts for all landed fish (excluding aquaculture).

Concerning state support, the main regulation is given in Article 4.1. However, the Common Statement says that the EFTA members shall adapt their national support arrangements to the Common regulations, which gives Norway the possibility to keep state support equal to the EU's own subsidies in the fishery sector such as structural funds. State support to the

Norwegian fishing industry has been gradually reduced to adjust to the international regulations and because of higher profitability in the industry.

In addition to the direct formulation of Article 4.3, it includes that the parties of the agreement shall use trade political measures if Article 4.1 is violated. Article 4.3 states that the parties shall do their best to secure competitive conditions that make it possible to avoid use of anti-dumping and protective measures.

Does the EEA agreement limit the EU's right to use anti-dumping or countervailing duties against Norway? Trade protectionist measures against Norwegian fish exporters must be evaluated in connection with the EEA agreement. Protocol 9, Article 4.3 makes it possible for the other parties to avoid using anti-dumping or countervailing duties, as the EFTA members adapt to the European fishery legislation. However, Norway cannot reserve itself from these measures with support from the EEA agreement. This implies that Norway still risks dumping- and subsidy complaints from the EU.

Articles 53-54 gives a possible warrant for use of the EU's restrictive competition regulations on a Norwegian fish exporter. The law contains items such as punitive duties, control investigations and overtaking information. Since landed salmon is neither mentioned in the list of tariffs nor the Protocol 3, the article 53-54 cannot be used against a Norwegian exporter of fish. However, EU's competition restrictive practices can be used on foreign regimes.

#### **5.4 The relationship between Regional Free Trade Agreements and the WTO**

Future development in world trade will be governed by the global regimes under the WTO and are characterised by increasing internal co-operation as shown in the previous chapter. These changes represent challenges for the Norwegian fishery industry concerning market access.

Regional integration offers a competitive advantage to the participants, and a disadvantage for parties not included. To create an equivalent global system of trade, it is important not to give the regions too large advantages compared to multilateral trade. This makes a main argument for further reduction of tariffs in the WTO.

Free trade agreements between EFTA and third countries that are not members of the EU are positive for Norway. As for Norwegian exports of fish, it would be desirable to negotiate a free trade agreement with regions such as ASEAN and MERCOSUR (See previous chapter). These possibilities however, have not been up for real negotiation yet.

Norway's relationship with MERCOSUR changed after the free trade agreement between MERCOSUR and NAFTA. This free trade agreement gives Norway a competitive disadvantage similar to the one that will come as a result of Eastern European membership in the EU. An example is the exports of Norwegian salted cod to Mexico, which have been influenced by the lower tariffs for Canadian exporters of cod.

The increasing number of regional trade agreements leads automatically to a reduction of the Most Favoured Nation demand, which is one of the main regulations to secure fair competition for all members of the WTO. The development results from Norway being outside new agreements made.

### Resource management- A responsibility of WTO?

The new system of dispute settlement under the WTO, commented upon in the WTO-section, facilitates the possibility of stricter sanctions against countries, which do not comply with WTO regulations. However, some countries maintain that WTO is limiting the possibility of single member countries to have more stringent environmental standards.

## **5.5 Subsidies, tariffs and quotas**

Globally, national transfers to the fishery industry have been reduced over the past years. One of the reasons for this reduction is that the heavy subsidies used in the centrally planned economies was a main contributor to transfers to the fishery sector. Overcapacity and over fishing can derive both from insufficient fisheries management and subsidies. The support has a wide coverage, ranging from direct price support to sales- and scrapping support, hence results vary. (Price supports result in reduced cost of captures and is thus important for the factor price. The latter, scrapping support, has resulted in lower prices by reduced catch efforts.) However, overcapacity will increase due to future scrapping subsidies and anti-dumping by investors, at least in the long run.

After 1992, the direct price support was eliminated as a result of the EFTA agreement, and the remaining support of similar origin is only guiding subsidies. Subsidies in the Norwegian fishery industry amounted to NOK 66 million in 1999. This is a reduction from 1996. For comparison, the fisheries export value has increased from NOK 22.5 billion to 29.5 billion in 1999.

Support to the shipbuilding industry has resulted in increased capacity problems in the fishery industry. From the objective of reducing the fishing fleet, it should be important to stop the subsidisation of shipbuilding. Another issue in the discussion on subsidies is the distortion of competition in an international market of food.

The most debated trade policy measure in Norway's trade with EU in fish products has been tariffs. The tariff system consists partly of import quotas and duties, resulting in a market loss for Norwegian fish products. Another highly debated issue is the agreement towards Norwegian fish farming industry. It contains restrictions on Norwegian fish farming both on volume and price of Norwegian salmon exports through feed quotas. Thus, EU imposes efficiency-reducing demands on the Norwegian farming industry, partly in response to demands by the EU's own salmon farmers in the United Kingdom and Ireland.

## **5.6 Tariffs on fishery products**

*Tariffs on fish products from EEA countries imported to the EU :*

- **Live fish:** the tariffs range from 0% to 4.8%
- As for **Fresh or chilled fish**, the following species are duty-free: cod, halibut, haddock, coalfish, eel and polar cod. Salmon and trout have tariffs of 2-3.6%; flatfish in general has a 4.5% duty; tunny has a tariff of 6.6%; herring has a tariff of either 0% or 20% depending on time period; sardines have 4.5% tariffs; sprat has either 0% or 3.9% tariffs and mackerel has either 0% or 20% tariffs depending on period. Sharks are tariffed 1.8%;

hake, perch, frogfish and lump-fish have a duty of 4.5%; ling, pollack and Norway haddock are tariffed with 2.2%; and liver has a tariff of either 3% or 10%.

