

Chapter 1

Introduction

Over the past decades, global markets for fish and fish products have changed considerably and continue to do so. In search of new business opportunities, reduced production costs and profitable investments, fisheries operators along the value chain (harvesters, processors, distributors and retailers) have turned to opportunities located abroad. This has been made possible as markets have become closer and more integrated through the reduction or abolishment of barriers for trade, investment and services, and as information and transport technology have advanced. The fisheries sector has undergone steady “internationalisation” over past decades, driven principally by a quest for access to resources and raw material.

The process of increasing interdependence between fisheries markets has been occurring for decades, if not centuries. In cod fisheries, mastering the drying of cod by the Vikings made it possible to fish in the northern hemisphere for markets in other parts of Europe. Later, from the fifteenth century onwards, the development of salting techniques made it possible for Basque and Portuguese fishers to explore the rich banks off Newfoundland to satisfy a market craving for salted cod, or “*bachalao*”.¹ Although the term “globalisation” was not in use, there was, nevertheless, interaction and increasing interdependence across countries and continents in the fishing industry, reflecting the fact that fisheries resources are not necessarily located in the vicinity of major consumption centres.

Defining globalisation

In a written submission to the United Kingdom House of Lords Select Committee on Economic Affairs inquiry into the global economy, the former Chief Economist of the OECD suggested that:²

At the OECD, globalisation is interpreted as a process towards closer economic integration of markets. Viewed from this perspective, globalisation is not a new phenomenon, but an ongoing process that has been, by and large, accelerating over the past decades. More integrated markets offer potential benefits that improve our material well-being, but also imply adjustment costs and pose challenges for policy. Perfect integration would imply identical prices for identical goods and services. Defined in this way, the evidence suggests that we are still far from a globalised or fully integrated world economy. There are no compelling reasons, however, to suggest that, spurred by new information and communication technologies as well as by business strategies and public policies, the process will not continue to evolve.

As demonstrated in the above quotation, it is the closer economic integration of markets that matters in globalisation. Closer economic integration of markets occurs through traditional trade (e.g. the increased cross-border movement of goods), increased foreign direct investments (e.g. establishing processing plants abroad) and the use of foreign services (e.g. processing parts of products abroad, the use of service facilities abroad). In essence, transborder production networks will emerge where different elements of the value chain, to varying degrees, contribute to the globalisation process by using the most profitable location or source for their activities.

When applied to fisheries, and with due regard to the natural renewable resource characteristics of the sector, the policy challenges that this process gives rise to are anchored in formulating, developing, adapting and implementing management frameworks that can accommodate the pressures stemming from the process of globalisation without compromising the sustainability of the resource. Key features of these challenges include the implementation of appropriate management models (which may be dependent on the particular resource situation) and dealing with structural adjustment.

The problems and issues that the globalisation process potentially gives rise to regarding natural resources and sustainable development were raised by the Johannesburg World Summit on Sustainable Development meeting in 2002 (Box 1.1).

Box 1.1. Paragraphs 11 and 14 from the WSSD Political Declaration

Paragraph 11. We recognize that poverty eradication changing consumption and production patterns and protecting and managing the natural resource base for economic and social development are overarching objectives of and essential requirements for sustainable development.

Paragraph 14. Globalisation has added a new dimension to these challenges. The rapid integration of markets, mobility of capital and significant increases in investment flows around the world has opened new challenges and opportunities for the pursuit of sustainable development. But the benefits and costs of globalisation are unevenly distributed, with developing countries facing special difficulties in meeting this challenge.

The value-chain approach

Features of the **harvesting** element include highly mobile fleets that fish in domestic, high sea and foreign waters. The regulatory environment is of considerable importance in shaping the activities of vessels; both domestic fisheries management policies and international regulations (for example as enumerated through RFMOs) are involved in shaping fishing activities, where and how they can take place and who has access to these resources. Furthermore, it is also important to consider that fishers are often in remote coastal communities with few alternative employment opportunities or transferable skills. These points are important for the formulation of policy responses to address changes in fleet structures. Global landings from capture fisheries totalled 95 million tonnes and were valued at an estimated USD 84.9 billion in 2002 (FAO, 2004). Of the total landings from capture fisheries, some 34.8 million tonnes are used for non-human consumption purposes (fishmeal, oil, etc.) It is also important to recall that the contribution of fisheries to the economy may be very different in developing or developed countries.

