

## **INTERNATIONAL FISH TRADE AND FISH PRODUCTS SECURITY IN VIET NAM**

By

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### **ABSTRACT**

In 2006, Viet Nam's fishery sector contributed about 6.1 percent to the GDP of the country and the value of aquatic products in export turnover was about US\$ 3.3 billion. This accounted for 9-10 percent of the country's total export value (MOFI/USDAFAS, 2007). Home consumption of fish has increased from 11.8 kg per capital year in 1993, to 13.5 kg per year in 1995 and is now estimated at more than 19 kg per year (FAO/MOFI, 2003). Fish is the most important source of animal protein contributing 40 percent to the total animal protein intake, and is supporting the people's food security (MOFI, 2007). This paper shows how international fish trade impacts on fish product security in Viet Nam and presents ideas to improve fish product security for domestic and overseas markets. It focuses on how the Viet Nam Government can influence domestic fish product security in the following ways: 1) policies, 2) support activities contributing to fish security and sustainable development, and 3) encouraging international co-operation in the sector of fish product security.

Key words: Fisheries, international trade, food security, import, export, law and decision.

### **INTRODUCTION**

Viet Nam, with a population of over 84 million, is a coastal country in Southeast Asia. Since 1986, the economy changed from a controlled planned economy to a market economy with an open policy. This change contributed to significant improvements to economic growth. Annual growth of domestic output averaged 7.5 percent per year from 1990 to 2004, export growth exceeded 20 percent for each year during this period, and poverty was reduced from 18 percent in 2001 to 7 percent in 2005 (UNDP, 2007).

Viet Nam became a member of the World Trade Organization in 2006. This has provided opportunities as well challenges, contributing to social economic development, job creation, income increase for workers and improved living standards for the Vietnamese people, particularly to fisheries sector.

In the Viet Nam economy, the fishery sector plays an important role in contributing to the increased national economy and helping in stabilizing the economy - maintaining income for millions of people whose livelihood is dependent on the fisheries sector. The fishery sector also plays an important role as a source of animal protein in the diets of the general population. By overview, the paper will indicate the current status of the Viet Nam fisheries sector and impacts of international fish trade on the fish product security. The paper will discuss how the Vietnamese Government can influence food security through related policies. Finally, the paper will present ideas to improve fish product security for domestic consumption and export trading.

### **OVERVIEW OF THE FISHERIES SECTOR**

Vietnam has a long tradition of fisheries and aquaculture practices, having a 3,260 km long coastline - 1 million km<sup>2</sup> of Exclusive Economic Zone (EEZ). There are 3,000 islands plus up to 2,860 rivers and the Mekong River Delta (one of the most productive fishery zones in the world covering an area of about

40,000 square km). In addition, there are about 4,200 square km of rivers, lakes and other natural water surface as freshwater, brackish water and marine water available for aquaculture purposes (FAO/USDAFAS, 2007).

The latest evaluation of marine fish stock estimated a reserve of about 4.2 million tons with over 2,100 species of marine fishes of which about 130 species high economic value. Annual allowable catch is about 1.7 million tons per year (RIMF, 2004). Viet Nam is ranked third for aquaculture and eleventh for fish exploitation in the world (FAO, 2004).

The fisheries sector is considered one of the fastest growing sectors in the economy in the past years. Total fish production in 2003 achieved 2.5 million tons including output of capture fisheries production of 1.4 million tons and aquatic production 1.1 million tons (an increase of 4.2 percent compared to 2002). Growing consistently in 2007, the total volume of fishery achieved over 4.0 million tons, an increase 10.8 percent compared with 2006 (MARD, 2008). The rapid development of fishery in last years is illustrated in figure 2A.

**Table 2A: Total volume of fisheries products of Viet Nam from 2002 – 2007 (million tons)**

<b>Year</b>	<b>Total volume</b>	<b>Marine catch</b>	<b>Aquaculture &amp; Inland catch</b>
2002	2.4	1.4	1.0
2003	2.5	1.4	1.1
2004	3.1	1.9	1.2
2005	3.4	2.0	1.4
2006	3.7	2.0	1.7
2007	4.1	1.9	2.2

Source: MARD/FICen, 2008

As can be seen, aquaculture contributed to over 41 percent of the gross fish catch of over 3.4 million tons in 2005 and 46 percent over 3.7 million tons in 2006, a massive increase from the 25 percent of gross catch it recorded in 1986.