- **Frozen fish** also have tariffs depending on species corresponding to the tariffs for fresh or chilled fish.
- **Fresh or chilled fillets** of cod, haddock and coalfish are duty-free; salmon has a tariff of 2% and trout 3.6%; herring and mackerel are taxed with 18% whereas lump-fish and Norway haddock have a 4.5% tax. As for frozen fillets all species are taxed with 0.9%, except salmon (2%), trout (3.6%), herring and mackerel (3%).
- **Dried, salted or smoked fish** are grouped into tariff categories. Roe and liver have a 3% tariff. All salted or dried fillets that are not smoked are duty-free. As for smoked fish salmon has 13% tariff, herring 10% and other smoked fish have about 4% tariffs. Dried cod is duty-free, except salted and dried cod with 3.9% tariffs. Other dried fish such as coalfish, bream, anchovies and halibut have tariffs from 0% to 4.5%. Salted fish have tariffs of 11%- 12% for herring, salmon and mackerel while other fish are taxed by 3.6%.
- **Crustaceans** can be divided into shrimps, with tariffs of 12% and 18%; crabs with 2.2%; crawfish with 2.2%, Rock lobster with 3.7% and other lobster from 1.8 to 4.8%.
- **Molluscs** have the following categories: oysters with 0% or 2.7%; scallops with 2.4% and 8%; mussels 2.4% and 3%; snails are duty-free, squids with 1.8% and 2.4% tariffs and octopus 2.4% tariffs.
- **Oils** are categorised as follows: cod-liver oil has 4.2% tariffs and other oil has either 11.9% tariffs or are duty-free. **Meals** are duty-free.
- As for **Prepared and preserved fish**, the fish whole or in pieces have the following tariffs: 5.5% for salmon; 20% for herring; 3.7% for sardines; 7.5 % for tunnies and anchovies; 25% for mackerel and 6% for other fish. Conserved or prepared in other ways, the fish have tariffs from 2.1 to 6% except canned tuna and sardines with 7.5% tariffs.
- **Prepared crustaceans** constitute the last category and is divided into: crabs 2.2%, frozen shrimps 7.5%, shrimps in brine 20% and lobster and mussels 6% tariffs.

In addition to these tariffs, there are duty-free quotas for Norwegian exports of certain species such as salmon.

## 5.7 Anti-dumping and countervailing measures

Ideally, anti-dumping measures should be a reaction against devastating competition. In reality, it is often used as a means of protection by the industries exposed to competition to reduce competition.

Dumping can have two different definitions. The first one is price discrimination, i.e., the product is sold at a lower price in the export market than in the home market. The other definition measures price versus cost. If a product is sold at a price lower than average cost or marginal cost in the export market, there is dumping. The GATT agreement allows a cost based evaluation of dumping complaints. There are three causes of this second type of dumping:

- Existing uncertainty in export prices
- Firms are maximising total volume of sales instead of profits
- Firms are trying to prevent new entry in the market

The means of anti dumping measures is to prevent dumping that endangers the country's total welfare. This implies that only dumping that limits competition demands measures. Anti-

dumping measures should not be used if other measures are available as they can damage competition and increase market segmentation.

International trade agreements have reduced the countries' possibilities to use traditional protectionist measures and the agreements give room for various interpretations concerning anti dumping. This implies that the increased use of anti dumping measures is for protectionist reasons. Export subsidies justifies trade restrictions such as duty of equalisation.

International anti dumping regulations is given in the GATT Article VI, which was further improved by the Uruguay Round. This legislation was made to regulate competition, but the motivation for use of the Article VI is protectionism and the view that dumping is not fair competition. The definition of dumping in the GATT regulations is an exported product that has a lower price than normal value, i.e., the price of the product in the exporting country. If there is no such price, the normal value could be based on average cost plus a reasonable profit. Another expression that is used to estimate the duties is the margin of dumping. The margin of dumping equals the normal value less the price of exports. The vague formulations in the GATT agreement lead to approximate calculations.

It must be proven that dumping damages the industry in the importing country for anti-dumping measures to come into force. There are three types of anti-dumping measures:

- Anti-dumping duties
- Countervailing duties
- Minimum price

The first type of duty is often set equal to the dumping margin. The only measure that could be positive for the exporting country is the minimum price, as the price difference becomes income for the exporters. The new legislation in GATT ensures that all measures cease after five years.

With this background information, we can look upon the anti-dumping measures of Norwegian exports of fresh salmon to the EU and the U.S.:

There have been several investigations of dumping of Norwegian salmon on the EU Market, and all the investigations have led to minimum prices. This happened in November 1991, March 1994 and June 1997. Several analyses have been made of the consequences of minimum prices. The results show reduced export quantities and a negative shift in the demand curve for Norwegian salmon in the EU. (The EU took over parts of the market.) In 1997, the calculation of normal value was based on sales prices in the Norwegian home market, which is very unusual. The EU should have based the calculations upon the production cost according to the lawyer representing Norway, Trond S. Paulsen. The dispute resulted in a minimum price and in addition, increases in export duties from 0.75% to 3% (of which 1% is returned to Norway as marketing support) and a maximum yearly increase of Norwegian exports to the EU of 10%.

The United States started dumping investigations of Norway 1.September 1989. The normal value was based upon sales prices to the EU market, to be specific it was set equal to unweighed average of production costs plus individual sales and administration costs and profits. This way of calculating normal value resulted in a positive dumping margin because of the varying prices and exchange rates. If the daily prices of exports to EU members had been compared to the U.S. daily export prices, there would have been no dumping. (Norsk

Fiskerinæring nr.3/91) By calculation methods that result in positive dumping margins, anti-dumping measures can be used as a trade political measure. In the period of the dumping complaints, the Norwegian salmon experienced a price pressure. It is important to note that Norwegian prices were higher than those of the U.S., Canada and Chile in the period of the dumping accusations, 1987-1990. The anti-dumping measures, the two types of duties, resulted in reduced competition on the U.S. market for salmon. Norway's market share was reduced from 16% in 1989 to 1.3% in 1991.

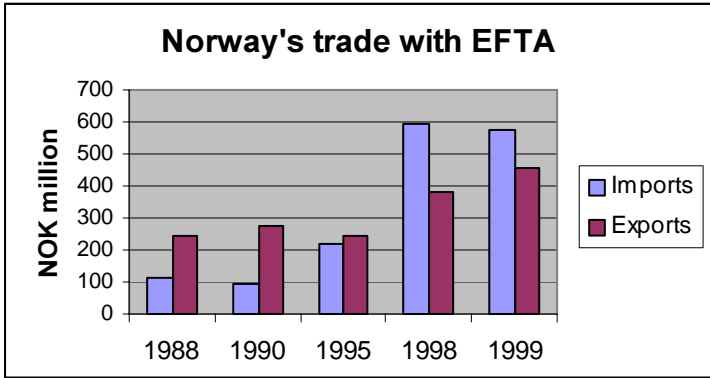
The European market is the most important for Norwegian salmon exports, and today 90% of Norwegian exports of salmon goes to the EU. Exports to Europe have increased proportionally with total increase in exportation of salmon.

The EU seems to be interested in including anti-dumping in the next Round of multilateral trade negotiations, as opposed to the U.S. who are reluctant to reform the present anti-dumping regulations.