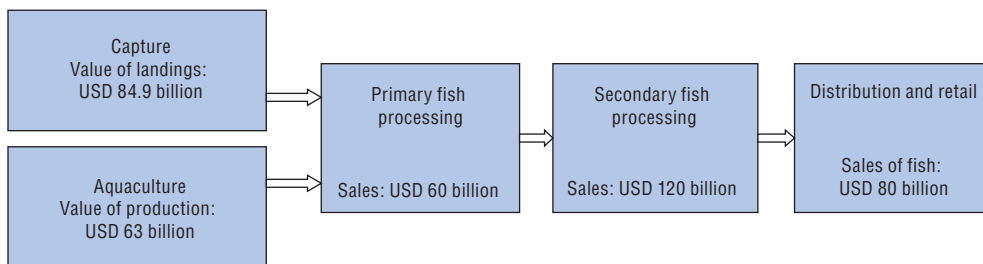
Aquaculture has grown considerably over the past several decades; for certain species the sector has become the dominant supplier, notably for salmon, tilapia and shrimp. As wild capture of certain species has fallen, the sector has developed. However, for carnivorous species the sector is also dependent on capture fisheries for the production of fishmeal and oil, which continues to be an important element in feed compounds. A major contributor to world aquaculture production is China. Total world production from aquaculture was estimated to be 45.5 million tonnes in 2004, valued at USD 63 billion with 70% from Chinese production (FAO, 2006).

The **fish processing** sector has undergone structural adjustment in OECD countries in recent years, spurred by technological developments, cheaper and more efficient modes of transportation and readily available cheaper labour in developing countries. Fish processors buy fish from harvesting or fish farms, usually as headed and gutted. Fish processing transforms the fish (primary processing: filleting; secondary processing: further developed products, i.e. canning, ready to eat products) into products that can be consumed. Combined, primary and secondary processing are estimated to have a value of USD 180 billion (Glitnir Bank).

The **retail** sector plays an increasingly important role in modern society where consumer convenience is key to sales of fish and fish products. Major changes have also occurred in this area in recent decades. For example, by 2001 in France, two thirds of all fresh fish sales took place in supermarkets, a sector that has been growing steadily and where seafood forms a part of its overall brand image. Moreover, the seven largest supermarket chains in France account for 90% of supermarket sales in France. This suggests a strong concentration of buying power. The global value of the distribution and retail elements of the value chain has been estimated at USD 80 billion (Glitnir Bank).

The annual turnover of the overall fisheries value chain has been estimated to be in excess of USD 400 billion (Glitnir Bank, Workshop). When looking across the value chain, the following figure (Figure 1.1) emerges:

Figure 1.1. **The fisheries value chain**



Sources: FAO and Glitnir Bank.

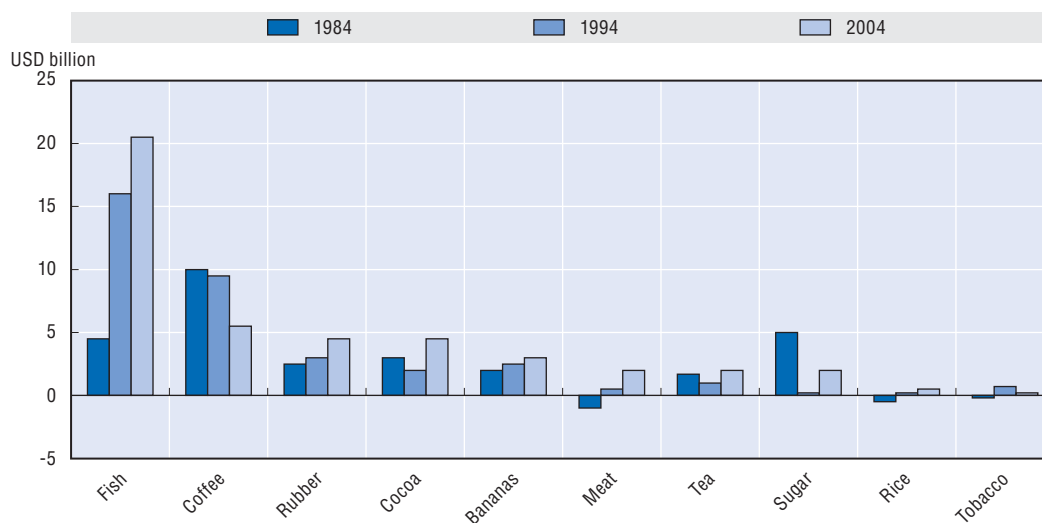
In each element of the fisheries value chain there are a number of ways in which globalisation manifests itself in a number of ways, including through access to resources, trade, the “slicing up” of the value chain into its constituent elements (fragmentation), investments and services. Choosing a particular way of sourcing will depend on a trade-off between, on the one hand, costs of transaction in goods and, on the other, the costs involved in setting up new capital infrastructure including a consideration of time horizon and distance to markets. Beyond the pure economic trade-off in deciding which form of sourcing is preferred (due to relative costs of labour and capital, time frame, distance to markets and supplies as well as trade barriers) and the technical capacities of the host organisation, other considerations include the management and control of production processes. For example, for highly sensitive products (such as products that require high sanitary and hygiene standards) companies may wish to retain full control over the entire production process rather than outsource. This is essentially risk management, despite the technical and economic feasibility of outsourcing.