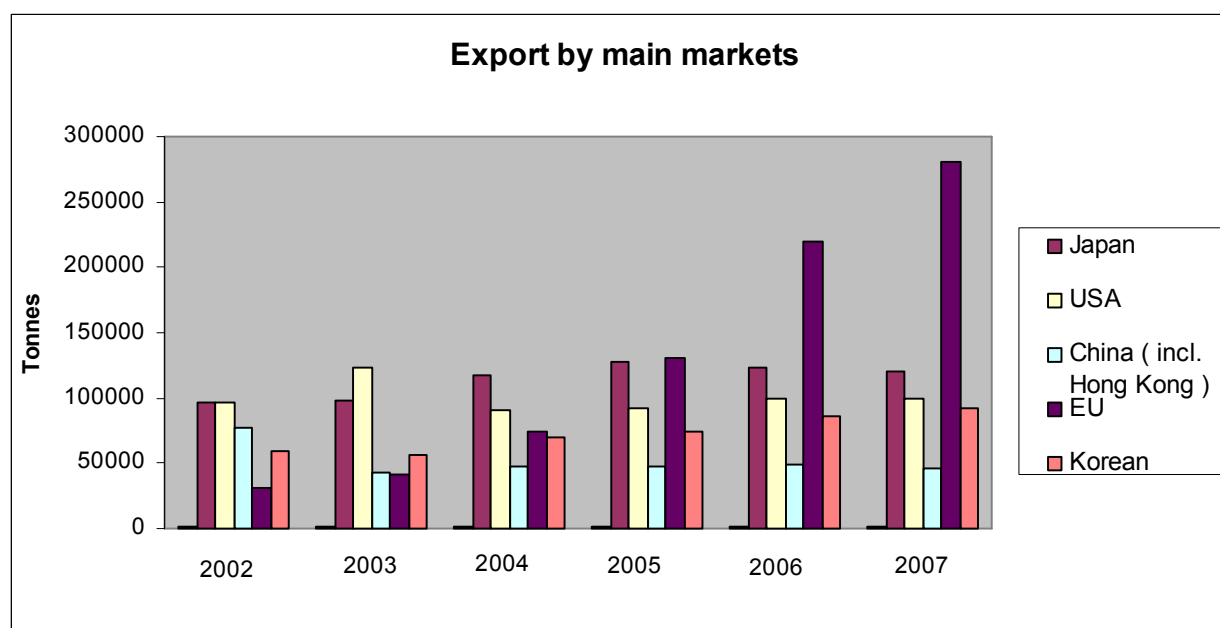
During the last few years, the rate of growth of the fishery sector has been higher than other economic sectors. Contribution for the country's GDP from the fishery sector has been growing from 2.9 percent in 1995 to 3.4 percent in 2000, reaching 3.9 percent in 2003 and over 6.1 percent in 2006 (MOFI/USDAFAS, 2007). The Government has a target of achieving 4 million tones of fish production and 4 to 5 billion US\$ export value in 2010.

## **INTERNATIONAL FISH TRADE**

In Viet Nam, international fish trade has grown remarkably fast in the last few years, providing employment and income growth for the export and domestic economy. International trade of fish products can earn large amounts of foreign exchange which can be used to buy relatively cheap food needs for the domestic consumption, contributing to increase food security in Viet Nam.

The major markets for the export of Viet Nam fish products are Japan, USA, EU, Korean and China. In 2001, only 61 exporting enterprises were allowed to export fish products to the European Union. By 2003, about 237 Vietnamese processing enterprises have met the sector's food safety and hygienic standards. 153 aquatic export enterprises have been allowed to export their products to EU market, 255 to Switzerland and Canada, and 248 to the U.S. The country has gained an increasingly dominant position in the world fishery market. In 2008, there are 269 enterprises are allowed to export fish products to EU (MARD/FICen, 2008). It is likely that Viet Nam ranks in the top ten seafood exporters in international fish trade. The success in international fish trading of Viet Nam to main markets can be seen from the figure 3A.

