POLICY NOTE – #5/October, 2018

SIMP versus Shrimp

The Changing Dynamics of U.S.-India Shrimp Trade

With the aim to promote sustainable practices and control the ills of illegal, unreported and unregulated (IUU) fishing in international trade, the United States has established a Seafood Imports Monitoring Programme. It is aimed at increasing the traceability of the seafood, thereby requiring stakeholders of both importing and exporting nations to have more accountability. India being the world's largest shrimp exporter is apprehensive of this measure, which may result in a non-tariff barrier. However, as perils of IUU fishing must be recognised and thus wisely managed, it is important to explore alternatives open to India to maintain its high shrimp exports, quantitatively, while strengthening its shrimp processing sector to compete with Vietnam, another major shrimp exporter.

Introduction

The United States of America (USA) has been a pioneer at ensuring sustainable fisheries management. Regarding seafood, the country has relied on several traceability programmes and labelling requirements such as the US FWS Lacey Act of 1900, 1970s National Seafood Inspection Program and Country of Origin Labelling. However, due to some limitations in existing regulations, in 2016, the U.S. passed the Magnuson-Stevens Fishery Conservation and Management Act (MSA), which is governed by the National Oceanic and Atmospheric Administration (NOAA).

With the health concerns and food safety issues that generally arise in trading of food items, sustainability along the entire value chain has emerged as a major area of concern.

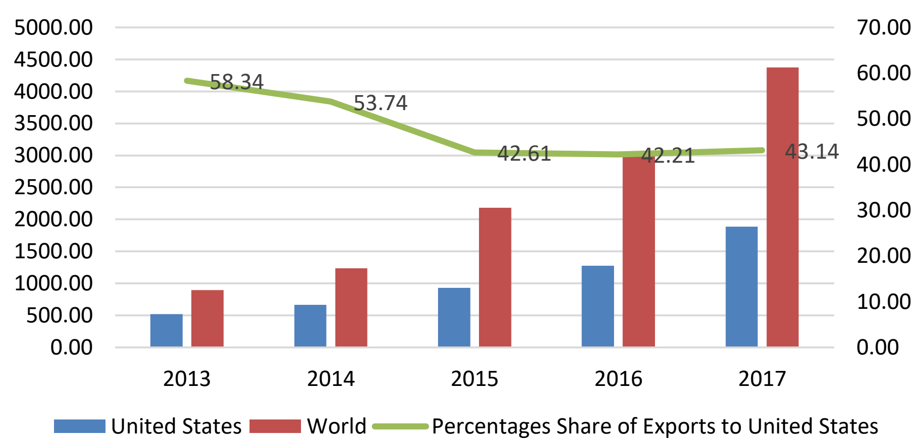
Thus, the final rule established by the NOAA relates to "permitting, reporting and recordkeeping procedures relating to the importation of certain fish and fish products, identified as being at particular risk of illegal, unreported, and unregulated (IUU) fishing or seafood fraud, in order to implement the MSA's prohibition on the import and trade." This effort by the US Government is called the Seafood Imports Monitoring Programme (SIMP), for the purpose of traceability and preventing fraudulent activities that occur along the seafood supply chain.

Effect of SIMP

The SIMP, a seafood traceability programme, establishes rules for mandatory compliance of import of 13 seafood items with the established data recording and reporting programme under which 17 data sets need to be provided.[1] It must be noted that shrimp is the highest imported seafood product into the USA.

However, the inclusion of shrimp in this list is being perceived as a non-tariff barrier by shrimp exporting nations including India, as India finds its largest shrimp

Figure 1: India's Exports of Frozen Shrimp to the United States (US$ in million)



Source: ITC Trade Map

[1] S. 300.324, International Fisheries Regulation, Code of Federal Regulations.

export market in the U.S. The SIMP reporting and recordkeeping mandates apply to exporters as well, which a developing country like India may not be well-equipped for.

India's Exports of Shrimp to USA

Possible Implications for India

India is worried since this follows an increase in anti-dumping duty to 25.39 per cent from 4.8 per cent for Vietnam, as India exports a large amount of shrimp to Vietnam for processing and re-exporting. In 2017 itself, India exported about 1,57,440 tonnes of shrimps to Vietnam, valued at Rs 75.41 billion (more than US$ 1bn), which accounted for 17 per cent of India's total shrimp exports in terms of volume.

- *Negative Implications:* Thus, Indian traders perceive the SIMP requirements as an effective non-tariff barrier, in addition to stringent quality checks and measures under the SPS Agreement that can potentially reduce the export volumes. Various accreditations and certifications (viz Hazard Analysis Critical Control Point (HACCP) approvals, British Retail Consortium (BRC) and Best Aquaculture Practices (BAP) certifications) are already mandatorily to be obtained by shrimp processing units to enable themselves to export the products to various global markets.

  Undoubtedly, the monitoring of shrimp imports by the SIMP will introduce a number of structural challenges for Indian exporters, which, for example, involve introducing new recordkeeping mechanisms, bearing risks, hiring more manpower or purchase modern technology for the same. Thus, complying with the requirements of SIMP will not only take time, but will add to costs tremendously at both exporters' and importers' ends. To that end, the U.S. Government has assured to provide exporting nations with, *subject to resources*, technical assistance and capacity building to help exporters comply with the traceability requirements.
- *Positive Implications:* However, these fears do not necessarily have a sound basis. Most of India's shrimp exports directly to the U.S. are from registered farms, which are expected to meet the SIMP requirements easily. Albeit, those exports routed through Vietnam consist of shrimp from both registered and unregistered farms, rendering the possibility of rejection for being untraceable.

  Alternately, the silver lining is that this could lead to a situation whereby Vietnamese shrimp producers export to India for processing and re-exporting, thus improving India's export earnings. This would provide an impetus to the Indian aquaculture industry to set up new processing plants where value addition activities can be done, for exports.

  Moreover, Vietnam's production has declined significantly due to unfavourable environmental conditions like increased salinity and shortage of fresh water.

Key Concerns for India

The aquaculture industry in India is mainly governed by the Marine Products Exports Development Authority (MPEDA) and Coastal Aquaculture Authority Act 2005. The MPEDA is expected to play a greater role in traceability efforts after the SIMP comes into effect.

However, the major question remains as to why the seafood processing industry has not developed in India despite being the largest exporter, and why India exports to Vietnam for processing and re-exports. India needs to capitalise on the reigning tariff structure that is adverse to Vietnamese exports, pump up the processing capacities which the Food and Agriculture Organisation currently calls non-existent, and thereafter export seafood products that are higher in the value chain.

Realising this need, the Government of India, in its 2011 FDI policy, introduced 100 per cent foreign direct investment by automatic route approval on aquaculture *under controlled conditions* only, but in 2016, this requirement was removed. Thai Union Group's joint-venture with Avanti Feeds' wholly-owned shrimp processing unit, USA's Aquastar Inc. investment in Sagar Grandhi Exports Private Limited during March 2018 and Dutch's Nutreco N.V.'s joint venture with West Coast Group to set up an aqua feed plant in India during June 2018 are outcomes of increasing investor friendliness.

In Lieu of a Conclusion

India should draw upon the similar experience in Kenya, when they embraced the requirements and focused on improving the vertical integration in their economy. It is hoped that by coping with the initial challenges posed by the SIMP, the consequent increase in value of exports will set off compliance costs, incurred both by the Government and the exporters, and thus foster a healthy environment for boosting hassle-free and sustainable shrimp trade.

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