

STAKEHOLDERS PERCEPTION OF INDO-ASEAN FREE TRADE AGREEMENT ON INDIAN FISHERIES SECTOR

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ABSTRACT

Exports augment the economy with an increase in international trade, acceleration in output and provide an engine for growth. Free trade agreement (FTA) 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. It is a major step in India's "Look East" policy in reducing its dependence on trade with U.S. and E.U. and will strengthen its regional dynamics on trade. The ASEAN-India FTA will see tariff liberalization of over 90 percent of products traded between the two dynamic regions and would eliminate tariffs for about 4000 products (which include electronics, chemicals, machinery, textiles, agriculture and fisheries) out of which duties for 3200 products will be reduced by December 2013, with brought down to zero or near zero levels by December 2016. This agreement is supposedly believed to have a huge impact on Indian fisheries sector too. The different stake holders are to perceive differently to the agreements. There are apprehensions to the primary stakeholders the fishermen that the cheaper imports of local popular varieties such as sardines, mackerels, other lesser pelagic, cephalopods, crustaceans, demersal etc. which overlaps with the fish landings 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 utilization of the processing plants and reaping in on the export economies of the scale. In this context, a detailed study on the impact of the FTA on Indian fisheries is warranted. This paper critically reviewed and analysed the perceptions on the impact of ASEAN agreement on the different stakeholders viz., fishermen, consumers, exporters, processors, market functionaries and the resources. The study involved sampling of stakeholders which included 240 consumer respondents, 50 exporters and processors and 30 markets functionaries in wholesale and retail markets in Cochin. The possible impact on the primary stakeholders (traditional fishers) was analyzed using a case study approach based on the possibility of oil sardine imports to India by ASEAN countries. The analysis on the perception of the stakeholders indicated that the exporters / processors, marketers favoured the agreement in terms of reaping the export economies of scale and timely and incessant availability of raw materials and processors for the high capacity utilization of processing plants and economies of scale. The marketers perceived the year round availability and increased quantum of sale consequent to the agreement. The consumers also approved the agreement on the year round availability and price stability and affordability in the domestic market. The price analysis on the comparison of the landing centre price and import price of sardine from ASEAN countries indicated that the interest of the primary stakeholders are not jeopardized as the domestic landing centre price is still competitive than the import price from ASEAN countries.

Key words: Free trade agreement, ASEAN, Perception, Market functionaries, Landing centre price, Stakeholders, Economies of scale.

INTRODUCTION

Fisheries contribute about 1.03 per cent of India's GDP, which forms about 4.3 per cent of the agricultural GDP (2010-11). The sector provides employment to about 28 lakh people in its primary, secondary and tertiary segments. The economic evaluation of India's marine fish landings during 2009-10 is valued about Rs.19,753 crores at first sales and Rs. 28,511 crores at last sales (SEETD/CMFRI, 2010) surpassing the domestic marketing pattern, the export market is still wide as, crustaceans and cephalopods alone generate 50 per cent of the gross earnings (Shyam, 2009). 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.

The WTO agreement has been initiated in 1995 for providing a free trade platform, but the different rounds haven't been successful in the ratification of the WTO agreements on account of the growing disputes between the developed countries and the developing world. On the contrary, 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 (Shyam, 2010).

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 7th August 2009 in Bangkok, ending more than six years of intensive negotiations. The agreement is in force starting 1st 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 which will strengthen its regional dynamics. It is India's first multilateral trade agreement and opens up a 1.7 billion-consumer market to the member countries with a combined GDP of \$ 2.3 trillion (International Financial Statistics Yearbook, 2010).

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) which would expand the market further (Batra, 2009). 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 perspective, the FTA would open up the \$1.1 trillion ASEAN market for its exporters, reducing their dependence on the West (Business Line, 2010). 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 (Vijian and Bername, 2010).

The ASEAN-India FTA will see tariff liberalization of over 90 percent of products traded between the two dynamic regions, and would eliminate tariffs for about 4000 products in two phases during December 2013, and December 2016 (Joseph, 2009).