**Figure 3A: Main export markets for fisheries products from Viet Nam 2002 – 2007**



Source: VASEP, 2008

The fisheries exports has increased to US\$ 3.8 billion by 2007, and it is expected to 4.0 billion in 2010 - an increase above 10 percent compared to 2007. This increase in Vietnamese fish exports is illustrated in table 3A, which shows the development of international fish trade in the last few decades.

**Table 3A: Development in the Vietnamese seafood export 1980 – 2007**

Market year	Export volume in tons	Export value in million US\$	Growth rate value compared to year 1980
1980	2,700	11	1
1985	25,000	90	8
1990	49,000	205	18
1995	128,000	550	49
2000	291,000	1,479	135

2002	444,000	2,023	184
2003	458,000	2,217	202
2004	531,000	2,397	212
2005	627,000	2,739	249
2006	812,000	3,348	304
2007	925,000	3,763	342

Source: VASEP/FICen, 2008

The implementation of bilateral trade agreements between Viet Nam and importing countries has been ratified. So far, there are some forms of trade restrictions put into effect by Japan and USA. Fish products exported to Japan have decreased slightly in value due to relatively strict Japanese food – hygiene safety standards. Meanwhile, the EU market has increased dramatically to show the success of Viet Nam in international trades with EU in term of Viet Names fish products compliance with EU quality standards. Most of processing enterprises have improved food hygiene safety standards to meet the strict requirement of the developed countries (MOFI/FICen, 2007). The export to the main markets has improved significantly as can be seen from table 3B.

**Table 3B: Main export markets in percent of total**

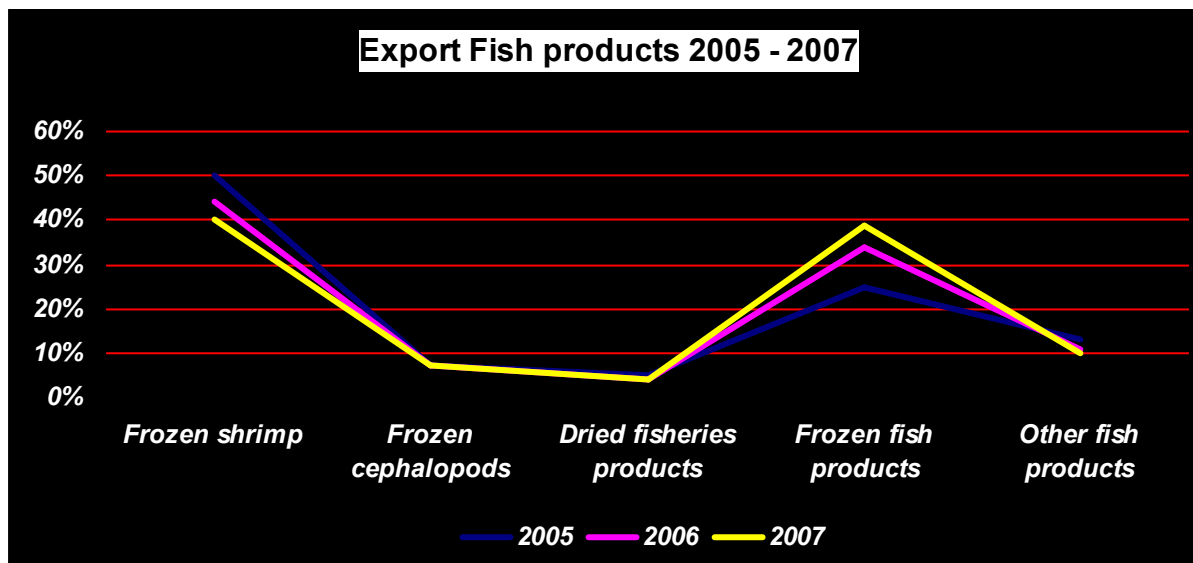
Market year	Share of total export value in percent				
	2003	2004	2005	2006	2007
Japan	26	32	30	25	21
USA	35	25	23	20	20
EU	6	10	16	22	26
Korean	5	6	6	7	8
China (incl. Hong Kong)	7	6	5	4	4

Sources: VASEP, 2008

However, Viet Nam is learning from the impact of WTO agreements on the fish trade. The EU and North American markets have relatively strict requirements in hygiene safety standards for fish products. This may be a barrier to exporting in both volume and value of fish trade to these countries. Consequently, national income, and therefore food security, may be reduced.