5.8 Internal trade

As EFTA was reduced to four member countries with the accession of Sweden, Finland and Austria to the EU in 1995, it is of importance to see how this affected the trade between the remaining countries. Norway's imports from Iceland had a large increase from 1995 to 1998 due to change of suppliers. As a curiosity, Swiss fish exports to Norway increased ten fold in the same period, although the total figures are quite insignificant. Exports are significant as well, in particular to Switzerland, and continue to increase. A special feature to notice is that Norway has changed from being a net exporter from this region, to being a net importer due to Iceland's supplies.

Figure 53: Norway's trade with other EFTA countries in fishery products (in NOK million)





Imports from	1988	1990	1995	1998	1999
SWITZERLAND	1,279	790	106	1,232	1,398
ICELAND	111,605	94,142	218,484	589,406	575,460
LIECH.STEIN	0	0	0	0	0
<b>Total</b>	<b>112,884</b>	<b>94,932</b>	<b>218,589</b>	<b>590,638</b>	<b>576,858</b>
Exports to	1988	1990	1995	1998	1999
SWITZERLAND	228,476	240,950	224,670	267,760	287,420
ICELAND	14,836	32,944	19,208	113,923	170,795
LIECH.STEIN	63	51	929	220	0
<b>Total</b>	<b>243,374</b>	<b>273,945</b>	<b>244,807</b>	<b>381,902</b>	<b>458,215</b>

Table 21: Norway's trade of fishery products with other EFTA countries (in NOK 1000)

### 5.9 Trade with other regions

EU is at present the most important market for Norwegian seafood exports. The exports have increased over the last decade from a value of 7 billion in 1988 to 18 billion in 1999, and are still increasing.

Figure 54: Norway's trade of fish and fishery products with the EU in NOK million

EU	1988	1990	1995	1998	1999
<b>Exports</b>	7,311	9,586	13,369	17,841	18,172
<b>Imports</b>	422	479	970	2,017	1,759

At present, Norway profits by the EEA agreement but exports of salmon, which is the most important exported product, still suffer from extra duties. Norway's imports from EU have also increased over the last decade to NOK 1.8 billion in 1999. As mentioned, the general tariffs on fresh salmon are very low, only 2%. A 3% levy is charged on all Norwegian salmon exported to the EU, but the remainder is to be used for promotional activities, which in turn is beneficial for Norway.

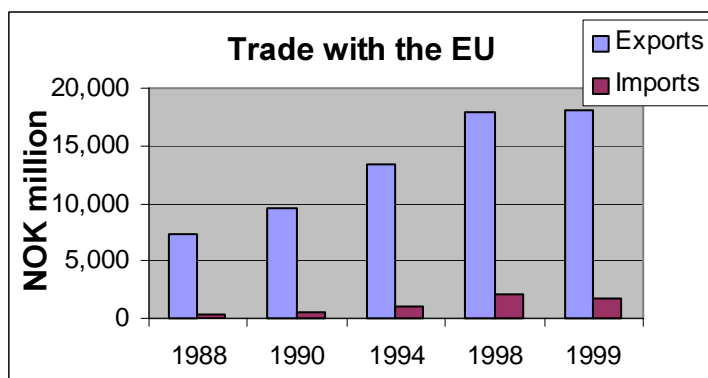
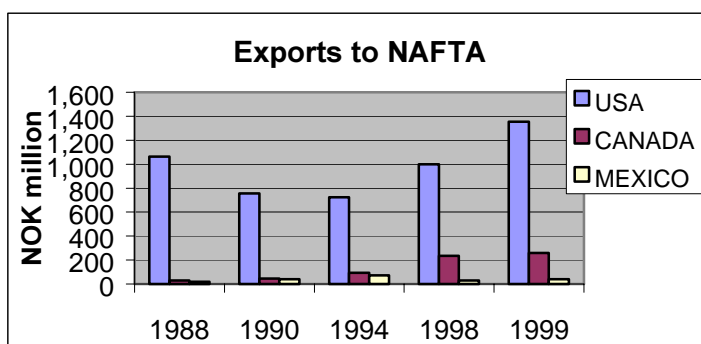


Figure 55: Norway's exports of fish and fishery products to NAFTA countries (in NOK million)

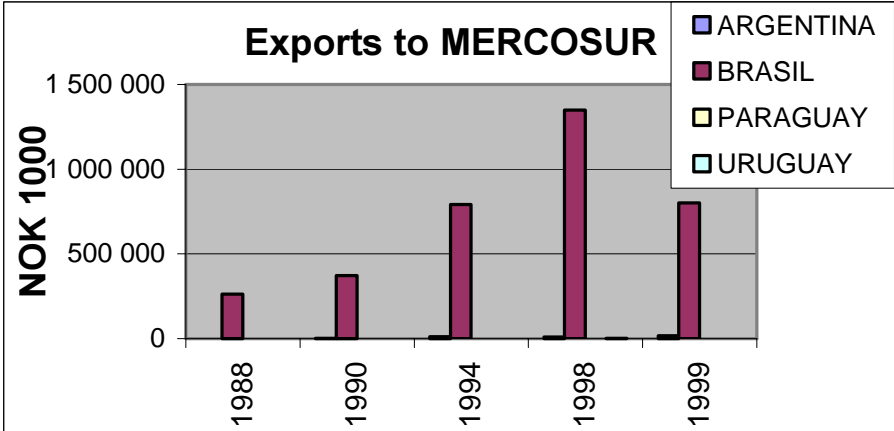


Exports of fish and fishery products to NAFTA countries have had a down period in 1994, to increase again versus 1999. The decrease is probably due to changes in suppliers as a result of the NAFTA agreement. In recent years, the U.S. production of fish has decreased

resulting in need for larger imports from other countries. The positive trend in exports is likely to increase in the coming years, if consumption and demand remains relatively stable. As mentioned, the U.S. are the most important market for Norwegian fish products after the EU and Japan.

Focusing on salmon, the U.S. share of Norwegian fish exports was reduced by 12% from 1988 to 3% in 1998. The anti-dumping duty on fresh salmon is the direct cause of the reduction. However, the exports to the U.S. increased by 35% accounting for NOK 1.35 billion. The main reason for this is the exports of fresh fillet of salmon, which was not covered by the countervailing duties but frozen fillet of cod is still the most important product in value.