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 (Sampath, 2009). The fish farmers feel that the imports of cheaper varieties will result in crash of prices which may force 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 (Ranjith Devraj, 2009, The Hindu, 2009).

Further liberalization 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 (Razia, 2009). On the other hand the consumers, processors and exporters will be at advantage due to the ready year round availability of the fish to suit their taste and preferences and the capacity utilization 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 minimized on account of the "fishing holidays" on those species.

Out of 489 items listed in the negative list, 302 are of interest to Indian fisheries sector especially marine products such as tuna, shrimp, prawn and fish products. 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 (Nambudiri, 2009).

A detailed study on the impact of the FTA on Indian fisheries is warranted especially in the present scenarios, when world economic meltdown 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 Indo-ASEAN agreement on the different stakeholders viz., fishermen, consumers, exporters, processors, market functionaries and the resources.

MATERIAL AND METHODS

• The present study was conducted in Kochi, Kerala which accounts a major fishing centre on account of the huge number of exporters, processors, marketing functionaries. Kerala accounts for the largest marine fish landing in the country. In addition, Kerala is one of the major consumers of fish with a per capita consumption of more than 30 kg/ annum (Kerala State Planning Board Economic Review, 2010). The study was conducted across the different stakeholders. Accordingly, the sampling of different stakeholders viz., primary stakeholders, consumers, processors / exporters, market functionaries and resources/ environment was done by using well developed questionnaire. The consumers' perception was based on a sample survey of 240 respondents and exporters and processors profiling were obtained from 50 export units. The conceived perception of the marketing functionaries was collected from 30 marketing

functionaries in wholesale and retail markets in Cochin. The major apprehension felt by the primary stakeholders who are employed in the non-mechanized sector is that the import of the fish into Kerala will negatively affect the landing centre price realization of the fishermen and thereby livelihoods. The price analysis between the landing centre prices of oil sardine was compared with the import price of sardine from ASEAN countries. The landing centre price was collected from the major landing centers of Cochin viz., Cochin Fisheries Harbour and Munambam fisheries harbour. The import price of oil sardine from ASEAN country was based on the landing centre price of ASEAN markets, freight charges and other charges. The appropriate percentage and conventional analysis were employed to obtain meaningful conclusions and draw inferences.

RESULTS AND DISCUSSION

Stakeholders perception of the ASEAN agreement

The ASEAN agreement and its inception in fisheries sector were perceived by the following stakeholders/resources are discussed below

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

1. Perception of 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. The non mechanized and motorized sector is already suffering from increasing cost of fishing and decreasing CPUE (Catch Per Unit Effort). The present system of fish marketing is highly disorganized where the price spread accounts to more than 40 per cent. It is widely feared that fresh catch of anchovy, lobster, crab, sardine, mackerel, shark, shrimp and squid may be replaced by refrigerated cheap imports. It will be also difficult for the traditional sector to cope up with the factory fishing of some of the ASEAN countries like Thailand and Vietnam. Primary stakeholders fear that free trade agreement may lead to distress sale due to low volumes.

In order to ascertain the apprehensions of low value fishes like sardine being imported from ASEAN countries a case study was done in Kochi. The study was based on comparing the average landing centre price of sardine at Kochi and that of ASEAN markets. The cost insurance and freight charges for the imported sardines were worked out and the results are given in Table 1. The analysis revealed that the landing center price of sardine was Rs. 15 per kg and import price was Rs. 17.5 per kg. So, landing center price continues to be competitive than import price. Thus it can be found that the fears and apprehensions of primary stakeholders about Indo-ASEAN free trade agreement are only illusion and there would not be any negative impact due to this agreement. In addition quality, freshness and timely availability will add to the advantage of the domestic harvests and increased competitiveness. The fishermen will not be at loss due to the agreement. The details are presented in Table 1.

Table 1: Comparison of landing centre price and import price of sardine

Item	Price (Rs/kg)
Landing center price of sardine*	15.00
Import Price (Sourced from ASEAN markets)	
1. Landing Centre Price of sardine (at the ASEAN markets)	5.00
2. Freight charges	7.50
3. Other charges (transportation/ processing/value addition/ berthing/ demurrage)	5.00
Total Import price of sardine from (sourced from ASEAN country)	17.50

Source : SEETTD data on the landing center prices , Port Charges and Freight Charges collected from Cochin port

2. Perception of consumers

The consumer will in a way be benefited by the FTA 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.

