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# **FUTURE OF INDIAN FISHERIES: EMERGING POLICY PARADIGMS**

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# **EMERGING TRADE REGULATION: THE CASE WITH ASEAN AGREEMENT AND KERALA FISHERIES**

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## **Introduction**

Fisheries contribute about 1.08 per cent of India's GDP, which forms about 4.3 per cent of the agricultural GDP (2008-09). The sector provides employment to about 28 lakh people in its primary, secondary and tertiary segments. Economic evaluation of marine fish landings in India at 2008 price level is about Rs.17, 133 crore at first sales and Rs. 24,934 crore at last sales. Surpassing the domestic marketing pattern, the export market is still wide as crustaceans and cephalopods alone generate 50 per cent of the gross earnings. An overview of the price movements of food products in India for the last four decades reveals that fish and fishery products displayed the highest increase in price level. The private capital investment in marine fishery sector also recorded phenomenal growth both in harvest and post-harvest sectors primarily oriented towards export market.

Foreign trade has assumed huge significance in modern days because of the growing specialization and territorial division of labour and consequent interdependence of economies. Exports promote the economy with an increase in international income, the level of output and the growth of the economy. Over the period of years there has been growing competition in exports. India's exports, which significantly depend on the developed markets of the US and Europe have been shrinking for the last six months on slowdown in demand for merchandise in these recession-hit markets. So free trade agreement is important for India especially when global trade has shrunk and continues to shrink, and

when a new multilateral global trade pact under the Doha round of talks is nowhere in sight.

Free trade agreement with huge economies provides ample scope for the integration of trade. In this context FTA with ASEAN is a big boost for various sectors of Indian economy. ASEAN and India finally signed the long-awaited free trade agreement (FTA) on 7<sup>th</sup> August 2009 in Bangkok, ending more than six years of intensive negotiations. The agreement will be in force starting 1<sup>st</sup> January 2010. It is a major step in India's "Look East" policy in reducing its dependence on trade with U.S. and E.U. and turning towards South East Asia will strengthen its regional dynamics. It is India's first multilateral trade agreement. This agreement opens a 1.7 billion-consumer market to the member countries with a combined GDP of \$ 2.3 trillion.

A detailed study on the impact of the FTA on Indian fisheries is warranted especially in the present scenarios when world economic melt down has impacted Indian economy and also due to stiffer competition faced by the Indian marine products in the world market. This paper critically reviewed the impact of ASEAN Agreement on the different stakeholders viz., fishermen, consumers, exporters, processors, market functionaries and the resources.

### **Indo-ASEAN Free trade agreement**

ASEAN is already one of the world's largest trade blocks, and an FTA with India (next in importance only to the ASEAN-China FTA, signed in 2007) would expand the market further. In 2008, trade between ASEAN and India was valued at about US\$47 billion, with Indonesia ranking third behind Singapore and Malaysia. ASEAN accounts for 9.6 per cent of India's global trade. From the Indian viewpoint, this FTA would open up the \$1.1 trillion ASEAN market for its exporters, reducing their dependence on the West. Under the agreement ASEAN and India will lift import tariffs on more than 80 percent of traded products between 2013 and 2016. Tariffs on sensitive goods will be reduced to 5 percent in 2016 and those on up to 489 very sensitive products will be maintained. Out of 489 items listed in the negative list, 302 are of interest to Kerala especially marine products such as tuna, shrimp, prawn and fish products.

The ASEAN-India FTA will see tariff liberalisation of over 90 percent of products traded between the two dynamic regions, including the so-called "special products," such as palm oil (crude and refined), coffee, black tea and pepper. The FTA would eliminate tariffs for about 4000 products (which include electronics, chemicals, machinery and textiles) out of

which duties for 3200 products will be reduced by December 2013, while duties on the remaining 800 products will be brought down to zero or near zero levels by December 2016.

Negative list covers almost all frozen fish, crustaceans and cephalopods as well as the fillet forms of these fishes, sardines, mackerels and shrimp. Most of the important species like sardines, mackerels, shrimps, tunas etc are included in the negative list of imports. There exists numerous allays and fears on the impact of ASEAN agreements on the Indian fisheries. The numerous stakeholders who are involved in the sector have varied opinion on the agreement. The trade in goods agreement will enable the dumping of upto 177 species of fish in the Indian market. The fish farmers feel that the imports of cheaper varieties will result in crash of prices which may forcing fishers to give up fishing. Their apprehension includes that the sector that is going to be hit worst is fisheries - particularly artisanal fishing which will be unable to compete with the factory fishing carried out by such countries as Thailand.