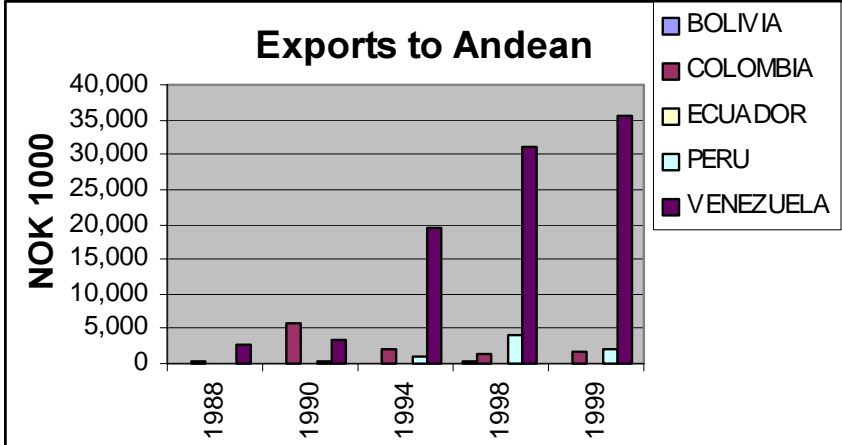
Figure 56: Norway’s exports of fish and fishery products to MERCOSUR countries



In the MERCOSUR area, Brazil is the largest importer of Norwegian fish. The main product exported is Bacalao, and Brazil imports 90% of their salted and dried cod from Norway. The exports had a peak in 1998 with a value of NOK 1.35 billion, but

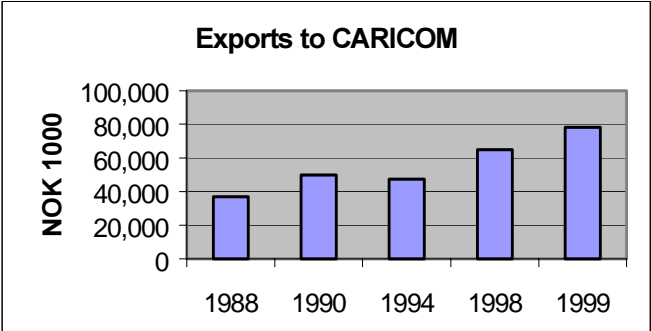
decreased to NOK 800 million in 1999 due to the economic crisis in Brazil and the following devaluation of Brazilian currency. However, the increase in the past decade is expected to continue. Although hardly visible in the figure 55, Argentina has increased imports from Norway over the last decade from about NOK 1 million in 1988 to NOK 18 million in 1999.

Figure 57: Norwegian exports of fish products to the Andean Community (in NOK 1000)



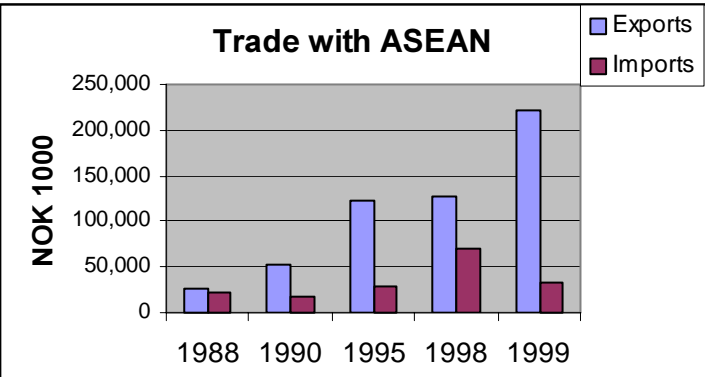
As shown in figure 56, Venezuela is Norway’s most important trading partner of the Andean countries. Exports to Venezuela have increased from 3 million in 1988 to 35.5 million in 1999. Colombia and Peru also imported for some 2 million in 1999.

Figure 58: Norway's exports of fishery products to CARICOM (in NOK 1000)



Exports of fish to CARICOM have been increasing over the past decade, from some 40 million in 1988 to 80 million in 1999. The main importer among the Caribbean islands is Jamaica, with an import value of 44 million alone in 1999.

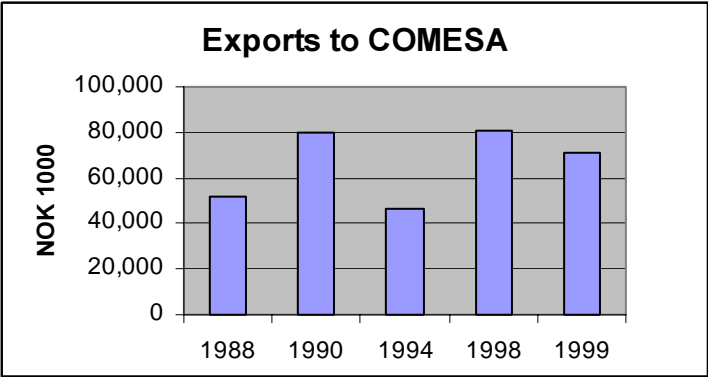
Figure 59: Norway's trade of fishery products with ASEAN countries (in NOK 1000)



Exports of fish to the ASEAN countries experienced a huge increase from 1998 to 1999, from NOK 127 million to NOK 221 million. The increasing trend had a disruption from 1995 to 1998 due to the financial crisis in Asia. In this period, exports stagnated (NOK 122-127 million) while imports increased to NOK 71 million. The ASEAN region is an important

market for Norwegian fish, and will continue to increase in the future due to a rising demand for fish and improved economic conditions in Asia.

Figure 60: Norway's exports of fish and fishery products to COMESA (in NOK 1000)



Norway's exports of seafood to the African countries have been varying over the last decade. As shown in figure 60, there has been an overall increase from 1988 to 1998 (and 1999). In general, the COMESA region is a net exporter of fish.

Africa's share of Norwegian seafood exports from 1988 to 1999 has been reduced from 2% to 1%. The exports are mainly conventional products and pelagics, and the main markets are Egypt, Nigeria and South Africa. Even though South Africa is a member of the SADC, the exports to this region have been reduced from 1988 to 1999.

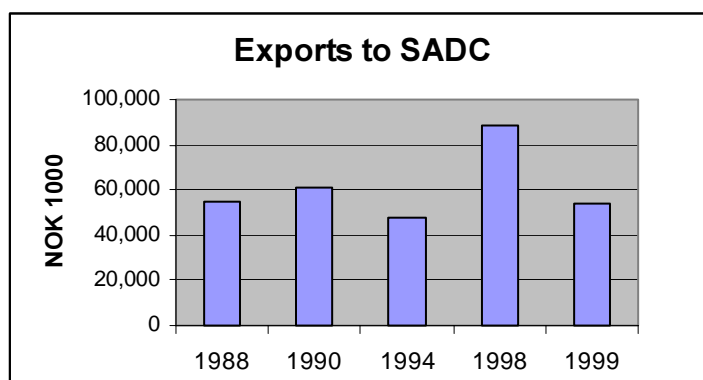


Figure 61: Norway's exports of fish and fishery products to SADC (in NOK 1000)

### 5.10 Trade with single markets

Japan is the largest single market for Norwegian fish exports, reaching a value of NOK 1.9 billion after a decrease from 1998.