In 2007, the value of fish exports reached US\$3.8 billion, an increase of approximately about 11.2 percent compared to 2006 (VASEP, 2008). This success can be attributed to the strengthening of export markets and the diversification of fish products. Exported fish products are diversified in terms of main groups, where the main products include frozen shrimps, frozen fish products, dried fisheries products, and frozen cephalopods. In total, frozen shrimp was the largest exported fish product by volume from 2005 to 2007, as shown in the figure 3B.

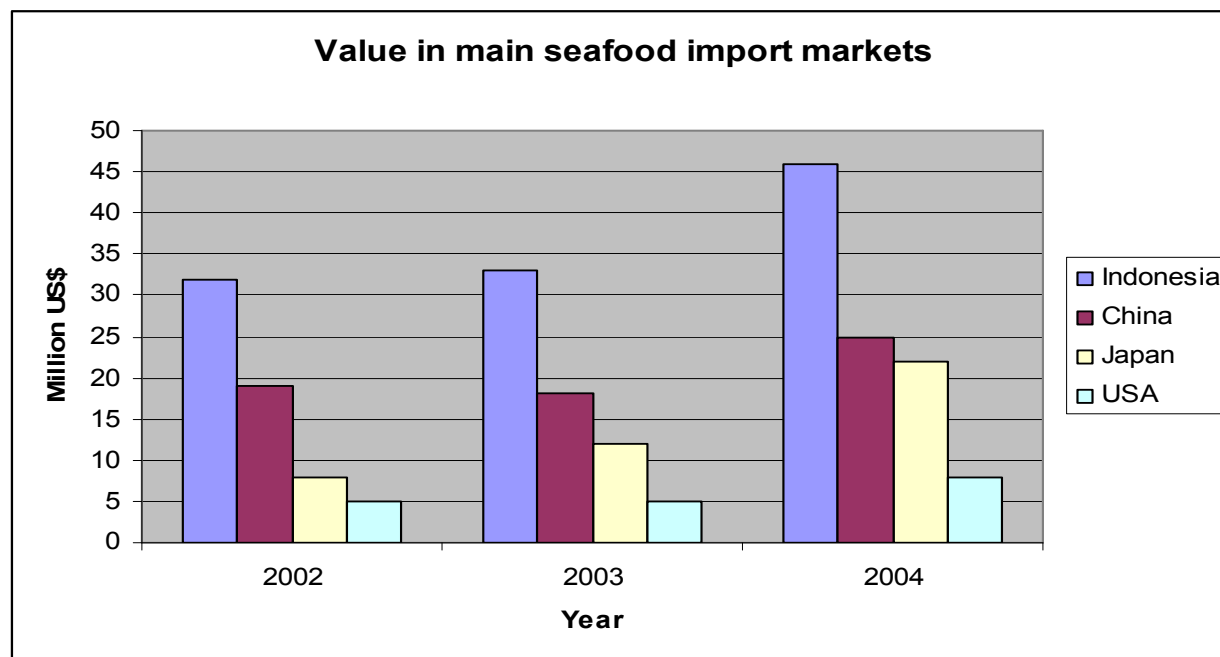
Figure 3B: Export of Vietnamese fisheries products from 2005 - 2007



Source: VASEP, 2008

In 2006, the country earned more than US\$3.3 billion from seafood exports with 40-50 percent of raw materials for the seafood processing industry sourced locally (MOFI/FICen, 2007). Thus, production of fish raw material for processing has been lower to cover the growing demand of fish products exports. To achieve the export strategy and use in domestic consumption, the fisheries industry has to import fish products from China, Thailand, Indonesia (mainly for breeding and ornamental gardens), US, Japan, Norway, Australia and other countries. Exporting high-value food products and importing low-value products may improve national food security. However, imported fishery products must be registered and tested for quality and safety in compliance with the rules of the Government. The figure 3B shows the value of imported of fish products from 2001 to 2004.