The multitude of sourcing possibilities makes it difficult, from a statistical point of view, to establish the location of seafood sources. While trade may be captured in foreign trade statistics (assuming there is a tariff line for the particular product and/or subcomponent, which is not the case for certain fish products), the operation of joint ventures, licensing arrangements and international production through fully owned operations may not, statistically, be captured through traditional statistics.³ This has given rise to discussion as to how to build indicators of globalisation in a world where the organisation of production and markets is constantly undergoing change. This is no different in fisheries, and hard evidence

may not always be easy to establish. Annex C attempts to provide a snapshot of four major fisheries markets (groundfish, salmon, shrimp and tuna), identifying their sourcing, production and sale.

There are particular issues associated with developing countries that globalisation reveals throughout the value chain. Of all food and agriculture commodities traded in the world, fisheries are a particularly large income generator for developing countries. In addition to being an important export earner (see Figure 1.2), the fisheries sector is a significant employer in developing countries and an important source of protein. The Committee's earlier work on Policy Coherence for Development in Fisheries has revealed a number of areas of incoherence,⁴ which have affected developing countries' ability to benefit from globalisation. In studying globalisation in the fisheries sector, similar issues arise. Developing countries require assistance to more effectively partake in a rapidly changing world of fisheries. For developed countries – even for reasons of enlightened self-interest – increased focus on coherence between various policy areas that influence the fisheries sector (fisheries, trade, investments, etc.) is needed.

Figure 1.2. **Net export from developing countries of selected commodities**

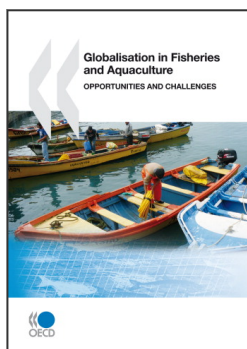


Source: FAO (2007).

There are a number of demographic trends that also affect the fisheries value chain; these trends have nothing to do with globalisation *per se*, but are increasingly difficult to disentangle from overall developments. They concern, in particular, certain demographic developments (such as a rising world population), ageing (in particular in developed economies), technological developments and a fast developing transport infrastructure throughout the world. Annex A of this study provides an overview of these “background” developments and how they have manifested themselves in the fisheries sector. Meanwhile there are certain developments that are particular to fisheries and which have made it promising for fishing companies (harvesting, aquaculture and processing) to “go global”. Chief among these have been access to resources and raw material, either through trade or fleet operations. These developments have been reinforced by poor domestic management in many developed countries where fisheries raw material has become scarcer.

Notes

1. *Cod: A Biography of the Fish that Changed the World* by Mark Kurlansky, Jonathan Cape, London, 1997.
2. Written submission by Ignazio Visco, OECD Chief Economist, October 2001, available on the OECD website at www.oecd.org/NewsArchives/0,2552,en_2649_37443_1_1_1_13_37443,00.html.
3. For a more detailed discussion of these issues see Art Ridgeway “Data Issues on Integrative Trade between Canada and the US Measurement Issues for Supply Chains”, paper for CTPL Conference, December 2006.
4. Specific issues raised in the Committee’s earlier work have included tariff escalation, access arrangements, lack of considering resource sustainability issues in foreign assistance.



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