Table 22: Norway's trade in fishery products with Japan in NOK 1000

JAPAN	1988	1990	1995	1998	1999
Exports	807,865	1,067,524	1,987,788	2,797,776	1,903,945
Imports	75,791	38,414	12,540	18,251	16,779

Figures for 1999 are preliminary

Concerning fish, Japan is the largest single fish market in the world. The country's fish imports account for 16% of total world imports of fish in quantity and 30% in value. Tuna, shrimp and swordfish are the most imported products. The seafood imports were hit hard by the economic recession in 1998, as illustrated in table 22, but seems to be recovering after the appreciation of the Yen in 1999. While exports of fish have declined over the last decade, Japan continues to be the largest importer of fish as a single country, also Norway's largest single market

Table 23: Norway's trade with Chile in NOK 1000

CHILE	1988	1990	1995	1998	1999
Exports	978	1,400	304	7,171	16,064
Imports	1,045	3,388	183,473	9,017	15,379

Over the last decade, Norway has increased exports of fish to Chile from about NOK 1000 to NOK 16000 (unadjusted figure for 1999). This due to favourable conditions as Chile lowered their tariffs. Imports, however, was highest in 1995 to decrease afterwards.

Table 24: Norway's trade with Russia in NOK 1000

SOVIET UNION/RUSSIA	1988	1990	1995	1998	1999
Exports	90,863	13,614	448,262	1,146,096	339,961
Imports	106,063	235,015	1,117,995	1,376,113	1,591,936

Russia's share of Norwegian exports has been stable at about 2% from 1988 to 1999. The exports reached 4% in 1998 but experienced a downturn due to the economic crisis. Russia has changed from being an importer of only pelagics to also buy salmon and white fish. The Russian market is large and promising, and can be expected to grow if having the right framework and economic stability.

### 5.11 Trade, environment and live resources

Fishery issues have been among the highest profiled in connection with environmental issues in conflict with free trade. This is the reason why WTO is such an important political arena for the fishery industry. As tariffs and quotas have been highly reduced, other barriers to trade have come into use such as environmental- and health standards. Several environmental issues have been debated in the Dispute Settlement Body such as the Shrimp/Turtle conflict. (See chapter on WTO)

The result of treated conflicts can be summarised as follows:

- The measures must comply with the exceptions in the introduction to article XX- no arbitrary discrimination or hidden barriers to trade.
- Trade measures can be used to protect natural environment and protect life and health, provided that they comply with the regulation above
- Alternative solutions has to be tried in an exhausting manner
- Extraterritorially: Over a period there is a tendency towards extraterritorial measures, but a multilateral basis must be demanded for this

The regulations having influence on environmental issues are the Codex Alimentarius, which is made to facilitate international trade and protect health and consumers, and the SPS and TBT regulations described in the chapter on WTO. The SPS-agreement, Codex Alimentarius, the TBT-agreement and WTO's Dispute Settlement Body play different roles in trade and environmental issues. The SPS-agreement gives sanitary, hygienic and veterinary standards and set limit values of various food contents. In this manner, the agreement is an attempt to specify the exceptions from the free trade regulations in Article 20 in the GATT. Codex Alimentarius sets standards for the groceries, and the SPS refers to these standards. While the SPS is a part of the WTO system, the Codex is an independent agreement. Also the TBT-agreement gives detailed information of how to interpret article 20 of the GATT. In both the TBT and the SPS agreements, there is room for interpretation, which is where the Dispute Settlement Body comes in use.

One of the most important environmental principles for fisheries was created at the U.N conference in 1992:

**'Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation'**

Practically, this implies that a country shall have the possibility to make measures in connection with environmental threats, if in danger of serious damage. The principle contains a balance between consumer/environmental concerns on one hand and trade concerns on the other.

## **5.12 Summary**

Norway is at present the second largest exporter of fish in the world, with exports to more than 150 nations. EU is the most important region and Japan is the most important single market for Norwegian exports of fish. This is why the EEA agreement and its interpretation is so important for Norwegian fishery industry. The industry have experienced anti-dumping measures from both the EU and the U.S., which still have consequences for the exports of fish, in particular salmon, from Norway to these areas.

Expansion of the EU towards Eastern Europe lead to loss of market shares for Norway, and it is an essential point for Norway to renegotiate the EEA agreement, to get compensation for these losses.

## **Chapter 6: Regional Trade Blocs and the WTO**

### **6.1 Regionalism in the world trade**

One of the main principles in the GATT/ WTO is the Most-Favoured-Nation Article, which guarantees similar trade conditions to all member states. The most important exception from this article is the permission to create regional trading blocs. The WTO regulations explicitly permit that regional groupings of countries enter into free trade agreements or customs unions to reduce the trade barriers between one another. Since the establishment of GATT in 1947, more than 100 regional trade agreements have been created. In addition to the regional trade agreements already described, there has been a tendency towards regional integration across continents. APEC, the Asia-Pacific Economic Co-operation is a good example of this development, in addition to the Trans-Atlantic Partnership between EU and the U.S.; Chile's potential membership in NAFTA; and Canada's trade agreements with Chile and Israel and its negotiations with EFTA. The global trade is thus characterised by a more complex network of regional and bilateral trade agreements reaching further than the obligations in the GATT/WTO. However, most of the regional agreements are based upon tariff reductions and quotas, and the liberalisation of trade within the GATT reduces the tariff advantages in joining a regional bloc.

### **6.2 The effects of regional trade integration**

To highlight some of the effects of regional integration, it is of importance to describe the impacts of a regional agreement on other countries. Regional liberalisation of trade will normally lead to increased trade and competition within the region. This situation is thought of as trade creation. In addition, discrimination towards other countries will result in a reduction of trade with countries outside the agreement, namely trade diversion, and may lead to loss of market share for the countries outside since they meet higher trade barriers than the countries within the regional bloc. Regional integration would be for the benefit of all countries if the trade barriers could maintain the trade with outside countries on the same level.