Figure 3C: Main imported markets of fisheries products 2002 – 2004 (million US\$)



Source: MOFI/FICen, 2006

## VIET NAM GOVERNMENT CONSIDERATIONS FOR FOOD SECURITY

### The Government policies

In past years Viet Nam has had a high demand from foreign markets for shrimp, catfish and cuttlefish and other high value fish products. The high demand and improved quality from the introduction of value-adding processing techniques are the main keys for increasing foreign earnings of exports.

However, increasing trade of fish has increased demands for scarce fish resources causing further over-exploitation of inshore fish stocks. The coastal resources have begun to show signs of over-exploitation, as some high value marine species have been over fished. Consequently, sources of inshore fish might be become exhausted. On the other hand, international fish trade increases are encouraging farmers to expand their farms or create more fish farming which has caused incompressive development in many areas. Resulting sources of fish for export and domestic markets are unstable creating a negative effect on food security. An existing problem is using unsafe types or quantities of chemicals to treat fish disease and to preserve the fish during transport from producers and processor to wholesalers. Other negative effects on the development of fish product exports include the lack of predictable activities, experience and expertise in international trades, which may have hidden risks for food security.

It is clear that unsustainable development of fisheries and poverty are closely related so the problems above will have negative impacts on food security and may bring about a decline in economic gain from international trade in future.

Overall fisheries management objectives include maintaining sustainable fisheries for food security, improved livelihood to increase employment, and increased earning of foreign exchange by international fish trade. The Viet Nam Government has taken important steps promulgating the legal frameworks focusing on the strategic orientations for sustainable development of fisheries, precautionary measures and regulations to ensure that sustainable production is reached and maintained. Some of these frameworks are described as follows:

- Decision 393/ 1997QD-TTg, focused firstly on further expansion of marine fish production for domestic consumption and for export; and secondly on reducing the pressure on coastal fisheries resources which have shown signs of full exploitation, while strongly promoting offshore fisheries.
- Decision 09/2000/NQ-CP considered the economic restructuring and transferring of unproductive agricultural land to aquaculture as being a highly productive farming model for agricultural restructuring, raising people's income and contributing to poverty elimination.
- Law of Fisheries, Dec. 2003 (enforced July 2004), is the highest legislation regulating activities of Viet Nam fisheries. The Fisheries Law has 62 articles regulating fishery production, trading and investment and ensuring fishery quality, hygiene and safety in the process of food production and business; and the prevention and overcoming of food poisoning and diseases transmitted via food. The regulation on hygienic conditions applied to fishery production units in the field of farming, processing and trading is based on the fisheries sector's standards for food security (MARD/FICen, 2008).
- The Law on Environment Protection No. 52/2005/QH11, On 22 November 2005 by the National Assembly, regulates that: Environmental protection must be harmonized with economic development and the security of social advancements to ensure the achievement of sustainable development of the country, and actions undertaken to protect the environment at national level must be combined with those at regional and global levels (MARD/FICen, 2008)
- Decision 15/2006/QD-BTS Regulation on aquatic product quarantine. Viet Nam has signed bilateral agreements with some import countries on food hygiene and safety, and the quarantine of animals and plants, for the inspection of quality and quarantine of export goods based on the requirements of the importers (MOFI/FICen, 2007).
- Decision No. 50/2006/QD-TTg of March 7, 2006, regulated feed for aquaculture including fish meal and mixed feed in the form of pellets for black tiger prawn, giant black tiger prawn, tilapia, "Tra" and "Basa" catfish; and feed for other aquatic species (MOFI/FICen, 2006)
- Decision No 10/ 2006 / QD – TTg approved the Master Plan for Development of the fishery sector by 2010. The Ministry of Fisheries is planning to protect the coastal marine resources by depleting the number of small fishing boats and vessels by 2010, reducing 50 percent of inshore fishing, and maintaining the growth of the fishery with a focus on quality and value added fish products. The Fisheries sector has also conducted policies for the restructuring of coastal fisheries and inland aquaculture to develop three target programs – aquaculture, fisheries export and offshore fishing, intended to become powers of fisheries in the world. The major policy goals are contributing to poverty alleviation within fishing communities, creating new occupations and improving the living standards of fishing communities (FAO/FICen, 2007).

