

24. QUANTITATIVE RESTRICTIONS AND INDIAN FISHERIES SECTOR - FACTS AND FEARS

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Anxiety sweeps across the entire spectrum of Indian enterprise including Fisheries Sector after the removal of Quantitative Restrictions (QRs) on 714 items on April 1, 2001. Fish and fisheries products figure prominently in the list of items on which QR has been removed. This raises alarm in the Fisheries Sector which provides employment to 7 million people directly and indirectly. The export earning is 1/3 rd of the agricultural exports and to the tune of Rs.6300 crores. The perception varies among the different clientele-like fishermen, exporters and consumers. Apprehensions of the farmer include crash in the fish prices under large-scale import raising livelihood questions. The exporters will be benefited with the regular supply of raw material, which would effectively help the processing plants in its capacity utilisation during the lean season. The consumers will by and large be definitely benefited by the inflow of foreign fish products. The different stakeholders have conflicting opinions on the removal of QRs. India being a developing country should judiciously use the tariff rates to protect the domestic industry. In the emerging post WTO world economic order it is certain that the imports can't be prevented. The only probable solution now is to focus on the changed scenario and gear up to utilise the full benefit.

The founding of the World Trade Organization (WTO) in January 1995 marked the culmination of a series of complex, arduous and long drawn out negotiations under the Eighth Round of General Agreement on Tariffs and Trade (GATT). It also marked the beginning of a distortion free multilateral trade among the economies of the World. India, being a founder member of the GATT, is a signatory to the commitments made during the negotiations. The provisions under the various agreements are expected to have an impact on the different sectors and the domestic producers in the negotiating countries. This paper highlights the possible impacts of the removal of Quantitative Restrictions on the Fisheries Sector.

Quantitative Restrictions

Quantitative Restrictions (QRs) refer to measures other than tariffs or duties taken to restrict imports (or exports). Article XI of the GATT generally prohibits quantitative restrictions on the import or the export of any product. The Quantitative Restrictions are

considered to have a greater protective effect than tariff measures and are most likely to distort free trade. When a trading partner uses tariff to restrict imports, it is still possible to increase exports as long as foreign products become price competitive enough to overcome the barriers created by the tariff. When a trading partner uses QRs, however, it is impossible to export in excess of the quota no matter how price competitive products may be. Thus, QRs are considered to have a greater distortional effect on trade than tariffs and their prohibition is one of the fundamental principles of the GATT. Although multilateral trade rules, in general, prohibit QRs on import (or export) of any product, the GATT provides exceptions to this fundamental principle. These exceptional rules permit the imposition of quantitative measures under limited conditions and only if they are taken under policy grounds justifiable under the GATT such as critical shortage of food stuffs (Article XI: 2) and Balance of payment (Article XVIII: B).

Developing countries like India were permitted to maintain Quantitative restrictions (QRs) due to Balance of payment (BoP) position and initially committed to phasing out the QRs in a phased manner by the year 2003. However, U.S.A. had filed a case in the WTO Dispute Settlement Body (DSB) against these QRs in May 1997. The DSB had ruled against India and The Government has accordingly phased out these QRs on 1.4.2001. Much of the mainstream media in India have enthusiastically welcomed the removal of quantitative restrictions on imports with respect to 714 items, which was the centrepiece of the Exim Policy announced on March 31. Commodities such as fish and fishery products figure prominently on the list of items that can now be imported freely and such a step is going to have a profound impact on the Fisheries sector.

Indian Fisheries Sector

India with its rich marine resources with an annual fish production (marine and inland) of over 5.6 million tonnes is the third largest fishing nation in the world. The total seafood export from the country has grown up by 23.3% and touched Rs. 6443 crores in 2000-01 compared to Rs. 5,117 crores in the previous year. The quantity of export rose to 4.2 lakh tonnes showing an increase of 22.8%. The Fisheries sector provides employment to about 3.84 million fishers directly and an equal number of population engaged in auxiliary activities associated with fisheries. Seafood export trade also generates employment of very high order.

Is the Picture Really Gloomy??

Fish exporters have welcomed the Exim Policy. In all, there are 402 registered freezing plants and the total estimated freezing capacity is 7500 metric tons per day. The total current production is only 1050 tons per day. This sector has also attracted the attention of investors both domestic and foreign and an investment as high as Rs.30, 000 million has been approved in the last six years of which foreign investment was around Rs.7000 million. The infrastructure facility has been considerably enhanced after the

European Union ban on Indian seafood. But the economic viability of this industry is still in doldrums. Industry observers' points out that they are operating with substantial excess capacities; capacity utilization is now only 14 %. Capacity utilization depends on the raw material supply. The Indian seafood factories, which are mostly idle during the monsoon season due to trawl ban, can process imported raw material in the changed scenario. Due to the low capacity utilization, seafood has become a low profit industry. The new policy would enable the import of tuna. Since tuna prices are high in the Indian market, exporters do not enjoy a comfortable margin. The situation will change dramatically once cheaper tuna is imported into the country.

US based Red Chamber, the largest importer of Indian seafood, is aiming to shift its re-processing base from China to India with an investment of \$ 1.3 billion directly in areas like marine product procurement, processing and value addition. Japan is also keen on tie-ups in this sector. This is a welcoming sign. Such collaborations will generate more employment in pre-processing facilities and factories and also bring about a general upgradation in qualitative standards.

The significance of international trade in fish and fish products is further enhanced by the fact that the net foreign exchange earning from seafood exports is one of the highest in India. However, tariff and non-tariff barriers hamper the access to international markets. If all the member countries remove QR's in compliance with WTO provisions/agreements, Indian seafood products may find new markets which will enable the fish processing industry more vibrant in the coming years.

The war room set up to monitor the import of 300 sensitive items with lifting of QR's has found 11 % dip in their imports during April-May 2001.

Millions of fisherfolk and fishworkers are the mainstay of the fish economy of India. But the fishers fear that large-scale import will affect the domestic fishing industry. Fishermen foresee a crash in the prices under large-scale imports. More than 60 fishery items are now off the QRs list. Among these are low-value varieties such as mackerel and sardines and high-value varieties such as tuna, seerfish and pomfret. But there is very little chance of this due to the fact that the, the prices of our fish are quite competitive in the international market and the frozen seafood import freight is more than the price of the fish in the local market. Further the Indian consumers may not relish the imported varieties, especially cold water species, and there is no cold chain distribution system in India for supplying the imported product in the Indian market.

In the budget of 2000-01, Government of India has already announced 35 per cent tariff rate for most of the items on which QRs have been removed including fish and fishery products. To prevent any flooding of imports or import of undesirable items, now tariff rates are the only instrument for India's trade policy. Most of the fishworkers in India are in the artisanal sector and are dependent on fisheries for their life and livelihood . The artisanal

sector is often at a disadvantage because of its inability to compete with the subsidized fleets of large-scale fisheries, which are in a better position to sell at a cheaper price in the international market. Government of India should judiciously use the tariff rates to protect the domestic industry.

In case of any possible inflow of fish/ fish products into Indian market due to removal of *Quantitative restrictions*, the consumers may be benefited to have the taste of cold-water species such as trout and salmon.