The countries outside the regional bloc meet reduced demand for their export products, thus the income and price of exported goods decrease. Correspondingly, the increased demand within the trade region will result in higher prices and income for the participating countries. This indicates that the discrimination redistributes income from countries outside the regional bloc to the integrated countries. Knowing this, countries would prefer regional integration to global trade liberalisation. However, the liberalisation process and the GATT/WTO regulations assure that the regional bloc cannot freely decide the level of trade barriers towards other countries. Article XXIV of the GATT states that the establishment of tariff unions and free trade areas must not result in higher trade barriers towards countries outside the region. The establishment of a regional bloc often leads to more liberal trade policies also for the benefit of other countries. In addition, trade declines with distance thus long distance between countries diminish the damaging effects. Hence, a division into natural trading blocs is not necessarily negative.

One point that needs to be added is the new tendency of including several other aspects such as product- and environmental standards into the regulations, strengthening the trade relations.

### **6.3 The co-existence of regional and global trade policies**

If a regional trading bloc is created and the countries outside feel that this affects their exports negatively, they have the following options:

- They can promote trade liberalisation in the GATT/WTO to reduce the effects of trade diversion.
- They can establish a parallel trading bloc
- They can try to become member of the regional bloc

An example of the first reaction is the acceleration of the Kennedy Round of the GATT in the 1960s as a reaction from the U.S. to the creation of regional trading blocs in Europe. The second approach of parallel blocs can be shown by the establishment of EFTA as a reaction to the creation of the EEC in the 1960s. The expansion of the European free trade co-operation, the broader APEC co-operation and the expansion of NAFTA towards Mexico and possibly Chile are examples of the third reaction.

A point worth noting is the interest conflicts between the trade regions. When a regional bloc is created, the outside countries will have single interest of becoming members or create a parallel trading bloc. Liberalisation of the WTO will be unambiguously positive for these outside countries concerning welfare. On the other hand, the regional bloc may oppose the creation of parallel blocs, thus the already established bloc will be positive to multilateral liberalisation of trade as long as the barriers to trade are lower within the bloc than internationally. Conflicts of interest could also occur in liberalisation negotiations between the various trade regions. Analysis of this problem shows that the most integrated blocs are the ones to benefit from international liberalisation of trade. The small regions, however, will be in the same position of negotiation as single countries without an agreement.

### **6.4 New trade policies - a challenge for the WTO?**

The classical trading blocs, i.e., the blocs regulating only tariffs and quotas, obtain little by integration in addition to WTO membership. The process of liberalisation within the GATT/WTO has over time reduced the effects of trade diversion by lowering the average tariffs from 40% to 3-4% over a period of 50 years. Thus, it was not dramatic of AFTA to declare that the ASEAN countries would reduce tariffs to 0-5% before year 2008. Elimination of quotas is the other classical component in world trade. The distribution of quotas has contributed to the effect of trade diversion. However, strengthening of the WTO agreement results in a lower margin of preference from quotas than before. To summarise, there is little reason to fear that regionalisation in classical trading blocs undermines the WTO.

The new tendency of deeper integration raises other questions worth discussing. Deeper integration could lead to:

- A common competition policy and elimination of anti-dumping measures within the region
- The region can agree upon common environmental regulations and adopt stricter controls
- There is a possibility of stronger control of subsidies on a regional basis

These complex issues underline the difficulties of reaching a multilateral consensus; hence regulations of this sort are more easily made on a regional basis. The need for additional



regulation on issues such as anti-dumping is obvious when considering the possibility of misinterpretation of the WTO regulations on for instance anti-dumping. The regulations are so imprecise that they make room for abuse from countries that just want to protect themselves against low price competition. There is a need for multilateral control of the use of new policies and a common acceptance of criteria for this use.

As an example, the EEA agreement has a system to prevent product standards functioning as trade distortions, whereas the corresponding regulations in the WTO are not functioning to the same degree. For all these reasons, regional liberalisation is easier to accomplish than global liberalisation. However, there are only a few trading blocs that are ahead of the WTO concerning these new areas of trade policy. Instead of facing a global trade market with similar trading blocs, there is a danger that some large regions will dominate the international market. To avoid discrimination, the less strong regions should encourage the WTO to become as strong as possible to secure future market access.

### **6.5 Integration between countries with different income levels**

As shown in the previous chapter on regional trade agreements, there is a tendency towards stronger integration between countries with different levels of income. Mexico's membership in NAFTA and possibly Chile to follow is one example. The expansion of EU towards Portugal, Greece and now Eastern Europe, is another. In addition, APEC gathers both developing and developed countries in one forum. This kind of integration is a signal of new political orientation in the developing countries. A more liberal attitude has also come forward in the Uruguay Round and has led to increased integration between developing countries.

The increased integration between developed and developing countries offer new possibilities by allowing increased trade based on traditional competitive advantages. From an economic point of view there are several reasons for refusing use of trade restrictions towards countries with lower social standards. The increased trade between the OECD and earlier developing countries in Asia has contributed to economic growth and improved working conditions in these countries. However, as developing and developed countries have different standards for environmental and working conditions, this could lead to conflicts in an international forum.

### **6.6 WTO's reactions to increased regionalisation**

WTO has already done a lot to prevent classical trading blocs from undermining the WTO. By reducing tariffs and by increased use of the Dispute Settlement Body, the trade distorting effects of regional blocs have been reduced. The most important strategy for the WTO is to prevent that regionalisation takes control, and thus probably to eliminate the reason for existence of regional blocs by further trade liberalisation.

A dilemma for the WTO could be that a gradual expansion and further integration of the American-European co-operation would result in a wry world trade with some large blocs, which discriminate against other countries. The motive for joining a regional agreement is stronger for small countries outside, as they view integration as an insurance against injustice in trade policies.

An example of motivation for increased regionalisation is the use of anti-dumping tariffs. GATT allows these measures if it can be proved that the imports have unreasonably low prices. Since these criteria are fairly wide, anti-dumping measures are one of the lacks of the present GATT regulations. USA's use of such tariffs on Norwegian salmon has had a dramatic effect on Norway's exports of salmon to the U.S. The threat of the same treatment by the EU is now present. This implies that one measure the WTO could use to reduce regionalism is to eliminate the current lacks in its regulations.)

As a consequence of increased globalisation and investments across national borders, a stronger international regime for investments becomes more important.

The financial crisis in Asia shows how monetary policy can influence global trade. The devaluations in Asia had effects that may resemble those of regional integration, as Asian countries increased regional trade in this period. Since international trade is highly influenced by financial markets, it is important for the WTO to follow up on the co-operation with the International Monetary Fund (IMF), as planned after the Uruguay Round.

While the GATT/WTO has succeeded in liberalising trade, there is yet much to be done with the enforcement of the regulations. The GATT article XXIV demands elimination of all tariffs and quotas, but this has not been followed up, as the GATT has not prevented regional agreements with tariffs and quotas. There has been a discussion whether a reduction in trade distortions could be accomplished through a stricter use of GATT's XXIV or maybe through a change of the article. An easier solution would probably be to demand that regional blocs embrace the main part of trade with total elimination of tariffs and quotas, to reduce the incentives for creation of regional agreements.