Further liberalisation in fisheries sector to increase trade will precipitate debt trap and related problems of the fishing community. The FTA is likely to permit zero tariff imports of sardines, mackerels, anchovies and crabs. Cheaper imports of local popular varieties such as cuttlefish, squid, shrimp, sole and pomfret will spell doom to fishing communities. On the other hand the consumers, processors and exporters will be at advantage due to the ready availability of the fish to suit their taste and preferences and the capacity utilisation of the processing plants and reaping in on the export economies of the scale. There is a chance that the depleting fisheries resources would be replenished and the stress can be minimised on account of the "fishing holidays" on those species.

### **ASEAN and Indian Fisheries**

There exists numerous bottle necks in the agreement like Rules of Origin are not discussed- chances of Chinese fish into India through ASEAN might happen. In addition there exist overlapping / lack of clarity in the negative list with respect to different processed form. According to GATT agreement 24, it is mandatory for WTO signatories to open up trade. So products can't be maintained in the negative list for longer period.

In the context of the Indo- ASEAN free trade agreement being signed and put into practice since 1 January 2010 there needs some corrective mechanism which is to be required to negate the constraints in the trade agreement with reference to the fisheries sector if any. Some of them can be provision of minimum Support price for fish species, possibilities of

an anti-dumping duty, siphoning off positive terms of trade from other sectors to fisheries, to create investment opportunities to put a way for micro losses for macro gains and to increase investment to create multiplier effects. Also there needs to be periodic monitoring and evaluation of negative list/ highly sensitive list. With WTO commitments, look east policy and huge potential of increasing terms of trade, The fisheries sector has to gear up in utilizing strength and opportunities and to curb threats and weaknesses. Gains from Indo-ASEAN FTA in goods will be only a small part of total gains. Indian businesses are looking forward to a successful conclusion of the services and investment agreement to which negotiations are at an initial stage.

The trade gains for the China for having FTA with ASEAN increased its volume of trade during the period from 1997-2006 from 3.7 to 11.4 % whereas for India, it is 1 to 1.6 %. So India has huge potential to raise its trade with ASEAN due to this FTA. ASEAN is India's 4th largest trading partner after the E.U., USA and China. The FTA with ASEAN will lead to closer economic integration. There exists a huge prospect of \$ 3.3 US billion fisheries exports to various ASEAN members due to its geographical advantage, less freight charges, commonality of consumables and less stringent measures

An estimated 489 items are included in this of which 302 are of interest of Kerala especially marine products such as tuna, shrimp, prawn and fish product. In spite of excluding prized items from the trade list there is growing concern among fish farmers of the country on the possible impact of Indo-ASEAN FTA on Indian fisheries in general and aquaculture in particular. There is an innate fear that the cheap imports of fish produce will flood the country threatening the livelihood of fish workers and farmers

There exists numerous weaknesses and threats which might affect the trade which include the huge fluctuation of the exchange rates, huge disparities across these countries in productivity, labour cost and inputs and potential threat by means of dumping of around 177 species from Thailand and Vietnam. Also there exists a comparative advantage in farmed shrimp in countries like Thailand and Vietnam, ornamental fish from Singapore and Malaysia and yellow fin tunas from Indonesia. The amount of subsidies provided by the ASEAN is huge when compared to less than 0.5 per cent, which is provided by India.

Karmakar (2008) opined that most of the regional trade agreements are politically motivated with very little economic gains and that this FTA is no exception. In order to reduce its dependence on the U.S. and E.U markets. India is diversifying its trade destinations and in that way ASEAN is an important region. She adds that the agreement on Rules of Origin

(ROO) is one of the most lenient that India has negotiated with her preferential trade partners and that significant gains are likely for India once the negotiations for service and investment are concluded.

The trade in goods agreement will enable the dumping of 177 species of fish in the Indian market. In recent years, the fish stocks have depleted, due to over-fishing by trawlers and foreign vessels and fish prices have crashed due to imports of cheaper varieties forcing many to give up fishing. Further liberalisation in fisheries sector to increase trade will precipitate the problems of the fishing community

The biggest threat will come from imports from Thailand, the world's largest exporter of farmed shrimps and Vietnam, the world's eight largest seafood exporter. The FTA is likely to permit zero tariff imports of sardines, mackerels, anchovies and crabs. Cheaper imports of local popular varieties such as cuttlefish, squid, shrimp, sole and pomfret will spell doom to fishing communities.