The results of impact analysis from consumers are presented in Table 2. The impact study revealed that free trade agreement leads to year round availability of fishes which was opined by 204 out of 240 consumers (85.2 percent) and 75.2 percent of consumers ensured that there will be price stabilization and affordability in the fish market due to free trade agreement. 63.2 percent of consumers responded that free trade agreement helps to commodity diversification of fishes.

Table 2: Perception of fish consumers

Attributes	Response (Per cent)
1. Parity on demand and supply	102 (42.50)
2. Price stabilization and affordability	180 (75.20)
3. Providing commodity diversification	152(63.20)
4. Meeting taste and preferences	78 (32.50)
5. Ensuring year round availability	204 (85.20)
6. Enhancing nutritional security	84 (35.20)

3. Perception of exporters / processors

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. The results of impact analysis from exporters and processors are presented in Table 3 and 4.

45 out of 50 exporters (90.0 percent) opined that there would be more export economics of scale due to free trade agreement. 89.0 per cent of exporters agreed that free trade agreement leads to timely and incessant availability of raw materials. 75.0 percent of exporters felt that free trade agreement would increase export domain and realm of operations related to fish exports (Table 3).

Table 3: Perception of fish exporters

Attributes	Response (Per cent)
1. Reaping export economics of scale	45 (90.00)
2. Increase export domain and realm of operations	37 (75.00)
3. Timely and incessant availability of raw materials	44 (89.00)
4. Additional market access to Indian exporters	28 (56.00)
5. Opportunities for new investment	15 (30.00)
6. Providing gainful employment (1 tonne 200 mandays)	33 (65.00)

The impact study of processors revealed that there would be higher capacity utilization of processing plants due to free trade agreement (92 per cent) and 85.0 percent of the processors agreed that there would be more economics of scale. 75.0 per

cent of (37 processors) opined that free trade agreement leads to direct and indirect employment in sector (Table 4).

Table 4: Perception of fish processors

Attributes	Per cent Response
1. Higher capacity utilization of processing plants	46 (92.00)
2. Economics of scale	43 (85.00)
3. Outsource products from overseas at competitive prices from the ASEAN members	26 (53.00)
4. Direct and indirect employment in sector	37 (75.00)
5. Due to competitiveness, processors will start to strengthen their plants by producing value added products and improve quality for their products	25 (50.00)

4. Perception of 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. The perception obtained from the marketing functionaries indicated the following results and is furnished in Table 5.

Table 5: Perception of market functionaries

Attributes	(Per cent) Response
1. Increased quantum of sale	28 (93.33)
2. Parity on demand and supply	23 (76.67)
3. Providing commodity diversification	27 (90.00)
4. Ensuring year round availability	29 (96.67)

Thus it was found that the market functionaries perceive that as a result of the ASEAN in the vent of import agreement there can be an increased quantum of sale, restoring parity in demand and supply, provision of commodity diversification and ensuring year round availability.

5. Effect 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 led to the depletion of targeted 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. During this period import can be done to meet local demand.

CONCLUSION

The analysis on the perception of the stakeholders indicated that the exporters / processors, marketers favoured the agreement in terms of reaping the export economies of scale and timely incessant availability of raw materials and processors for the high capacity utilization of processing plants and economies of scale. The marketers perceived the year round availability and increased quantum of sale consequent to the agreement. The consumers also approved the agreement on the year round availability and price stability and affordability in the domestic market. The price analysis on the comparison of the landing centre price and import price of sardine from ASEAN countries indicated that the interest of the primary stakeholders are not jeopardized as the domestic landing centre price is still competitive than the import price from ASEAN countries.

The price analysis on the comparison of the landing centre price and import price of sardine indicated that the interest of the primary stakeholders are not jeopardized the domestic landing centre price as it is still competitive than the import price or account of the import price of Asean countries. 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 mechanisms 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.

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