### **The Government support activities for food security**

Better management of inshore fish sources and off shore fishing, aquaculture and international fish trade are the keys for food security, for the sustainable growth of the fisheries sector and poverty alleviation. To achieve these goals the Viet Nam Government has supporting activities in parallel with issued policies, described as the follows:

- Supporting the hygiene safety control agencies in strengthening the capabilities of implementing the rules of the Government to protect consumers and ensure safety of seafood products through coordination with the Ministry of Science and Technology and the Ministry of Public Health.

- Organizing training short courses in the implementation of issued food hygiene safety standards, quality and safe aquaculture production, information and labeling of fisheries products, and international trade promotion.
- Making laws, regulations and administration procedures more effective: the Fisheries sector is establishing a cooperative training network for sustainable development law in the whole nation through the promotion of public awareness, preparation and distribution of guidance material, and specialized training including workshops, seminars, education programs and conferences.
- Increased funding for workforce education and training in the fisheries sector, and helping poor fishermen to diversify their livelihoods to alleviate poverty and reduce vulnerability of themselves and their families.
- Encouraging development of marine fish cage culture and aquaculture by providing supporting activities and promotion of alternative livelihoods. Also through developing infrastructure for aquaculture, fishery extension and providing financial sources via prior credit programs for fish farmers.
- On implementation of the decision No. 393, the Government granted a loan of capital, lending interest rates and credit debt payment terms to help fishermen build offshore fishing enterprises and fishing service ships. This was aimed at increasing the number of offshore fishing boats exploiting new potentialities and supplying materials for processing (MARD/FICen, 2008).

### **International cooperation for food security**

The progress of the fisheries sector has made a significant contribution to economic growth, job creations, income increase for workers and improved living standards for Vietnamese. An important contribution to achieving the progress of the fisheries sector is international cooperation.

Viet Nam has cooperated with many countries on international fish trade and development of the fisheries sector to benefit both sides, including Agreements on fisheries and Memoranda of Understanding with USA, Russia, Denmark, Norway, China, Australia, etc.

Viet Nam has attended meetings with, and received support from, international organizations - namely UNDP, FAO, WB, DANIDA, NACA, ACIAR and several NGOs like WWF, IMA, ICLARM, IUCN, etc. By cooperating with international organizations, the fisheries sector has received ODA capital loan projects and foreign investments. These projects have actively contributed to food security and fisheries sustainable development of Viet Nam. In 2005, Fisheries sector had 7 ODA projects for capital loan value up to 90 million US\$.

The DANIDA, ACIAR and other organizations have given large support to the fisheries sector including assessment surveys on marine resources to reallocate the coastal fishing structure for development of offshore fishing, renovation of institution and legislation, improvement of processing industry and export extension, research, and training technical workers and experts in food security and fisheries sustainable development of Viet Nam (MOFI/FICen, 2006).

The Government issued a prior policy for foreign investors who wish to invest on seaports exempting them from taxes applied to materials for seaport construction and upgrading, as well as cooperate income tax. They will also be given favourable conditions in terms of construction sites and be provided with adequate information regarding Viet Nam's seaport system.



**Recommendations**

In order to strengthen Fisheries sustainable development and food security, the Fisheries sector should be aware of the weaknesses and shortcomings of the implementation of the sector in past years if they are to be able to raise the effectiveness of the regulations above. Some suggestions addressing these weaknesses are as follows;

First, there should be policies that specify appropriate priorities for supporting small-scale fisheries, aimed at alleviating poverty and improving food security, such as finance, capital, credit, land and other social policies.

Second, by focusing on export increases, the tariffs for export processed products should be more specific on relative competitiveness and on value-added fish products throughout the supply chain from catching, farming and processing to the public and private sector.

Third, restructure and improve the quality of fisheries management at different levels such as state, provinces and local areas, and continue the innovation of mechanism structures to facilitate the procedures for the involvement of concerned individuals and groups.