If the FTA allows Thai fishing vessels access the Indian territorial waters, it would only intensify over-fishing and the damage to fish stocks, especially given the lack of prudent national fish regulations and policies in the country.,

There exists an allay of fear that the imports of cheaper varieties will result in crash of prices which may forcing fishers to give up fishing. The sector that is going to be hit worst is fisheries - particularly artisanal fishing which will be unable to compete with the factory fishing carried out by such countries as Thailand. In addition there have been new forms of trade barriers (251 notifications) by ASEAN. All these steps to further liberalisation in fisheries sector to increase trade will precipitate debt trap and related problems of the fishing community.

### **Impacts of the ASEAN agreement**

The impacts of the ASEAN agreement are to affect the following stakeholders /resources which include

1. Primary stakeholders
2. Consumers
3. Processors/ Exporters
4. Market functionaries
5. Resources/ Environment



### **Impact on primary stakeholders**

The biggest apprehension exists with the primary stakeholders since 50 % of fishermen community (non mechanized and motorized) earn their livelihood from only 20-25 % of total catch are already suffering from increasing cost of fishing and decreasing CPUE (Catch Per Unit Effort). The Geographical similarities between ASEAN and Kerala marine ecosystem leads to negative impact. The major countries like Thailand and Vietnam may dump 177 species of fish in the Indian market, which will threaten livelihood security of fisherman. If the FTA allows Thai fishing vessels access the Indian territorial waters, it leads to over-fishing and the damage to fish stocks. The preset system of fish marketing is highly disorganized where the price spread accounts to more than 40 per cent. Fresh catch of anchovy, lobster, crab, sardine, mackerel, shark, shrimp and squid may be replaced by refrigerated cheap imports. Further liberalization of fisheries sector to increase trade will precipitate the problems of fishing community. It will be also difficult for the traditional sector to coup up with the factory fishing of some of the ASEAN countries like Thailand and Vietnam.

### **Impact on consumers**

The consumer will in a way be benefited by the project on account of ensuring year round availability, price stabilization and affordability providing commodity diversification, meeting taste and preferences, parity on demand and supply and thereby enhancing nutritional security.

### **Impact on exporters**

ASEAN with 600 million people against India's billion plus presents a substantial opportunity for Indian exporters and businessman. The ASEAN free trade will provide with an opportunity to reap in the export economies of scale through the timely and incessant availability of raw materials thereby Increase export domain and realm of operations. The ASEAN provides additional market access to Indian exporters and opportunities for new investment. In addition the expected increased volume of trade will provide gainful direct and indirect employment in sector. There also exist possibilities of outsourcing products from overseas at competitive prices from the ASEAN members. In the short run due competitiveness, processors will start to strengthen their plants by producing value added products and improve quality for their products.

### **Impact on market functionaries**

Market functionaries will be having an added advantage of reaping in market economies of scale. The import of fish into the country is to provide ample opportunities in marketing and improving the market structure.

### **Impact on resources/environment**

The marine fisheries sector in India is stagnating with marine fish landings over the period of years shows depletion of resources. The over fishing in India has lead to the depletion of fishery resources which in turn affect environment. With this agreement, importing such depleting items from ASEAN countries would reduce negative impact on environment. Also there exists the possibility of "Fishing holidays" to replenish and rejuvenate fisheries stock and to avoid negative environmental impact.

### **Conclusions**

ASEAN agreement is not a myth but a stark reality. The Agreement provides an array of business opportunities that will brighten the economic sentiment of the ASEAN business community. The expected trade is to the tune of \$ 60 billion by 2011-12. It is important to note that China has already an FTA with ASEAN, perhaps on more favourable terms. By this FTA, India, though not by way of competition, will have access to this flourishing market. In addition it is anticipated that the free trade agreement will reduce ASEAN's heavy dependence on China. The Free Trade Agreement will be extended to the service sector whose dialogue are in progress and is expected to have its take off by December 2011.

In the context of the Indo- ASEAN free trade agreement being signed and put into practice there needs some corrective mechanism which are to be required to negate the constraints in the trade agreement with reference to the fisheries sector if any. Some of them can be provision of minimum Support price for fish species, possibilities of an anti- dumping duty, siphoning off positive terms of trade from other sectors to fisheries, to create investment opportunities to put a way for micro losses for macro gains and to increase investment to create multiplier effects. Also there needs to be periodic monitoring and evaluation of negative list/ highly sensitive list. With WTO commitments, look east policy and huge potential of increasing terms of trade; the fisheries sector has to gear up in utilizing strength and opportunities and to curb threats and weaknesses.