## **6.7 Concluding remarks**

There are obvious economic incentives to increase regionalisation of world trade. Through regional integration, groupings of countries can get a competitive advantage, which results in increased welfare and production. The liberalisation process within the WTO, however, has reduced the incentives for making classical trading blocs with quotas and tariff regulations. Since most regional agreements are classical, there is no reason to fear undermining of the WTO. However, a wider integration of technical barriers to trade and competition policies create a possibility for the regions to be a step ahead of the WTO. This is not a real threat noticing that only Western Europe has reached this point. A more urgent threat may be the tendency of co-operation between North America and Europe, which could lead to a wry balance of power in trade. To prevent this integration, it is important for the WTO to keep developing and remove the ambiguous formulations and possibilities of abuse. The new trading policies have such a demanding agenda that they represent a danger of stagnation for the organisation. Thus, it is of great importance to prioritise the issues that demand immediate solutions. The integration between developed and developing countries is increasing, and raises important issues, which need to be discussed. Harmonisation of international environmental regulations is also becoming more important. In addition, the establishment of regulations for international investment has become a more important objective for the WTO after the crisis in Asia showed a need for increased co-operation between trade and monetary policies.

## 7 Summary of findings

**NAFTA:** Concerning goods, the internal trade of goods increased after the establishment of the NAFTA agreement. The United States' major trading partners are the EU, Canada, Japan, Mexico and China, thus Canada and Mexico are both among the four most important U.S. markets and the elimination of tariffs with the NAFTA increased internal trade. Focusing on fish trade, NAFTA increased its total imports in the last decade. Exports have been relatively stable and even slightly decreasing from 1994 to 1998. The regional trade of fish between the three countries has increased, thus the agreement seems to be beneficial for all three member countries. As for fish trade with other regions, exports to the EU have increased, while imports have decreased, improving the trade balance with Europe. On the other hand, NAFTA's imports from Chile and Thailand are significant, in particular U.S. imports. The agreement has been beneficial for the U.S. and Mexico, whereas Canada seems to remain in the same position.

**MERCOSUR:** Trade in general has increased after the establishment of the agreement, and internal trade has had a positive trend only disturbed by particular happenings. As for fish trade, total imports have had an overall increase, while exports increased before 1995 and experienced a slight decrease from 1995 to 1998 due to other factors. MERCOSUR's trade of fish with the EU increased after the agreement came into force. Exports to the EU are relatively high while imports account for a lower value, but both increased over the last decade. As for fish trade with NAFTA, the exports to NAFTA experienced a slight decrease after 1995, while values remained high. Imports from NAFTA have increased over the last decade, with a relatively low value compared to exports. To conclude, the establishment of MERCOSUR seems to have had a positive effect on fish trade for the member countries.

**THE ANDEAN COMMUNITY:** Exports of fish from this region had a large increase from 1990 to 1994, while the growth slowed down from 1994 to 1998. Imports have increased steadily in the last decade, but account for a lower value than exports. Internal trade is increasing with the further integration of the agreement. Exports to the EU have had a significant increase in the last decade, whereas the increase in imports from the EU has been relatively small. As for trade with other regions, exports to NAFTA have increased while imports have been relatively stable. The Andean Community was established in 1969, but with the Common External Tariff (CET) in 1994, regional integration was improved. Concerning goods, Japan is an important trading partner for the Andean Community. Japan is also one of the world's largest importers of fish. Even though the Community was established some decades ago, the stronger integration seems to be beneficial for the region and further integration with Latin America would be desirable.

**CARICOM:** The total fish trade in the Caribbean region has increased over the last decade. Exports had a large increase, while imports have been relatively stable. The EU and NAFTA are significant markets for Caribbean seafood and exports to both regions increased significantly in the same period. Whereas exports are important for the Caribbean, imports account for relatively low values and have remained at a stable level.

**EU:** Trade in goods from the European Union has been increasing over the last decade. Trade with all regions, except exports to ASEAN countries, increased significantly from 1994 to 1998. Fish trade has also followed this positive trend. Both imports and exports have increased in the last decade. The import value is higher than exports and increased in particular from 1994 to 1998. Exports, on the other hand, have experienced a stable increase

over the period. The internal trade of fish has increased significantly, as EU regulations have committed the countries to favourise trade with other EU countries. As for trade with NAFTA, imports from NAFTA have decreased while exports have been relatively stable. Trade with Norway increased significantly from 1990 to 1998, both imports and exports. The regional agreement is positive for the area, and further agreements to connect with Latin America to gain easier access to their markets would be profitable.

**EFTA:** Fish trade from EFTA has increased over the last decade, as Norway and Iceland are among the world's largest exporters of fish. Imports have increased as well although import values are lower than export values. Exports to the EU have experienced a large increase whereas imports have been relatively low and stable. As for the trade with NAFTA, exports to NAFTA have increased over the last decade while imports have decreased. Concerning trade with third countries, Russia is an important trading partner, with increasing imports and exports from 1990 to 1998. The exports values are significant, but have been reduced from 1994 to 1998. The EFTA agreement meant more to the member countries in the years after the establishment, functioning as a counterbalance to the EEC. However, it is still significant for fish trade as the member countries received arrangements of compensation with the loss of members to the EU.

**AFTA:** Trade of fish from the ASEAN region suffered from the financial crisis, which is reflected in the trade figures. Both imports and exports of fish increased up to 1997 and then decreased for this reason. Even though the AFTA was created in 1997, there is reason to believe that the trade patterns would have appeared in the opposite direction without this disturbance. Exports to EU and NAFTA have increased over the last decade; while imports from NAFTA have been stable and imports from EU have decreased. However, imports account for relatively low values. China's exports and imports of fish have increased, while Hong Kong SAR's and Taiwan, Province of China's exports and imports increased from 1990 to 1994 and decreased from 1994 to 1998.

**COMESA:** Exports of fish from COMESA have experienced a huge increase over the last decade. Imports have also increased somewhat. Exports to the EU account for significant values whereas imports are relatively low but increasing. As for trade with NAFTA the imports have decreased and are low, while exports have had a large increase.