Fourth, the encouragement of policies for householders on taxation land lease is low. The benefit of the policies are small when considering potential risks that might occur in the fisheries sector, directly affecting aquaculture farmers, so the households in the Fisheries sector should be the priority subjects from the Government.

Fifth, the policy for increasing offshore fisheries should be accompanied by supporting regulations to make it more effective.

**IMPACTS OF INTERNATIONAL FISH TRADE ON HUMAN RESOURCE**

The number of laborers in the fisheries sector has grown constantly from 3.12 million persons in 1996 to about 3.8 millions in 2001 (including part-time laborers), an annual increase of more than 100,000 laborers. The average increase in fisheries full-time labor force is 2.4 percent, which is higher than the country's population growth rate of 2 percent per year (MOFI, 2006). The development of human resources is a positive effect to increasing international trade.

Due to their lack of knowledge, farmers use unsafe types or quantities of chemicals to treat fish disease, wholesalers use cheap chemicals for preserving the fish, and processors sometimes use unsafe types or quantities of chemicals for processing – all of which compromise food safety and nutrition. This problem may have food security issues and consequences for the sustainability of fish products in the international trade.

Upgrading knowledge and skills for fish workers are important activities to contribute to the sustainable development of the fisheries sector. Therefore, the Government has previously focused on human resources by training low skilled people, the laborers directly involved in production, technicians and managers in terms of both quantity and quality in order to improve employment within the fisheries sector and raise the standards of the industry.

In 1999, the number of people that were involved in a long-term vocational training program was as low as 1,400. In 2003, this figure jumped by 154 percent to 3,500 and reached about 8,000 in 2006. For the short-term vocational training programs, 163,000 laborers were trained in 2006. This resulted in about

600 chief mechanics, 600 quarantine staff, and captains that were provided with training courses and certificates (MOFI/FICen, 2007).

To raise offshore fishing efficiency, the Government also encourages children from fishing villages nationwide to attend maritime universities that are improving on the skills of existing ship captains and on the professionalism of officials at management agencies to develop human resources for the fishery industry (MOFI/FICen, 2006).

## **IMPACT OF INTERNATIONAL FISH TRADE ON INCOME DISTRIBUTION**

Fish can provide for food security directly at the household level through fishing for consumption, and indirectly at both household and national levels through the generation of income derived from labor-wages and sales of fish, which can be used to purchase food (FAO, 2006).

The growth of export earnings has contributed to wealth and well-being of society to achieve poverty alleviation and improved food security. There is a significant positive effect from international fish trade to the social economy of Viet Nam. The fisheries industry has recorded an annual average growth rate of 18.4 percent and provided jobs for almost 4 million workers in 2006, more than doubling since 1990 (MOFI/FICen, 2007). The services for fisheries such as product trading, food supply, net mending and other services are undertaken mainly by females. This has provided a considerable income and improved the women's position, particularly in rural and fishing communities, and coastline areas. Almost 90% of the labor force involved in fish retail trade are women.

The comprehensive Poverty Reduction and Growth Strategy program of the Government highlighted the importance of aquaculture in poverty reduction and improvement of the livelihood of poor people who are involved in the fisheries sector in coastal and rural areas. In general, the average monthly per-capita income and standards of living in aquaculture, fishing communities and rural areas has increased.

## **CONCLUSIONS**

It seems to be easy to define the relationship between international fish trade and food security in Viet Nam. Food security has been integrated within international trade regulations to encourage both economic development and food security. It is obvious that fisheries export is a significant contribution in the growth of social economy and national food security.

On the other hand, foreign markets have motivated the development of fisheries activities, and the beneficiaries are the fisheries sector and involving sectors. However, if we specifically consider the fishing communities and aquaculture farmers who are directly involved with the fisheries sector, many of the fishermen and aqua culturists in Viet Nam are still poor, having low income and low standard of living.

Strong and effective processes in better management for environment, sustainable aquaculture and fisheries resources, as well as the facilitation of procedures for the involvement of concerned individuals, groups and organizations in international fish trade, are the basis for fisheries sustainable development and food security in Viet Nam.

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