**SADC:** The same trend in fish trade as for COMESA is shown for SADC.

**To summarise**, the regional trade agreements are beneficial for the member countries, and also seem to be positive for world trade of fish. However, the GATT/WTO regulations may make the agreements superfluous as the WTO regulates both tariffs and quotas, which are the main basis of most of the agreements. The new Multilateral Trade Negotiations will probably lead to further trade liberalisation and tariff reductions for the benefit of trade in fishery products. The most relevant agreements for trade in fish are the SPS- and the TBT-Agreements. Growing focus on environmental concerns has resulted in new issues such as Eco-labelling, certification and quality controls. In addition, environmental issues have formed the background for the latest conflicts brought up to the Dispute Settlement Body. Internationally, many reports are written and debates undertaken on the issue of reducing trade distortions for fish and fishery products, to try to reach a common understanding. The Dispute Settlement Body has improved the solving of disagreements between the various regions, and the Committee on Regional Trade Agreements gives an important control mechanism for regional trade, which has never existed earlier in a world context.

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## ANNEX 1: List of members of the WTO

### Members and Observers

139 members on 9 November 2000, with dates of membership

*Albania* 8 September 2000  
*Angola* 23 November 1996  
*Antigua and Barbuda* 1 January 1995  
*Argentina* 1 January 1995  
*Australia* 1 January 1995  
*Austria* 1 January 1995  
*Bahrain* 1 January 1995  
*Bangladesh* 1 January 1995  
*Barbados* 1 January 1995  
*Belgium* 1 January 1995  
*Belize* 1 January 1995  
*Benin* 22 February 1996  
*Bolivia* 12 September 1995  
*Botswana* 31 May 1995  
*Brazil* 1 January 1995  
*Brunei Darussalam* 1 January 1995  
*Bulgaria* 1 December 1996  
*Burkina Faso* 3 June 1995  
*Burundi* 23 July 1995  
*Cameroon* 13 December 1995  
*Canada* 1 January 1995  
*Central African Republic* 31 May 1995  
*Chad* 19 October 1996  
*Chile* 1 January 1995  
*Colombia* 30 April 1995  
*Congo* 27 March 1997  
*Costa Rica* 1 January 1995  
*Côte d'Ivoire* 1 January 1995  
*Cuba* 20 April 1995  
*Cyprus* 30 July 1995  
*Czech Republic* 1 January 1995  
*Democratic Republic of the Congo* 1 January 1997  
*Denmark* 1 January 1995  
*Djibouti* 31 May 1995  
*Dominica* 1 January 1995  
*Dominican Republic* 9 March 1995  
*Ecuador* 21 January 1996  
*Egypt* 30 June 1995  
*El Salvador* 7 May 1995  
*Estonia* 13 November 1999  
*European Communities* 1 January 1995  
*Fiji* 14 January 1996  
*Finland* 1 January 1995  
*France* 1 January 1995

***Gabon*** 1 January 1995  
***The Gambia*** 23 October 1996  
***Georgia*** 14 June 2000  
***Germany*** 1 January 1995  
***Ghana*** 1 January 1995  
***Greece*** 1 January 1995  
***Grenada*** 22 February 1996  
***Guatemala*** 21 July 1995  
***Guinea Bissau*** 31 May 1995  
***Guinea*** 25 October 1995  
***Guyana*** 1 January 1995  
***Haiti*** 30 January 1996  
***Honduras*** 1 January 1995  
***Hong Kong, China*** 1 January 1995  
***Hungary*** 1 January 1995  
***Iceland*** 1 January 1995  
***India*** 1 January 1995  
***Indonesia*** 1 January 1995  
***Ireland*** 1 January 1995  
***Israel*** 21 April 1995  
***Italy*** 1 January 1995  
***Jamaica*** 9 March 1995  
***Jordan*** 11 April 2000  
***Japan*** 1 January 1995  
***Kenya*** 1 January 1995  
***Korea, Republic of*** 1 January 1995  
***Kuwait*** 1 January 1995  
***The Kyrgyz Republic*** 20 December 1998  
***Latvia*** 10 February 1999  
***Lesotho*** 31 May 1995  
***Liechtenstein*** 1 September 1995  
***Luxembourg*** 1 January 1995  
***Macau, China*** 1 January 1995  
***Madagascar*** 17 November 1995  
***Malawi*** 31 May 1995  
***Malaysia*** 1 January 1995  
***Maldives*** 31 May 1995  
***Mali*** 31 May 1995  
***Malta*** 1 January 1995  
***Mauritania*** 31 May 1995  
***Mauritius*** 1 January 1995  
***Mexico*** 1 January 1995  
***Mongolia*** 29 January 1997  
***Morocco*** 1 January 1995  
***Mozambique*** 26 August 1995  
***Myanmar*** 1 January 1995  
***Namibia*** 1 January 1995  
***Netherlands*** — For the Kingdom in Europe and for the  
Netherlands Antilles 1 January 1995

*New Zealand* 1 January 1995  
*Nicaragua* 3 September 1995  
*Niger* 13 December 1996  
*Nigeria* 1 January 1995  
*Norway* 1 January 1995  
*Oman, Sultanate of* 9 November 2000  
*Pakistan* 1 January 1995  
*Panama* 6 September 1997  
*Papua New Guinea* 9 June 1996  
*Paraguay* 1 January 1995  
*Peru* 1 January 1995  
*Philippines* 1 January 1995  
*Poland* 1 July 1995  
*Portugal* 1 January 1995  
*Qatar* 13 January 1996  
*Romania* 1 January 1995  
*Rwanda* 22 May 1996  
*Saint Kitts and Nevis* 21 February 1996  
*Saint Lucia* 1 January 1995  
*Saint Vincent & the Grenadines* 1 January 1995  
*Senegal* 1 January 1995  
*Sierra Leone* 23 July 1995  
*Singapore* 1 January 1995  
*Slovak Republic* 1 January 1995  
*Slovenia* 30 July 1995  
*Solomon Islands* 26 July 1996  
*South Africa* 1 January 1995  
*Spain* 1 January 1995  
*Sri Lanka* 1 January 1995  
*Suriname* 1 January 1995  
*Swaziland* 1 January 1995  
*Sweden* 1 January 1995  
*Switzerland* 1 July 1995  
*Tanzania* 1 January 1995  
*Thailand* 1 January 1995  
*Togo* 31 May 1995  
*Trinidad and Tobago* 1 March 1995  
*Tunisia* 29 March 1995  
*Turkey* 26 March 1995  
*Uganda* 1 January 1995  
*United Arab Emirates* 10 April 1996  
*United Kingdom* 1 January 1995  
*United States* 1 January 1995  
*Uruguay* 1 January 1995  
*Venezuela* 1 January 1995  
*Zambia* 1 January 1995  
*Zimbabwe* 5 March 1995